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

Green Energy for a Sustainable Future

Annual Report 2019

GREEN ENERGY FOR A SUSTAINABLE FUTURE

As core participants in the energy sector, our operating companies are investing in innovation and green energy to support the fight against climate change. The front cover of our 2019 annual report reflects our worldwide effort in this area. The red and grey curves flowing upward and downward are reminiscent of energy flows, and are a visual metaphor for our increasing investment in decarbonisation to achieve a sustainable future.

A STRATEGIC GLOBAL INVESTOR IN THE ENERGY SECTOR

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

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

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

Listed on the Stock Exchange of Hong Kong as a constituent share of the Hang Seng Index, Power Assets is also one of only 11 Hong Kong companies included in the Dow Jones Sustainability Index Asia Pacific and one of the constituents in the Hang Seng Corporate Sustainability Index.

CONTENTS


p.9


p.15


p.19


p.41

Performance Highlights

19,083,000

Number of Customers

112,300 km

Gas/Oil Pipeline Length

399,100 km

Power Network Length

1,731 MW

Generation Capacity - Renewable Energy/ Energy-from-waste

3,968 MW

Generation Capacity - Gas-fired

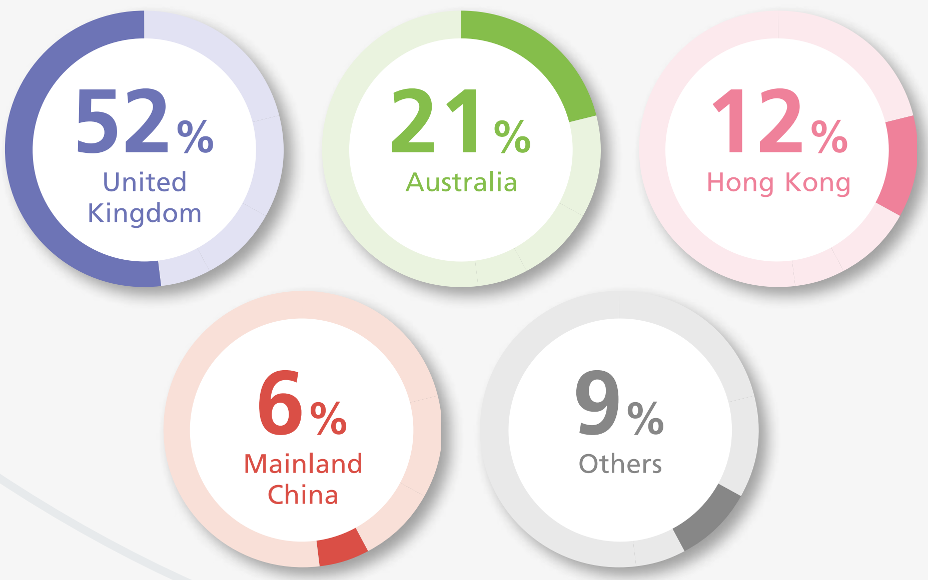
4,607 MW

Generation Capacity - Coal/Oil-fired

Financials

	2019 HK$	2018 HK$
Profit attributable to shareholders (million)	**7,131**	7,636
Earnings per share	**3.34**	3.58
Dividends per share	**2.80**	2.80
Total equity (million)	**85,492**	83,557
Cash on hand (million)	**4,876**	5,229
Debts (million)	**3,319**	3,437
Net debt to net total capital ratio	**Net Cash**	Net Cash
S&P credit rating	**A / Stable**	A / Stable

2019 Profit Contribution by Reportable Business Segment



Chairman's Statement

Full Year Results

The Power Assets Group's diversified operating model combined with our low-risk asset base enabled us to deliver operating profits in line with expectations for the year ended 31 December 2019. The Group's audited profit attributable to shareholders amounted to HK$7,131 million (2018: HK$7,636 million). The decrease was primarily attributable to weak exchange rates for various currencies and lower contributions from the Group's UK and Hong Kong portfolios.

Our stable underlying performance is an endorsement of the strength of our robust and diverse portfolio of assets that deliver predictable long-term income streams. Today we have investments in power generation, transmission and distribution, gas transmission and distribution as well as oil storage and transmission in 10 markets across the globe – namely the UK, Australia, Mainland China, the Netherlands, Portugal, New Zealand, Thailand, Canada, the United States, and our base Hong Kong.

Dividends

The Board of Directors has recommended a final dividend of HK$2.03 (2018: HK$2.03) per share, payable on 28 May 2020 to shareholders whose names appear in the Company's Register of Members on 19 May 2020. This, together with the interim dividend of HK$0.77 per share, takes the total dividend for the year to HK$2.80 (2018: HK$2.80) per share.

Operations

United Kingdom Portfolio

As the Group's largest market, our businesses in the UK recorded a total profit contribution of HK$3,489 million (2018: HK$4,045 million). Uncertainties surrounding Brexit during the year did not affect business performance, as output is regulated or governed by long-term offtake contracts. However, currency fluctuations and UK Power Networks (UKPN)'s cessation to recognise certain non-cash revenue impacted the profit contribution to overall earnings.

UKPN, Wales & West Utilities (WWU) and Northern Gas Networks (NGN) all continued to lead in reliability and customer service. Seabank Power met expectations, with its income governed by an offtake contract based on availability.

Hong Kong Portfolio

In our home market Hong Kong, HK Electric Investments made a profit contribution of HK$777 million (2018: HK$1,018 million). The decrease was primarily due to a reduction of the rate of permitted return under the new Scheme of Control Agreement which commenced on 1 January 2019.

The operating company, HK Electric, is transitioning smoothly into the new regulatory period. A new gas-fired generation unit, L10, was synchronised in October 2019 and commissioned in February 2020. The company is progressing with other capital works under the 2019-2023 Development Plan which will not only increase its assets base but also increase gas-fired generation further to about 70% of total output by 2023. At the same time, HK Electric achieved a reliability rating of more than 99.999% for the 23rd year in a row, despite the city-wide social unrest since June 2019.

Australian portfolio

The Australian portfolio delivered a profit contribution of HK$1,445 million (2018: HK$1,451 million) to the Group. The underlying performance was strong, but results were partly affected by unfavourable exchange rates.

The electricity distribution networks, SA Power Networks (SAPN), Victoria Power Networks (VPN) and United Energy (UE) engaged with the regulator and stakeholders to determine acceptable outcomes in regulatory resets. The reset for SAPN will be in 2020 while the resets for both VPN and UE will be in 2021. In addition, our electricity distribution networks in Australia have been minimally impacted by the bushfires. In the State of Victoria, neither VPN nor UE has been affected. The bushfires did cause damages to homes in the State of South Australia; nonetheless, SAPN recorded minimal damage to our assets given our electricity poles are constructed of concrete and steel.

The gas distribution networks, Australian Gas Networks and Multinet Gas, progressed the construction of a 1.25-MW hydrogen electrolyser plant at the Tonsley Innovation District in South Australia for the Hydrogen Park SA project. This will be used to analyse and develop business models for the use of "green" hydrogen utilising excess solar energy in the day time and the excess wind energy in the night time to progressively decarbonise gas supply. Our gas transmission pipeline, Dampier Bunbury Pipeline completed and commenced operation of the Tanami Gas Pipeline ahead of schedule. Energy Developments Pty Ltd (EDL) acquired two additional landfill sites capable of generating approximately 65 MW in the United States. Australian Energy Operations connected the Moorabool and Elaine Wind Farms to the grid in 2019 and started contribution to the Group.

Mainland China portfolio

The Chinese portfolio comprising wind farms and coal-fired power plants made a profit contribution of HK$415 million in 2019 (2018: HK$469 million). The transfer of ownership of the Siping cogeneration plant to the mainland joint venture partner under the respective co-operative agreement was completed in 2019. The operation rights of Zhuhai power plant also expired in 2019 and the transfer of its ownership to our mainland partners is in progress. This is aligned with the Group's global decarbonisation goals and will have reduced our total installed coal-fired generation capacity by 1,600 MW upon completion.

Other portfolios

The Group's two Canadian operating companies delivered earnings in line with expectations in 2019. Husky Midstream continued to expand its network footprint, delivering a reliable income stream for the Group devoid of commodity risk. Within the fleet of our Canadian power plants, the only coal-fired power station in Alberta, the Sheerness power plant, is currently undergoing progressive coal-to-gas conversion and ultimately becoming a 100% gas-fired generating unit.

Our continental Europe portfolio focuses on energy generation from waste and through renewables. AVR-Afvalverwerking B.V. (AVR) in the Netherlands designed, installed and is currently operating the first carbon capture and utilisation plant selling captured carbon dioxide to nearby greenhouses. Both AVR and Iberwind met expectations and made stable profit contributions to the Group.

Wellington Electricity Lines Limited in New Zealand and Ratchaburi Power Plant in Thailand operated smoothly and met customer services targets and performance expectation.

Supporting global efforts to decarbonise energy and heating

There is a non-stop momentum towards decarbonisation of energy around the world. To meet UK Government's Net-Zero initiative, our strategy is two-fold: to accelerate and support decarbonisation of home heating and electricity supply, and to ensure the requisite infrastructures are in place to support businesses and consumers' own efforts in this regard. In the electricity distribution sector, our networks are continuously upgraded to accommodate the projected influx of distributed renewable energy sources from solar and wind generation as well as the anticipated surge in the required charging networks to facilitate the massive uptake of electric vehicles.

In the gas distribution sector, NGN and WWU are founding members promoting the H21 (hydrogen in the 21st Century) concept and related projects. The series of projects embark on the safety case studies at the Health & Safety Laboratories in Buxton as well as hydrogen blending (into the natural gas network) trials at Keele University, with a full-scale pilot demonstrator planned for Gateshead in North East of England. In addition to the blending of hydrogen, our gas networks in the UK continue to take on additional bio-methane gas to reduce emissions in household heating.

In order to help reduce emissions in electricity supply, we generate renewable energy in Portugal, Mainland China, Australia and Hong Kong, as well as producing energy from waste in the Netherlands. Furthermore, through our investment in EDL, we also produce energy from landfill gas in Australia, North America and Europe. In our continuous efforts to phase out coal-fired units, HK Electric is building two more gas-fired generating units to increase gas-fired generation capacity to 70% of total output by 2023. Together with the relinquishment of 1,600 MW of coal-fired units in Mainland China and Canadian Power's coal-to-gas conversion of Sheerness Power Plant, the Group's carbon emissions will be significantly reduced going forward.

The Group is also supporting efforts by consumers and businesses to move towards greener lifestyles through adoption of electric vehicles (EVs), energy conservation, and consumer-side renewable generation. In the UK, WWU is making public transport in Wales and South West England greener by connecting and supplying gas to gas filling stations for bus and lorry fleets, while UKPN is powering a network of electric bus garages. In Hong Kong, UK and New Zealand, our operating companies built out EV charging facilities for private as well as public transportation.

We optimised our distribution systems to be more agile in order to support renewable installations by consumers. In Hong Kong, a Feed-in Tariff scheme where customers can sell electricity from their own installations back to the grid at advantageous tariffs drew an encouraging response from the community. A notable adopter of this scheme is Ocean Park, which has installed a 200-kW rooftop solar panel system that can generate approximately 200,000 kWh of green electricity every year.

Outlook

It is widely anticipated that global economic uncertainties will persist in 2020 with the challenge of the looming threat of global trade tensions, political disruptions, natural disasters and infectious diseases. In addition, lower allowed returns resulting from ultra-low interest rates globally and tough stances by regulators will inevitably result in lower revenues.

With a sound net cash position and good liquidity, the Group is strongly positioned to pursue large strategic acquisitions despite geopolitical and economic uncertainties. Our strategy is to achieve organic growth among our underlying businesses, with opportunities to expand their operational scale through acquisitions. At the same time we join our strategic partner, CK Infrastructure Holdings Limited, to vigorously pursue acquisition targets that offer assured, long-term returns in well-regulated and mature markets with financial discipline.

In closing I would like to thank our board, management and shareholders, as well as all our employees around the world for your unwavering loyalty, hard work and commitment.

Fok Kin Ning, Canning
Chairman
Hong Kong, 18 March 2020

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.

Grow shareholder value in fields of expertise

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

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

Underpinning our growth and future development are three key principles.

Pursue global diversification while minimising risks

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

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

Maintain a strong balance sheet as a foundation for agility

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

Year at a Glance

2019 Jan-Jun

AVR opens its second plastic separation line, an essential stage for the recycling of household waste in Rozenburg. Thanks to the new line, AVR's recycling performance improves significantly through the year.

UE's network experiences a demand peak of 2,014 MW, the highest in nearly a decade. The network performs very well in the face of generation failures leading to load shedding at the direction of the regulator.

Power Assets transfers its 45% equity interest in the 200-MW Siping cogeneration plant to its mainland Chinese partner at the scheduled end of the cooperative joint venture operating period.

WWU completes a pilot for the Freedom Project, an initiative in collaboration with industry partners to install smart hybrid heating systems that allows households to optimise the efficiency and monthly spend on heating.

UKPN receives the highly prestigious International Award from the Edison Electrical Institute in America for its industry-leading work in supporting the UK's low carbon transition. The award recognises the company's innovation and contribution to the advancement of the industry.

WWU ramps up its support for green public transport by supplying gas to filling facilities for fleets of buses and trucks. One such site is a bus depot at Bristol, connected in January 2019.

UKPN launches 'Optimise Prime', a regulator-funded project to develop technical and commercial solutions to enable fleet operators – both public and private hire transportation – to make a faster transition to EVs.

AGN completes the construction of a 1.7 km x DN150 high pressure steel main to augment gas supply in the Adelaide central business district. The project will enhance supply security in the central business district.

AEO completes the infrastructure needed to connect the 321-MW Moorabool Wind Farm and the 85-MW Elaine Wind Farm to the grid.

2019 Jul-Dec

SAPN Enerven secures a contract with SA Water to install 154 MW of solar generation and 32 MWh of storage across metropolitan and regional South Australia. The power generated will enable SA Water to completely offset their expenditure on electricity.

WELL initiates a project to explore how a dynamic energy exchange platform can better manage the additional network load caused by the widespread charging of EVs. The project will allow WELL to effectively handle peak demand as EV use increases.

NGN, in partnership with other leading industry players, opens the world's first H21 hydrogen testing facility in Buxton. The facility will help the UK decarbonise by testing the safety of hydrogen as a household fuel.

HK Electric crosses a major milestone in its coal-to-gas transition with the synchronisation of L10, its new gas-fired generating unit in 2019.

The Hong Kong Management Association presents the *2018/19 Hong Kong Sustainability Award and Special Recognition for Innovation* to HK Electric in recognition of its commitment to sustainability and enhancement of performance through innovation.

Husky Midstream completes construction of its first natural gas infrastructure assets, the Ansell Corser gas processing plant and Wembley gas pipeline, on budget and on schedule. The Ansell Corser gas plant has an initial processing capacity of 120 mmcf/d.

CitiPower commences work on a A$250 million upgrade of the electricity network in the Melbourne central business district to ensure that the city can withstand two major outages due to extreme events, with minimal impact to customers.

The West Gate Tunnel Project in Melbourne is planned to be an alternative to the West Gate Bridge and relieve traffic congestion in Melbourne. To support the project, Powercor completes Phase 1 of relocation of various CitiPower assets.

The Jinwan plant effectively doubles its steam supply capacity following modification of its heat supply and installation of additional water treatment facilities. This will help address the increasing demand for steam in the local community in China.

AVR becomes the first waste-to-energy company in Europe to capture and use CO_2 on a commercial scale, cutting the greenhouse gas emissions of its Duiven plant by 60 kton a year.

EDL purchases the Broadrock Renewables business, consisting of approximately 65 MW of landfill-gas-to-energy assets, across two sites in the US, from Macquarie Infrastructure Partners II. The transaction further diversifies EDL's renewables generation portfolio.

CEO's Report

Tsai Chao Chung, Charles
Chief Executive Officer

Welcome to the 2019 operating results of the Power Assets Group.

As a global investor in companies in energy generation, transmission, and distribution and working with the spectrum of fuels including coal, gas, renewables, waste and oil, we currently serve a total of over 19 million customers worldwide and have interests in over 10,000 MW of power generation assets and 511,400 km of power, gas and oil networks.

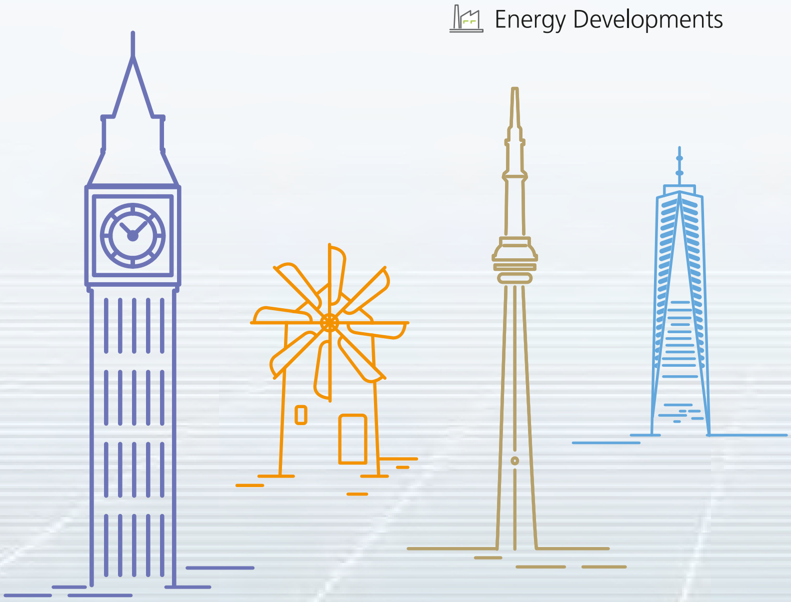
All companies in the Group operate in stable, well-regulated and mature energy markets across Asia, Australia, Europe and North America. Our diversified asset base and emphasis on secure, regulated income streams have enabled us to address economic cycles and commodity price fluctuations. Despite the Brexit uncertainty, the fact that none of our regulated infrastructure businesses in the UK is affected clearly exemplifies the merits of our investment strategy.

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

Netherlands
- Dutch Enviro Energy Holdings B.V.

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

United States of America
- Energy Developments



Legends

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

We have achieved consistent performance over the years through organic growth as well as acquisition and green field development activities based on a solid ethos of delivering long-term value for our shareholders. This continued in 2019, with all our operating companies meeting performance targets.

With ever tighter emissions targets and community aspirations for a sustainable lifestyle, our operating companies continued to invest in greener generation. Our plants in Canada and Hong Kong are moving towards increased gas-fired generation while in Mainland China, we have transitioned one of our 200-MW coal-fired plants to our joint venture partners under the co-operative agreement. Operation rights of another 1,400-MW coal-fired plant expired in 2019 and the transfer is in progress. This is in alignment with our global decarbonisation goals and has reduced our total installed coal-fired generation capacity by 1,600 MW.

In the Netherlands, our incineration plant in Rotterdam, AVR, has installed and commissioned the first carbon capture and utilising plant transporting compressed CO_2 to nearby greenhouses. In the gas distribution sector, our UK gas distribution companies are working with the authorities to inject 20% of hydrogen into existing network with a view to ultimately replacing natural gas with hydrogen. In Australia, our network is constructing the largest commercial-scale electrolyser to produce green hydrogen and blending it into the existing network to capitalise on free transport and storage of green energy.

One of our core strengths as a group is our customer-focused management and engaged colleagues. Our inclusive culture empowers our people and makes them accountable for delivering excellent service, and local management teams are embedded in their respective communities, allowing us to achieve industry-leading customer satisfaction scores.

Australia

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

Portugal

- Iberwind

Mainland China

- Jinwan Power
- Dali Wind Power
- Laoting Wind Power

Hong Kong

- HK Electric

Thailand

- Ratchaburi Power

New Zealand

- Wellington Electricity Lines

UNITED KINGDOM

The UK remains our largest geography of operation, where we have four companies across the electricity generation and distribution, and gas distribution sectors. The four companies deliver guaranteed income streams to the Group that are based on regulated outputs with tariffs pegged to the retail price index, or long-term offtake contracts.

A dual focus on operating efficiencies and excellent customer service allowed our electricity and gas distribution companies to deliver stable operating performance in 2019 in line with budget. Our operating companies retained their positions at the top of the regulator's league tables for customer service and efficiency, thereby securing incentive payments. While the persistently weak consumer confidence and uncertainties surrounding the terms of Britain's exit from the European Union led to currency instability, our core businesses in the infrastructure sector have not been adversely affected.

The UK government is calling for a major revamp of the energy sector with decarbonisation as the main theme. One area of focus is the decarbonisation of transport including automotive, freight and rail. To support this, we progressed infrastructure deployments for charging and refuelling of low-carbon road transport. This included electric vehicle (EV) charging, gas-refuelling for buses, and smart meter projects across England and Wales. In addition, in support of decarbonisation, our two gas companies are working relentlessly on the injection of biogas and the H21 (hydrogen in the 21st Century) projects with a view to ultimately replacing natural gas with hydrogen – a crucial step towards UK's Net-Zero aspiration given home heating represents almost 50% of UK's annual energy consumption.

NGN's advanced network infrastructure is the foundation of its customer satisfaction performance.

UK Power Networks

UK Power Networks (UKPN) is the Group's largest electricity distribution business. It owns, operates and manages three of the UK's 14 regulated distribution networks in London, the East and the South East of England. UKPN serves end-user customers via its grid as well as private electricity networks for strategic clients.

