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

Our Vision
for Sustainable Energy

Annual Report 2021

A Strategic Global Investor
in the Energy Sector

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

From our origins in Hong Kong over a century ago, the Group also has a presence today in the United Kingdom, Australia, New Zealand, Mainland China, Thailand, the Netherlands, Canada and the United States, bringing reliable, affordable energy to about 19 million homes and businesses. The bulk of our business derives from our interests in 516,700 km of power, gas and oil networks, supplemented by investments in around 10,000 MW of power generation facilities.

Our investments comprise primarily of acquisitions, supplemented by green-field development activities. We follow an active yet prudent strategy for sustainable growth over the long-term by focusing on appropriately-priced companies operating in well-regulated and mature markets that deliver predictable income streams. The Group invests systematically in innovation and technology to support the decarbonisation efforts and COP26 commitments of the communities it operates in.

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

Our Vision
for Sustainable Energy

The mission of the Power Assets Group is to create and operate a portfolio of sustainable energy assets that deliver long-term value for our stakeholders. Across our diverse operating companies, spanning electricity, gas, oil, waste-to-energy and renewable energy, we use a wide range of approaches to deliver this. The image on the cover of our annual report utilises a dual metaphor of binoculars and an infinity sign to illustrate our vision, as well as the infinite possibilities for sustainable development.

Contents

Performance Highlights

19,344,000
NUMBER OF CUSTOMERS

1,064 MW
GENERATION CAPACITY - RENEWABLE ENERGY / ENERGY-FROM-WASTE

5,214 MW
GENERATION CAPACITY - GAS-FIRED

3,815 MW
GENERATION CAPACITY - COAL / OIL-FIRED

114,200 km
GAS / OIL PIPELINE LENGTH

402,500 km
POWER NETWORK LENGTH

Netherlands

Dutch Enviro Energy Holdings B.V.

Canada

TransAlta Cogeneration
Meridian
Okanagan Wind Power
Husky Midstream Limited Partnership
Energy Developments

United States of America

Energy Developments

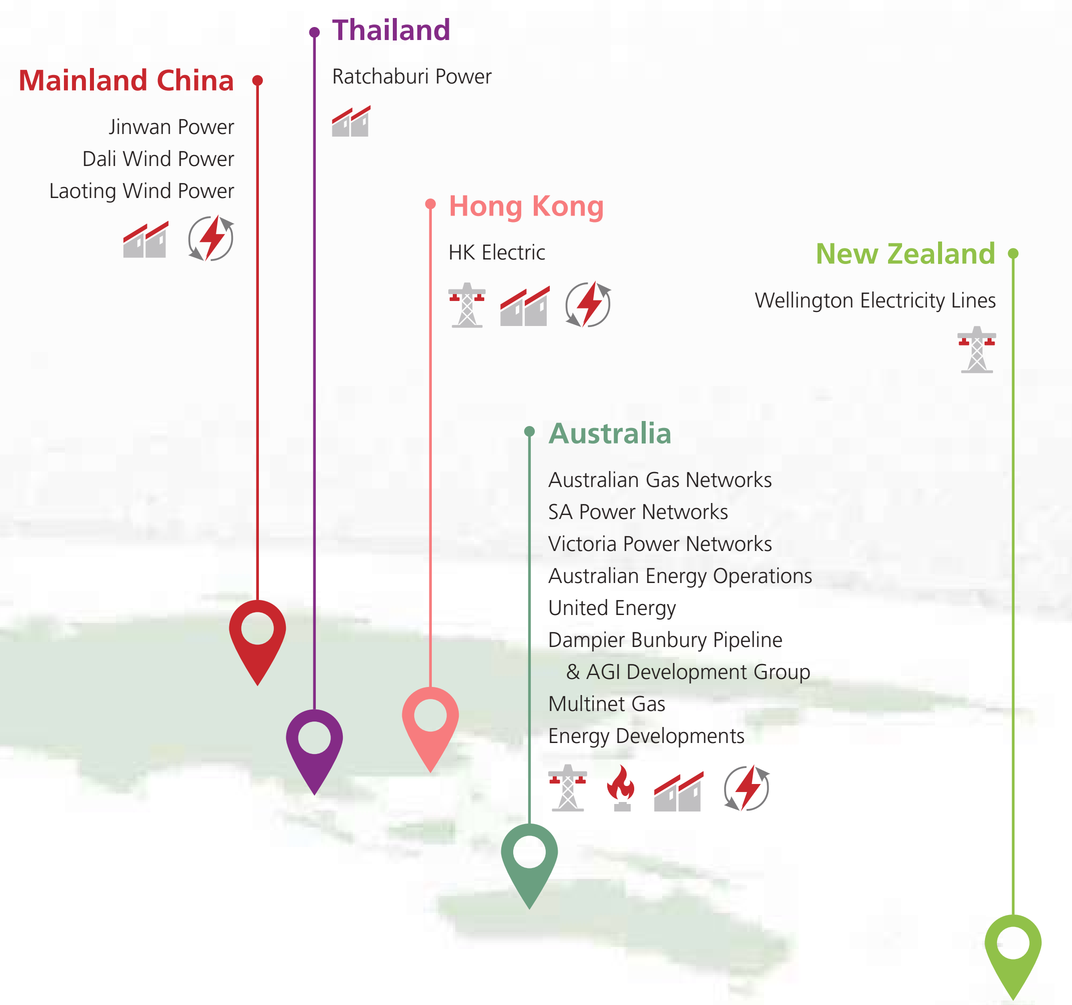
United Kingdom

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

LEGENDS

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

Financials	**2021 HK$**	2020 HK$
Profit attributable to shareholders (million)	**6,140**	6,132
Earnings per share	**2.88**	2.87
Dividends per share	**2.82**	2.81
Total equity (million)	**86,767**	84,766
Cash on hand (million)	**4,610**	5,427
Debts (million)	**3,433**	3,640
Net debt to net total capital ratio	**Net Cash**	Net Cash
S&P credit rating	**A / Stable**	A / Stable



Chairman's Statement

Solid Full Year Results

2021 saw the Power Assets Group deliver steady performance based on its diversified portfolio of long-term investments in the power generation, transmission and distribution; gas transmission and distribution; and oil storage and transmission sectors. This model of investing in low-risk energy infrastructure has helped to insulate us from the lingering macroeconomic impact of the global COVID-19 pandemic and fluctuations in fuel prices.

The Group's audited profits attributable to shareholders amounted to HK$6,140 million (2020: HK$6,132 million). Excluding the non-cash deferred tax related charges for the operating companies in the United Kingdom in 2020 and 2021 as well as the disposal gain from the sale of Portugal investment, Iberwind, in 2020, the adjusted profits attributable to shareholders would have increased by 10%.

The Group's financial position remained solid with funds received from operations for 2021 totalling HK$5,300 million (2020: HK$5,533 million).

The Power Assets Group is a strategic investor in the global energy sector. Our portfolio includes primarily regulated businesses across stable energy markets: the UK, Australia, Hong Kong, Mainland China, the Netherlands, New Zealand, Thailand, Canada and the United States. In 2021, our operating companies kept their focus on providing uninterrupted, reliable energy to our commercial and residential customers while continuing to digitalise and upgrade our operations as well as observe due precautions associated with the COVID-19 pandemic.

The energy sector is seeing a dramatic transformation as all players seek to supply energy needs with minimal impact on the environment. Most of our operating markets have committed to supporting zero-carbon targets within the coming decades. Transformative innovation from every energy player is essential to enable this to be realised, and many of our operating companies are at the vanguard of change through research and innovation in collaboration with cross-sector stakeholders.

Dividends

The Board of Directors has recommended a final dividend of HK$2.04 (2020: HK$2.04) per share, payable on 7 June 2022 to shareholders whose names appear in the Company's Register of Members on 24 May 2022. This, together with the interim dividend of HK$0.78 per share, takes the total dividend for the year to HK$2.82 (2020: HK$2.81) per share.

International Energy Investment Portfolio

Regulatory resets were completed for several operating companies in the UK and Australia, ensuring a stable environment for smooth operations in the coming years.

United Kingdom portfolio

The Group's portfolio in the UK, our largest market of operation, made a profit contribution of HK$2,819 million (2020: HK$2,460 million). All our operating companies once again delivered market-leading performance in reliability, safety and customer service. Appeals to the Competition and Markets Authority to challenge the final determinations for Northern Gas Networks (NGN) and Wales & West Utilities (WWU) have been completed; thus offering stable and predictable cash flow for the five-year regulatory period of 2021-2026.

In 2021, the Group recorded non-cash transactions on a tax credit in respect of deferred tax liabilities on intangible assets of a joint venture and a higher deferred tax charges as a result of the 6% increment in UK corporate tax rate.

UK Power Networks (UKPN) was the best in class for performance, safety and customer satisfaction, beating regulatory targets. The company remains focused on innovations to drive improved performance as well as initiative to facilitate Net Zero. Its market-leading innovation projects have delivered benefits since 2015, with 50 innovative solutions deployed to business.

NGN conducted extensive engagements with the regulator and its stakeholders, and received an incentive payment for having the best business case for the new regulatory period. It also successfully progressed the future use of hydrogen as an energy source, by supplying a blended gas containing 20% hydrogen by volume to 668 homes, a school and some small businesses in Gateshead in North East England. In support of the government's Ten Point

Plan, NGN has further developed, and officially opened to public, two semi-detached homes with all household appliances fuelled 100% by hydrogen - our gas network's vision towards zero-emission home heating.