UK Power Networks	
Power Assets share:	**40%**
Joined since:	**October 2010**
Network length:	**188,500 km**
No. of customers:	**8,300,000**

In 2019, UKPN distributed 77,155 GWh of electricity (2018: 79,639 GWh). It improved on its own customer satisfaction ratings as benchmarked by the regulator Ofgem, achieving its highest ever score of 90%. It also delivered strongly on all operating parameters maintaining its position as both the safest and most reliable network operator offering the lowest use of system charges in the market.

UKPN retained its position as the consistently best performing electricity distribution network owner (DNO) group in the UK from 2015/16 to 2018/19. It is the only DNO to be included in the Institute of Customer Service's UK Customer Satisfaction Index.

UKPN continued with its planned programme of investment and in 2019 invested around £666 million in its regulated networks (2018: around £620 million). As a member of the ED1SON industry alliance set up by UKPN in March 2016, it generated revenues through approximately 290 projects in construction.

UKPN plays a key role in helping the UK decarbonise through support for the transition to EVs. Nearly 70,000 EVs operate in its area of operation, growing to an estimated 4 million EVs by 2030. The company ran 'Optimise Prime', an Ofgem funded innovation project trialling solutions that will help networks and fleet operators prepare for the transition to the use of commercial EVs. Over 18.5 million low-carbon passenger journeys were completed in 2019 as a result of the electric bus garages that UKPN connected.

At UKPN, proactive maintenance takes place routinely to ensure reliability levels.

The company developed its Green Action Plan taking a holistic approach to sustainability, covering carbon emission, energy reduction and waste recycling. In 2019, UKPN successfully reduced its carbon footprint by nearly 21% from the start of its current regulatory period.

A smart, agile network of the future

UKPN is transforming from being a distribution network operator (DNO) which simply manages the network, to a distribution system operator (DSO) which uses a mixture of traditional and smart 'flexible' solutions to respond to customers' energy needs which include EVs and renewable energy generated at their own premises.

One key strategy is to deploy an intelligent software platform and Active Network Management technologies. This new advanced automated control system will enable over 500 MW of additional distributed energy resources, mostly renewable energy like wind and solar, to connect to the network cheaper and faster, which is enough to power more than a quarter of a million homes. At the end of 2019, UKPN had over 6 GW of renewable generation connected to its networks, with the capability to seamlessly accommodate more as needed.

Northern Gas Networks

Northern Gas Networks (NGN) transports natural gas across rural and urban areas in north England. It also conducts maintenance of mains and provides emergency services related to gas supply.

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

NGN's total gas throughput for 2019 was 69,343 GWh (2018: 69,727 GWh) and the company met all its performance targets for the period. It achieved its goal of being a consistent leader in safety and efficiency and was named by the regulator Ofgem as the most efficient of the UK's gas distribution networks overall across the current regulatory period.

NGN is another operating company within the Group with a market-leading track record for customer satisfaction, as measured by the regulator's periodic surveys. During 2019, the company invested £153.4 million in capital expenditure projects for network improvement and extension, mains replacement, and IT infrastructure.

NGN's emergency response engineers carry out roadside works. Systematic network maintenance underpins its high reliability levels.

Several innovative programmes to decarbonise household heating were carried out during the year. The H21 phase 1 programme, originally initiated by NGN, moved into testing at Health and Safety Executive (HSE)'s Science and Research Centre in Buxton, with the report and project closure due for publication by mid-2020. Following further stakeholder engagement, H21 phase 2 funding was sanctioned by Ofgem, which explores the impact on network operations. The learnings from the project will be implemented in day-to-day network operations with a view to initially blending 20% hydrogen into existing networks and ultimately, replacing natural gas by hydrogen. Under the project code named HyDeploy, the trial has started at Keele University's private gas network and another trial will take place in Gateshead, with over 670 customers receiving gas blended with 20% hydrogen.

The company also became a member of the Hydrogen Transformation Group (subsequently taken over by the UK department of Business, Energy and Industrial Strategy and renamed the Hydrogen Programme Development Group), a high-profile group involving representation from the UK industry, regulators and policymakers, which will focus on rolling out a long-term strategy to make hydrogen gas networks a reality in the UK.

Seabank Power

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

Seabank Power
Power Assets share: **25%**
Joined since: **June 2010**
Gas-fired combined cycle gas turbine: **1,148 MW**

SPL delivered stable revenues based on plant availability, which stood at 97.5% in 2019. In alignment with its customer's running regime requirements, SPL delivered a lower number of starts and generating hours when compared to 2018. Total power generated during the year was 3,029 GWh. In addition, the UK Government has reinstated the Capacity Mechanism allowing SPL to earn additional income based on its high availability and reliability.

Operationally, the plant met or exceeded targets during the year on parameters such as overall station availability, forced outage, efficiency and exceptional starting performance. There were no plant trips during the year.

Wales & West Utilities

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

WWU's high pressure gas storage facilities are being expanded to support the UK government's goal to make public transportation greener.

WWU's total gas throughput for 2019 was 61,800 GWh (2018: 64,981 GWh). The company met all 2018/19 regulatory targets and is on track to achieve 2019/20 targets as well. Like other Group companies in the market, WWU has achieved an excellent customer satisfaction score with customers rating us over nine out of 10 in Ofgem surveys consistently since 2014/15. As the only gas distribution network to be awarded contracts to deliver smart meter installation, the company has installed approximately 30,000 meters in its areas of operation since the end of 2016.

Wales & West Utilities

Power Assets share: **36%**

Joined since: **October 2012**

Gas pipeline length: **35,000 km**

No. of customers: **2,549,000**

Biomethane and green gas solutions continue to be a core focus for WWU to meet forecast changes associated with climate change to deliver a low-carbon gas network. To date 19 biomethane sites are connected to the WWU gas distribution network with a connected annual capacity of 1.7 TWh enough to heat around 130,000 homes, with a further seven sites having booked network capacity. WWU has seen continued interest from gas-fired power generation customers with 26 connections into its gas distribution network planned for the future, in addition to the 35 already connected.

WWU continued development work on the Pathfinder 2050 model that allows cities, regions and countries to evaluate future scenarios of low-carbon supplies for heat, power and transport, allowing them to view the impact of increased integration of the gas and electricity networks in terms of costs and CO_2 reduction, collaborating with other industry players to share these insights.

In addition, a new investment model was developed to assess how the network was impacted by changes to customer behaviour and the installation of new technologies, such as hybrid heating systems that allow customers to arbitrage between natural gas and electricity.

Greening the public transport network

WWU is supporting the UK Government's goal to make public transport greener by facilitating the installation of gas filling stations for public bus fleets, significantly reducing carbon emissions and improving roadside air quality.

The company has connected two compressed natural gas bus fleets during the past three years and has operated a freight refuelling station on the network since 2013. There has been an uptick in enquiries for connecting gas vehicle hubs to the network, including both fleet-specific connections such as buses and distribution fleets for large retailers, and public access sites. During the year, a compressed natural gas filling station was connected at a bus depot in Bristol, and a further site in Avonmouth is being evaluated for a high-pressure connection.

HONG KONG

The Hongkong Electric Company

HK Electric, based in Hong Kong, generates and supplies electricity to Hong Kong Island and Lamma Island. It provides highly reliable electricity and is integral to Hong Kong's role as a business hub.

The Hongkong Electric Company

- Power Assets share: **33.37%**
- Year established: **1889**
- Total installed capacity: **3,237 MW**
- Network length: **6,500 km**
- No. of customers: **581,000**

Extensive capital works on two new gas-fired units in progress at HK Electric's Lamma Power Station with minimal disruption to normal operations.

In 2019, HK Electric reported electricity sales of 10,519 GWh (2018: 10,537 GWh) for a customer base of 581,000 consisting of residential and non-residential customers. The company maintained its customary high reliability levels throughout the year, achieving a rating in excess of 99.999% for a record 23rd year in a row. Customer satisfaction remained high with the company achieving or surpassing all of its targets while emissions performance was better than mandated levels.

Major capital works projects to decarbonise generation remained the focal point of activity. This aligns with the company's goals under the new 15-year Scheme of Control Agreement (SCA), the regulatory regime governing Hong Kong's electricity sector, which came into effect in January 2019.

Solid progress has been made on the construction of three new 380-MW gas-fired generating units, which will help meet the stringent obligations in line with the new SCA and develop a more sustainable Hong Kong. The first of these units, L10, was synchronised in October 2019 and commissioned in February 2020. Construction of the other two units is carried out in parallel. Both are on schedule and to budget for completion in 2022 and 2023 respectively. When all three units are operational, approximately 70% of electricity supplied by HK Electric will come from gas-fired generation.

In order to enhance the security of gas supply and to achieve competitive prices, HK Electric in partnership with CLP Power progressed with the construction of an offshore liquefied natural gas receiving terminal using Floating Storage and Regasification Unit technology after all required approvals have been secured. The terminal is on track to enter commercial operation in 2022 and will form an integral part of the infrastructure essential for increased gas-fired generation.

To address the government's focus on energy efficiency and conservation, HK Electric conducted extensive outreach and promotion for its Smart Power Services. The Feed-in Tariff Scheme, launched in 2018 to encourage customers to invest in renewables installations, continued to attract interest from the community. 130 applications have been received, from commercial and residential sectors, as well as academic and the service industry.

HK Electric is in support of the Hong Kong government's vision to turn Hong Kong into a smart green city. It will commence the full-scale rollout of smart meters by phases across its supply territory and continue to provide free electric vehicle charging while educating the community on sustainability, energy efficiency, and renewable energy.

HK Electric's offshore natural gas receiving terminal will ensure a reliable supply of natural gas via marine routes to support greater gas-fired generation.

Ocean Park's rooftop solar power system is the largest commercial scale installation under HK Electric's Feed-in Tariff Scheme, supporting greater use of renewable energy.

To reflect rising fuel costs and increasing capital expenditure, the company increased its net tariff for 2020 by 5.2% to 126.4 cents per unit of electricity, which is lower than the 130.8 cents as envisaged in the 2019-2023 Development Plan. Excluding the impact of the reduction in two special rebates, the rate of increase is 1.7%.

Against a backdrop of social unrest and economic downturn in Hong Kong, HK Electric has introduced a package of five relief measures to help small businesses tide over the challenging times. Non-residential accounts with low electricity consumption will receive a six-month grace period on tariff increase scheduled for 2020. In addition, SME caterers were allowed to defer electricity bill payment of December 2019 and January 2020 for two months, while dining coupons will be distributed to help stimulate the catering trade.

AUSTRALIA

Australia has developed into one of the Group’s most important markets, accounting for 21% of our total profit contribution from reportable business segment in 2019. It is our most operationally diverse market with a presence in renewables, energy from waste, as well as electricity and gas transmission and distribution.

The market has seen an explosion in renewables generation, primarily solar. November 2019 marked the first time where the renewable energy powered more than 50% of Australia’s main electricity grid, with solar fulfilling 24% of all demand. This milestone clearly brings to life the changing nature of Australia’s electricity setup. As a Group, our focus in the market is to further enhance our systems and migrate from being a distribution network operator to becoming a distribution system operator. This transition will create the agility and technology needed in the network to support energy storage, back-up power supply and two-way energy flows.

In the context of upcoming regulatory resets, the operating companies in Australia delivered satisfactory results in 2019 while making good progress with capital projects to increase support for renewable generation.

Australia faced one of the worst bushfires in the summer of 2019. Our electricity distribution networks in the state of Victoria were largely unaffected. However, in South Australia, the bushfire damaged many homes in Adelaide Hills and Kangaroo Island; fortunately, the impact on our assets was minimal. We remain grateful to our staff members who volunteered to combat the bushfire together with the fire-fighters.

VPN uses Light Detection & Ranging technology to conduct aerial inspections to ensure network safety.

SA Power Networks

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

In 2019, SAPN distributed 10,075 GWh of electricity (2018: 10,100 GWh). The company outperformed its reliability targets, achieving a System Average Interruption Duration Index (SAIDI) of 146 minutes against a target of 168 minutes. In terms of customer service, SAPN once again outperformed its targets, achieving an incentive bonus for the 2018/19 regulatory year.

The next five-year regulatory reset scheduled to commence on 1 July 2020 was a key focus for SAPN during the year. Following initial submissions and reviews in 2019, SAPN has submitted its final Regulatory Proposal 2020-2025 to the Australian Energy Regulator (AER). A final decision by the AER is expected in April 2020.

One of the major capital projects completed during the year was a new undersea cable connecting Kangaroo Island to the South Australian mainland, which was placed into service in May 2019. The new undersea cable replaces the existing cable that was placed into service in 1993 with a notional service life of 30 years. Therefore we consider that it was prudent to replace the existing cable before its notional end of service life in 2023.

SA Power Networks

Power Assets share: **27.93%**

Joined since: **January 2000**

Network length: **89,200 km**

No. of customers: **887,000**

Australia faced one of the worst bushfires in 2019. In South Australia, over 180 homes in Kangaroo Island and Adelaide Hills were damaged. SAPN's network sustained minimal damage as our electricity poles are made of concrete and steel.

SAPN engineers carry out work on the powerline along the coast at Victor Harbour, South Australia to maintain reliability.

Enerven delivering a low-cost energy future

South Australia today has more than 264,000 small-scale solar PV systems installed across the state, representing 1.18 GW of capacity. Another 175 MW of distribution network-connected solar PV generation has been added to the growing large-scale and commercial sectors over the last three years. SAPN subsidiary, Enerven, is actively involved in supporting the development of this clean energy sector and won a series of commercial and industrial solar installation projects in 2019.

In February 2019, Enerven secured a framework contract with SA Water for the design, procurement, construction and commissioning of 154 MW of solar PV systems and 32 MWh of storage across a number of SA Water's sites around metropolitan and regional South Australia. The customer's goal with this high-profile project, the Zero Cost Energy Future programme, is to offset the cost of the electricity that they draw from the grid and network charges with renewable energy fed into the grid. The contract framework was executed with a value up to AUD304 million and is expected to be completed in December 2020.

Victoria Power Networks

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

VPN distributed 16,688 GWh of electricity during the year (2018: 16,550 GWh) and secured 25,299 new customer connections. Operational efficiency and all performance metrics improved following the rollout of an online platform for field scheduling, allowing the company to outperform regulatory targets.

Victoria Power Networks

Power Assets share: **27.93%**

CitiPower
Joined since: **July 2002**
Network length: **7,500 km**
No. of customers: **334,000**

Powercor
Joined since: **September 2000**
Network length: **89,100 km**
No. of customers: **831,000**

The region is also seeing a huge growth in photovoltaic installations: connections of rooftop solar doubled in 2019 as a result of Victorian Government incentives. VPN supported this transition to a decarbonised electricity supply by connecting several major installations to the grid. To allow the grid to accept energy generated by residential solar power systems, the company conducted analytics of more than 38 billion data points collected by smart meters.

A total of 345 MW generated by large-scale solar and wind farms was connected to the Powercor network in 2019, bringing the total connected since 2000 to 1,112 MW. In addition, there have been 115 connection enquiries from proponents of new large-scale renewable generators this year. Beon Energy Solutions, a VPN undertaking, began construction on the 120-MW Bomen Solar Farm and associated network assets, involving 310,000 bi-facial panels.

Work also progressed on the Yatpool Solar Farm and network infrastructure to connect and energise the Cherry Tree, Moorabool and Elaine Wind Farms.

A range of transport projects are underway as part of a major infrastructure programme in Victoria. Beon supported Public Transport Victoria, Metro Trains Melbourne and Yarra Trams to energise new lines and improve supporting substation infrastructure.

Underground cables will meet overhead powerlines in VPN's West Gate Tunnel network modernisation project.

Reducing risk of powerline-related bushfires

Bushfires can cause catastrophic destruction in Australia. A common cause is damage to overhead power lines: when a line comes into contact with the ground or a tree, the energy released can spark a bushfire. VPN supported the Victorian Government's Bushfire Safety Programme by introducing Rapid Earth Fault Current Limiter (REFCL) technology across its network in 2019. Monitoring devices are being installed at Powercor's substations to check the performance of all powerline and detect when there is a fault. REFCL technology then instantaneously restricts the voltage on that line while boosting voltage across the remaining lines in service, reducing the risk of a bushfire without cutting supply to homes and businesses.

VPN is rolling out these monitoring devices over the next three years, ensuring the safety of its network. By 2023, 22 REFCLs will be deployed at electricity substations across those areas in Western Victoria at greatest risk of bushfires. The 2019 bushfire has not infringed upon any of VPN's supply areas and hence, our networks are not affected.

Australian Gas Networks

Australian Gas Networks
Power Assets share: **27.51%**
Joined since: **August 2014**
Gas pipeline length: **26,100 km**
No. of customers: **1,322,000**

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

In 2019, AGN delivered 101 million GJ of gas (2018: 102 million GJ), due to slightly lower volumes in the industrial and commercial sectors. Customer satisfaction was above target levels across all areas of operation. 287 km of mains were replaced across the network to improve efficiency and reliability.

A number of major capital projects were completed on schedule. In South Australia, the Adelaide Central Business District East augmentation project was completed in April, which included the construction of a 1.7 km-long high-pressure steel main. In Queensland, construction was completed on the second stage of the Kingsford Smith Drive high-pressure steel relocation project. The Murrarie Looping project, including the installation of a second gas pipe crossing across the Brisbane River to increase reliability, was completed in November 2019.

In preparation for the impending regulatory reset in 2021 in South Australia and Queensland, customer and stakeholder engagement workshops were held during the year. These workshops informed the development of a Draft Plan released in February 2020, with the draft South Australian Access Arrangement proposal due to be submitted to the AER by July 2020.

During the year, work continued on the 1.25-MW hydrogen electrolyser plant at the Tonsley Innovation District in South Australia, scheduled for launch in mid-2020 to decarbonise gas supply.

An AGN representative consults with a customer. Customer satisfaction is a priority and exceeded targets in 2019.

CK William

CK William owns and operates four energy companies – Dampier Bunbury Pipeline and DBP Development Group (collectively known as "DBP"), Energy Developments Pty Ltd (EDL), a global generation company specialising in sustainable distributed energy, Multinet Gas (MG), one of Victoria's three gas distribution networks, and United Energy (UE), an electricity distribution business in Victoria.

CK William	
Power Assets share:	**20%**
Joined since:	**May 2017**
Gas pipeline length:	**12,900 km**
Network length:	**13,400 km**
No. of customers:	**1,409,000**
Total installed capacity:	**1,078 MW**

Total gas throughput on DBP in 2019 was 383 million GJ (2018: 351 million GJ). System reliability remained strong at 100%, while asset utilisation was 75% against a forecast of 72%. Major capital projects such as the Tanami Gas Pipeline were completed ahead of schedule, under budget and with no injuries. The Tubridgi gas storage project expanded its capacity from 42 PJ to 57 PJ. DBP secured a new project on the Pluto to North West Shelf interconnector pipeline which is in the early works phase. DBP submitted its Final Plan to the Economic Regulation Authority (ERA) in Western Australia for the regulatory reset beginning in January 2021. The Final Plan is now being considered by the ERA, with a final decision expected in late 2020.

EDL's generation output in 2019 was 4,830 GWh (2018: 4,679 GWh), offsetting approximately 17 million tonnes of greenhouse gas emissions. During the year, EDL expanded its low-emission energy portfolio with the purchase of Broadrock Renewables, a landfill gas energy producer operating approximately 65 MW across two sites in the US. Stage 1 of its Gold Fields Agnew Renewable Hybrid Project in Western Australia was commissioned in July 2019,

DBP's Tanami Gas Pipeline construction project is completed ahead of schedule, under budget, and with no injuries.

Technicians calibrating a gas well at EDL's Lucas Heights power station in New South Wales. EDL has led the way for the landfill gas generation sector in Australia for decades.

comprising 18 MW of gas, 3.2 MW of diesel and 4 MW of PV solar generation. A contract for Stage 2 of the project was executed in June 2019 and is in construction phase. EDL secured a 20-year tolling agreement with a new customer, Centennial Coal, and commenced construction of a new Waste Coal Mine Gas Power Station in New South Wales.

MG's gas deliveries in 2019 were 56.1 million GJ during the year (2018: 56.9 million GJ), due to slightly lower residential and industrial volumes. Customer service performance exceeded targets. A major project to relocate MG's Network Control Centre (NCC) commenced in 2019, which will create a new NCC Centre of Excellence in Perth that will enhance efficiency and customer service capabilities.

UE sold 7,668 GWh (2018: 7,663 GWh) of electricity over the course of the year and increased its customer base by 12,205. Customer service and reliability metrics both exceeded target levels. UE made strategic investments in advanced network analytics to improve asset and hazard management, and enhance its response to extreme weather and heat events.

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.

In June the connections for the 321-MW Moorabool Wind Farm and the 85-MW Elaine Wind Farm to the grid were completed and operations commenced. Total network length stood at 71 km of 132-kV cables. AEO continued to yield stable revenues for the Group based on long-term contracts with the four wind farms.

Australian Energy Operations

Power Assets share: **50%**

Joined since: **July 2012**

Network length: **71 km**

AEO's transmission lines connect the wind farms to the grid.

NEW ZEALAND

Wellington Electricity Lines

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

Wellington Electricity Lines

Power Assets share: **50%**

Joined since: **July 2008**

Network length: **4,800 km**

No. of customers: **170,000**

WELL distributed 2,277 GWh (2018: 2,303 GWh) of electricity during the year. The company has continued to invest in the reliability of its network and introduced a number of enhancements to ensure it outperforms regulatory targets for efficiency, reliability and customer service. In 2019, both the supply disruption and interruption figures were below regulatory limits. During the year, WELL completed the seismic reinforcement of 70 buildings as part of the earthquake readiness programme initiated in 2018.

A site visit by a WELL engineer. WELL has invested in a number of enhancements to further modernise its network.

MAINLAND CHINA

Since 2007, the Power Assets Group has had a presence in Mainland China. Today, the Group has three power plants that have a combined capacity of 1,298 MW: two wind farms in Dali (Yunnan province) and Laoting (Hebei province) and a coal-fired plant in Jinwan (Guangdong province).

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

Jinwan Power Plant in Zhuhai increases its output of steam to support the region's industries.

Zhuhai, Jinwan and Siping power plants

Jinwan power plant located in Guangdong province has two coal-fired generating units with a combined capacity of 1,200 MW. Both Zhuhai and Siping power plants operated under co-operative joint venture and their operation rights ended in 2019.

The three plants sold a total of 9,250 GWh of electricity (2018: 12,210 GWh) and 4.27 million GJ of steam (2018: 5.34 million GJ) during the year. Power imported from the western part of China and ongoing power sector reform continued to exert a dampening effect on demand for coal-fired generation capacity in the mainland. All three plants achieved smooth operations and met all environmental targets during the year.

Jinwan Power

Power Assets share: **45%**

Joined since: **April 2009**

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

The Jinwan power plant participated in trials of a new spot market trading platform to reflect spot price according to power demand in real time. Steady growth in industrial demand for low pressure steam enabled Jinwan to increase revenues from heat. The plant's steam production capabilities were doubled during the year to 200 t/hr for each unit. Increasing revenues from heat have enabled the plant to operate at a higher efficiency and achieve co-generation certification, which will allow it to enjoy favourable dispatching arrangements.

Ownership of the 200-MW Siping plant was transferred back to the Chinese joint venture partners upon the expiry of the co-operative joint venture agreement signed in 1997, while transferring of ownership of the 1,400-MW Zhuhai plant is in progress. In line with the Group's long-term decarbonisation strategy, upon completion of the two power stations' transfer to our partners in Mainland China, the Group will have reduced our coal-fired generation capacity by 1,600 MW.

Routine inspections at Zhuhai Power Plant ensure smooth operations and help the plant meet all its environmental targets.

Dali and Laoting wind farms

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

Laoting Wind Farm is performing reliably, delivering cleaner energy in Hebei Province.

Dali Wind Power

Power Assets share: **45%**
Joined since: **December 2007**
Wind turbine: **48 MW**

Laoting Wind Power

Power Assets share: **45%**
Joined since: **June 2008**
Wind turbine: **49.5 MW**

The two wind farms continued to perform reliably in 2019, generating 216 GWh (2018: 210 GWh) of electricity over the year and offsetting 209,600 tonnes of carbon emissions.

THAILAND

Ratchaburi Power Company

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

In 2019, RPCL generated 5,899 GWh of electricity. It received guaranteed revenues based on availability from the national offtaker, Electricity Generating Authority of Thailand (EGAT). Blocks 1 and 2 at the plant achieved an equivalent availability factor of about 86.6% and 92.9% respectively. Together, this resulted in the plant generating electricity for 15,731 contracted available hours, exceeding the 2019 production plan.

New initiatives to enhance operational efficiency brought additional revenues through savings on fuel costs and government incentives due to higher than forecast availability.

Ratchaburi Power

Power Assets share: **25%**
Joined since: **October 2001**
Gas-fired combined cycle gas turbine: **1,400 MW**

RPCL's power plant generates electricity which yields stable revenues, under a long-term guaranteed offtake scheme.

CANADA

Over the last decade, the Canadian companies in the Power Assets Group have delivered consistent performance based on long-term assured revenue streams. Operating in the power generation and oil transmission and storage space, they have invested in new capital works in 2019 that will further enhance their supply volume capabilities going forward.

Decarbonisation remains an important trend in the Canadian market, driven by government initiatives. Our operating companies in the market support this goal and in 2019 have also taken steps towards further reducing emissions and delivering more sustainable energy in the long term.

Construction takes place at HMLP's Hardisty Storage Tank - one of the major capital projects undertaken to expand the terminal.

Canadian Power Holdings

Canadian Power Holdings (Canadian Power) operates the gas-fired Meridian cogeneration power plant in Saskatchewan. It also has a 49.99% holding in TransAlta Cogeneration, which operates four power plants in Ontario and Alberta.

In 2019, the Meridian cogeneration plant generated 1,648 GWh of electricity (2018: 1,790 GWh) and 1,471 kT of steam (2018: 1,534 kT). The TransAlta plants produced a further 2,912 GWh (2018: 3,025 GWh) of electricity during the year.

TransAlta Cogeneration

Power Assets share: **25%**

Joined since: **December 2007**

Total installed capacity: **1,054 MW**

Meridian

Power Assets share: **50%**

Joined since: **December 2007**

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

To ensure plant reliability and safety, Canadian Power successfully executed a planned gas and steam turbine outage at the Meridian plant in Saskatchewan. Following the outage, the plant returned to steady operation and resumed normal operations.

The Sheerness power station, one of the plants operated by TransAlta, began its transition to gas-firing energy production in 2019 with the conversion of two coal-fired units to gas. The two 395-MW units are scheduled for conversion in 2020/2021.

Planned gas and steam outages, such as this one in progress at the Canadian Power's Meridian Cogen Gas Turbine, ensure optimal performance.

Husky Midstream Limited Partnership

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

Husky Midstream Limited Partnership

- Power Assets share: **48.75%**
- Joined since: **July 2016**
- Oil pipeline length: **2,200 km**
- Oil storage capacity: **4.4 million barrels**
- Pipeline gathering system capacity: **409,000 bbls/day**

In 2019, HMLP served 12 pipeline customers and 61 other customers within the Hardisty terminal. Construction of its first natural gas processing plant, located in Alberta, was completed within budget and on schedule and commenced commercial operations in Q4 2019.

The company continued to expand its pipeline network and storage capacity, thereby growing its customer base. A major capital project at the Hardisty terminal is under way, including the construction of three long-term crude oil storage tanks with a 1.5-million-barrel capacity.

An HMLP employee at a receiving terminal. Husky's networks generate stable revenues with no exposure to commodity risk.

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 based in Rotterdam. It currently serves 20-24% of all household and commercial waste incinerated in the Netherlands. Together with waste from other EU countries, AVR treats a total of 1.7 million tonnes of residual waste per year.

AVR delivered consistent results in 2019, achieving another year of high availability and efficiency across all sites. To maintain this track record for the future, AVR conducted its first planned facility-wide shutdown at its Rozenburg facility in September 2019, when operation was halted for two weeks while maintenance work was carried out on vital parts of the common energy systems and cooling water installations. This process will ensure the key common facilities in AVR's network can deliver reliable 24-hour operation in the years to come.

In August 2019, AVR became the first waste-to-energy company in Europe to harness CO_2 from energy generation for agriculture on a commercial scale, through the launch of its carbon capture and liquefaction system. CO_2 is captured, liquified and used for horticulture across the Netherlands as a fertilizer to stimulate the growth of plants and vegetables. This initiative will reduce greenhouse gas emissions by 60 kT a year at AVR's plant in Duiven, which represents 15% of the total CO_2 emissions from that facility.

Building on its goal to create a greener operating footprint, the company also expanded its plastics separation facility with the addition of a second line in April 2019. With the new line, total capacity has increased to 430,000 tonnes, making the installation one of the largest in the Netherlands and will help AVR meet recycling targets.

Dutch Enviro Energy Holdings B.V.
Power Assets share: **27%**
Joined since: **August 2013**
Waste-to-energy units: **115 MW**
Biomass-fired units: **30 MW**
Energy-from-waste: **1,621 kT/yr**
Biomass energy: **146 kT/yr**
Liquid waste treatment: **247 kT/yr**
Paper residue incineration: **140 kT/yr**

The launch of AVR's capture and liquefaction systems has reduced greenhouse gas emissions by 60 kT a year at its plant in Duiven.

Using CO_2 emissions for agriculture

As an extension of the waste incineration system, AVR has installed and taking into operation a carbon capture plant. CO_2 is captured before the gas is released into the atmosphere. It is then liquified and used for agricultural purposes in the Netherlands.

AVR's provision of an external CO_2 supply to farmers is particularly important in the summer months where it is used as a fertilizer to stimulate the growth of crops. In turn, this helps enhance the green energy consumption of Dutch greenhouses and marks an important step in AVR's ultimate goal to become CO_2 neutral.

PORTUGAL

Iberwind

Iberwind is a renewable energy provider that operates 323 wind turbines across 31 wind farms in Portugal. The company is responsible for generating approximately 15% of electricity produced by wind power in Portugal and about 3% of the electricity consumed, which is equivalent to the energy consumption of about 550,000 households.

During the year, Iberwind produced 1,892 GWh (2018: 1,783 GWh) of electricity and achieved an overall availability of 97.6%. This level of output resulted in the offset of 730,000 tonnes of CO_2 emissions. To drive new efficiencies, Iberwind continued its ongoing modernisation project to upgrade its IT systems and introduce new modules that will enhance functionality and performance in the coming years.

With the strategic goal of expanding its renewable energy generation capabilities, in July 2019 Iberwind put forward a tender for the Portuguese government's first solar energy auction.

Iberwind

Power Assets share: **50%**
Joined since: **November 2015**
Wind turbine: **726 MW**

Iberwind's wind farms across Oeiras, Portugal are an essential component of the Group's decarbonisation efforts.

Environmental, Social and Governance Report

This report provides an update of the environmental, social and governance (ESG) achievements and progress of Power Assets Holdings Limited ("Power Assets" or together with its subsidiaries, associates and joint ventures, the "Group") during the year ended 31 December 2019. It is prepared based on the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

UE is active in the community. Here, children complete a Power Kids' colouring wall.

WWU workers raise awareness of safe practices among local school children during Gas Safety Week.

Our Approach to ESG

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

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

Stakeholder Engagement and Materiality Assessment

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

Environment

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

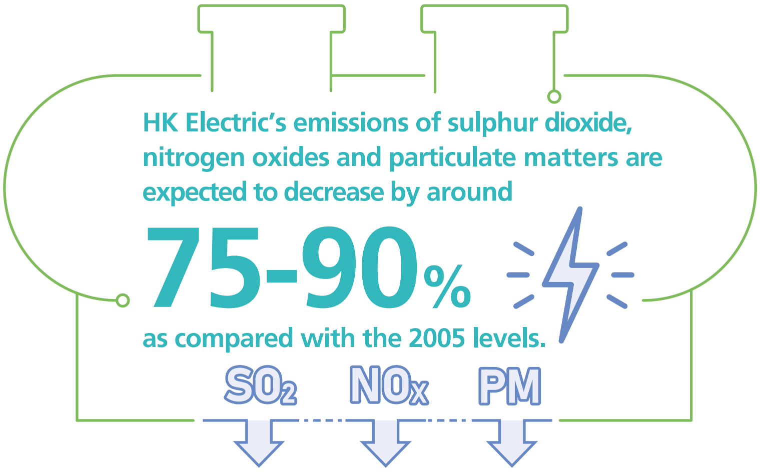
Emissions

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

Air and Greenhouse Gas (GHG) Emissions

In order to reduce carbon dioxide and other atmospheric emissions generated by electricity generation and meet the ever-tightening emission allowances set out by the Hong Kong Special Administrative Region Government, HK Electric is steadily increasing its use of natural gas for generation. During the year under review it met stipulated emissions allowances in all categories, and worked with the government to agree new and more stringent emissions allowances which will apply from 2024 onwards.

In 2019, the company progressed with the construction of three new gas-fired generating units (L10, L11 & L12) equipped with Selective Catalytic Reduction systems to reduce nitrogen oxide emission levels. L10 was commissioned in February 2020. It is expected that in 2023, when all three new units are in operation, the proportion of gas-fired generation will rise to about 70% of the total output. Emissions of sulphur dioxide, nitrogen oxides and particulate matters are expected to decrease by around 75-90% from the 2005 levels.



Commissioned in February 2020, HK Electric's new unit, L10, is taking the company's gas-fired generation to about 50% of total output.

In Canada, Canadian Power's only coal-fired power station, Sheerness power plant, is currently undergoing coal-to-gas conversion and will ultimately become 100% capable of gas-firing prior to 2022.

Ownership of the Siping power plant in Mainland China was transferred to the mainland joint venture partner while the Group's operating rights of the Zhuhai power plant ended. These two developments will reduce the Group's carbon emissions significantly.

Another major source of the Group's GHG emissions is fugitive emissions produced during gas distribution. In the UK, Wales & West Utilities and Northern Gas Networks (NGN) regularly replace old and leaking metallic gas pipes to prevent leakage. These new, durable pipes are capable of distributing any decarbonised gas, like biomethane and hydrogen. Moreover, gas pressure across the network is also managed carefully to avoid putting unnecessary strain on the pipes, thereby minimising leakage.

AVR-Afvalverwerking B.V. (AVR) in the Netherlands installed a carbon capture plant in Duiven that captures and reuses carbon emissions arising during power generation. The plant has captured and reused 10,000 tonnes of carbon emissions since its launch in August 2019.

WWU engineers working on a new cross-country pipeline, which will connect a new gas-fired power site to its network.

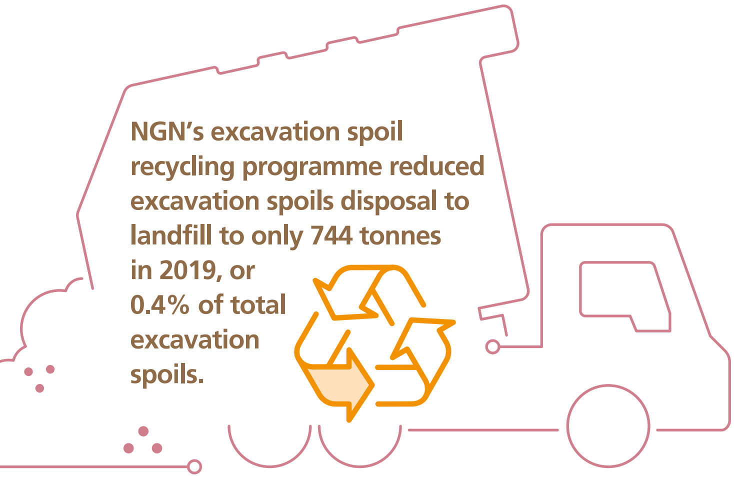
AVR's pioneering CO_2 capture and liquefaction setup allows carbon emissions to be reused for greenhouse cultivation.

Australian Gas Networks (AGN) is presently running the Hydrogen Park SA (Hyp SA) project, which involves the construction of a 1.25-MW hydrogen electrolyser plant at the Tonsley Innovation District in South Australia. The plant is scheduled to be commissioned by mid-2020. The electrolyser will be used to understand and develop business models for the use of hydrogen to decarbonise gas supply.

Waste

We are extremely careful about managing waste generated from our operations, including the by-products of energy generation. Our collective efforts to reduce waste involve our employees, contractors, suppliers, regulators and other third parties. We advocate waste reduction at the source and encourage the reuse and recycling of waste for other projects.

HK Electric follows 4R-principles (reduce, reuse, recover and recycle) for more efficient use of resources and waste minimisation, and manages its wastes and effluents in a responsible manner. During the construction of the three gas-fired generating units (L10, L11 and L12), waste management plans have been formulated and implemented to enable recycling and reusing, and proper storage, collection, treatment and disposal of waste. Temporary wastewater storage and treatment facilities have been installed at site to recycle wastewater generated from bore piling work to reduce wastewater discharge. Furthermore, HK Electric has been collecting generation by-products including ash and gypsum for industrial use, such as manufacturing of cement. In 2019, about 230,000 tonnes of ash and 70,000 tonnes of gypsum were collected for reuse by third parties, compared to 237,000 tonnes and 69,000 tonnes respectively in 2018.



NGN has implemented an excavation spoil recycling programme which aims to limit the amount of excavated spoil sent to landfill to no more than 13,000 tonnes each year – from between 170,000 and 180,000 tonnes generated excavation spoil annually. The programme raises awareness amongst employees and contractors about this target and educates them about methods to recycle spoil and the benefits of doing so. Each contractor in charge of mains replacement and reinstatement is required to provide monthly spoil disposal data specifying the amount of spoil sent to landfill. This data is subject to investigation and will be discussed during contract performance review meetings. Furthermore, spoil disposal to landfill has been incorporated as a key KPI for contractors and is measured and reported on a regular basis. Through effective execution and alignment amongst employees and contractors, NGN and its supply chain have effectively reduced excavation spoils disposal to landfill to only 744 tonnes in 2019, or 0.4% of total excavation spoils, comfortably achieving the annual target.

Our businesses also prioritise asbestos management as part of the waste management process in order to prevent hazards to the workforce. Asbestos review programmes were conducted for both Victoria Power Networks (VPN) and United Energy to improve internal processes of handling asbestos and their corresponding documentation. For example, asbestos registers for United Energy's distribution substations have been updated and made available via internal networks.

Use of Resources

Energy

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

A wide range of energy efficiency programmes have been launched by our operating companies to this end. NGN

NGN's offices at Thorpe Park in Leeds, West Yorkshire, are designed to enhance employee productivity and wellbeing.

EDL's Lucas Heights power station in Australia is the venture in the Group's strategy to invest in landfill gas generation businesses.

continues to undertake office and depot refurbishment programmes to incorporate energy saving measures such as lighting sensors, and energy-efficient monitors and refrigerators. One notable example is the design for the refurbishment of its head office in Leeds, UK, which aims to reduce the office's energy consumption by 28%. As a result of this ongoing drive, NGN's carbon emissions associated with gas and electricity usage decreased by 8% and 53% respectively in 2019 compared to the 2015 levels.

Under the new Scheme of Control Agreement that came into effect in January 2019, HK Electric has launched a number of services to promote energy efficiency in the community. Subsidies are provided to older buildings for energy efficiency improvement works while free energy audits are arranged to non-residential customers to help identify energy-saving opportunities at their premises.

The Group has been working to optimise energy mix and is committed to investing in sustainable energy as part of our long-term development strategy. Our renewable energy operations include the Iberwind wind energy business in Portugal, wind farms at Dali (Yunnan province) and Laoting (Hebei province) in Mainland China, and wind and solar power facilities in Australia and Hong Kong. In 2019, Iberwind generated around 1,892 GWh of renewable energy, compared to 1,783 GWh in 2018, while Dali Wind Farm and Laoting Wind Farm in China combined to generate around 216 GWh of sustainable energy in 2019. To expand the alternative energy portfolio beyond renewables, Energy Developments Pty Ltd (EDL) is installing a biodome to store landfill gas.

Iberwind's portfolio of wind farms in Portugal includes the Lomba da Seixa II wind farm, which has a capacity of 12 MW.

An aerial view of AEO's Elaine Terminal Station. The infrastructure connects the Elaine Wind Farm to the grid.

In addition, the Group supports the transmission of renewable energy. Australian Energy Operations (AEO) constructs, owns and operates reliable transmission links that transports clean, renewable power from windfarms to power grids. In 2019, AEO completed the construction of the transmission connection for the Moorabool Wind Farm and the Elaine Wind Farm through AEO's Elaine Terminal Station to the grid.

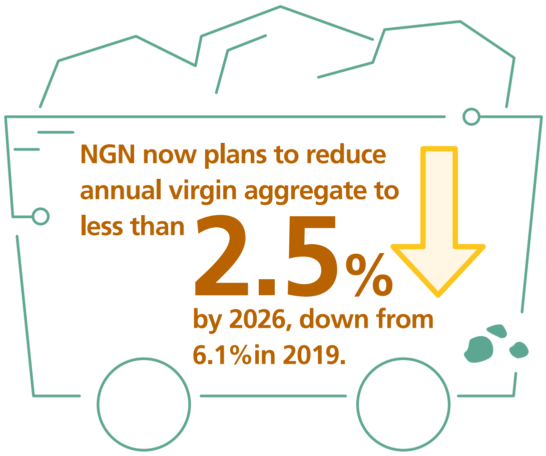
Water

Water is one of the key resources used for power generation. Our water saving measures focus on reuse and recycling. HK Electric has been conserving water and minimising its effluent discharge through collecting rain water and plant effluent for reuse at the Lamma Power Station. In 2019, approximately 121,000 m^3 of rain water and plant effluent were collected for reuse, comparable to 122,000 m^3 in 2018.

Jinwan power plant initiated a project to enable it to achieve a zero wastewater discharge target. Wastewater systems will be re-engineered to treat and recycle virtually all of the wastewater produced at the plant. This project commenced at the end of 2018 for completion by 2020.

Materials

NGN in the UK has promoted the use of recycled aggregates rather than virgin aggregates. A programme has been established to inform and advise employees and contractors on the usage of recycled aggregate, while tracking virgin aggregate use by the company and its contractors. The programme has been successful in reducing NGN's annual virgin aggregate use by 78% over the past five years. NGN now plans to reduce annual virgin aggregate to less than 2.5% by 2026, down from 6.1% in 2019.



Husky Midstream Limited Partnership in Canada has implemented a leading-edge spill response programme; including detailed geographic response plans, training a specialised spill response team, and acquisition of new spill containment and recovery equipment. A right of way environmental monitoring programme was developed to ensure reclamation of linear developments is maintained without impact to land use and natural habitats. Rigorous soil, air, and groundwater monitoring programmes are conducted at Husky Midstream facilities to protect vital air and watersheds for generations to come.