WWU was recognised by the Institute of Customer Service for customer satisfaction, and ranked as a leader in this area amongst national household brands, not just within the utility business sector. In addition, WWU has connected 19 biomethane plants to the network since 2013, enabling decarbonised heating for 151,000 homes.

Seabank Power completed its scheduled overhaul and exceeded targets for operational efficiency and starting performance.

Australian portfolio

The Australian portfolio delivered a profit contribution of HK$1,283 million (2020: HK$1,329 million) to the Group. In light of the massive growth in roof top solar and distributed battery energy systems, the Australian Energy Regulator is conducting a comprehensive process to review the regulatory regime for energy companies and our operating companies have been collaborating with the regulator through this process.

Victoria Power Networks (VPN) has invested in widespread network improvements and vegetation management techniques with a view to significantly improving bushfire safety, while United Energy (UE) achieved incentive payments from the regulator for customer service and reliability. As for SA Power Networks (SAPN), its IT systems, including billing and customer relationship management were upgraded to provide improved functionality and system stability over the coming years.

Australian Gas Networks (AGN) exceeded regulatory targets on customer and emergency call response times, repairs, and customer service. AGN and Multinet Gas are at the forefront of gas network innovation and made encouraging progress on the hydrogen park projects for blending green-hydrogen into the natural gas distribution network to decarbonise the gas supply.

Dampier Bunbury Pipeline delivered satisfactory performance, while Energy Developments was named one of Australia's Most Innovative Companies by the Australian Financial Review following its development of groundbreaking techniques in hybrid energy solutions. Australian Energy Operations initiated planning for augmentation of two terminal stations to advance a state-wide network infrastructure enhancement initiative.

Other portfolios

The Canadian portfolio progressed with decarbonisation and delivered stable performance. Canadian Power acquired two wind farms in Okanagan in June 2021, marking its entry into renewable energy generation. With a capacity of 30 MW of green power, the assets have met expectations and started to contribute to the Group's revenues and green portfolio. The Sheerness power station completed its conversion from coal-fired to gas-fired during the year, signifying the end of the Group's coal-fired generation portfolio in OECD countries. Husky Midstream, having completed a number of major expansion projects in 2020, has placed its focus on safety, reliability and efficiency optimisation of its system, facilitating future growth.

In the Netherlands, AVR-Afvalverwerking B.V. (AVR) installed a new back pressure steam turbine, thereby substantially increasing cycle efficiency, which will supply low-carbon heat and power to 60,000 households in the Rotterdam region. During the year, the company was successfully named preferred bidder for AEB, a waste-to-energy business in the Netherlands; the acquisition is poised to extend AVR's core business.

Wellington Electricity completed a major three-year programme of works to enhance earthquake readiness across its network in New Zealand; the project included seismic strengthening of 91 buildings. In Thailand, Ratchaburi Power Plant delivered stable performance.

In Mainland China, the Jinwan co-generation power plant increased electricity sent out in response to strong industrial demand despite coal supply scarcities. The two wind farms in Dali and Laoting met targets and jointly offset 207,000 tonnes of carbon emissions.

Investment in HK Electric Investments

HK Electric Investments (HKEI) once again provided stable income to the Group and delivered a profit contribution of HK$979 million (2020: HK$912 million).

HKEI's wholly owned subsidiary HK Electric continues to work towards its goal of building a sustainable future. In support of the Government's "Hong Kong's Climate Action Plan 2050", which seeks to halve carbon emissions compared to the 2005 level before 2035 and achieve carbon neutrality before 2050, the company is undertaking a phased retirement of all coal-fired generating units and increasing support for renewable energy.

During the year, progress was made on its programme of capital works that will see the commissioning of two new gas-fired generating units in 2022 and 2023 respectively, together with an offshore liquefied natural gas (LNG) receiving terminal scheduled for commissioning in 2022. In addition, planning was under way for a large-scale offshore wind farm in Hong Kong waters.

The company's smart meter installation programme continued in 2021 with more than 120,000 smart meters already deployed. Through a new corporate mobile app, customers installed with smart meters can now access detailed energy consumption information which empowers them to optimise their energy use. Other customers will progressively enjoy this function under the smart meter installation programme, which is targeted for completion by 2025. HK Electric also offered technical consultancy to customers to facilitate wider adoption of electric vehicles (EVs) while also assisted the construction sector to reduce carbon emissions through a new "Smart Power for Construction Site" service.

A range of funds, services and schemes were implemented to support consumers and businesses which were facing difficulties in the wake of the economic slowdown resulting from the COVID-19 pandemic.

Initiatives to tackle climate change

We believe that climate change is a global challenge, and breakthrough solutions are essential to deliver clean, affordable energy to all. Many markets are on the route to carbon neutrality, reaffirming commitment to COP26 targets. Across the board, we are seeing exponential growth in rooftop solar, EV adoption, and more. Although this transition is placing unprecedented pressure on existing systems, this is a crucial stage in which customers, government and energy players can collaborate to create a greener planet.

We are evolving many of our electricity transmission and distribution networks to become "Distribution System Operators", placing us at the heart of the new renewable energy future. A case in point is that in South Australia, 34% of households have solar panels installed for rooftop solar generation. To facilitate this shift, SAPN has invested in digital technology to make the automated network more agile and dynamic, enabling the receiving and redistributing of electricity across the grid.

EVs are another essential part of a low-carbon future. UKPN has been investing systematically in readying their networks for large-scale charging requirements of EVs in the coming years. UKPN and UE are also conducting trials to investigate EV charging patterns and how they affect networks in real time to help identify affordable ways to promote their rollout and inform network and tariff planning.

In gas distribution, blending hydrogen with natural gas while utilising existing gas distribution network is an inexpensive but efficient way to transport and store energy as well as reduce carbon emissions. In May 2021, AGN opened the 1.25-MW Hydrogen Park South Australia, the first facility in Australia to produce renewable green-hydrogen. It is currently progressing a Hydrogen Park project in Gladstone, Queensland involving a 175-kW electrolyser. It has also commenced larger-scale plans to build a 10-MW renewable hydrogen electrolyser which will deliver hydrogen-blended gas to over 40,000 homes and businesses.

Outlook

We continue to maintain a strong financial position, in line with our prudent strategy of seeking out appropriately valued investments that meet our criteria for accretive growth. Though there is a strong likelihood of interest rate hikes in the coming months, our strong cash position allows us to continue to pursue our strategy and manage operating costs without negative impact.

Fluctuations in commodity prices – notably those of coal and natural gas – have affected the performance of all players in the energy space during the year. Our well-established strategy of investment diversification across the energy value chain with strategic focus on regulated infrastructure has ensured that our exposure to these fluctuations has been negligible, enabling us to deliver consistent returns to shareholders.

The global upsurge in fuel prices and a worldwide shortage in coal and gas supply mean energy price increase is inevitable for end consumers. In this context, we are making it a priority to support the energy-poor and underprivileged. HK Electric has set aside HK$63 million from three existing funds to assist those in need, promote energy efficiency and conservation, as well as strengthen outreach to the community regarding the advantages of and paths to low-carbon living.

Our approach to decarbonisation transcends our own operating companies. Under the leadership of our Sustainability Committee, we will continue to collaborate across the industry and with governments to deliver on societal decarbonisation goals. Areas like hydrogenising the gas supply, promoting EV rollout, increasing the grid's ability to optimise connections of renewables, and investing in renewables are all part of this effort.

While recent regulatory resets have been challenging, their conclusion has given us a stable platform on which to invest in decarbonisation and offer consumers the highest standards in reliability, safety, affordability and customer service while maintaining controls over operating costs.

In closing, I express my gratitude to our board, management and stakeholders, and all our employees around the world for your support, your flexibility in the face of societal change, and your dedicated efforts during the year.

Fok Kin Ning, Canning
Chairman
Hong Kong, 16 March 2022

Long-Term Development Strategy

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

Three key principles underpin our growth and development

Grow shareholder value through expertise and innovation

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

We actively invest in innovation to improve energy affordability and reliability, and support worldwide efforts to combat climate change. Our innovation and development focus seeks to improve our performance across the board in a range of areas including decarbonisation, automation, storage and transmission of renewable energy, support for distributed power generation, electric transportation, smart metering and grid technology, emissions reduction and energy efficiency.

Pursue global diversification while minimising risks

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

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

Maintain a strong balance sheet as a foundation for agility

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

Year at a Glance

2021
JAN - JUN

- The Multinet Gas network control centre relocates to a new centre of excellence in Perth to improve customer service performance and efficiency.
- 1 AGN completes construction of a 1.25-MW electrolysis plant at the Tonsley Innovation District and starts to supply green hydrogen into the local gas network.
- 2 Following damage caused by a severe windstorm in Victoria, Powercor and UE complete a record repair and restoration effort to restore power to more than 200,000 customers.
- The Sheerness power station in Canada is successfully converted from coal to natural gas, cutting carbon emissions significantly.
- Beon Energy Solutions (a VPN business) completes a 12-MW solar farm at Melbourne Airport, one of the largest such installations in Australia. It can generate 17 GWh of renewable energy annually – nearly 15% of the airport's yearly electricity consumption.
- Jinwan Power Plant completes a major overhaul of one of its generating units, completing resynchronisation to the power grid.
- 3 Canadian Power acquires the Okanagan wind farms and expands to renewable energy generation.
- EDL wins a competitive contract for the Jabiru Hybrid Renewable Power Station in the Northern Territory in Australia. The project includes diesel, solar and battery asset development.
- To alleviate the continuing impact of COVID-19, HK Electric distributes dining coupons that benefit around 40,000 underprivileged families and over 200 SME eateries.