Environment and Natural Resources

The Group is mindful about the impact of its actions on the environment and carries out a range of initiatives at its sites to protect the same.

HK Electric launched a new campaign promoting e-Bill and Autopay options to increase the use of electronic bill payment and to reduce paper consumption. One-off monetary incentives were offered to encourage customers to switch to the two services during the promotion period.

A plastic waste pre-sorting and separation facility began operations at AVR's Rozenburg facility to increase the reuse of recyclable plastics, and sorted 19,000 tonnes of plastics for reuse.

Regulatory Compliance

We regard compliance with laws and regulations as one of our top priorities and there are established policies and accountability mechanisms to ensure regulatory compliance in various aspects of our operations. The management is committed to staying abreast of the latest regulatory developments and to providing all necessary training for relevant personnel. We also dedicate extensive efforts to ensure there are effective monitoring and detection measures to track regulatory compliance. During the reporting period, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous wastes.

Employment and Labour Practices

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

The Group's operating companies offer a supportive working environment for employees to achieve work-life balance. AGN, Dampier Bunbury Pipeline, Multinet Gas, EDL, United Energy, VPN and Wellington Electricity consider employees' requests for flexible working arrangements to allow them to balance personal needs with work commitments.

Employment

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

AVR's expanded plastics separation facility can process 430,000 tonnes of plastics a year.

HK Electric participated in the Career Fairs organised by various universities and government departments to promote the company and its trainee programmes. Recruitment talks were delivered after which a total of nine Graduate Trainees were recruited in 2019.

Our businesses recognise employees' contributions fairly and objectively by implementing equitable remuneration policies. Our remuneration mechanisms are reviewed and re-adjusted regularly to remain competitive. Our businesses in Mainland China, such as the Jinwan and Zhuhai power plants, are in compliance with all local standards with regard to working hours and rest periods.

We believe in the vast benefits and positivity that diversity brings to our culture. In HK Electric, a cross-generation communication workshop was held for 26 trainees, young engineers and professionals to equip participants with the skills needed to connect with people with diverse backgrounds.

An SAPN apprentice. The company aims to get more women into STEM careers.

SA Power Networks annually promotes an Apprentice Recruitment Campaign which encourages workforce diversity through the use of inclusive language and images.

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

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

Development and Training

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

Subsidies are provided for eligible external training courses to encourage all employees to further refine their skills and abilities, and to help us achieve our goal of delivering excellent customer service. HK Electric implemented an education sponsorship programme to encourage employees to acquire job-related knowledge and enhance self-development by sponsoring them to undertake degree programmes. In 2019, 45 employees were granted the sponsorship.

In addition, 21 first-line leaders and nine mid-level leaders were selected for HK Electric's 1-year Young Talent Development Programme and the Leadership Development Programme respectively. These two programmes include talent development, leadership assessment and formulation of personal development plans with senior managers as mentors and programme supervisors. They facilitate employees' career development and have proven to be effective in talent retention.

The VPN's apprentice induction and training programme includes a tour of one of the substations.

HK Electric's Young Talent Development Programme is aimed at growing the company's future leaders.

Health and Safety

The Group believes that the safety of its employees is paramount. Many of our businesses have safety management systems that are certified in accordance with local and international standards. Furthermore, occupational hazard controls are in place to safeguard our employees. At Zhuhai power plant, first aid lectures are delivered regularly to employees by the Red Cross Committee.

One of our priorities in promoting health and safety in the workplace is to encourage our employees to take ownership of improving safety awareness and practices. At Jinwan power plant, a Labour Health Management Standard and a Labour Protection Kit Management Standard were established according to the regulations and laws of the PRC. The two standards ensure that health, safety and labour protection procedures and guidelines are clearly communicated to the workforce.

We seek to protect the well-being of our staff by encouraging a healthy work-life balance. To ease work-related stress, we offer a range of generous paid-leave entitlements and flexible work arrangements. HK Electric continued to use "Drive your own purpose" as a theme for year 2019, aimed at motivating employees to take ownership of their own physical and emotional wellness. A wide range of initiatives including interest classes, seminars, health talks, training courses and fitness activities ran to help staff maintain work-life balance.

HK Electric's Runners' Club continued to motivate employees to exercise together. Members of the Club represented HK Electric at charity corporate races, and the company won a corporate team race at Green Run 2019 organised by the Green Council at the Science Park.

Labour Standards

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

Regulatory Compliance

As explained in previous sections, we recognise the importance of regulatory compliance and have preventive, monitoring and detection measures in place to ensure compliance with all relevant employment and labour laws and regulations. During the reporting period, we were not aware of any incidents of non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices, and occupational health and safety, nor did we identify any incidents relating to the use of child or forced labour.

Regular fire drills take place at RPCL to enhance the plant's emergency preparedness.

Operating Practices

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

Supply Chain Management

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

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

VPN implemented a contractor on-boarding software for more than 100 suppliers over the year. This software will support efficient and fully compliant field contractor engagement processes and enable daily reporting and live system monitoring of contractors' performance.

HK Electric is among the pioneering utilities in Hong Kong to establish standards for pursuing service excellence.

A conference for more than 120 UKPN contractors, ED1SON Alliance sub-contractors, and OEM (equipment) manufacturers helps share best practices.

A Supplier Health and Safety Engagement Day was held by UK Power Networks (UKPN) to share lessons learnt and to align on vision for health and safety at work. 80 suppliers attended the session and discussed the importance of health and safety.

Product Responsibility

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

HK Electric also launched the Strategic Asset Management & Operational Support Applications (SAMOSA) programme in 2019. SAMOSA will help improve and optimise end-to-end asset management processes from planning, acquisition to decommissioning.

Customer Satisfaction

Regular communication with customers is essential to achieving high levels of customer satisfaction. We interact with our customers through various means including telephone, SMS and other modern technology platforms.

Additionally, our businesses conduct regular surveys to assess customer satisfaction with respect to different aspects of our services. Prompt follow up is ensured to address relevant issues. To continue improving customer service standards, many of the Group's operating companies, for example VPN and HK Electric, follow the ISO 9001 quality standard to ensure that their products and services consistently meet customer requirements.

Exemplary customer service and support for the commercial sector is integral to SAPN's core values.

Customer Data Privacy

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

We are committed to safeguarding customer privacy in compliance with the Personal Data (Privacy) Ordinance and other relevant codes of practice, guided by our Group Personal Data Privacy Policy. Our commitment to personal data privacy is set out in our Privacy Policy Statement, and guidelines are in place for employees on handling customer data where a Data Loss Prevention System has been implemented to guard against unauthorised use of confidential and sensitive personal information. HK Electric's Customer Information System is ISO 27001 - compliant for information security management and the company participated in Privacy Awareness Week 2019, hosting an in-house seminar to raise employees' awareness about the importance of protecting personal data.

Anti-corruption

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

Regulatory Compliance

As explained in previous sections, we recognise the significance of regulatory compliance and have established respective preventive, monitoring and detection measures to ensure compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering. We were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year; nor were we aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

Community Investment

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

Connecting Single Elders with Community

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

To address the needs of Hong Kong's ageing population, HK Electric continues to run the "CAREnJOY" programme to show care and concern to the single elderly. Under this programme, company volunteers team up with elderly ambassadors to visit senior citizens living on their own, encouraging them to stay socially active and seek help from the community when needed. In 2019, the programme reached out to more than 2,250 elderly through home visits and district-based gatherings promoting the safe use of electricity.

Encouraging Lifelong Learning

In addition to providing care and support to the elderly, we also provide learning opportunities for active retirees to promote lifelong learning.

HK Electric continued to operate the U3A ("University of 3rd Age") Network in Hong Kong, providing learning opportunities for active retirees. In 2019, nearly 950 interest courses and more than 17,000 learning opportunities were organised by the 51 U3A centres supported by the HK Electric Centenary Trust. Following the success of the "Smart Power Ambassadors" training programme in 2018 to turn local retirees into green ambassadors in their community, a course featuring classroom training and facilities visit was arranged in 2019, covering topics such as smart cities, trees preservation, sustainable

HK Electric's U3A programme takes retirees on field trips to integrate lifelong learning with green education.

consumption and the company's latest green developments and services. These ambassadors in turn share what they have learnt with fellow retirees to promote environmental protection.

Youth Education

The Group believes that education is the foundation of a knowledge-based, inclusive society. Our businesses collaborate with various organisations to educate the youth on energy and cost saving practices.

UKPN shows young people how to save energy and money through the MyBnk Money Buzz programme.

UKPN worked with charity MyBnk to implement a new financial education programme, Money Buzz, which educates children on how they could save energy and money whilst helping the environment. This programme particularly targets children from lower income families whose energy costs are a significant proportion of household income. This programme was able to reach approximately 1,000 children across 17 schools in 2019.

HK Electric rolled out its Happy Green Campaign (rebranded from Smart Power Campaign) to promote energy efficiency and low-carbon lifestyle. A host of activities were organised throughout the year for students and members of the public along the theme of "smart power for smart city".

Ratchaburi Power Company (RPCL) also actively supports youth education in local communities where it operates. RPCL was a key sponsor at 27 schools in Ratchaburi, Thailand, providing more than 1,000 students and teachers with financial support to carry out their studies and teaching.

Environmental KPIs

	Unit	2019	2018
NOx emissions	tonne	**5,916**	6,951
SOx emissions	tonne	**1,217**	1,538
Particulate matter emissions	tonne	**140**	179
Total GHG emissions	tonne CO_2e	**10,885,046**	12,642,974
Greenhouse gas emissions (Scope 1)	tonne CO_2e	**9,681,775**	11,403,116
Greenhouse gas emissions (Scope 2)	tonne CO_2e	**1,203,271**	1,239,858
Total hazardous waste produced	tonne	**67,518**	66,541
Total non-hazardous waste produced	tonne	**545,445**	705,422
Total energy consumption	'000 kWh	**35,290,198**	39,917,075
Total energy consumption intensity	kWh/revenue in HK$	**1.36**	1.42
Total direct energy consumption	'000 kWh	**32,810,761**	37,384,686
Total direct energy consumption intensity	kWh/revenue in HK$	**1.26**	1.33
Gasoline/Petrol	'000 kWh	**4,720**	5,072
Diesel	'000 kWh	**239,094**	231,489
Gas (exclude town gas and natural gas)	'000 kWh	**248**	307
Natural gas	'000 kWh	**11,489,233**	11,671,794
Other fuel	'000 kWh	**21,077,466**	25,476,024
Total indirect energy consumption	'000 kWh	**2,479,437**	2,532,389
Total indirect energy consumption intensity	kWh/revenue in HK$	**0.10**	0.09
Electricity	'000 kWh	**2,479,437**	2,532,389
Water consumption	'000 m^3	**5,530**	7,825
Water consumption intensity	m^3/revenue in HK$'000	**0.21**	0.28
Total paper used for finished products	tonne	**8.12**	8.38

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

Board of Directors and Senior Management

Board of Directors

Executive Directors

FOK Kin Ning, Canning *Chairman*

Aged 68. Appointed to the Board in 1985 and became the Chairman in 2005. He is a Director of certain subsidiaries of the Company. He is also the Chairman of HK Electric Investments Manager Limited ("HKEIML") which is the trustee-manager of HK Electric Investments ("HKEI"), HK Electric Investments Limited ("HKEIL") and its wholly-owned subsidiary, The Hongkong Electric Company, Limited ("HK Electric"). Mr. Fok is an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited ("CK Hutchison"), and the Deputy Chairman of CK Infrastructure Holdings Limited ("CKI"). Mr. Fok is the Chairman of Hutchison Telecommunications (Australia) Limited, Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), and the Co-Chairman of Husky Energy Inc. ("Husky Energy"). All the companies mentioned above, except HKEIML, HK Electric and HPHMPL, are listed companies, and HPH Trust and HKEI are listed business/investment trusts. Mr. Fok acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), and a Director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

TSAI Chao Chung, Charles *Chief Executive Officer*

Aged 62. 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 57. Appointed to the Board in June 2012. Mr. Chan is a Director of most of the subsidiaries and certain joint ventures of the Company. He is also an Executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL, and a Director of HK Electric. Mr. Chan is an Executive Director and Chief Financial Officer of CKI, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chan joined Hutchison Whampoa Limited ("HWL") in January 1992 and has been with the CK Group since May 1994. All the companies mentioned above, except HKEIML, HK Electric and HWL, are listed companies, and HKEI is a listed investment trust. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants, and is also a member of the Institute of Certified Management Accountants (Australia).

Andrew John HUNTER

Aged 61. Appointed to the Board in 1999, prior to which he was Finance Director of the Hutchison Property Group. Mr. Hunter was Group Finance Director from 1999 to January 2006, and is a Director of certain joint ventures of the Company. Mr. Hunter is currently Deputy Managing Director of CKI, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Hunter also holds directorships in certain companies controlled by certain substantial shareholders of the Company. Mr. Hunter holds a Master of Arts degree and a Master's degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland and of the HKICPA. He has over 37 years of experience in accounting and financial management.

Neil Douglas MCGEE

Aged 68. Appointed to the Board in 2005 as an Executive Director, and re-designated as a Non-executive Director in August 2012 and as an Executive Director in January 2014. He was Group Finance Director from February 2006 to August 2012. Mr. McGee has held various legal, corporate secretarial and finance positions with the Group and the CK Hutchison Group. He is also a Director or Alternate Director of certain subsidiaries and joint ventures of the Company. Mr. McGee is currently the Managing Director of Hutchison Whampoa Europe Investments S.à r.l. and a Director of Husky Energy, a listed company. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

WAN Chi Tin

Aged 69. Appointed to the Board in 2005. He was Group Managing Director from January 2013 to January 2014. Mr. Wan is a Director of most of the subsidiaries and certain joint ventures of the Company. He is also the Chief Executive Officer and an Executive Director of HKEIL, a company listed together with HKEI, an Executive Director of HKEIML which is the trustee-manager of HKEI and the Managing Director of HK Electric. He has worked for the Group since 1978, holding various positions including Director of Engineering (Planning & Development), Chief Executive Officer of Powercor Australia Limited and CitiPower Pty., associate companies of the Group in Australia. Mr. Wan holds a Bachelor of Science degree in Electrical Engineering and is also a Chartered Engineer. He is an Honorary Fellow of the Energy Institute, a Fellow of the Institution of Engineering and Technology and a Fellow of The Hong Kong Institution of Engineers. Mr. Wan is a member of the Audit Committee of The University of Hong Kong. He was previously Vice Chairman of the Engineers Registration Board of Hong Kong.

Non-executive Director

LI Tzar Kuoi, Victor

Aged 55. Appointed to the Board in 1994 and re-designated from an Executive Director to a Non-executive Director in January 2014. He is also a Director of a joint venture of the Company. He is the Chairman and Group Co-Managing Director of CK Hutchison, and the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited. Mr. Li is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. and the Co-Chairman of Husky Energy. Mr. Li is also a Non-executive Director of HKEIML which is the trustee-manager of HKEI, a Non-executive Director and the Deputy Chairman of HKEIL and a Director of HK Electric. All the companies mentioned above, except HKEIML and HK Electric, are listed companies, and HKEI is a listed investment trust. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation (formerly known as Li Ka Shing (Overseas) Foundation), the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong. He acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.).

Independent Non-executive Directors

IP Yuk-keung, Albert

Aged 67. Appointed to the Board in January 2014. Mr. Ip is an international banking and real estate professional with over 30 years of banking experience in United States, Asia and Hong Kong. He was formerly Managing Director of Citigroup and Managing Director of Investments at Merrill Lynch (Asia Pacific). Mr. Ip is Adjunct Professor of and advisor to a number of universities in Hong Kong, United States and Macau. He is a Council Member of The Hong Kong University of Science and Technology and a Trustee of the Board of Trustees of Washington University in St. Louis. Mr. Ip is an Honorary Fellow of Vocational Training Council and a Beta Gamma Sigma Honoree at City University of Hong Kong and The Hong Kong University of Science and Technology. Mr. Ip is a Non-executive Director of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, and an Independent Non-executive Director of TOM Group Limited, Lifestyle International Holdings Limited, New World Development Company Limited and HTHKH. All the companies mentioned above except for Eagle Asset Management (CP) Limited are listed companies, and Champion Real Estate Investment Trust is a listed real estate investment trust. Mr. Ip was formerly an Executive Director and the Chief Executive Officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments, and Langham Hospitality Investments Limited, and an Independent Non-executive Director of New World China Land Limited, AEON Credit Service (Asia) Company Limited, Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited) and Hopewell Holdings Limited. Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science in Applied Mathematics and a Master of Science in Accounting and Finance.

Ralph Raymond SHEA

Aged 86. Appointed to the Board in 1985. Mr. Shea has been an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL which is a company listed together with HKEI, and a Director of HK Electric, since October 2015. Mr. Shea is a solicitor of England and Wales and of Hong Kong.

LUI Wai Yu, Albert

Aged 69. Appointed to the Board on 19 March 2020. Mr. Lui has over 30 years of experience in project management. He joined the CK Group in 1978, with his last position before retirement in 2006 as the Senior Project Manager of the Development Department of Cheung Kong (Holdings) Limited (which was then listed company). Mr. Lui holds a Higher Certificate in Civil Engineering and a Diploma in Management Studies.

WU Ting Yuk, Anthony

Aged 65. Appointed to the Board in June 2014. He is a member of Standing Committee of the Chinese People's Political Consultative Conference National Committee. Mr. Wu was formerly the chairman of the Hong Kong Hospital Authority, the chairman of the Bauhinia Foundation Research Centre, a member of the Task Force on Land Supply of the Hong Kong Special Administrative Region, the Deputy Chairman and an executive director of Sincere Watch (Hong Kong) Limited, and an independent non-executive director of Fidelity Funds and Agricultural Bank of China Limited. He also served as the chairman, and is currently a member of the Chamber Council, of the Chamber. Mr. Wu is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region. Mr. Wu is a member of the People's Republic of China State Council's Medical Reform Leadership Advisory Committee, a member of the Public Policy Advisory Committee and an advisor of the National Health Commission of the People's Republic of China, the Principal Advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China and a member of the Chinese Medicine Reform and Development Advisory Committee of the People's Republic of China. He is also the Chief Advisor to MUFG Bank, Ltd., the Chairman of the China Oxford Scholarship Fund and an Honorary Professor of Faculty of Medicine of the Chinese University of Hong Kong and Peking Union Medical College Hospital. Mr. Wu is an independent non-executive director and the Chairman of China Resources Medical Holdings Company Limited, and an independent non-executive director of Guangdong Investment Limited, China Taiping Insurance Holdings Company Limited, CStone Pharmaceuticals and Venus Medtech (Hangzhou) Inc., all of which are listed companies. Mr. Wu is an Honorary Fellow of Hong Kong College of Community Medicine. He is a Fellow of the HKICPA and the Institute of Chartered Accountants in England and Wales, and an Honorary Chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch.

Senior Management

CHAN Kee Ham, Ivan

Aged 57. Chief Financial Officer, has been with the Group since May 2012. He is also the Chief Planning and Investment Officer of CK Infrastructure Holdings Limited. He has over 30 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

FUNG Siu Tong, Thomas

Aged 51. Assistant General Manager (Business Development), has been with the Group since September 1990. He is responsible for business development activities which include both acquisition and greenfield development globally. He holds a Bachelor of Science degree in Mechanical Engineering.

Jeffrey KWOK

Aged 62. Senior Manager (Business Development), has been with the Group since September 1981. He is responsible for both greenfield development and acquisition activities in various countries and assumes active management role in some of the Group's investments. He holds a Master of Science degree in Engineering and is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

NG Wai Cheong, Alex

Aged 50. Group Legal Counsel and Company Secretary, has been with the Group since November 2008. Mr. Ng is also the Group Legal Counsel and Company Secretary of HK Electric Investments Manager Limited (the trustee-manager of HK Electric Investments) and HK Electric Investments Limited. He has over 20 years of experience in legal, regulatory and compliance fields. Mr. Ng holds a Bachelor's degree in Science and a Bachelor's degree in Laws. He was admitted as a solicitor in Hong Kong and in England and Wales.

PAK Tak Kei, Keith

Aged 55. 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 47. Senior Manager (International Business), joined the Group in September 2016 and has over 15 years of experience in energy industry with international business exposure. She is responsible for asset management of the Group's investments globally, and assumes active role in new energy development projects. Miss Yu holds a Master of Business Administration degree. She is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Institute of Directors.

Corporate Governance Report

Corporate Governance Practices

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

The Board delegates its responsibility for performing corporate governance duties to the Audit Committee. At its meetings held in March and July 2019, the Audit Committee reviewed the governance structure of the Group, the records of continuous professional development activities of Directors and senior managers in 2018 and the half year to 30 June 2019, the compliance status of the Corporate Governance Code for the year 2018 and the first six months of 2019, and the corporate governance disclosure in the 2018 Corporate Governance Report and the interim report 2019. The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2019, except as stated hereunder.

Board of Directors

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

During 2019, the Board comprised the following Directors and the record of attendance of meetings in 2019 of each Director is as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Meetings between Chairman and Independent Non-executive Directors	Annual General Meeting held on 15 May 2019
Executive Directors						
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	1/1	2/2	✓
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	1/1	–	✓
Chan Loi Shun	4/4	–	–	1/1	–	✓
Andrew John Hunter	4/4	–	–	1/1	–	✓
Neil Douglas McGee	4/4	–	–	1/1	–	✓
Wan Chi Tin	4/4	–	–	1/1	–	✓
Non-executive Director						
Victor T K Li	4/4	–	–	1/1	–	✓
Independent Non-executive Directors						
Ip Yuk-keung, Albert	4/4	3/3	–	1/1	2/2	✓
Ralph Raymond Shea	4/4	3/3	1/1	1/1	2/2	✓
Wong Chung Hin	4/4	3/3	1/1	1/1	2/2	✓
Wu Ting Yuk, Anthony	3/4	–	–	1/1	1/2	×

Biographical details of the current Directors are set out in the "Board of Directors and Senior Management" section on pages 44 to 47 of the Annual Report. An updated list of Directors containing biographical information and identifying the Independent Non-executive Directors is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

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

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

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

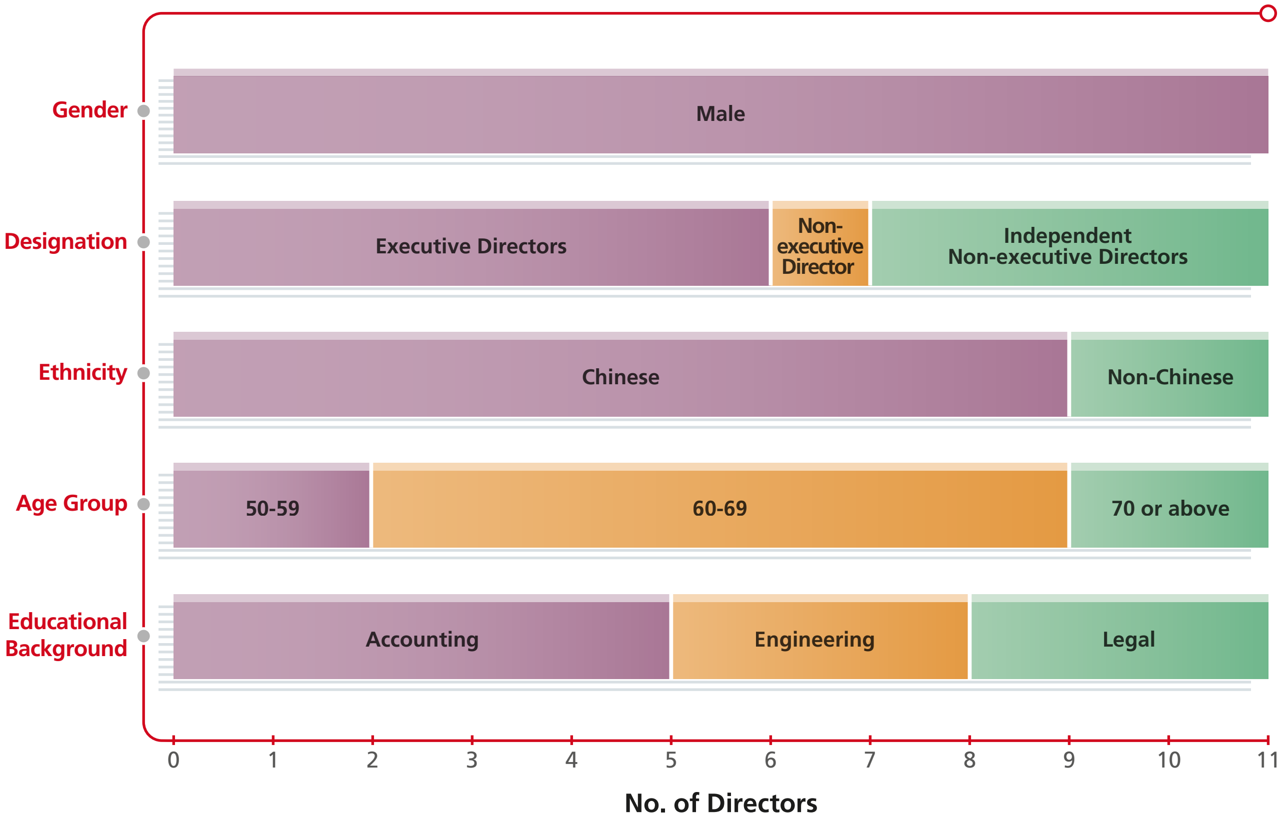
All Directors have been appointed on annual twelve-month basis, subject to retirement from office by rotation and re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Any newly appointed director will be subject to retirement and re-election pursuant to the articles of association of the Company at the next general meeting (in the case of filling a casual vacancy) and at the next annual general meeting (in the case of an addition to the Board). Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting are Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Victor T K Li and Mr. Tsai Chao Chung, Charles. Mr. Lui Wai Yu, Albert, appointed as an Independent Non-executive Director with effect from 19 March 2020 to fill the casual vacancy following the resignation of Mr. Wong Chung Hin on the same date, will retire in accordance with article 99 of the Company's articles of association and offer himself for re-election at the forthcoming annual general meeting. Information relating to the Directors offering themselves for re-election which is required to be disclosed under the Listing Rules is contained in the circular to shareholders dated 3 April 2020 (the "2020 Circular"). The Company has also expressed the view in the 2020 Circular that each of the Independent Non-executive Directors who is eligible for re-election has met the independence factors set out in Rule 3.13 of the Listing Rules and is independent in accordance with the guidelines. None of the said Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

The full Board is ultimately responsible for reviewing the structure, size, diversity profile and skills matrix of the Board, appointment of new Directors and succession plan for Directors in accordance with the Group's board diversity policy which sets out the approach in achieving a diversified Board. Further details of the Group's board diversity policy and Director Nomination Policy are set out in the section "Nomination Committee" below.

The diversity profile of the Board as at 31 December 2019 is as follows:

Board Diversity



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

Directors' Training and Commitment

The Company arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendances at external forums or briefing sessions on the relevant topics also count towards continuous professional development training. The Directors have provided to the Company their records of continuous professional development training during 2019, and they have participated in training activities in the following manner:

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

2. Reading materials and seminars on corporate governance and financial reporting

3. Reading materials and seminars on risk management, internal control and sustainable growth

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

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

Directors' Securities Transactions

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regulating directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

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

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

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

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Going Concern

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

Disclosure

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. During 2019, the Chairman of the Board was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

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

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

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

Independent Non-executive Directors

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

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

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

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

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

Long Positions in Shares of Associated Corporation HK Electric Investments and HK Electric Investments Limited

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

Notes:

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

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

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

In 2019, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities ("Business") were as follows:

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

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

Nomination Committee

In accordance with code provision A.5.1, the Company established its Nomination Committee on 1 January 2019. The committee is chaired by Mr. Fok Kin Ning, Canning (the Chairman) and, while its membership comprises all Directors of the Company, it is assisted by an ad hoc sub-committee (which is chaired by the Chairman and its membership, comprising a majority of Independent Non-executive Directors, is compliant with the requirements under the Listing Rules for a nomination committee) when discharging its responsibilities.

The principal responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Board, to facilitate the Board in conduct of the selection and nomination process, to assess the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in accordance with the Group's board diversity policy which sets out the approach in achieving a diversified Board. When the need to select, nominate or re-elect Directors arises, the Nomination Committee would establish the abovementioned sub-committee to consider and if appropriate, recommend the nomination of Directors to be appointed or re-elected. Members of the committee and the sub-committee may seek independent professional advice where necessary to discharge their duties. Under the board diversity policy, appointment to the Board should be based on merit that the selected candidate will bring to the Board with an aim to build an effective and complementary board with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses. The Board would also take into consideration the benefits of various aspects of diversity, including gender, age, cultural and educational background, professional experience and qualifications and other factors that may be relevant from time to time. Additional considerations would be taken into account when reviewing potential candidates for Independent

Non-executive Directors, which include their independence according to the requirements of the Listing Rules, and whether they are able to devote sufficient time to Board and board committee meetings. The board diversity policy revised on 1 January 2019 is available on the Company's website. The procedures for the selection and nomination of Directors are set out in the Director Nomination Policy adopted by the Company on 1 January 2019 is also published on the Company's website.

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

The Committee held a meeting in March 2019, during which it reviewed the structure, size and composition of the Board, and the independence of the Independent Non-executive Directors. The Committee also considered and endorsed the ad hoc sub-committee's recommendation for the nomination of all the re-electing Directors for re-election in the 2019 annual general meeting, and recommended to the Board for the abovementioned nomination.

Remuneration Committee

The Remuneration Committee was established on 1 January 2005. During the year 2019, it was chaired by Mr. Wong Chung Hin (an Independent Non-executive Director), and the other members were Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Ralph Raymond Shea (an Independent Non-executive Director). Following the retirement of Mr. Wong as an Independent Non-executive Director of the Company on 19 March 2020, Mr. Shea acts as the Chairman of the Remuneration Committee, and the other members are Mr. Fok and Mr. Lui Wai Yu, Albert (an Independent Non-executive Director appointed on 19 March 2020).

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

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

The Committee held a meeting in December 2019, during which it assessed the performance of the full time Executive Directors and senior management of the Group and considered and determined the performance-based bonus payable to them in respect of the 2019 financial year and their remuneration for the next year. None of the Directors and senior management participated in the determination of their own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2020 wage and salary review proposal.

The emoluments paid to each Director for the 2019 financial year are shown in note 11 to the financial statements on pages 109 to 110 of the Annual Report. The remuneration paid to members of the senior management for the 2019 financial year is disclosed by bands also in note 11 on page 110 of the Annual Report.

Audit Committee

The Audit Committee was established on 1 January 1999. During the year 2019, it was chaired by Mr. Wong Chung Hin and the other members were Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea. Following the retirement of Mr. Wong as an Independent Non-executive Director of the Company as mentioned above, Mr. Ip acts as the Chairman of the Audit Committee, and the other members are Mr. Shea and Mr. Wu Ting Yuk, Anthony. All the abovementioned past or existing Committee members are Independent Non-executive Directors, and none of them is a partner or former partner of KPMG, the Group's external auditor. The Company Secretary acts as secretary to the Audit Committee.

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

The terms of reference of the Audit Committee amended on 1 January 2019 are published on the Company's website and the HKEX's website.

The Audit Committee held three meetings in 2019. During the meetings, the Audit Committee reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31 December 2018, the audit fee and auditor engagement letter for the 2018 Group financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committee in relation to the audit of the 2018 Group financial statements, the non-audit services provided by KPMG in the year 2018, the Group's risk management report as of December 2018 and June 2019, the assessment and declaration in respect of the effectiveness of risk management and internal control systems of the Group for the year 2018 and for the half year to 30 June 2019, the internal audit plan for 2019, the 3-year cycle internal audit plan for 2019 to 2021, the financial statements for the six months ended 30 June 2019, the statistics on bribery activities and illegal or unethical behaviour of the Group and its major associates for the year 2018 and for the half year to 30 June 2019, the Group's outstanding litigation and claims as at 31 December 2018 and 30 June 2019, the Group's corporate governance structure, the compliance of the Corporate Governance Code by the Company, the disclosure in the Corporate Governance Report 2018, the corporate governance disclosure in the Interim Report 2019, the compliance review of the Deed of Non-competition with HK Electric Investments Limited, the environmental, social and governance reporting in the Annual Report 2018, the continuous professional development activities undertaken by Directors and senior managers during 2018 and the six months ended 30 June 2019, KPMG's audit plan for the 2019 Group results and all internal audit reports compiled during the year. Representatives from KPMG were invited to attend two of the meetings and they discussed the 2018 audited financial statements, the 2019 audit plan and various accounting issues with the members of the Audit Committee.

Subsequent to the financial year end, the Audit Committee met in March 2020 to review the Group consolidated financial statements for the year ended 31 December 2019 and Annual Report 2019, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor. The Audit Committee resolved to recommend for the Board's approval of the Group consolidated financial statements and also the re-appointment of KPMG as the Company's external auditor for 2020.

Company Secretary

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

The appointment and removal of the Company Secretary is subject to approval of the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors have access for advice and service of the Company Secretary. Mr. Alex Ng has been appointed as the Company Secretary of the Company since May 2013 and has day-to-day knowledge of the Group's affairs. During the year ended 31 December 2019, Mr. Ng has received no less than fifteen hours of relevant professional training to refresh his skills and knowledge.

Risk Management and Internal Control

Introduction

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

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

At the meetings held in March and July 2019, the Audit Committee has reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2018 and for the half year ended 30 June 2019 respectively and considered the systems are effective and adequate.

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

Risk Management and Internal Control Environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Code of Conduct

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

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

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

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

External Auditor

Independence

KPMG, the external auditor and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, have confirmed that they have been, for the year ended 31 December 2019, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

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

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on pages 80 to 83 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors is shown in note 9 to the financial statements on page 107 of the Annual Report.

Re-appointment

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

Dividend Policy

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

Shareholders

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

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

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 156 of the Annual Report.

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

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

2019 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2019 Annual General Meeting was held at Harbour Grand Kowloon on 15 May 2019. The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 8 April 2019 which were more than 20 clear business days (as defined in the Listing Rules) and more than 21 clear days (as required by the Company's articles of association) prior to the meeting. The chairman and members of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively were available at the meeting to answer questions from the shareholders. Representatives from KPMG, the external auditor, also attended the meeting and were available to answer questions. A separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed were passed by shareholders at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary resolutions

– Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2018 (99.9223%);

– Declaration of a final dividend of HK$2.03 per share (99.9966%);

– Election of Mr. Fok Kin Ning, Canning (86.0340%) and Mr. Chan Loi Shun (75.3468%) as Directors;

– Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (97.8041%); and

– General mandates to Directors to issue and dispose of additional shares of the Company (67.7301%) and to repurchase shares of the Company (99.8878%), and extension of the general mandate to issue shares (67.8065%).

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

Company's Website

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

Articles of Association

No changes were made to the articles of association of the Company during the year ended 31 December 2019. The current version of the articles of association of the Company is available on the Company's and HKEX's websites.

Key Dates	
Announcement of 2019 interim results	31 July 2019
Payment of 2019 interim dividend (HK$0.77 per share)	10 September 2019
Announcement of annual results for the year ended 31 December 2019	18 March 2020
Closure of register of members (annual general meeting)	8 May 2020 to 13 May 2020 (both days inclusive)
2020 annual general meeting	13 May 2020
Record date for 2019 final dividend	19 May 2020
Payment of 2019 final dividend (HK$2.03 per share)	28 May 2020

Interests and Short Positions of Shareholders

As at 31 December 2019, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

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

Other Persons

(a) Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Shares / Underlying Shares		Approximate % of Shareholding
BlackRock, Inc.	Interests of controlled corporations	111,048,465	*(Note 4)*	5.20%

(b) Short Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Shares / Underlying Shares	Approximate % of Shareholding
BlackRock, Inc.	Interests of controlled corporations	579,500 *(Note 5)*	0.03%

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) Such long position includes derivatives interests in 970,000 underlying shares of the Company derived from unlisted and cash settled derivatives.

(5) Such short position includes derivatives interests in 116,500 underlying shares of the Company derived from unlisted and cash settled derivatives.

Save as disclosed above, as at 31 December 2019, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Public Float

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

Connected Transaction in 2019

Supplemental Agreement to the Economic Benefits Agreement

As disclosed in Annual Report 2018, an economic benefits agreement (the "Economic Benefits Agreement") was entered into on 31 August 2018 by Mauve Blossom Limited ("Mauve Blossom", a wholly-owned subsidiary of the Company) with a wholly-owned subsidiary of CK Hutchison Holdings Limited ("CKHH") ("CKH Sub") and CKHH (as guarantor of CKH Sub) whereby the transaction constitutes a connected transaction for the Company under the Listing Rules which was announced on 31 August 2018. On 31 July 2019, Mauve Blossom, CKH Sub and CKHH entered into a supplemental agreement (the "Supplemental Agreement") whereby the parties agreed to amend and restate the Economic Benefits Agreement to provide certain ancillary protections in relation to Mauve Blossom's interest under the Economic Benefits Agreement with effect from the date of satisfaction of the conditions set out in the Supplemental Agreement. The Supplemental Agreement constitutes a variation of terms of the connected transaction contemplated under the Economic Benefits Agreement. Shareholders have been informed of the entering into of the Supplemental Agreement in the announcement posted on the respective websites of the Company and HKEX on 31 July 2019.

Continuing Connected Transactions during 2019

Services Agreements between CHED Services and CK William's affiliates

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

Services Agreement *(Parties)*	Nature of Services	Payment
(1) CK William Services Agreement *(CHED Services and CK William Australia Holdings Pty Ltd ("CK William"))*	CHED Services is engaged to provide finance related services, tax related services in Australia and company secretarial services to certain members of CK William group, and to provide finance related services to CK William UK Holdings Limited (CK William's direct holding company).	The service fee payable by CK William to CHED Services for services provided in respect of the year ended 31 December 2019 of AUD1 million is payable in equal monthly instalments.
(2) UEM Services Agreement *(CHED Services and UE & Multinet Pty Ltd ("UEM"))*	CHED Services is engaged to provide to UEM (1) corporate services including finance, tax and company secretarial services, (2) information technology support services and (3) network operations related services.	The monthly service fee payable by UEM to CHED Services is the sum of (i) a fixed monthly charge of approximately AUD0.5 million for the year ended 31 December 2019; (ii) fair allocation of capital and operational costs incurred by CHED Services for sole benefit of UEM; and (iii) fair allocation of shared operational costs.

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

For the year ended 31 December 2019, the annual caps applicable to the CK William Services Agreement and the UEM Services Agreement were AUD1.2 million and AUD10.0 million respectively, and the amount received in respect of such year subject to annual review requirements under the Listing Rules were AUD1.0 million and approximately AUD8.6 million respectively.

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

Services Agreements between HMGP and Husky Energy's affiliates

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

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

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

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

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

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

For the year ended 31 December 2019, the annual caps applicable to the Management and Operating Services Agreement, the Construction Services Agreement, the Blending Services Agreement, the Transportation and Terminalling Services Agreement, the Storage Agreement and the Midstream Services Agreement were CAD50.0 million, CAD21.4 million, CAD30.0 million, CAD188.3 million, CAD31.6 million and CAD1.4 million (i.e. the pro-rated amount for the annual cap for year 2019 of CAD16.4 million as stated in the Midstream Services Agreement calculated with reference to the length of the relevant period from the commencement of the operation of the Facility) respectively, and the amount paid/received in respect of such year subject to annual review requirements under the Listing Rules were approximately CAD27.5 million, approximately CAD3.3 million, CAD30.0 million, approximately CAD141.5 million, approximately CAD28.7 million and approximately CAD1.2 million respectively.

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

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

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

CKCI is an indirect wholly-owned subsidiary of CKI, a substantial shareholder of the Company, and therefore CKCI's provision of the services to Outram constituted continuing connected transactions (the "Outram Continuing Connected Transactions") for the Company under the Listing Rules. The aggregate amount paid for the year ended 31 December 2019 attributable to the Outram Continuing Connected Transactions subject to annual review requirements under the Listing Rules was approximately HK$24.7 million.

All the Independent Non-executive Directors have reviewed the CHED Continuing Connected Transactions, the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in the 2019 financial year and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the CHED Continuing Connected Transactions, the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in accordance with Hong Kong Standard of Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong

Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the CHED Continuing Connected Transactions, the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions in the 2019 financial year (i) had not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) had exceeded the annual cap amount for the 2019 financial year.

Other Transactions

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

Non-competition Deed with HK Electric Investments Limited

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

The Company has complied with the Non-competition Deed during 2019 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

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

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

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

In accordance with the Investment Opportunity Deed, a committee comprising all its independent non-executive directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework of ensuring the deed's compliance, Internal Audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that during 2019, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed are made in accordance with the requirements thereof.

Risk Managemant

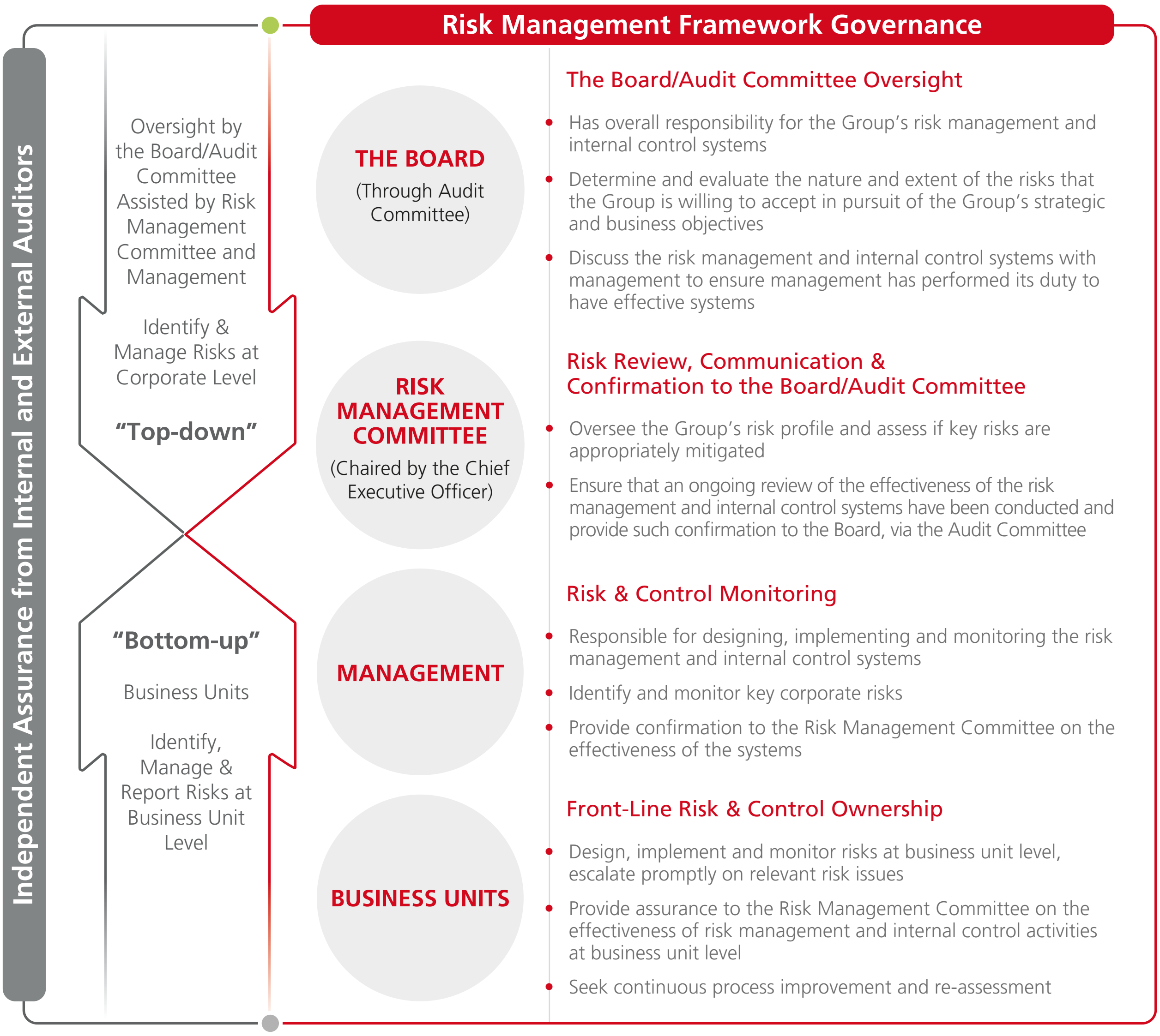
Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives.