2021
JUL - DEC

- 4 NGN builds two homes fuelled entirely by hydrogen, to demonstrate the potential of hydrogen energy in helping the government achieve net zero emissions by 2050.

- 5 A UK Power Networks business helps design and test a charging solution for hybrid electric planes – demonstrated through the first landing at Exeter Airport.

- 6 WWU secures clearance to inject bio-substitute natural gas containing up to 1% hydrogen into the existing gas network in Swindon, England. This will eliminate up to 5,000 tonnes of carbon emissions for almost 2,500 local homes immediately.

- The NGN-operated public gas network in Winlaton, North England, initiates a 10-month trial project to supply a blend of hydrogen and natural gas to about 700 customers.

- Residents in parts of Adelaide’s southern suburbs participate in a world-leading pilot that allows SAPN’s new customers to export up to 10 kW per phase from their solar panels – double the current standard export limit.

- WELL develops an industry roadmap to identify the steps which facilitate the integration of electric vehicles by coordinating with existing network load.

- 7 HK Electric successfully synchronises another new gas-fired generating unit, L11, for commissioning in 2022.

- 8 In Victoria, UE progresses a range of major enhancements to zone substations to modernise the system and maintain high reliability.

- AVR installs a new back pressure steam turbine for power production and optimisation of the district heating network around Rotterdam, the Netherlands, extracting even more energy from residual waste.

- UKPN and the ED1SON Alliance run a £40 million project at Wimbledon, in collaboration with National Grid, to enable greater network flexibility and capacity for future growth.

CEO's Report

Tsai Chao Chung, Charles
Chief Executive Officer

Power Assets is an innovative and dynamic participant in the global energy business. The companies in our portfolio, spread across four continents, are stable, well-established businesses that offer earnings predictability and are relatively insulated from economic cyclicity and commodities price fluctuations. Our diversified operations cover electricity generation, transmission and distribution, gas transmission and distribution, as well as oil storage and transmission businesses, all of which allow us to fulfil our mission of delivering long-term sustainable earnings growth in mature international markets.

In 2021, despite a global surge in fuel prices, our global portfolio of companies achieved satisfactory results amid the COVID-19 pandemic as around 80% of our Group's share of total fixed assets of joint ventures and associates comprise of regulated networks for the transmission and distribution of gas and electricity. Our operating companies in the UK, Australia, Hong Kong, Mainland China, the Netherlands, New Zealand, Thailand, Canada and the United States all achieved performance in line with expectations.

During the year, we maintained our active approach to investing in low-risk essential infrastructure assets at appropriate pricing. Canadian Power acquired wind farm assets in Okanagan, marking the company's first step into renewable energy generation and carbon offsetting regime. In the Netherlands, AVR-Afvalverwerking B.V. entered into an agreement to purchase an energy-from-waste company, AEB Holding N.V..

The 26th United Nations Climate Change Conference of the Parties (COP26) held in Glasgow in November 2021 mandated that all countries come forward with ambitious 2030 emissions reductions targets to support reaching net zero by the middle of the century. To meet these challenging goals, an accelerated pathway is needed for the phase-down of coal, switch to electric vehicles (EVs), and investment in renewables. As a Group, we fully support these goals. Our operating companies are working to cut their own operating carbon footprints and those of the markets in which they operate. These strategies will remain a key priority for us in the years ahead.

When completed, the Sebastopol Solar Farm will generate enough clean energy for more than 40,000 Australian households, offsetting nearly 77,600 tonnes of carbon emissions annually.

We also believe that decarbonisation should not come at the expense of energy affordability and reliability. In line with this ethos, all our operating companies maintained a strong focus on operating efficiencies, affordability, reliability and safety. HK Electric, Victoria Power Networks, UK Power Networks, and Wales & West Utilities succeeded in reducing or freezing energy costs, while all our UK and Australian operating companies have surpassed targets in reliability and operating efficiency. HK Electric has achieved a world-leading supply reliability level in excess of 99.9999% for the second year.

UNITED KINGDOM

Since 2013, the UK has been the largest geography of operation for the Group. Our portfolio currently consists of four companies across the electricity generation and distribution, and gas distribution sectors that serve more than 13 million domestic, commercial, and industrial customers. Our assets in the market consist of a generation capacity of 1,140 MW, electricity network length of 189,500 km, and gas pipeline length of 71,100 km.

During the year, our two gas companies, Northern Gas Networks and Wales & Wests Utilities, started on a new 5-year regulatory period. The stable operating environment will enable us to make the needed investments to meet more challenging requirements for emissions control and other operating parameters. Our electricity distribution business, UK Power Networks, commenced with stakeholder engagement and the groundwork needed for its regulatory reset, which will take place in 2023.

With widespread COVID-19 and vaccine rollout, we continued to observe all appropriate precautions and social distancing measures to keep employees and the general public safe.

During the year, the UK government set in law its sixth carbon budget to cut emissions by 78% by 2035 compared to 1990 levels, en route to achieving carbon neutrality by 2050. With projects underway to support the electrification of public transport, hydrogen-blended household heating, and modernisation of the grid to accommodate the massive influx of EVs and renewables, our companies are in the lead of these innovations.

Against this backdrop, all our operating companies led their respective sectors for efficiency, safety, reliability and customer services.

UKPN completes a substation upgrade to improve power reliability for customers in Bedfordshire and Cambridgeshire.

UK Power Networks

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

UK Power Networks

Power Assets Interest:	Joined Since:
40%	**October 2010**
Network Length:	No. of Customers:
189,500 km	**8,400,000**

In 2021, UKPN's networks supported 8.4 million customers. It distributed 74,000 GWh of electricity (2020: 72,063 GWh) over a total network length of 189,500 km. The business led the sector in best performance over the period 2015 to 2021.

During the year, UKPN maintained its position as the safest DNO group, with the most reliable networks, and secured best-in-class customer satisfaction scores in surveys conducted by the regulator Ofgem. Thanks to the focus on investing efficiently, UKPN's customers pay less than the UK average for the use of the electricity distribution system.

A paradigm shift is taking place in electricity distribution, and UKPN is investing systematically in innovation to stay ahead in reliability, efficiency and emissions. The company has implemented 50 cutting-edge projects since 2015. Its Distributed Energy Resource Management System was named Green Infrastructure Project of the Year at the highly respected Business Green Leaders Awards in September 2021.

UKPN's capital projects team, ED1SON Alliance, completed its fifth anniversary on 1 March 2021. It currently has around 280 projects in construction, which are adding essential and smart network capacity across UKPN's areas of operation.

UKPN is looking to the future of sustainable transport. With up to three million EVs forecast to connect to its network by 2030, UKPN is developing a smart, flexible energy system to support widespread EV charging. One of the initial steps to meeting this demand is building high-capacity electrical supplies at motorway services, so drivers can feel more confident to undertake long electric-powered journeys on major UK routes.

Helping rewire South London

Notable projects handled by UKPN under the ED1SON Alliance currently underway include a major investment at Wimbledon, in collaboration with the National Grid. This effort involves installing a new 31-bay gas-insulated switchgear switch house, diverting 24 cable circuits in an existing operational site, and decommissioning two live air-insulated switchgear units.

The project will increase network resilience and capacity, by alleviating fault level issues and providing additional 132-kV positions for new customer connections across the network. It will also enable smooth decommissioning of old asset structures in poor condition.

Northern Gas Networks

Northern Gas Networks (NGN) is one of the UK's eight gas distribution network operators, serving about 2.7 million customers in the North and North East of England. It is also responsible for the maintenance of gas mains, provision of essential gas connections, and emergency services related to gas supply.

Northern Gas Networks

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

NGN's total gas throughput for 2021 was 68,803 GWh (2020: 66,975 GWh). It started a new regulatory period in April 2021 which will last for five years. NGN retained its position as the most efficient of the eight UK gas distribution networks and received an incentive payment from the regulator for having the best business case during the reset process.

Over the next five years, NGN will invest in capital projects for network improvement and replacement to increase efficiency, reliability and safety. During 2021, it replaced over 500 km of old iron mains, which also helped minimise fugitive methane emissions. NGN achieved or exceeded all regulatory operating targets and earned high scores on customer satisfaction surveys about planned repairs and new connection works.

IT infrastructure enhancement works moved forward, providing NGN with capabilities such as AI, machine learning and advanced analytics to enable predictive maintenance and better insight into system performance.

Low-carbon heating with hydrogen

With 85% of UK households using gas, domestic heating accounts for 14% of UK emissions and contributes to climate change. Hydrogen can play a key role in addressing this and helping the UK achieve net-zero carbon emissions by 2050. Unlike natural gas, it does not create any carbon dioxide during combustion.

NGN is leading the sector in research on how the network can be adapted to transport hydrogen in the future. The findings will play a key role in informing the UK government's understanding of this area and future policy direction.