Risk Management Framework

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

Governance & Oversight

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



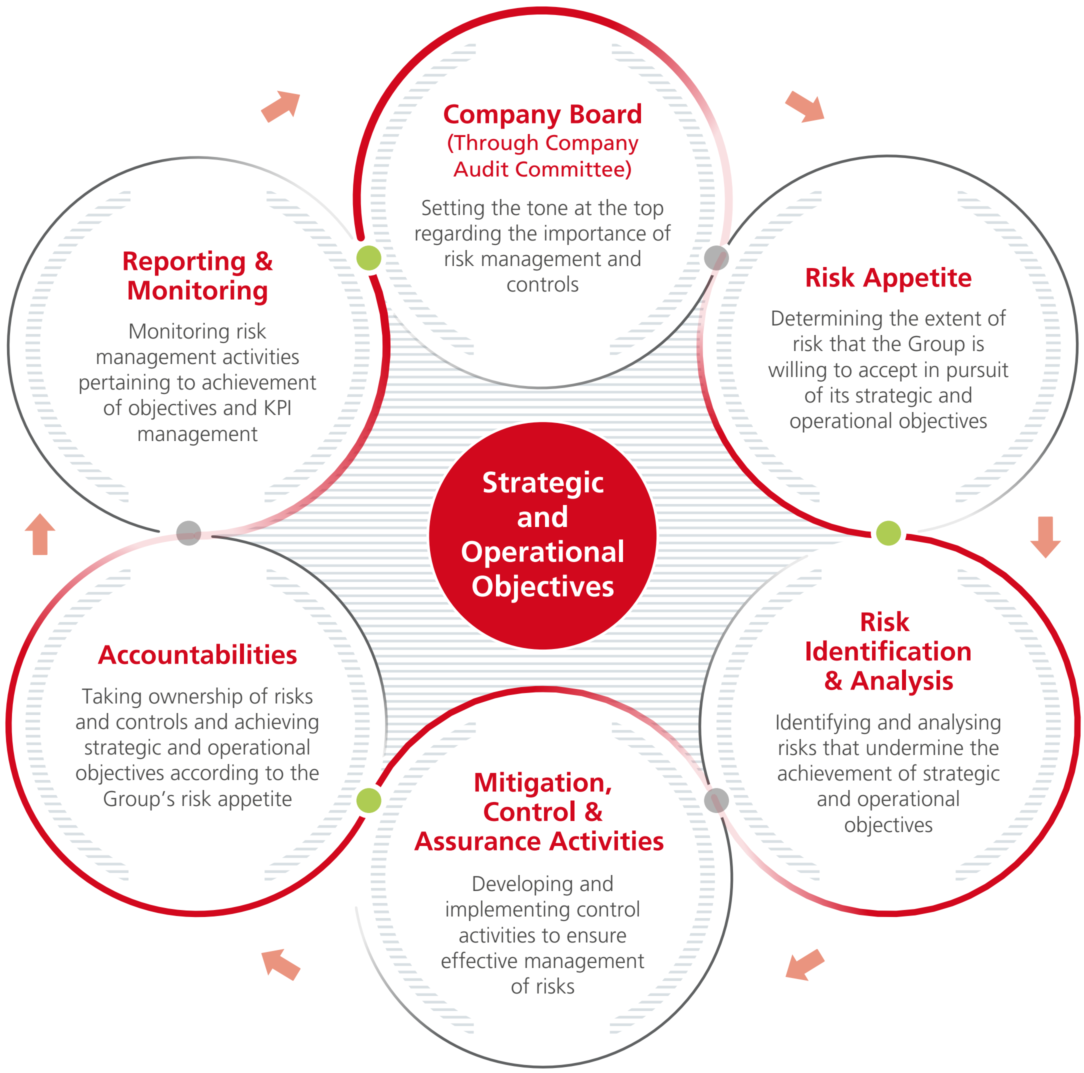
Risk Management Process

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

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

A risk management report that highlights key corporate and business level risks and action plans is reviewed by the Risk Management Committee half-yearly. 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 72 to 74 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.



Risk Factors

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

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

Global Economy and Macro-Economic Conditions

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

The Group is a global investor in power and utility-related businesses, with interests in Hong Kong, the United Kingdom, Australia, New Zealand, Mainland China, Thailand, Portugal, 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.

Currency Markets and Interest Rates

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

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

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

The Group's treasury policy guides the measures it undertakes to manage the above exposure. Details of the Group's current practices to manage currency and interest rate risks are in the Financial Review on pages 75 to 76.

Cyber Security

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

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

Health and Safety

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

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

Impact of Local, National and International Regulations

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

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

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

Reliability of Supply

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

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

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

Climate Change

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

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

Financial Review

Financial Position, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates at the year end were HK$86,142 million (2018: HK$79,422 million). Total unsecured bank loans outstanding at the year end were HK$3,319 million (2018: HK$3,437 million). In addition, the Group had bank deposits and cash of HK$4,876 million (2018: HK$5,229 million). Due to its strong cash position, the Group did not maintain any undrawn committed bank facility at the year end (2018: HK$Nil).

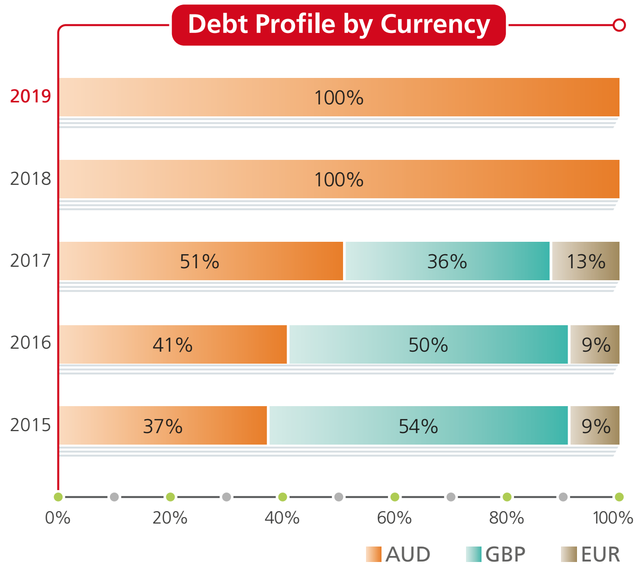
Treasury Policy, Financing Activities and Debt Structure

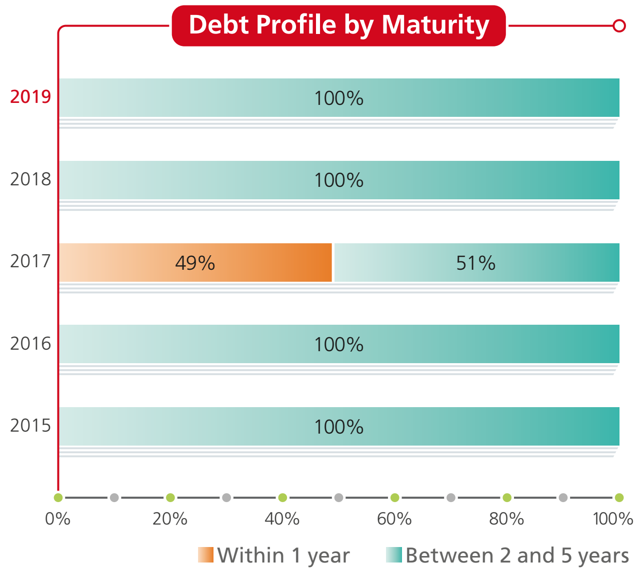
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation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

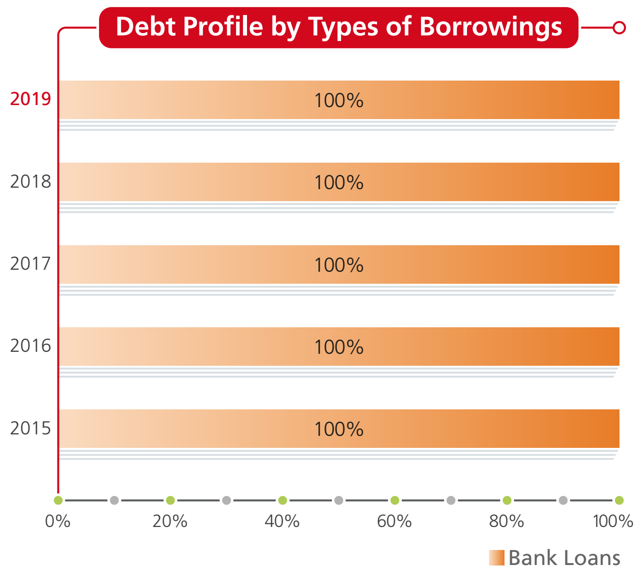
The Group's financial profile remained strong during the year. On 15 February 2019, Standard & Poor's reaffirmed the "A" long-term issuer credit rating and the "Stable" outlook of the Company, unchanged since September 2018.

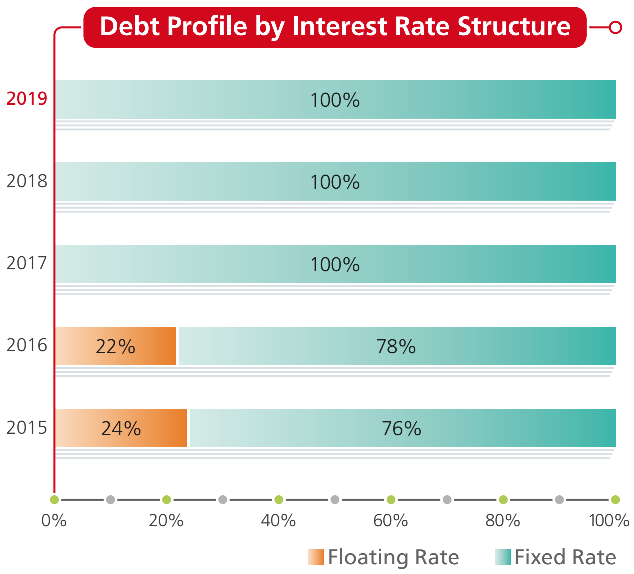
As at 31 December 2019, the net cash position of the Group was HK$1,557 million (2018: HK$1,792 million).

The profile of the Group's external borrowings as at 31 December 2019, after taking into account interest rate swaps, is set out in the tables below:









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

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

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings, or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 31 December 2019 was HK$3,319 million (2018: HK$3,437 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2019 was an asset of HK$1,061 million (2018: asset of HK$1,313 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 2019 amounted to HK$35,502 million (2018: HK$35,575 million).

Charges on Assets

At 31 December 2019, the Group's interest in an associate of HK$182 million (2018: HK$232 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2019, the Group had given guarantees and indemnities totalling HK$493 million (2018: HK$529 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 2019, excluding directors' emoluments, amounted to HK$24 million (2018: HK$21 million). As at 31 December 2019, the Group employed 13 (2018: 11) 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 2019.

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 2019 are set out in Appendix 2 on pages 150 to 151 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, CEO's Report on pages 10 to 29, Environmental, Social and Governance Report on pages 30 to 43, Risk Management and Risk Factors on pages 70 to 74 and Financial Review on pages 75 to 76 of this Annual Report.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Environmental, Social and Governance Report on pages 30 to 43, 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 48 to 69 and Risk Factors on pages 72 to 74. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2019 and the financial positions of the Group as at that date are set out in the financial statements on pages 84 to 154.

Dividends

An interim dividend of $0.77 (2018: $0.77) per ordinary share was paid to shareholders on 10 September 2019. The Directors recommend a final dividend of $2.03 (2018: $2.03) per ordinary share payable on 28 May 2020 to shareholders who are registered on the register of members on 19 May 2020.

Share Capital

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

Donations

Charitable and other donations made by the Group during the year amounted to $3 million (2018: $2 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 155.

Major Customers and Suppliers

Sales to the largest customer is 23.0% (2018: 20.8%) of the Group's total revenue, and sales to five largest customers combined is 75.7% (2018: 71.6%) of the Group's total revenue for the year ended 31 December 2019. The five largest customers for the year are the joint ventures or associates of the Company.

Purchases from the largest supplier is 29.1% (2018: 32.3%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 59.6% (2018: 68.5%) of the Group's total purchases of revenue items for the year ended 31 December 2019.

Directors

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

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

Permitted Indemnity

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

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

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed under the section headed "Connected Transaction in 2019" in the Corporate Governance Report, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

Management Contracts

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

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2018: nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2018: nil).

Equity-linked Agreements

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

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 31 December 2019 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 2019	$ million
Non-current assets	419,517
Current assets	24,413
Current liabilities	(41,226)
Non-current liabilities	(284,681)
Net assets	118,023
Share capital	46,554
Reserves	71,469
Capital and reserves	118,023

As at 31 December 2019, the consolidated attributable interest of the Group in these affiliated companies amounted to $60,073 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 18 March 2020

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 84 to 154, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Accounting for interests in associates and joint ventures

Refer to notes 14 and 15 to the consolidated financial statements and the accounting policy 2(e).

The Key Audit Matter	How the matter was addressed in our audit
The Group's associates and joint ventures operate in Hong Kong and outside Hong Kong (including the United Kingdom, Australia, Thailand, the People's Republic of China, Canada, the Netherlands, Portugal, New Zealand and the United States). The Group's share of profits less losses of associates and joint ventures for the year ended 31 December 2019 and the Group's interests in associates and joint ventures at that date are significant in the context of the Group's consolidated financial statements. The financial information of associates and joint ventures with operations outside of Hong Kong is prepared in accordance with the prevailing accounting standards in each relevant jurisdiction which may differ in certain respects from HKFRSs. Converting the financial information of these entities into HKFRSs for the purpose of equity accounting involves management making a number of manual adjustments some of which are complex in nature. We identified the accounting for interests in associates and joint ventures as a key audit matter because of the material impact that these entities have on the consolidated financial statements and also because of the complex nature of certain adjustments made by management which we consider increases the inherent risk of error.	Our audit procedures to assess the accuracy of the accounting for interests in associates and joint ventures included the following: • performing an audit of the consolidated financial statements of the Hong Kong based associate, HK Electric Investments Limited, in accordance with the requirements of HKSAs; • evaluating the independence and competence of the auditors of associates and joint ventures outside Hong Kong; • participating in the risk assessment process undertaken by the auditors in respect of their audits of significant associates and joint ventures outside Hong Kong; • understanding the procedures planned to be performed by the auditors of significant associates and joint ventures outside Hong Kong to address the significant risks identified and considering whether the planned procedures were appropriate for the purpose of the audit of the Group's consolidated financial statements; • obtaining reporting from the component auditors of significant associates and joint ventures outside Hong Kong and discussing with these auditors matters of significance in their audits which could impact the Group's consolidated financial statements, the work performed thereon and their conclusions; • evaluating significant manual adjustments made in respect of associates and joint ventures outside Hong Kong to convert their financial information into HKFRSs by comparing the adjustments to underlying documentation or by re-performing the calculations on which the adjustments were based; • assessing whether the financial information of associates and joint ventures outside Hong Kong after the adjustments made by management was prepared in accordance with the Group's accounting policies.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

18 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $ million	2018* $ million
Revenue	4	**1,348**	1,555
Direct costs		**–**	(1)
		1,348	1,554
Other net income	5	**582**	285
Other operating costs	7	**(170)**	(311)
Operating profit		**1,760**	1,528
Finance costs	8	**(96)**	(194)
Share of profits less losses of joint ventures		**4,186**	4,668
Share of profits less losses of associates		**1,324**	1,688
Profit before taxation	9	**7,174**	7,690
Income tax:	10		
Current		**(22)**	(62)
Deferred		**(21)**	8
		(43)	(54)
Profit for the year attributable to equity shareholders of the Company		**7,131**	7,636
Earnings per share			
Basic and diluted	12	**$3.34**	$3.58

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see note 3(b)).

The notes on pages 89 to 154 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019 $ million	2018* $ million
Profit for the year attributable to equity shareholders of the Company	**7,131**	7,636
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**10**	(20)
Share of other comprehensive income of joint ventures and associates	**730**	696
Income tax relating to items that will not be reclassified to profit or loss	**(114)**	(119)
	626	557
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**364**	(3,592)
Net investment hedges	**(285)**	1,971
Cost of hedging	**302**	155
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current year	**(173)**	(55)
Share of other comprehensive income of joint ventures and associates	**(195)**	(246)
Income tax relating to items that may be reclassified subsequently to profit or loss	**165**	97
	178	(1,670)
	804	(1,113)
Total comprehensive income for the year attributable to equity shareholders of the Company	**7,935**	6,523

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see note 3(b)).

The notes on pages 89 to 154 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019
(Expressed in Hong Kong dollars)

	Note	2019 $ million	2018* $ million
Non-current assets			
Property, plant and equipment and leasehold land	13	**19**	14
Interest in joint ventures	14	**59,728**	55,697
Interest in associates	15	**26,414**	23,725
Other non-current financial assets	16	**1,100**	5,100
Derivative financial instruments	21	**1,212**	1,375
Deferred tax assets	23(b)	**77**	46
Employee retirement benefit assets	22(a)	**6**	5
		88,556	85,962
Current assets			
Trade and other receivables	17	**139**	246
Bank deposits and cash	18(a)	**4,876**	5,229
		5,015	5,475
Current liabilities			
Trade and other payables	19	**(4,276)**	(4,063)
Current portion of bank loans and other interest-bearing borrowings	20	**(3)**	–
Current tax payable	23(a)	**(45)**	(9)
		(4,324)	(4,072)
Net current assets		**691**	1,403
Total assets less current liabilities		**89,247**	87,365
Non-current liabilities			
Bank loans and other interest-bearing borrowings	20	**(3,321)**	(3,437)
Derivative financial instruments	21	**(298)**	(228)
Employee retirement benefit liabilities	22(a)	**(136)**	(143)
		(3,755)	(3,808)
Net assets		**85,492**	83,557
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**78,882**	76,947
Total equity attributable to equity shareholders of the Company		**85,492**	83,557

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

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see note 3(b)).

The notes on pages 89 to 154 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company					
$ million	Share capital (note 24(c))	Exchange reserve (note 24(d)(i))	Hedging reserve (note 24(d)(ii))	Revenue reserve (note 24(d)(iii))	Proposed/ declared dividend (note 24(b))	Total
Balance at 1 January 2018	6,610	(5,033)	(1,707)	78,807	17,139	95,816
Changes in equity for 2018:						
Profit for the year	–	–	–	7,636	–	7,636
Other comprehensive income	–	(1,466)	(204)	557	–	(1,113)
Total comprehensive income	–	(1,466)	(204)	8,193	–	6,523
Special interim dividend in respect of the previous year declared and paid (see note 24(b)(ii))	–	–	–	–	(12,806)	(12,806)
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	–	–	(4,333)	(4,333)
Interim dividend paid (see note 24(b)(i))	–	–	–	(1,643)	–	(1,643)
Proposed final dividend (see note 24(b)(i))	–	–	–	(4,333)	4,333	–
Balance at 31 December 2018*	**6,610**	**(6,499)**	**(1,911)**	**81,024**	**4,333**	**83,557**
Impact on initial application of HKFRS 16	**–**	**–**	**–**	**(24)**	**–**	**(24)**
Adjusted balance at 1 January 2019	**6,610**	**(6,499)**	**(1,911)**	**81,000**	**4,333**	**83,533**
Changes in equity for 2019:						
Profit for the year	**–**	**–**	**–**	**7,131**	**–**	**7,131**
Other comprehensive income	**–**	**381**	**(203)**	**626**	**–**	**804**
Total comprehensive income	**–**	**381**	**(203)**	**7,757**	**–**	**7,935**
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	**–**	**–**	**–**	**–**	**(4,333)**	**(4,333)**
Interim dividend paid (see note 24(b)(i))	**–**	**–**	**–**	**(1,643)**	**–**	**(1,643)**
Proposed final dividend (see note 24(b)(i))	**–**	**–**	**–**	**(4,333)**	**4,333**	**–**
Balance at 31 December 2019	**6,610**	**(6,118)**	**(2,114)**	**82,781**	**4,333**	**85,492**

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see note 3(b)).

The notes on pages 89 to 154 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	**2019 $ million**	2018* $ million
Operating activities			
Cash generated from operations	18(b)	**548**	1,161
Interest paid		**(118)**	(253)
Interest received		**1,390**	1,763
Tax paid for operations outside Hong Kong		**(35)**	(122)
Tax refunded for operations outside Hong Kong		**64**	6
Net cash generated from operating activities		**1,849**	2,555
Investing activities			
Payment for the purchase of property, plant and equipment		**–**	(1)
(Increase)/decrease in bank deposits with more than three months to maturity when placed		**(1,637)**	850
Investments in joint ventures		**(306)**	(1,380)
Payment for purchase of financial assets		**–**	(4,797)
New loan to a joint venture		**(29)**	–
Repayment of loan from an associate		**135**	318
Repayments from joint ventures		**41**	1,267
Advance to an associate		**(12)**	–
Dividends received from joint ventures		**2,495**	2,882
Dividends received from associates		**1,407**	1,405
Dividends received from equity securities		**43**	40
Net cash generated from investing activities		**2,137**	584
Financing activities			
Repayment of bank loans and other borrowings	18(c)	**–**	(3,703)
Capital element of lease rentals paid	18(c)	**(2)**	–
Dividends paid to equity shareholders of the Company		**(5,976)**	(18,782)
Net cash used in financing activities		**(5,978)**	(22,485)
Net decrease in cash and cash equivalents		**(1,992)**	(19,346)
Cash and cash equivalents at 1 January		**5,229**	24,557
Effect of foreign exchange rate changes		**2**	18
Cash and cash equivalents at 31 December	18(a)	**3,239**	5,229

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see note 3(b)).

The notes on pages 89 to 154 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

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

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

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

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

(c) Basis of consolidation

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

2. Significant accounting policies (Continued)

(d) Subsidiaries

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

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

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

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

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

(e) Joint ventures and associates

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

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

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

When the Group's share of losses exceeds its interest in a joint venture or an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture or the associate (after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i))).

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

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

(f) Goodwill

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

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

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

(g) Investments in equity securities and other financial assets

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

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

2. Significant accounting policies (Continued)

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

Investments other than equity investments

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

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

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

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

Equity investments

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

(h) Derivative financial instruments

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

(i) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with variable rate borrowings (cash flow hedges), or as hedging instruments to hedge the foreign exchange risk of a net investment in a foreign operation (net investment hedges).

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

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

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

(iii) Hedge of net investments in foreign operations

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

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

2. Significant accounting policies (Continued)

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

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

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

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

(iv) Interest in leasehold land held for own use where the Group is the registered owner of the property interest are stated in the consolidated statement of financial position at cost less accumulated amortisation (see note 2(j)(v)) and impairment losses (see note 2(l)(ii)).

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

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

	Years
Interests in buildings situated on leasehold land	60
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles	5 to 6
Workshop tools and office equipment	5

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

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

(k) Leased assets

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

(A) Policy applicable from 1 January 2019

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

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

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

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

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

(B) Policy applicable prior to 1 January 2019

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

2. Significant accounting policies (Continued)

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

2. Significant accounting policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income (Continued)

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– goodwill; and

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

2. Significant accounting policies (Continued)

(m) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

(n) Interest-bearing borrowings

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

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

(o) Trade and other payables

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

(p) Cash and cash equivalents

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

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined benefit retirement scheme obligations

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

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

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in the revenue reserve and will not be reclassified to profit or loss.

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

(iii) Contributions to defined contribution retirement schemes

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

(r) Income tax

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

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

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

2. Significant accounting policies (Continued)

(r) Income tax (Continued)

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

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

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

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

(s) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

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

(u) Translation of foreign currencies

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

Exchange gains and losses are recognised in profit or loss.

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

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

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

(v) Borrowing costs

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

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

2. Significant accounting policies (Continued)

(w) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

3. Changes in accounting policies

(a) Overview

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

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

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

(b) HKFRS 16, *Leases*

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

(i) Changes in accounting policies

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

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

(ii) Transition

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

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

4. Revenue

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

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

5. Other net income

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

6. Segment information

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

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

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

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

The basis of accounting for the Group's segment information is the same as that for the Group's financial statements. The financial information about the Group's segments is set out in Appendix 1 on pages 148 to 149.

7. Other operating costs

	2019 $ million	2018 $ million
Staff costs	**29**	27
Depreciation	**2**	1
Cost of services and investment related expenses	**139**	283
	170	311

8. Finance costs

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

9. Profit before taxation

	2019 $ million	2018 $ million
Profit before taxation is arrived at after charging:		
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**1**	–
– non-audit work		
– KPMG	**2**	1
– other auditors	**6**	2

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

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

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

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

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

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

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

11. Directors' emoluments and senior management remuneration

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

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

Notes:
(1) Independent Non-executive Director
(2) Member of the Audit Committee
(3) Member of the Remuneration Committee
(4) During the year, Mr. Fok Kin Ning, Canning received director's emoluments of $120,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(5) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB446,250 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(6) During the year, Mr. Chan Loi Shun received director's emoluments of THB446,250 from Ratchaburi Power Company Limited and $3,241,720 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.
(7) During the year, Mr. Wan Chi Tin received director's emoluments of $70,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(8) During the year, Mr. Victor T K Li received director's emoluments of $70,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(9) During the year, Mr. Chan Loi Shun received director's emoluments of $5,386,000 from the Company. The director's emoluments received were paid back to CK Infrastructure Holdings Limited, a substantial shareholder of the Company.
(10) For Directors who are employees of the Group, other benefits also include insurance and medical benefits entitled by the employees of the Group.

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

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

	2019 $ million	2018 $ million
Salary and other benefits	**9.1**	8.5
Retirement scheme contributions	**0.4**	0.4
	9.5	8.9

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

	2019 Number	2018 Number
$1,500,001 – $2,000,000	**3**	3
$3,000,001 – $3,500,000	**1**	1
$3,500,001 – $4,000,000	**1**	1

The remuneration of directors and senior management is as follows:

	2019 $ million	2018 $ million
Short-term employee benefits	**23**	22
Post-employment benefits	**1**	1
	24	23

At 31 December 2019 and 2018, there was no amount due from directors and senior management.

12. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $7,131 million (2018: $7,636 million) and 2,134,261,654 ordinary shares (2018: 2,134,261,654 ordinary shares) in issue throughout the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2019 and 2018.

13. Property, plant and equipment and leasehold land

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

14. Interest in joint ventures

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

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 4.3% per annum to 11.0% per annum (2018: 4.6% per annum to 11.0% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $9,322 million (2018: $9,393 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

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

All the Group's joint ventures are unlisted corporate entities for which a quoted market price is not available.

Details of the Group's material joint ventures at the end of the reporting period are set out in Appendix 3 on pages 152 to 153.

(a) Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes and before adjustments for the Group's effective share.

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

The above amounts of assets and liabilities include the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William	
	2019 $ million	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million
Cash and cash equivalents	**3,244**	979	**115**	115	**2,811**	1,822	**52**	22	**512**	90	**818**	512
Current financial liabilities (excluding trade and other payables and provisions)	**(978)**	(894)	**(630)**	(1,101)	**–**	(1,034)	**(907)**	(602)	**(64)**	–	**(5,666)**	(5,692)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(59,071)**	(55,207)	**(16,363)**	(15,001)	**(34,139)**	(31,921)	**(16,263)**	(16,117)	**(6,132)**	(4,713)	**(56,050)**	(55,028)

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William	
	2019 $ million	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million
Revenue	**15,832**	18,623	**4,763**	4,578	**4,777**	4,602	**3,348**	3,452	**1,866**	1,779	**10,418**	10,936
Profit from continuing operations	**5,295**	7,173	**1,498**	1,578	**705**	221	**885**	966	**343**	484	**1,223**	810
Other comprehensive income for the year	**1,850**	1,157	**(223)**	351	**540**	401	**(282)**	(63)	**(70)**	(52)	**(412)**	(291)
Total comprehensive income for the year	**7,145**	8,330	**1,275**	1,929	**1,245**	622	**603**	903	**273**	432	**811**	519
Dividends received from the joint ventures during the year	**953**	1,014	**329**	311	**–**	–	**104**	284	**402**	440	**–**	58

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		CK William	
	2019 $ million	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million
Depreciation and amortisation	**(2,681)**	(2,592)	**(843)**	(788)	**(825)**	(874)	**(615)**	(630)	**(813)**	(613)	**(2,482)**	(2,804)
Interest income	**287**	302	**6**	–	**22**	13	**2**	3	**7**	8	**19**	14
Interest expense	**(2,533)**	(2,771)	**(627)**	(741)	**(1,404)**	(1,562)	**(646)**	(655)	**(193)**	(172)	**(2,302)**	(2,771)
Income tax (expense)/credit	**(1,196)**	(1,585)	**(343)**	26	**(181)**	(161)	**(448)**	(486)	**(3)**	3	**(718)**	(585)

14. Interest in joint ventures (Continued)

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

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

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

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

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

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

15. Interest in associates

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

The market value (level 1 fair value measurement (see note 25(f))) of above listed associate, HKEI, at 31 December 2019 is $22,648 million (2018: $23,297 million). All the Group's other associates are unlisted corporate entities for which a quoted market price is not available.

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 11.2% per annum (2018: 10.9% per annum to 13.8% per annum) and are not due within one year.

The loans to unlisted associates are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

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

At 31 December 2019, the Group's interest in an associate of $182 million (2018: $232 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 154.

(a) Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in each associate's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes and before adjustments for Group's effective share.

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

15. Interest in associates (Continued)

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

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

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	HKEI		SA Power Networks		Victoria Power Networks	
	2019 $ million	2018 $ million	**2019 $ million**	2018 $ million	**2019 $ million**	2018 $ million
Net assets of the associates	**48,472**	48,743	**2,816**	3,463	**8,306**	8,344
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	**16,177**	16,267	**787**	967	**2,319**	2,330
Consolidation adjustments	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,403**	16,493	**787**	967	**2,319**	2,330

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

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

16. Other non-current financial assets

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

17. Trade and other receivables

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

Trade with customers is carried out on credit and invoices are normally due within one month after issued. All of the trade and other receivables are expected to be recovered within one year. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 25(a).

18. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

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

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

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

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

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

$ million	Bank loans and other borrowings	Interest rate swaps held to hedge borrowings – liabilities	Total
At 1 January 2018	7,223	25	7,248
Changes from financing cash flows:			
Repayment of bank loans and other borrowings	(3,703)	–	(3,703)
Exchange adjustments	(106)	–	(106)
Changes in fair values	–	55	55
Other changes:			
Capitalised borrowing costs movement	23	–	23
At 31 December 2018	**3,437**	**80**	**3,517**
Impact on initial application of HKFRS 16	**7**	**–**	**7**
At 1 January 2019	**3,444**	**80**	**3,524**
Changes from financing cash flows:			
Capital element of lease rentals paid	**(2)**	**–**	**(2)**
Exchange adjustments	**(118)**	**1**	**(117)**
Changes in fair values	**–**	**173**	**173**
At 31 December 2019	**3,324**	**254**	**3,578**

19. Trade and other payables

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

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

19. Trade and other payables (Continued)

Creditors' ageing is analysed as follows:

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

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

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

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31 December 2019 and 2018, none of the covenants relating to drawn down facilities had been breached.

None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current borrowings are repayable as follows:

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

21. Derivative financial instruments

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

22. Employee retirement benefits

The Group offers three retirement schemes which together cover all permanent staff.

One of the schemes ("the Pension Scheme") provides pension benefits based on the employee's final basic salary and length of service. This scheme is accounted for as a defined benefit retirement scheme.

Another scheme is defined contribution in nature and offers its members choices to invest in various investment funds. One of the investment funds provides a guaranteed return; the scheme is accounted for as a defined benefit retirement scheme in respect of this investment fund ("the Guaranteed Return Scheme"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme (see note 22(b)).

Both these schemes are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Group's assets in separate trustee administered funds.

The Group also participates in a master trust Mandatory Provident Fund Scheme ("MPF Scheme") operated by an independent service provider under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement scheme with the employer and its employees each contributing to the scheme in accordance with the relevant scheme rules. The MPF Scheme rules provide for voluntary contributions to be made by the employer calculated as a percentage of the employees' basic salaries.

22. Employee retirement benefits (Continued)

(a) Defined benefit retirement schemes ("the Schemes")

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Willis Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate and future pension increase rate which are disclosed in note 22(a)(viii) together with appropriate provisions for mortality rates. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 1 January 2018. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

Both defined retirement schemes expose the Group to investment risk and interest rate risk while the Pension Scheme also exposes the Group to risks of longevity and inflation.

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2019 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

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

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

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next 12 months, as future contributions will also relate to future changes in actuarial assumptions and market conditions.

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

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

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

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

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

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

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

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

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

22. Employee retirement benefits (Continued)

(a) Defined benefit retirement schemes ("the Schemes") (Continued)

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

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

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

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

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Group to manage its risks from prior periods.

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

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

(ix) Sensitivity analysis

(a) The Pension Scheme

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

(b) The Guaranteed Return Scheme

	Increase/(decrease) in defined benefit obligations 2019 $ million	2018 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(1)**	(1)
– decrease by 0.25%	**1**	1
Interest to be credited		
– increase by 0.25%	**1**	1

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the consolidated statement of financial position.

22. Employee retirement benefits (Continued)

(a) Defined benefit retirement schemes ("the Schemes") (Continued)

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

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

(b) Defined contribution retirement scheme

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

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

23. Income tax in the consolidated statement of financial position

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

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

(b) Deferred tax assets

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

$ million	Cash flow hedges	Future benefits of tax losses	Total
At 1 January 2018	5	16	21
Credited to profit or loss	–	8	8
Credited/(charged) to other comprehensive income	19	(2)	17
At 31 December 2018 and 1 January 2019	**24**	**22**	**46**
Charged to profit or loss	**–**	**(21)**	**(21)**
Credited to other comprehensive income	**52**	**–**	**52**
At 31 December 2019	**76**	**1**	**77**

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

24. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

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

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

24. Capital, reserves and dividends (Continued)

(b) Dividends (Continued)

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

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

(c) Share capital

	Number of shares	**2019 $ million**	2018 $ million
Issued and fully paid:			
Voting ordinary shares	2,134,261,654	**6,610**	6,610

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

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

(d) Nature and purpose of reserves

(i) Exchange reserve

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

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

$ million	Cost of hedging	Net investment hedges	Translation on investment outside Hong Kong	Total
Balance at 1 January 2018	(548)	1,273	(5,758)	(5,033)
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	–	–	(3,592)	(3,592)
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	–	1,971	–	1,971
Cost of hedging – changes in fair value recognised in other comprehensive income	155	–	–	155
	155	1,971	(3,592)	(1,466)
Balance at 31 December 2018 and 1 January 2019	**(393)**	**3,244**	**(9,350)**	**(6,499)**
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**–**	**–**	**364**	**364**
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	**–**	**(285)**	**–**	**(285)**
Cost of hedging – changes in fair value recognised in other comprehensive income	**302**	**–**	**–**	**302**
	302	**(285)**	**364**	**381**
Balance at 31 December 2019	**(91)**	**2,959**	**(8,986)**	**(6,118)**

24. Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges (net of any deferred tax effect) pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i)(ii).

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

Amount reclassified to profit or loss are recognised in the "Finance costs" line item in the consolidated statement of profit or loss (see note 8). The entire balance at 31 December 2019 and 2018 in the hedging reserve relates to continuing hedges.

(iii) Revenue reserve

The revenue reserve comprises the accumulated profits retained by the Company and its subsidiaries and includes the Group's share of the retained profits of its joint ventures and associates.

(e) Capital management

The Group's primary objectives when managing capital are:

– to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

– to provide returns to shareholders by securing access to finance at a reasonable cost;

– to support the Group's stability and future growth; and

– to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

The Group monitors its capital structure on the basis of a net debt-to-net total capital ratio. For this purpose the Group defines net debt as interest-bearing borrowings (excluding lease liabilities) less bank deposits and cash. Net total capital includes net debt and equity which comprises all components of equity (as shown in the consolidated statement of financial position).

During 2019, the Group's strategy, which was unchanged from 2018, was to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

As at 31 December 2019, the net cash position of the Group amounted to $1,557 million (2018: $1,792 million).

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries and joint ventures and fully complied with the capital requirements under the loan facility agreements.

25. Financial risk management

The Group is exposed to credit, liquidity, interest rate and currency risks in the normal course of its businesses. The Group is also exposed to equity price risk arising from its equity investments in other entities. In accordance with the Group's treasury policy, derivative financial instruments are only used to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables relating to bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has defined minimum credit rating requirements and transaction limits for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Group does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. Except for the financial guarantees given by the Group as set out in note 27, the Group has not provided any other guarantee which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 27.

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs (see note 2(l)(i)). No loss allowances are recognised as at 31 December 2019 (2018: $Nil) based on historical actual loss experience.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

25. Financial risk management (Continued)

(a) Credit risk (Continued)

Offsetting financial assets and financial liabilities

The Group's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association Master Agreements or the general terms and conditions of these financial institutions, with a conditional right of set off under certain circumstances that would result in all outstanding transactions being terminated and net settled.

As these financial institutions currently have no legal enforceable right to set off the recognised amounts and the Group does not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously, all such financial instruments are recorded on gross basis at the end of the reporting period.

The following table presents the recognised financial instruments that are subject to enforceable netting arrangements but not offset as at the end of the reporting period.

		2019			2018		
$ million	Note	Gross amounts of financial instruments in the consolidated statement of financial position	Related financial instruments that are not offset	Net amount	Gross amounts of financial instruments in the consolidated statement of financial position	Related financial instruments that are not offset	Net amount
Financial assets	21						
Cross currency swaps		**473**	**(9)**	**464**	522	(18)	504
Forward foreign exchange contracts		**739**	**(71)**	**668**	939	–	939
Total		**1,212**	**(80)**	**1,132**	1,461	(18)	1,443
Financial liabilities	21						
Cross currency swaps		**34**	**(9)**	**25**	69	(18)	51
Interest rate swaps		**254**	**–**	**254**	80	–	80
Forward foreign exchange contracts		**121**	**(71)**	**50**	79	–	79
Total		**409**	**(80)**	**329**	228	(18)	210

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $4,876 million (2018: $5,229 million) and no undrawn committed bank facilities at 31 December 2019 (2018: $Nil).

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2019 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	58	3,325	–	–	3,383
Trade and other payables	4,159	–	–	–	4,159
Derivative financial instruments					
Net settled					
Interest rate swaps	61	61	184	10	316
Gross settled					
Forward foreign exchange contracts:					
– outflow	3,312	6,632	–	6,467	16,411
– inflow	(3,268)	(6,982)	–	(7,531)	(17,781)
Cross currency swaps and related interest accruals:					
– outflow	277	280	8,564	5,783	14,904
– inflow	(329)	(332)	(9,175)	(6,178)	(16,014)
	4,270	2,984	(427)	(1,449)	5,378

25. Financial risk management (Continued)

(b) Liquidity risk (Continued)

$ 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
	2018 Contractual undiscounted cash outflow/(inflow)				
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	98	98	3,447	–	3,643
Trade and other payables	4,057	–	–	–	4,057
Derivative financial instruments					
Net settled					
Interest rate swaps	26	26	78	30	160
Gross settled					
Forward foreign exchange contracts:					
– outflow	3,129	1,488	4,997	6,392	16,006
– inflow	(3,224)	(1,825)	(5,157)	(7,531)	(17,737)
Cross currency swaps and related interest accruals:					
– outflow	287	285	8,709	6,157	15,438
– inflow	(333)	(328)	(9,380)	(6,307)	(16,348)
	4,040	(256)	2,694	(1,259)	5,219

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk on its interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(i) Hedging

The Group's policy is to maintain a balanced combination of fixed and variable rate debt to reduce its interest rate exposure. The Group also uses interest rate swaps to manage the exposure in accordance with its treasury policy. The Group seeks to hedge the benchmark interest rate component only. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

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

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

(ii) Interest rate profile

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

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

25. Financial risk management (Continued)

(c) Interest rate risk (Continued)

(iii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $55 million (2018: increased/decreased by approximately $59 million). Other components of consolidated equity would have decreased/increased by approximately $118 million (2018: decreased/increased by approximately $133 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2018.

(d) Currency risk

The Group is exposed to currency risk primarily arising from investments outside Hong Kong. The Group is also exposed to foreign currency risk arising from foreign currency transactions which give rise to receivables, payable and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The Group manages this risk as follows:

(i) Investments outside Hong Kong

Currency exposure arising from investments outside Hong Kong is mitigated in part either by funding a portion of the investment through external borrowings in the same currency as the underlying investment or by hedging with forward foreign exchange contracts and cross currency swaps. The Group designates the spot element of forward foreign exchange contracts and cross currency swaps to hedge the Group's currency risk. The forward elements of forward foreign exchange contracts and the foreign currency basis spread are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve.