Following the success of the HyDeploy project, which started supplying gas containing 20% hydrogen to Winlaton village in 2021, NGN partnered with other industry players to develop an East Coast hydrogen network. The partnership will enable hydrogen production at scale and develop a network to transport the gas effectively.

To enhance consumer understanding and acceptance of hydrogen heating, NGN opened the UK's first Hydrogen Homes so everyone can see and experience the reality of a house fuelled by clean-burning hydrogen. The homes, which include a range of hydrogen-fed appliances such as boilers, hobs, fires and barbecues, will be open to educational visits, helping young people learn more about saving energy and building a greener future.

WWU continues to invest in infrastructure to support low-emission public transport on a broad scale.

Wales & West Utilities

Wales & West Utilities (WWU) is a gas distribution network operator, serving Wales and South West England and covering an area of 42,000 sq. km of a diverse mix of urban and rural geography.

Wales & West Utilities

Power Assets Interest: **36%**

Joined Since: **October 2012**

Gas Pipeline Length: **35,000 km**

No. of Customers: **2,600,000**

Entering into a new five-year regulatory period, WWU achieved a total gas throughput of 59,562 GWh in 2021 (2020: 58,200 GWh). Over the past five years, WWU has successfully improved affordability for customers, achieving an average 18% reduction in customer bills. Operating performance for reliability, emergency response, and customer satisfaction achieved or exceeded targets, and the company maintained its service mark accreditation from the UK Institute of Customer Service. Approximately 329 km of mains were laid during the year.

WWU continued to build out its biomethane and green gas solutions to support decarbonisation, increasing annual capacity to 1.82 TWh during the year. This area continues to grow, with 24 inquiries for connection to the network received in the last 12 months. Currently, seven more sites have reserved network capacity, offering an additional 450 GWh annual capacity.

To support cleaner transportation, three compressed natural gas bus fuelling stations and a freight refuelling station, supporting 111 buses, were connected to the network. A further heavy truck fuelling station was connected to the network in 2021; it will be commissioned in early 2022. Connections were provided to several large industrial developments, as well.

WWU is progressing strategic projects in partnership with UKPN to support the UK's decarbonisation effort. The joint HyCompact project demonstrated the viability and benefits of integrated hybrid heating systems and seeks to serve as a catalyst for large-scale deployment at a low cost.

Seabank Power

Seabank Power (SPL) is the Group's UK electricity generation business, operating two combined-cycle gas turbine units with a capacity of 1,140 MW. SPL's output is governed by an agreement via a long-term contract with a single customer based on a combination of factors including plant availability and sales into the energy market.

Seabank Power

Power Assets Interest: **25%**

Joined Since: **June 2010**

Gas-Fired Combined Cycle Gas Turbine: **1,140 MW**

SPL's generating hours in 2021 were slightly lower than budget, while its contribution exceeded expectations due to higher energy prices in the 4th quarter.

Operational efficiency and starting performance were better than budget. The first of two major scheduled maintenance outages was completed, and the second has been deferred until 2022.

HONG KONG

The Hongkong Electric Company

HK Electric is the Group's flagship company which generates and supplies electricity to around 584,000 customers on Hong Kong Island and Lamma Island. It is one of the world's longest established power suppliers, with operations spanning over 130 years.

The Hongkong Electric Company

Power Assets Interest: **33.37%**

Total Installed Capacity: **3,617 MW**

No. of Customers: **584,000**

Year Established: **1889**

Network Length: **6,700 km**

In 2021, HK Electric focused on realigning its operations and infrastructure to support Hong Kong's overall decarbonisation efforts while providing highly reliable, safe, and affordable electricity to its customers.

The company sold a total of 10,361 GWh (2020: 10,134 GWh) of electricity over the year, of which about 50% was from natural gas, keeping emissions below statutory caps. HK Electric once again achieved a world-leading supply reliability level in excess of 99.9999%, which means that its customers suffered less than 30 seconds of unplanned power loss on average during the year. All pledged customer service standards were achieved or surpassed.

A development plan for 2019 to 2023 to establish the infrastructure needed to further increase natural gas-fired generation reached its midway point with several major milestones achieved. Under the plan, the second of three new gas-fired generating units was synchronised on schedule in November 2021. At the same time, the construction of the jetty, laying of pipelines, and vessel design for an innovative offshore liquefied natural gas terminal using Floating Storage and Regasification Unit technology to augment gas supply security also progressed well. Both will commence commercial operations in 2022. Construction on the station building for a third generating unit continued in tandem for launch in 2023.

The construction of an offshore liquefied natural gas terminal in Hong Kong reaches critical milestones.

HK Electric continued its support for electric transport by offering free technical consultancy for customers seeking to install EV charging points at their premises, providing support on EV charging stations to our customers for about 400 cases and covering 50,000 parking spaces. It also provided technical support to the government, as well as Hong Kong's public bus and ferry operators on providing charging facilities for EVs.

A large-scale project to roll out smart meters across the entire customer base is under way, together with the establishment of the advanced metering infrastructure (AMI) to support this. System development, testing, and commissioning of the AMI solution were completed in 2021. More than 120,000 smart meters have been deployed as of the end of 2021.

Smart meters and Advanced Metering Infrastructure will help HK Electric improve efficiency and help customers optimise energy usage.

In support of the Hong Kong Government's Climate Action Plan 2050 and Clean Air Plan 2035, HK Electric will progressively phase out all coal-fired generating units and seek a pathway to zero-carbon operations. It moved forward with planning for a large-scale offshore wind farm, which will account for about 4% of the company's total electricity output. A Government working group is being set up to evaluate the application of hydrogen energy in Hong Kong. Drawing on the Group's expertise in this area, the company will engage with the government and industry experts on global best practices.

Net tariffs were frozen at 126.4 cents per unit of electricity in 2021, to support customers through the economic slowdown following the COVID-19 pandemic. A range of relief measures was implemented to help customers, especially small businesses, caterers and underprivileged families. These included dining vouchers and funding support for the installation of energy-efficient equipment. Over 40,000 families and 300 small businesses benefited from these initiatives. Apart from maintaining due precautions and social distancing, HK Electric conducted a vaccination drive for its employees to keep them safe from COVID-19.

A significant increase in coal and natural gas costs led to an increase in the fuel clause charge of the tariff, which means net tariffs for 2022 has increased by 8.9 cents per unit. HK Electric has commenced a HK$63 million programme to support the underprivileged, promote energy efficiency and conservation, and strengthen education on low carbon living to help alleviate tariff impact on the general public under the current economic climate.

Customer autonomy and self-service

To support the increasing trend among customers to adopt self-service channels, HK Electric expanded its range of digital services. Most notably, it launched a new mobile app that aims to provide greater convenience for customers to manage their electricity usage anytime, anywhere. The app allows customers with smart meters to track their usage at half-hourly intervals and get personalised bill and consumption alerts.

A new online platform was launched in June 2021 for customers to track the progress of their applications concerning supply application, account transfer, account termination, special meter reading, and autopay round the clock. To take this one step further, the Customer Emergency Services hotline was integrated with back-end IT systems to enable higher efficiency and transparency in handling customer calls and tracking service requests.

To promote an environmentally-friendly and paperless operating model, customers switching to e-Bill and autopay/Faster-Payment-System received a HK$30 incentive that they could use to pay for electricity charges or donate to a green group.

AUSTRALIA

Since 2000, Australia has developed into one of the Group's major markets of operation with a portfolio spanning renewables, energy-from-waste, as well as electricity, gas transmission, and distribution. It is a flagship market for solar power, hybrid energy systems and energy from landfill gas.

The Australian Energy Regulator (AER) is conducting a comprehensive review of its Rate of Return Instrument. When completed in December 2022, it will set key parameters that determine the allowed rate of return for the next regulatory period. Engaging with the regulator and achieving synergies in their submissions while maintaining reliability, affordability and excellent customer service was a key focus for all our Australian operating companies during the year.

Nearly 34% of consumers in South Australia have adopted solar power systems. Rooftop solar alone can generate almost 80% of the state's energy needs and, when combined with large, utility-scale solar farms, solar power can meet 100% of these needs at certain periods – a world first in gigawatt-scale power systems. Our distribution networks are working actively to evolve into smart networks capable of dynamic two-way energy flows in this new energy future.

Our Australian gas companies are working with the government to help increase the production of green hydrogen and make Australia an exporter of the hydrogen to other countries. Green hydrogen can significantly drive down emissions when blended with natural gas for power generation or household heating as hydrogen combustion only produces water vapour.

Our Australian companies maintain their excellence in reliability and customer service.

SA Power Networks

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

SA Power Networks

Power Assets Interest: **27.93%**	Joined Since: **January 2000**
Network Length: **89,800 km**	No. of Customers: **899,000**

SAPN expands operations with a new depot, equipped with a 94-kW solar system, in Barossa Valley.

In 2021, SAPN distributed 9,634 GWh of electricity (2020: 9,727 GWh). Despite storms and numerous outages – caused by bats coming in contact with high-voltage power lines and equipment located at the top of poles – impacting electricity supply, the company successfully maintained system reliability, restricting customer minutes lost to an average of 126 minutes in 2021.

The utility maintained excellent customer service and exceeded regulatory service and telephone response targets, securing incentive payments across various parameters. SAPN continues to be recognised as the most productive distribution business in Australia by the AER.

During the year, SAPN replaced its existing telephony, billing and marketing system with a state-of-the-art solution, which will provide improved, modern functionality, more flexibility, and better system stability to handle future growth and evolution.

It developed a roadmap to support South Australia's energy transition to renewables, including the implementation of dynamic management technologies to maximise the network's capacity and network intelligence to respond to capacity changes in real-time, while managing tens of thousands of residential solar power systems.

A "Solar Sponge" Time-of-Use based tariff was introduced to encourage consumers to spread out their consumption to balance it with peak generation times.

During the year, SAPN successfully brought the notable SA Water project to near completion. The project involved the supply and installation of approximately 242 GWh of roof and ground mounted solar generation capacity and 34 MWh of battery storage at 33 of SA Water's sites across the state.

SAPN workers conduct maintenance of critical infrastructure to maintain reliability and safety.

Victoria Power Networks

Victoria Power Networks (VPN) through CitiPower and Powercor Australia operates electricity distribution networks in Victoria, including the Melbourne metropolitan area.

Victoria Power Networks

Power Assets Interest:
27.93%

CitiPower	Powercor
Joined Since: **July 2002**	Joined Since: **September 2000**
Network Length: **7,700 km**	Network Length: **90,400 km**
No. of Customers: **334,000**	No. of Customers: **868,000**

VPN distributed 16,076 GWh of electricity during the year (2020: 15,836 GWh), with an increase in the number of customers and more than 29,000 new connections added. While underlying consumption increased by 1.64% over 2020, CitiPower and Powercor beat regulatory targets for customer service and system reliability.

VPN commenced a new regulatory period during the year, providing a stable foundation for the next five years to enable reliable and safe electricity while investing in the network infrastructure and technology needed to fight climate change, such as rooftop solar, EVs, and batteries. Customers will benefit from more affordable power with residential network tariffs falling for both Powercor and CitiPower customers in the first year of the new regulatory period.

CitiPower and Powercor continued to experience steady growth in the number of customers connecting solar power systems to the network, with more than 188,800 connections as at 31 December 2021. Powercor will install a 150kW/388kWh battery in Melbourne's fast-growing western suburbs to allow customers to supply power back to the community, reduce emissions and make the most of the strong local rooftop solar penetration in the area.

CitiPower partnered with the Yarra Energy Foundation and Australian National University to investigate the potential of community-scale battery storage on the low-voltage electricity network across inner-Melbourne. The partnership is also exploring a ground-breaking new model of community battery ownership, including crowdsourcing local investment.

A solar-powered airport

To reduce its carbon footprint and operational costs and support sustainable growth, Melbourne Airport commissioned Beon Energy Solutions, a VPN business, to build a 12-MW solar farm. It is one of Australia's largest customer-side installations. The solar farm has more than 38,000 individual solar panels installed in an area of around 192,000 sq. m, equivalent to the size of about 26 football pitches.

Construction of the solar farm was completed in six months. It generates 17 GWh of electricity per annum, enough to power all four passenger terminals at Melbourne airport – equivalent to nearly 15% of the airport's annual electricity consumption. The project is expected to deliver significant annualised energy cost savings, a timely benefit, considering the impacts of COVID-19 on the aviation industry.

VPN employees continue to progress maintenance activities with robust health and safety measures.

Australian Gas Networks

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

Australian Gas Networks

Power Assets Interest: **27.51%**	Joined Since: **August 2014**
Gas Pipeline Length: **26,700 km**	No. of Customers: **1,367,000**

Total gas deliveries in 2021 maintained a level of 100 million GJ (2020: 100 million GJ). Leak repair performance, response times to customer and emergency calls, and customer satisfaction all exceeded targets. During the year, the AER completed its reset process of the South Australian regulated network for the period 2021-2026, largely in line with AGN's revised proposal. AGN is working on proposals for Victoria and Albury for the 2023-2028 period, with customer engagement underway.

During the year, 260 km of cast iron and unprotected steel pipelines were replaced with polyethylene pipes. Construction progressed on a 16-km polyethylene main in Caboolture and the complex Melbourne CBD mains replacement project. A major IT infrastructure programme saw works progressing on a geo-spatial information system project and the enhancement of enterprise resource planning systems.

AGN is at the forefront of the industry's investment in renewable hydrogen for blending into the gas network to reduce emissions. In May 2021, it launched commercial operation of a 1.25-MW electrolysis plant at the Tonsley Innovation District in South Australia, which will supply renewable hydrogen to the gas network. It is also progressing with a 175-kW electrolyser for a Hydrogen park project in Gladstone, Queensland. The electrolyser will produce enough hydrogen for 10% blending into the Gladstone gas distribution network for residential, small industrial and commercial customers.

AGN exceeds its targets for customer service thanks to timely responses and high engagement.

CK William

CK William owns and operates four energy companies across electricity and gas distribution, and sustainable distributed energy production. They are (i) Dampier Bunbury Pipeline and AGI Development Group (collectively known as "DBP"), (ii) Multinet Gas (MG), one of Victoria's three gas distribution networks, (iii) United Energy (UE), an electricity distribution business in Victoria, and (iv) Energy Developments Pty Ltd (EDL), a leading global producer of sustainable distributed energy.

CK William

Power Assets Interest: **20%**	Joined Since: **May 2017**
Network Length: **13,500 km**	No. of Customers: **1,420,000**
Gas Pipeline Length: **14,200 km**	Total Installed Capacity: **1,156 MW**

DBP achieved a total gas throughput of 377 million GJ over its 4,100-km gas transmission pipeline, compared to 380 million GJ in 2020, serving 62 industrial customers. Compressor stations achieved 99.9% reliability. A regulatory reset for our West Australian gas transmission network was completed during the first half, in which the company's proposal for the 2021-2025 period was largely accepted.

EDL's mission is to be the leading global producer of sustainable distributed energy. It has a total installed capacity of 1,156 MW across five countries, covering waste coal mine gas, landfill gas, remote energy, and renewables. In particular, EDL plays a pivotal role in carbon offsetting as methane generated from coal mines and landfill, that possesses a much higher heat trapping ability has 28 times the global warming impact of carbon dioxide. In 2021, EDL generated 4,859 GWh (2020: 5,207 GWh) globally, and supplied energy to around 90 customers.

EDL is a climate-positive global energy producer. In 2021, EDL reduced greenhouse gas emissions by 3 million tCO_2e through converting 18 million tCO_2e from customers' waste gases into electricity and renewable natural gas. Construction of Wood Road and Tessman Road Renewable Natural Gas projects in Michigan and Texas was completed in 2021, with Wood Road operating since November 2021 and Tessman in the final stages of commissioning. The West Australian Department of Mines, Industry Regulation, and Safety selected EDL and its customer, Gold Fields, as winners of the 2021 Golden Gecko Award for Environmental Excellence for the Agnew Hybrid Renewables Project.

MG distributed 57.3 million GJ (2020: 54.6 million GJ) of gas during the year, serving more than 717,500 customers and managing about 10,100 km of networks. As part of its comprehensive mains replacement programme, 146 km of mains with cast iron and unprotected steel pipes were replaced with polyethylene. It is preparing for the next regulatory reset period, which will run from 2023 to 2028. MG collaborated with AGN on its hydrogen projects in the Tonsley Innovation District (South Australia) and Gladstone (Queensland).

UE distributed 7,475 GWh (2020: 7,512 GWh) of electricity during the year and added more than 10,000 new customers to the network. In April, the regulator approved UE's operating plan for the 2021-2026 period. The plan will enable the company to invest in the network to provide reliable, safe and affordable electricity while also building the capability needed to support rooftop solar, EVs, and batteries. UE saw a 41% increase in the number of customers installing rooftop solar systems, with a total of 103,108 systems connected.

The Australian Energy Regulator's final determination on UE's proposal means lower costs for customers.

Community battery storage

In August 2021, UE began work on an innovative way to enable customers to share power in their local communities with Australia's largest rollout of community-based batteries.

The AUD11-million "Electric Avenue" programme will install 30-kW batteries on power poles at 40 sites across Melbourne's east, southeast, and the Mornington Peninsula, each with the capacity to service an average of 125 homes.

The batteries will benefit all local customers, whether they have solar or not, by storing energy from both UE's network and nearby solar panels, that can then be used locally when needed. They will charge at times of the day when there is low electricity demand or when local rooftop solar systems are exporting into the network. Power from the batteries can then be used later in the day to make more power available when demand is high and solar systems are no longer generating.

The project helps sustain 99.99% electricity reliability and allows those with rooftop solar panels to get the most out of their investment. In particular, the batteries will improve the quality and reliability of electricity during peak demand days when everyone is using power – for example, on hot summer days.

When completed in 2023, the fleet of batteries will be able to store the electricity needed to support 5,000 homes. The innovative project provides an opportunity for customers to participate in a clean energy future.

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.

Australian Energy Operations

Power Assets Interest:
50%

Joined Since:
July 2012

Network Length:
71 km

In 2021, AEO undertook design upgrade of the Elaine terminal station to support the reinforcement of the transmission grid in western Victoria. Construction is forecast to be completed by the end of 2024. The works are part of a wider project known as the Western Victoria Transmission Network Project, with the main proponent of that project currently progressing the associated planning approvals.

AEO continued to yield stable revenues for the Group based on long-term contracts with the four wind farms.

AEO connects two additional wind farms to its Elaine Terminal Station in Victoria, reaching an output of more than 500 MW.