The following table provides information on the forward foreign exchange contracts and cross currency swaps which have been designated as hedges of the currency risk inherent in the Group's investments outside Hong Kong at the end of the reporting period:

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

25. Financial risk management (Continued)

(d) Currency risk (Continued)

(ii) Recognised assets and liabilities

The Group uses forward foreign exchange contracts and cross currency swaps to manage its foreign currency risk arising from foreign currency transactions. The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

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

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

(iii) Sensitivity analysis

The following table indicates that a 10% strengthening in the following currencies against Hong Kong dollars at the end of the reporting period would have increased/(decreased) the Group's profit for the year and revenue reserve.

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

A 10% weakening in the above currencies against Hong Kong dollars at the end of the reporting period would have had an equal but opposite effect on the Group's profit for the year and revenue reserve.

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit for the year and other components of equity measured in their respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis as for 2018.

(e) Equity price risk

The Group is exposed to equity price changes arising from unlisted equity securities which are held for strategic purposes (see note 16).

All of the Group's unlisted investments are held for long term strategic purposes. Their performance is reviewed regularly based on information available to the Group.

These unlisted investments do not have a quoted market price in an active market and are recognised as FVPL.

25. Financial risk management (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

(a) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Recurring fair value measurements

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

$ million	Fair value measurement at 31 December 2018 categorised into Level 2	Level 3	Total
Financial assets			
Other non-current financial assets	–	5,100	5,100
Derivative financial instruments:			
– Cross currency swaps	522	–	522
– Forward foreign exchange contracts	939	–	939
	1,461	5,100	6,561
Financial liabilities			
Derivative financial instruments:			
– Interest rate swaps	(80)	–	(80)
– Cross currency swaps	(69)	–	(69)
– Forward foreign exchange contracts	(79)	–	(79)
	(228)	–	(228)

(b) Valuation techniques and inputs in fair value measurements

Level 2: The fair value of forward foreign exchange contracts is measured using forward exchange market rates at the end of the reporting period. The fair values of interest rate swaps and cross currency swaps are measured by discounting the future cash flows of the contracts at the current market interest rates.

Level 3: Other non-current financial assets consist of investments in unlisted equity securities and other investments.

The unlisted equity securities are not traded in an active market. Their fair values have been determined using dividend discounted model. The significant unobservable inputs include cost of equity of 13.65% and growth rate of 2.5%. It is estimated that a 0.5% increase/decrease in cost of equity, with other variable held constant, would have decreased/increased the Group's profit for the year and revenue reserve by approximately $13 million/$14 million (2018: decreased $13 million/increased $14 million). A 0.5% increase/decrease in growth rate, with other variable held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $14 million/$13 million (2018: increased $14 million/ decreased $13 million).

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

25. Financial risk management (Continued)

(f) Fair value measurement (Continued)

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

Amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2019 and 2018.

26. Capital commitments

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

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

27. Contingent liabilities

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

28. Material related party transactions

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

(a) Shareholder

(i) Outram Limited ("Outram"), a subsidiary of the Company, reimbursed a wholly-owned subsidiary of CK Infrastructure Holdings Limited ("CKI") $25 million (2018: $33 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

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

(b) Joint ventures

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

(c) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $375 million (2018: $431 million) for the year. The outstanding balances with associates are disclosed in note 15.

(ii) Other operating costs included support service charge recovered by an associate amounted to $41 million (2018: $41 million) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance at 31 December 2019 with the associate was $3 million (2018: $4 million).

29. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. CKI holds approximately 35.96% of the issued share capital of the Company and is a substantial shareholder of the Company.

30. Critical accounting judgements and estimates

The methods, estimates and judgements the Directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 22 and 25 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities and financial instruments, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment

In considering the impairment losses that may be required for the Group's assets which include property, plant and equipment, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs to disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit in future years.

(b) Associates

(i) CKI Spark Holdings No. One Limited holds a 51% attributable interest in Victoria Power Networks Pty Limited. Victoria Power Networks Pty Limited is the holding company of Powercor and CitiPower. Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district. The Group holds 54.76% of CKI Spark Holdings No. One Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

(ii) CKI Spark Holdings No. Two Limited holds a 51% attributable interest in SA Power Networks Partnership. SA Power Networks Partnership is the sole electricity distributor in South Australia. The Group holds 54.76% of CKI Spark Holdings No. Two Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

31. Company-level Statement of Financial Position

	Note	2019 $ million	2018 $ million
Non-current assets			
Property, plant and equipment		**5**	1
Investments in subsidiaries	31(a)	**30,037**	62,527
		30,042	62,528
Current assets			
Amounts due from subsidiaries	31(b)	**28,250**	–
Trade and other receivables		**3**	2
Bank deposits and cash		**99**	7
		28,352	9
Current liabilities			
Amounts due to subsidiaries	31(b)	**(156)**	–
Trade and other payables		**(357)**	(364)
Current portion of interest-bearing borrowings		**(3)**	–
Derivative financial instruments		**(4)**	–
		(520)	(364)
Net current assets/(liabilities)		**27,832**	(355)
Total assets less current liabilities		**57,874**	62,173
Non-current liabilities			
Interest-bearing borrowings		**(2)**	–
Employee retirement benefit liabilities		**(136)**	(143)
		(138)	(143)
Net assets		**57,736**	62,030
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**51,126**	55,420
Total equity attributable to equity shareholders of the Company	31(c)	**57,736**	62,030

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

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

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

(a) Investments in subsidiaries

Investments in subsidiaries included net amounts due from subsidiary companies totalling $Nil (2018: $49,771 million) which are unsecured, interest free and have no fixed repayment terms but the Company is unlikely to demand payment or repay these amounts within 12 months of the end of the reporting period.

Particulars of the principal subsidiaries at the end of the reporting period are set out in Appendix 2 on pages 150 to 151.

(b) Amounts due from/to subsidiaries

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

(c) Total equity attributable to equity shareholders of the Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

$ million	Share capital (note 24(c))	Revenue reserve (note 24(d)(iii))	Proposed/ declared dividend (note 24(b))	Total
Balance at 1 January 2018	6,610	55,100	17,139	78,849
Changes in equity for 2018:				
Profit for the year	–	1,983	–	1,983
Other comprehensive income	–	(20)	–	(20)
Total comprehensive income	–	1,963	–	1,963
Special interim dividend in respect of the previous year declared and paid (see note 24(b)(ii))	–	–	(12,806)	(12,806)
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	(4,333)	(4,333)
Interim dividend paid (see note 24(b)(i))	–	(1,643)	–	(1,643)
Proposed final dividend (see note 24(b)(i))	–	(4,333)	4,333	–
Balance at 31 December 2018 and 1 January 2019	**6,610**	**51,087**	**4,333**	**62,030**
Change in equity for 2019:				
Profit for the year	**–**	**1,672**	**–**	**1,672**
Other comprehensive income	**–**	**10**	**–**	**10**
Total comprehensive income	**–**	**1,682**	**–**	**1,682**
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	**–**	**–**	**(4,333)**	**(4,333)**
Interim dividend paid (see note 24(b)(i))	**–**	**(1,643)**	**–**	**(1,643)**
Proposed final dividend (see note 24(b)(i))	**–**	**(4,333)**	**4,333**	**–**
Balance at 31 December 2019	**6,610**	**46,793**	**4,333**	**57,736**

The net profit for the year of the Company is $1,672 million (2018: $1,983 million) and is included in determining the consolidated profit attributable to equity shareholders of the Company in the financial statements.

All of the Company's revenue reserve is available for distribution to equity shareholders. After the end of the reporting period, the Directors proposed a final dividend of $2.03 per ordinary share, amounting to $4,333 million. (2018: a final dividend of $2.03 per ordinary share, amounting to $4,333 million).

32. Possible impact of amendments and new standards and interpretations issued but not yet effective for the year ended 31 December 2019

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

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

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

33. Comparative figures

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

Appendix 1

Segment information

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

$ million	Investment in HKEI	Investments: United Kingdom	Investments: Australia	Investments: Mainland China	Investments: Others	Investments: Sub-total	All other activities	Total
	2018							
For the year ended 31 December								
Revenue								
Revenue	–	616	659	40	238	1,553	2	1,555
Other net income	–	–	–	–	7	7	54	61
Reportable segment revenue	–	616	659	40	245	1,560	56	1,616
Result								
Segment earnings	–	616	659	13	244	1,532	(227)	1,305
Depreciation and amortisation	–	–	–	–	–	–	(1)	(1)
Bank deposit interest income	–	–	–	–	–	–	224	224
Operating profit	–	616	659	13	244	1,532	(4)	1,528
Finance costs	–	51	(248)	–	3	(194)	–	(194)
Share of profits less losses of joint ventures and associates	1,018	3,393	1,055	460	397	5,305	33	6,356
Profit before taxation	1,018	4,060	1,466	473	644	6,643	29	7,690
Income tax	–	(15)	(15)	(4)	(20)	(54)	–	(54)
Reportable segment profit	1,018	4,045	1,451	469	624	6,589	29	7,636
At 31 December								
Assets								
Property, plant and equipment and leasehold land	–	–	–	–	–	–	14	14
Other assets	–	1,241	279	303	137	1,960	4,812	6,772
Interest in joint ventures and associates	16,493	31,345	19,081	2,035	10,462	62,923	6	79,422
Bank deposits and cash	–	–	–	–	–	–	5,229	5,229
Reportable segment assets	16,493	32,586	19,360	2,338	10,599	64,883	10,061	91,437
Liabilities								
Segment liabilities	–	(781)	(374)	(4)	(84)	(1,243)	(3,191)	(4,434)
Current and deferred taxation	–	–	22	–	(31)	(9)	–	(9)
Interest-bearing borrowings	–	–	(3,437)	–	–	(3,437)	–	(3,437)
Reportable segment liabilities	–	(781)	(3,789)	(4)	(115)	(4,689)	(3,191)	(7,880)

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2019 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ace Keen Limited	US$2	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Aqua Wealth Investments Limited	US$2	100	British Virgin Islands	Investment holding
Beta Central Profits Limited	GBP277,303,283	100*	United Kingdom	Investment holding
Champion Race Limited	US$2	100*	British Virgin Islands/ Hong Kong	Property holding
Cheer Venture Enterprises Limited	HK$4,602,240,001	100*	Hong Kong	Investing
Clear Eminent Limited	US$1	100	British Virgin Islands	Investment holding
Constant Wealth Limited	US$1	100	British Virgin Islands	Investing
Devin International Limited	US$2	100*	British Virgin Islands	Investment holding
Ellanby Green Limited	US$2	100*	British Virgin Islands	Investing
Goldteam Resources Limited	US$1 and NZ$203,250,000	100*	British Virgin Islands	Investment holding
Good Chain Investment Limited	HK$1,364,293,351	100*	Hong Kong	Investment holding
HEI Leting Limited	HK$94,785,185	100*	Hong Kong	Investment holding
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hon King Development Limited	HK$5,238,963,067	100	Hong Kong	Investment holding
Hong Kong Electric International Finance (Australia) Pty Ltd	A$71,686,777	100*	Australia	Investing
Hongkong Electric (Natural Gas) Limited	US$1	100	British Virgin Islands	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$75,485,352	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK$1,283,443,709	100*	Hong Kong	Investing
Kentson Limited	US$2	100*	British Virgin Islands	Investing
Kind Eagle Investment Limited	HK$1,073,553,298	100	Hong Kong	Investment holding

* Indirectly held

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Mauve Blossom Limited	US$1	100*	British Virgin Islands	Investment holding
Ocean Dawn Investments Limited	US$1	100	British Virgin Islands	Holding deposits
Optimal Glory Limited	US$102	100*	British Virgin Islands/ Hong Kong	Investment holding
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAH Canadian Midstream Assets Inc.	C$866,276	100*	Canada	Investment holding
PAH Canadian Midstream Assets Holdings Inc.	C$350,653,501	100*	Canada	Investment holding
PAH Gas Infrastructure Limited	GBP330,830,581	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
Popular Sky Investment Limited	HK$1 and GBP193,500,000	100*	Hong Kong	Investment holding
Power Assets Investments Limited	US$50,901	100	British Virgin Islands	Investment holding
Precious Glory Limited	HK$11,012,527,147	100*	Hong Kong	Investment holding
Quick Reach International Limited	US$1	100*	British Virgin Islands	Obtaining external funding
Quickview Limited	US$2	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$2	100*	British Virgin Islands	Property holding
Sparkle Gain Investment Limited	HK$5,238,963,067	100*	Hong Kong	Investment holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Investing
Well Joint Investment Limited	HK$2,457,616,097	100*	Hong Kong	Investment holding

* Indirectly held

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2019 which principally affected the results or assets of the Group:

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Australian Gas Networks Limited (note (a))	A$879,082,753	27.51%	Australia	Gas distribution	Equity
AVR-Afvalverwerking B.V. (note (b))	EUR1	27%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc. (note (c))	C$137,000,000 Ordinary shares	50%	Canada	Electricity generation	Equity
CK William UK Holdings Limited (notes (d) & (e))	GBP2,049,000,000	20%	United Kingdom	Investment holding	Equity
Electricity First Limited (note (f))	GBP1,004	50%	United Kingdom	Electricity generation	Equity
Guangdong Zhuhai Jinwan Power Company Limited (note (g))	RMB822,250,000 and US$83,340,993	45%	People's Republic of China	Electricity generation	Equity
Guangdong Zhuhai Power Station Company Limited (note (h))	RMB613,534,675	45%	People's Republic of China	Electricity generation	Equity
Husky Midstream Limited Partnership (note (i))	C$1,153,845,000 Class A units C$621,301,154 Class B units C$1,776,923 General Partnership Interest	48.75%	Canada	Oil pipelines, storage facilities and ancillary assets operation	Equity
Iberwind–Desenvolvimento e Projectos, S.A. (note (j))	EUR50,000	50%	Portugal	Generation and sale of wind energy	Equity
Northern Gas Networks Holdings Limited (note (k))	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited (note (l))	A$20,979,450	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Limited (note (l))	A$10,382,100	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited (note (m))	GBP6,000,000 A Ordinary shares GBP4,000,000 B Ordinary shares GBP360,000,000 A Preference shares GBP240,000,000 B Preference shares	40%	United Kingdom	Electricity distribution	Equity
Wales & West Gas Networks (Holdings) Limited (note (n))	GBP29,027	36%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited (note (o))	NZ$406,500,100	50%	New Zealand	Electricity distribution	Equity

Notes:

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

(b) AVR-Afvalverwerking B.V. is owned by Dutch Enviro Energy Holdings B.V., which is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste. The effective interest on AVR-Afvalverwerking B.V. increased to 27% upon the completion of the supplemental agreement on economic benefits agreement on 30 December 2019 (see note 28(a)(ii)).

(c) Canadian Power Holdings Inc. holds a 49.99% partnership interest in TransAlta Cogeneration L.P. which owns interests in four gas-fired cogeneration facilities in Alberta and Ontario, Canada and in a coal-fired, generation facility in Alberta, Canada. Canadian Power Holdings Inc. also holds a 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada.

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

Energy Developments Pty Limited
Multinet Group Holdings Pty Limited
DBNGP Holdings Pty Limited

Energy Developments Pty Limited owns and operates an energy generation business mainly in Australia. Multinet Group Holdings Pty Limited and DBNGP Holdings Pty Limited operate natural gas distribution businesses in Australia.

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

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

(g) Guangdong Zhuhai Jinwan Power Company Limited ("Jinwan Power") owns and operates power plants in the People's Republic of China.

(h) Guangdong Zhuhai Power Station Company Limited ("Zhuhai Power") owns and operates power plants in the People's Republic of China.

(i) Husky Midstream Limited Partnership assumes ownership of midstream pipeline and terminal assets in the Lloydminster region of Alberta and Saskatchewan, Canada. Its asset portfolio includes oil pipeline, storage facilities and other ancillary assets.

(j) Iberwind–Desenvolvimento e Projectos, S.A. is owned by Portugal Renewable Energy–PTRW, Unipessoal Lda., which is engaged in generation and sale of wind energy from wind power in Portugal.

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

(l) Australian Energy Operations Pty Ltd is the holding company of Transmission Operations (Australia) Pty Limited and Transmission Operations (Australia) 2 Pty Limited, which businesses include the design, build, own and operate transmission lines and associate terminal stations to transport the electricity generated from wind farms to the main power grid.

(m) UK Power Networks Holdings Limited owns and operates three regulated electricity distribution networks in the United Kingdom that cover London, South East England and East England. The power networks also include certain non-regulated electricity distribution businesses, which consist predominantly of commercial contracts to distribute electricity to a number of privately owned sites.

(n) Wales & West Gas Networks (Holdings) Limited is engaged in gas distribution in Wales and the South West of England. The effective interest on Wales & West Gas Networks increased to 36% upon the completion of the supplemental agreement on economic benefits agreement on 30 December 2019 (see note 28(a)(ii)).

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

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2019 which principally affected the results or assets of the Group:

Name of associate	Issued share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
HK Electric Investments and HK Electric Investments Limited (note (a))	8,836,200,000 Share Stapled Units being the combination of 8,836,200,000 Units, HK$4,418,100 Ordinary shares and HK$4,418,100 Preference shares	33.37%	Cayman Islands/ Hong Kong	Investment holding	Equity
SA Power Networks Partnership (note (b))	N/A	27.93%	Australia	Electricity distribution	Equity
Victoria Power Networks Pty Limited (note (c))	A$315,498,640	27.93%	Australia	Electricity distribution	Equity

Notes:

(a) HK Electric Investments and HK Electric Investments Limited collectively ("HKEI") holds 100% of The Hongkong Electric Company, Limited ("HK Electric"). HK Electric is responsible for the generation, transmission, distribution and supply of electricity to Hong Kong and Lamma Islands.

(b) SA Power Networks Partnership operates and manages the electricity distribution business in the state of South Australia in Australia.

(c) Victoria Power Networks Pty Limited is the holding company of Powercor Australia Limited ("Powercor") and The CitiPower Trust Limited ("CitiPower"). Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district in Australia.

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

Five-Year Group Profit Summary

HK$ million	**2019**	2018	2017	2016	2015
Revenue	**1,348**	1,555	1,420	1,288	1,308
Operating profit	**1,760**	1,528	2,557	252	1,238
Finance costs	**(96)**	(194)	(295)	(248)	(264)
Share of profits less losses of joint ventures and associates	**5,510**	6,356	6,154	6,401	6,747
Profit before taxation	**7,174**	7,690	8,416	6,405	7,721
Income tax	**(43)**	(54)	(97)	12	11
Profit attributable to equity shareholders of the Company	**7,131**	7,636	8,319	6,417	7,732

Five-Year Group Statement of Financial Position

HK$ million	**2019**	2018	2017	2016	2015
Property, plant and equipment and leasehold land	**19**	14	14	29	30
Interest in joint ventures and associates	**86,142**	79,422	81,004	66,941	66,548
Other non-current financial assets	**1,100**	5,100	67	67	67
Other non-current assets	**1,295**	1,426	342	869	170
Net current assets	**691**	1,403	18,742	59,230	66,424
Total assets less current liabilities	**89,247**	87,365	100,169	127,136	133,239
Non-current liabilities	**(3,755)**	(3,808)	(4,589)	(8,725)	(9,642)
Net assets	**85,492**	83,557	95,580	118,411	123,597
Share capital	**6,610**	6,610	6,610	6,610	6,610
Reserves	**78,882**	76,947	88,970	111,801	116,987
Capital and reserves	**85,492**	83,557	95,580	118,411	123,597

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

LI Tzar Kuoi, Victor

Independent Non-executive Directors

IP Yuk-keung, Albert
LUI Wai Yu, Albert *(Appointed on 19 March 2020)*
Ralph Raymond SHEA
WONG Chung Hin *(Resigned on 19 March 2020)*
WU Ting Yuk, Anthony

Audit Committee

WONG Chung Hin *(Chairman) (Ceased on 19 March 2020)*
IP Yuk-keung, Albert *(Chairman) (Appointed as Chairman on 19 March 2020)*
Ralph Raymond SHEA
WU Ting Yuk, Anthony *(Appointed on 19 March 2020)*

Remuneration Committee

WONG Chung Hin *(Chairman) (Ceased on 19 March 2020)*
Ralph Raymond SHEA *(Chairman) (Appointed as Chairman on 19 March 2020)*
FOK Kin Ning, Canning
LUI Wai Yu, Albert *(Appointed on 19 March 2020)*

Nomination Committee

FOK Kin Ning, Canning *(Chairman)*
TSAI Chao Chung, Charles
CHAN Loi Shun
Andrew John HUNTER
Neil Douglas MCGEE
WAN Chi Tin
LI Tzar Kuoi, Victor
IP Yuk-keung, Albert
LUI Wai Yu, Albert *(Appointed on 19 March 2020)*
Ralph Raymond SHEA
WONG Chung Hin *(Ceased on 19 March 2020)*
WU Ting Yuk, Anthony

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

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

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2 Queen's Road Central, Hong Kong

Financial Calendar and Share Information

Financial Calendar

Interim Results Announcement	31 July 2019
Annual Results Announcement	18 March 2020
Annual Report Despatch Date	On or before 3 April 2020
Closure of Register of Members – Annual General Meeting	8 May 2020 to 13 May 2020 (both days inclusive)
Annual General Meeting	13 May 2020
Ex-dividend Date	18 May 2020
Record Date for Final Dividend	19 May 2020
Dividend per Share	
Interim : HK$0.77	10 September 2019
Final : HK$2.03	28 May 2020

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2019	HK$121,653 million
Ordinary Share to ADR ratio	1:1

Stock Codes

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

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

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

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

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