MAINLAND CHINA

Power Assets operates one coal-fired co-generating plant in Jinwan (Guangdong province) and two wind farms in Dali (Yunnan province) and Laoting (Hebei province).

Steep increases in coal prices affected the power industry as a whole, but new pricing reforms that came into effect in the fourth quarter of 2021 allowed the coal-fired power plants to partially offset these increased costs through higher tariffs.

Jinwan Power Plant

The Jinwan power plant operates two coal-fired heat and power generating units under a long-term joint venture agreement with a partner in Mainland China.

Jinwan Power

Power Assets Interest: **45%**

Joined Since: **April 2009**

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

Electricity sold rose to 5,681 GWh (2020: 3,767 GWh) due to strong industrial demand, persistent high temperatures, and an approximate 8% decrease in power supply from Western China to Guangdong province. While generation increased, the Jinwan power plant faced coal supply scarcities during the second half of 2021, which drove spot coal prices up by 60% or more. In response, Jinwan increased tariffs on a small volume of the power sent out. The plant generated 3.72 million GJ of steam – the same as 2020 – and has expanded capacity to meet future growth in low-pressure steam in the Gaolan industrial zone.

Jinwan significantly outperformed all statutory emissions caps. The plant sold around 900 kT of surplus carbon emission rights to various local power plants, the proceeds from which partially offset the impact of soaring fuel costs. With gross profit margins severely eroded by the uptick in prices, the plant continues to deliver a steady cash flow to shareholders.

Despite a coal shortage, Jinwan Power Plant maintains excellent power generation output.

Dali and Laoting wind farms

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

The two wind farms met all their operating parameters in 2021. A total of 213 GWh of electricity was generated (2020: 207 GWh). The output of the two wind farms offset 207,000 tonnes of carbon emissions within their respective provinces.

Dali Wind Power

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

Laoting Wind Power

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

THAILAND

Ratchaburi Power Company

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

Ratchaburi Power

Power Assets Interest:	Joined Since:
25%	October 2001

Gas-Fired Combined Cycle Gas Turbine:
1,400 MW

Total electricity generated by RPCL in 2021 was 2,920 GWh (2020: 2,801 GWh). Blocks 1 and 2 at the plant achieved equivalent availability factors at 89.33% and 92.25% respectively.

In addition, the power plant secured additional revenue attributable to fuel cost savings by delivering plant operations that outperformed budgets. There was no lost time injury in 2021.

In order to take advantage of government incentives and help encourage renewable energy development, RPCL has developed a rooftop solar farm of about 1 MW capacity which was successfully commissioned in December 2021, helping to reduce house load electricity cost from the grid.

CANADA

The Canadian energy market is steadily evolving from a dependence on fossil fuels to a strong emphasis on renewables. Under its new climate plan, the government introduced heavier penalties on carbon emissions that require suppliers to gradually reduce carbon intensity over time. In addition, funding was introduced to help consumers and businesses adopt low-carbon electricity, industrial technologies, and transport.

To support this goal, the Group's Sheerness plant has migrated from coal-fired to gas-fired generation and Canadian Power has invested in wind farms in Okanagan, which has an installed capacity of 30 MW to directly offset carbon, supplying renewable electricity to the British Columbia region.

Sheerness power station converts to solely gas-fired operations.

Canadian Power Holdings

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

TransAlta Cogeneration

Power Assets Interest: **25%**

Joined Since: **December 2007**

Total Installed Capacity: **1,064 MW**

Meridian

Power Assets Interest: **50%**

Joined Since: **December 2007**

Gas-fired Combined Cycle Cogeneration: **220 MW**

Okanagan Wind Power

Power Assets Interest: **50%**

Joined Since: **June 2021**

Wind Turbine: **30 MW**

The two wind farms in Okanagan were acquired in June 2021, marking Canadian Power's successful transition into renewable energy generation to offset carbon emission. With a generation capacity of 30 MW, the assets have started contributing to the Group's revenue and green portfolio.

During the year, Canadian Power generated a total of 3,087 GWh of electricity, of which 53,000 kWh of electricity came from renewables, and 1,232 kT of steam.

The Sheerness power station was successfully converted from coal-fired to gas-fired. With favourable market conditions, the plant increased its profit contribution in 2021 following the expiry of its long-term power offtake contract.

The Meridian cogeneration plant in Lloydminster, Saskatchewan continues to operate as a highly reliable, efficient supplier of electricity and thermal energy to large, long-term contracted clients.

Husky Midstream Limited Partnership

Husky Midstream Limited Partnership (HMLP) operates the Hardisty oil storage terminal and has operations spread across Alberta and Saskatchewan. It serves oil companies and crude oil producers with a network of oil-gathering systems and pipelines, transporting crude oil from producing fields to processing facilities.

Husky Midstream Limited Partnership

Power Assets Interest: **48.75%**

Joined Since: **July 2016**

Oil Pipeline Length: **2,200 km**

Oil Storage Capacity: **5.9 million barrels**

Pipeline Gathering System Capacity: **409,000 barrels/day**

The North American crude oil market environment has continued to improve and recover from 2020. The sustained economic recovery throughout 2021 has resulted in increased production from customers and throughput volumes. In 2021, HMLP met operating budgets and achieved targets for safety and reliability. Following the completion of several major network expansion projects in 2020, the focus was on optimisation of the entire network system for efficiency to enable future growth.

Thirteen customers shipped on the HMLP pipeline system, which had a blended crude capacity of approximately 409,000 barrels per day. Fifty-seven customers were active within the Hardisty terminal during the year, which had a peak throughput capacity of approximately 700,000 barrels per day.

HMLP has a strong focus on safety that helps protect its workers, its assets, the environment, and the public. A shared database provides improved access to health and safety information for all employees and contractors and fosters continuous improvement in safety culture. Remote operating tank cleaning was initiated to minimise human exposure, and leak detection cameras with artificial intelligence technology were implemented to timely identify any leakage.

HMLP's Hardisty terminal has a peak throughput capacity of approximately 700,000 barrels per day and a storage capacity of 4.9 million barrels.

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 treats a total of 1.7 million tonnes of residual waste per year and supplies enough electricity to the national grid for the needs of about 190,000 households per year.

Dutch Enviro Energy Holdings B.V.

Power Assets Interest: **27%**	Joined Since: **August 2013**
Waste-to-Energy Units: **138 MW**	Biomass-Fired Units: **30 MW**
Energy-From-Waste: **1,713 kT/yr**	Paper Residue Incineration: **141 kT/yr**
Liquid Waste Treatment: **281 kT/yr**	Biomass Energy: **131 kT/yr**

AVR's total throughput of waste in 2021 was stable at 2,266 kT (2020: 2,270 kT) while energy output during the year was 8,264 TJ (2020: 8,179 TJ). Carbon dioxide capture increased to 43 kT (2020: 31 kT) and the amount of plastic recycled was 29 kT (2020: 26 kT).

The company increased its installed capacity for heat and power with the construction of a new back pressure steam turbine with enough capacity for the needs of 60,000 households in the Rotterdam region. The new turbine will increase the security of heat and steam supply and allow AVR to meet future growth in district heating and steam demand. The turbine uses back pressure technology, which can extract even more energy from residual waste.

AVR is in the process of acquiring ISO 50001 certification, which is expected to be completed in 2022, further cementing a strong focus on energy usage in environmentally-friendly operations and policies. An inventory of energy consumption at all locations has been compiled and a multi-year energy reduction programme is under way, including an energy plan with annual performance indicators that focus on continuous improvement.

AVR entered into an agreement with the Municipality of Amsterdam to acquire an energy-from-waste company, AEB Holding N.V. (AEB) in December 2021. AEB's facilities consist of the largest single-site incinerator, strategically located near the densely-populated Amsterdam metropolitan area. It also operates a biomass plant and waste sorting installation. The acquisition, which is subject to approval from the Netherlands Authority for Consumers and Markets, is expected to be completed in 2022 and will enhance AVR's position in the market.

AVR's CO_2 capture, biomass energy and thermal conversion plants focus on operational excellence through the year.

NEW ZEALAND

Wellington Electricity Lines

Wellington Electricity Lines Limited (WELL) owns and operates electricity distribution networks in the Wellington metropolitan area of New Zealand. It serves customers across the domestic, commercial, and industrial sectors. WELL customers include the New Zealand Parliament, Wellington Airport and the Wellington Hospital.

Wellington Electricity Lines

Power Assets Interest: **50%**	Joined Since: **July 2008**
Network Length: **4,800 km**	No. of Customers: **172,000**

WELL distributed 2,240 GWh (2020: 2,237 GWh) of electricity and served about 172,000 customers during the year, maintaining strong network reliability performance. Major capital works progressed smoothly despite COVID-19 distancing restrictions, including the installation of new plastic insulated cables to replace the aging gas-insulated cables to a critical zone substation supplying the Wellington City CBD. The new substation cables are scheduled to be commissioned in 2022.

A three-year capital project to improve earthquake readiness was completed on schedule. The project includes the construction of two new mobile substations, seismic strengthening of 91 buildings, providing three new data centres and upgrading the communications systems.

The year saw initial climate change recommendations made to the New Zealand government, which mandate electrification of road transport and decarbonisation of electricity generation. To support this, WELL is developing a roadmap to identify the steps to facilitate EV charging in coordination with existing network loads. A 30-year model is being developed to forecast the investment needed to meet the increased electrification from climate change initiatives, demand for which could increase by 80% by 2050.

WELL invests in disaster preparedness infrastructure, such as mobile transformers, to supply uninterrupted power during emergencies.

Board of Directors and Management Team

Board of Directors

Executive Directors

FOK Kin Ning, Canning *Chairman*

Aged 70. 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"), Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust") and TPG Telecom Limited, a Director of Cenovus Energy Inc. ("Cenovus Energy"), and a Deputy President of the Board of Commissioners of PT Indosat Tbk. 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. Mr. Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

TSAI Chao Chung, Charles *Chief Executive Officer*

Aged 64. 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 59. 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 the CK Group in January 1992. All the companies mentioned above, except HKEIML and HK Electric, are listed companies, and HKEI is a listed investment trust. He also holds directorships in certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia).

Andrew John HUNTER

Aged 63. 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 39 years of experience in accounting and financial management.

Neil Douglas MCGEE

Aged 70. 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. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

WAN Chi Tin

Aged 71. Appointed to the Board in 2005. He was Group Managing Director from January 2013 to January 2014. Mr. Wan is a Director of most of the subsidiaries and certain joint ventures of the Company. He is also the Chief Executive Officer and an Executive Director of HKEIL, a company listed together with HKEI, an Executive Director of HKEIML which is the trustee-manager of HKEI and the Managing Director of HK Electric. He has worked for the Group since 1978, holding various positions including Director of Engineering (Planning & Development), Chief Executive Officer of Powercor Australia Limited and CitiPower Pty., associate companies of the Group in Australia. Mr. Wan holds a Bachelor of Science degree in Electrical Engineering and is also a Chartered Engineer. He is an Honorary Fellow of the Energy Institute, a Fellow of the Institution of Engineering and Technology, an Honorary Fellow of The Hong Kong Institution of Engineers and a Fellow of The Hong Kong Management Association. Mr. Wan is a member of the Audit Committee of The University of Hong Kong. He was previously Vice Chairman of the Engineers Registration Board of Hong Kong.

Non-executive Directors

LEUNG Hong Shun, Alexander

Aged 59. Appointed to the Board in May 2021. Mr. Leung is a practicing solicitor and notary public in Hong Kong and a China-Appointed Attesting Officer appointed by the Ministry of Justice of the People's Republic of China. He is presently a partner of Messrs. S.H. Leung & Co., Solicitors. Mr. Leung holds a Bachelor of Laws degree.

LI Tzar Kuoi, Victor

Aged 57. Appointed to the Board in 1994 and re-designated from an Executive Director to a Non-executive Director in January 2014. He is also a Director of a joint venture of the Company. He is the Chairman and Group Co-Managing Director of CK Hutchison, and the Chairman and Managing Director, and the Chairman of the Executive Committee of CK Asset Holdings Limited. Mr. Li is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. Mr. Li is also a Non-executive Director of HKEIML which is the trustee-manager of HKEI, a Non-executive Director and the Deputy Chairman of HKEIL and a Director of HK Electric. All the companies mentioned above, except HKEIML and HK Electric, are listed companies, and HKEI is a listed investment trust. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, the Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region, and Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong. He acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial shareholders of the Company. Mr. Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.).

Independent Non-executive Directors

IP Yuk-keung, Albert

Aged 69. 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 member of the Court of City University of Hong Kong. Mr. Ip is an Honorary Fellow of Vocational Training Council, an Honorary Fellow of and a Beta Gamma Sigma Honoree at City University of Hong Kong, and a Beta Gamma Sigma Honoree at The Hong Kong University of Science and Technology. Mr. Ip is an Independent Non-executive Director of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust, 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 Hopewell Holdings Limited and TOM Group Limited. Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science in Applied Mathematics and a Master of Science in Accounting and Finance. He is the Chairman of the Board of Governors of World Green Organisation.

KOH Poh Wah

Aged 65. Appointed to the Board in May 2021. Ms. Koh has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering. Ms. Koh is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited which is the manager of Fortune Real Estate Investment Trust, a listed real estate investment trust. Ms. Koh is also an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL, and a Director of HK Electric. Ms. Koh was previously the Regional Accountant (Alpha Asia Pacific) of Alpha International, a non-profit organisation, from 2012 to 2015 in charge of the finance functions for Alpha Asia Pacific region, Alpha Singapore and AAP Publishing Pte. Ltd. Prior to this role she was a Director with Future Positive Pte. Ltd. working extensively on information technology and business re-engineering consultancy areas. Ms. Koh also worked for American International Assurance Co. Ltd. for 15 years during the period from 1986 to 2000, with her last position as Vice President – Quality Support & Operations Management. Ms. Koh holds a Master of Science in Management Science and Operational Research, a Bachelor of Arts Degree (Honours) in Accounting, and a Diploma from Institute for the Management of Information Systems (previously known as Institute of Data Processing Management, UK) and a Fellow of Life Management Institute (USA).

LUI Wai Yu, Albert

Aged 71. Appointed to the Board in March 2020. Mr. Lui has over 30 years of experience in project management. He joined the CK Group in 1978, with his last position before retirement in 2006 as the Senior Project Manager of the Development Department of Cheung Kong (Holdings) Limited (which was then listed company). Mr. Lui holds a Higher Certificate in Civil Engineering and a Diploma in Management Studies

Ralph Raymond SHEA

Aged 88. Appointed to the Board in 1985. Mr. Shea has been an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL which is a company listed together with HKEI, and a Director of HK Electric, since October 2015. Mr. Shea is a solicitor of England and Wales and of Hong Kong.

WU Ting Yuk, Anthony

Aged 67. 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 was the Chairman of the board of directors and is currently an independent non-executive director of China Resources Medical Holdings Company Limited. He is also the Chairman and a non-executive director of Clarity Medical Group Holding Limited, an independent non-executive director of Guangdong Investment Limited, China Taiping Insurance Holdings Company Limited, CStone Pharmaceuticals, Venus Medtech (Hangzhou) Inc., Ocumension Therapeutics and Sing Tao News Corporation Limited. All the companies mentioned above 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.

Management Team

CHAN Kee Ham, Ivan

Aged 59. Chief Financial Officer, has been with the Group since May 2012. He is also the Chief Planning and Investment Officer of CK Infrastructure Holdings Limited. He has over 35 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

FUNG Siu Tong, Thomas

Aged 53. 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 64. Senior Manager (International Business), joined the Group in 1981 and has been engaged in the development of various power and renewable projects. He is currently responsible for managing the Group's global investments with a focus on their sustainability development. He holds a Master of Science degree in Engineering and is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers, the Institution of Mechanical Engineers and the Energy Institute in the United Kingdom.

NG Wai Cheong, Alex

Aged 52. 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 57. 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 49. Senior Manager (International Business), joined the Group in September 2016 and has over 20 years of experience in energy industry with international business exposure. She is responsible for asset management of the Group's investments globally, and assumes active role in new energy development projects. Miss Yu holds a Master of Business Administration degree. She is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Institute of Directors. Miss Yu is also a Certified Environmental, Social and Governance Analyst of The European Federation of Financial Analysts Societies.

Corporate Governance Report

Corporate Governance

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

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2021.

Vision, Missions and Core Values

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

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

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

Board of Directors

The Board, led by the Chairman, is collectively responsible for the management and operations of the Company. Its responsibilities include approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluation of the performance of the Group, and oversight of the management. Management, led by the Chief Executive Officer, is responsible for the day-to-day operations of the Group. The senior management of the Company comprises the Executive Directors.

Directors at all times have full and timely access to information of the Group, including board papers and related materials. A financial summary outlining the Group's financial position and performance and containing the actual and budgeted results from different operations, with major variances explained, is sent to Directors each month for their review.

Each Director has independent access to the management team for information on the Group and unrestricted access to the services of the Company Secretary on governance matters and board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company.

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

The Board currently comprises six Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. Their names and biographical details are set out in the Board of Directors and Management Team section on pages 30 to 34 of the Annual Report. An updated list of Directors containing biographical information is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

Board Proceedings

The Board have four regular meetings each year at approximately quarterly intervals and additional meetings will be held when warranted. Regular meetings are scheduled during the last quarter of the preceding year providing Directors with adequate time to plan their schedules to attend. The Directors may attend meetings in person, by telephone or other electronic means in accordance with the Company's articles of association. Throughout the year, the Directors also consider and approve matters by way of written resolutions, which are circulated to Directors together with explanatory briefings from the Chief Executive Officer or the Company Secretary as required. Directors are required to declare their interests, if any, in the matters to be considered by them during board meetings and in the circular resolutions.

Directors receive at least fourteen days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. An agenda with supporting board papers is sent to Directors no less than three days prior to a regular meeting. The Company Secretary assists the Chairman in seeing that Directors receive adequate information on each matter set out in the agenda and acts as co-ordinator for management in providing clarification sought by Directors.

The minutes of Board meetings are prepared by the Company Secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors for their comments. The final minutes are kept by the Company Secretary and available for inspection by Directors. Copies are sent to Directors for their records within a reasonable time after each meeting. This arrangement also applies to meetings of the board committees.

Appointment and re-election

All Directors have been appointed on annual twelve-month basis (save for the initial period which is for a period up to 31 December in the year of appointment), subject to retirement from office by rotation and re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Any Director appointed to fill the casual vacancy shall hold office until the next following general meeting and in the case of an addition, until the next annual general meeting, and shall be eligible for re-election at that meeting.

Directors retiring by rotation at the forthcoming annual general meeting are Mr. Fok Kin Ning, Canning and Mr. Chan Loi Shun. Ms. Koh Poh Wah and Mr. Leung Hong Shun, Alexander, who were appointed as additions to the Board subsequent to the last annual general meeting, will also retire at the forthcoming annual general meeting. All the retiring Directors offer themselves for re-election. Information relating to these Directors required to be disclosed under the Listing Rules is contained in the circular to be despatched to shareholders together with this Annual Report.

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

Nomination and Diversity

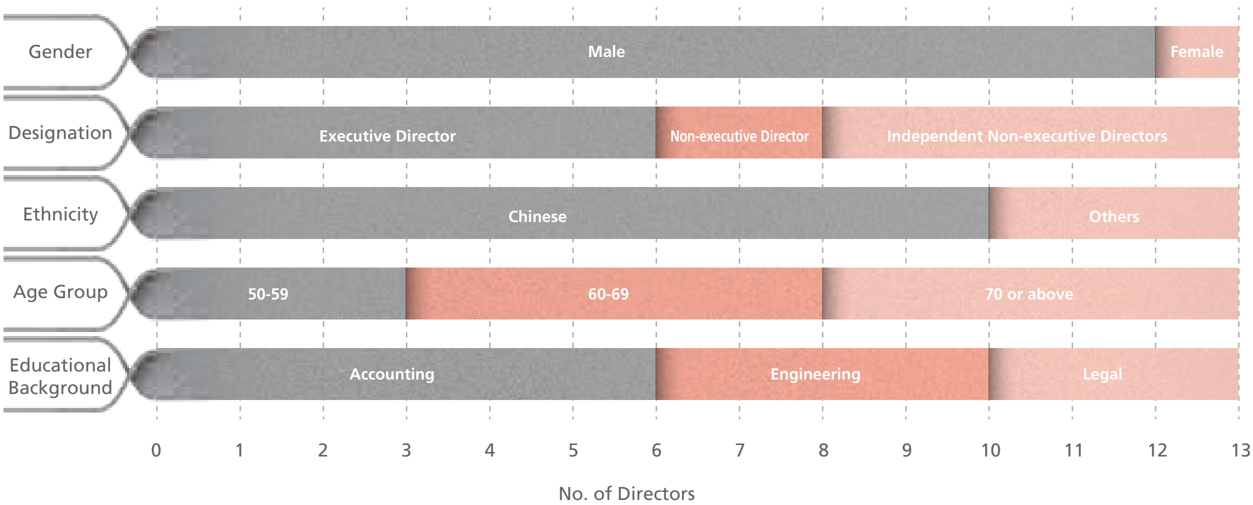
The Company recognises the importance of having qualified and competent Directors that possess a balance of skill set, experience, expertise and diversity of perspectives appropriate for its strategies, which can enhance decision-making capability and the overall effectiveness of the Board to achieve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

The full Board is ultimately responsible for reviewing the structure, size, diversity profile and skills matrix of the Board, appointment of new Directors and succession plan for Directors. They have delegated their responsibility to the Nomination Committee of the Company, and established the Director Nomination Policy and the Board Diversity Policy which are published on the Company's website, to provide guidance on the approach and procedure for these processes.

As provided in these policies, appointment to the Board should be based on merit and attributes that the selected candidate will bring to the Board with an aim to build an effective and complementary board with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses, and taking into consideration the benefits of various aspects of diversity, including gender, age, ethnicity, cultural and educational background, professional experience and qualifications and other factors that may be relevant from time to time. The Nomination Committee will consider and make recommendations to the Board on the appointment of additional, replacement or re-electing directors based on these factors, and where an additional or replacement Directors is required, deploy multiple channels for identifying suitable candidates, including referral from Directors, shareholders, management, advisors and external executive search firms. Shareholders may nominate a person other than a retiring Director to stand for election as a Director at any general meeting in accordance with article 122 of the Company's articles of association, the procedures for which are posted on the Company's website.

During the year, the Board is pleased to welcome a female Independent Non-executive Director in joining them on 13 May 2021, and will continue to embrace gender diversity of Directors.

The diversity profile of the Board as at 31 December 2021 is as follows:



During 2021, the number of board and committee meetings and the attendance of each Director at these meetings and the annual general meeting are as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	Sustainability Committee Meetings	Meetings between Chairman and Independent Non-executive Directors	Annual General Meeting held on 12 May 2021
Executive Directors							
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	–	–	3/3	✓
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	–	2/2	–	✓
Chan Loi Shun	4/4	–	–	–	2/2	–	✓
Andrew John Hunter	4/4	–	–	–	–	–	✓
Neil Douglas McGee	4/4	–	–	–	–	–	✓
Wan Chi Tin	4/4	–	–	–	–	–	✓
Non-executive Directors							
Leung Hong Shun, Alexander *(Appointed on 13 May 2021)*	2/2	–	–	–	–	–	–
Victor T K Li	3/4	–	–	1/1	–	–	✓
Independent Non-executive Directors							
Ip Yuk-keung, Albert	4/4	4/4	–	1/1	2/2	3/3	✓
Koh Poh Wah *(Appointed on 13 May 2021)*	2/2	2/2	–	–	–	1/1	–
Lui Wai Yu, Albert	4/4	–	1/1	–	–	3/3	✓
Ralph Raymond Shea	3/4	4/4	0/1	1/1	–	2/3	✓
Wu Ting Yuk, Anthony	4/4	4/4	–	–	–	3/3	✓

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

Independence

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

All Independent Non-executive Directors of the Company have each provided a confirmation of his/her independence (which also covers his/her immediate family members) to the Company for the financial year 2021 pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

Directors' Interests in Competing Business

In 2021 the interests of Directors in businesses which may compete with the Group's business of energy and utility-related investment were as follows:

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

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

Directors' Training

The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements necessary in discharging their duties. The Company also arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. Directors also attend external forums or briefing sessions, or complete courses organised by professional bodies on relevant topics from time to time, which count towards their continuous professional development training.

Directors have provided to the Company their records of continuous professional development training during 2021, and they have participated in the following training activities:

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

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

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

	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 Directors			
Leung Hong Shun, Alexander *(Appointed on 13 May 2021)*	✓	✓	✓
Victor T K Li	✓	✓	✓
Independent Non-executive Directors			
Ip Yuk-keung, Albert	✓	✓	✓
Koh Poh Wah *(Appointed on 13 May 2021)*	✓	✓	✓
Lui Wai Yu, Albert	✓	✓	✓
Ralph Raymond Shea	✓	✓	✓
Wu Ting Yuk, Anthony	✓	✓	✓

For newly appointed Directors, the Company offers 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. Such briefings and materials were provided to Ms. Koh Poh Wah and Mr. Leung Hong Shun, Alexander who were appointed as an Independent Non-executive Director and a Non-executive Director respectively during the year.

Directors' Securities Transactions

The Company has established the Policy on Inside Information and Securities Dealing to explain the meaning of inside information and the illegality of insider dealing, set out the restrictions in securities dealing, and establish preventive controls and reporting mechanism applicable to confidential or unpublished inside information in relation to the Group and its securities.

As stated in the policy, the Board has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regulating directors' securities transactions. In addition, senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to be in possession of inside information regarding the Company and its securities, are also required to comply with the Model Code. Reminders are sent during the year to these individuals on prohibitions against dealing in the securities of the Company during the "blackout period" specified in the Model Code.

All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2021.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

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

Accounting Policies

The Directors consider that in preparing financial statements, the Group ensures statutory requirements are met 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 appropriate accounting policies.

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

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

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals, and are subject to retirement from their directorship by rotation and re-election once every three years at the annual general meeting. During 2021, the Chairman was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. He takes primary responsibility in ensuring that good corporate governance practices and procedures are established, and also acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group.

The Chairman approves board meeting agendas and ensures that meetings of the Board are planned and conducted effectively and that all Directors are properly briefed on issues arising at board meetings. In addition to board meetings, the Chairman schedules meetings annually with Independent Non-executive Directors, without the presence of other Directors, to encourage them to voice out their independent views and promote an open and constructive dialogue. During the year, the Chairman had three such meetings with the Independent Non-executive Directors to discuss matters relating to the Group and its operations. All Directors, including the Non-executive Directors and the Independent Non-executive Directors, have independent access to management team and may seek independent professional advice if considered appropriate.

The Chief Executive Officer 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. He 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, the Chief Executive Officer 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.

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

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≃ 0%
Leung Hong Shun, Alexander	Beneficial owner	Personal	180,000	0.01%

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

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

Notes:

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

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

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Audit Committee

The Audit Committee comprises four Independent Non-executive Directors. It is chaired by Mr. Ip Yuk-keung, Albert, and the other members are Ms. Koh Poh Wah (appointed on 13 May 2021), Mr. Ralph Raymond Shea and Mr. Wu Ting Yuk, Anthony. None of the committee members is a partner or former partner of the Group's external auditor.

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

The Audit Committee held four meetings in 2021. During the meetings, the committee reviewed and considered matters including the interim and annual results, the interim and annual reports, the quarterly financial highlights, the risk management reports and the assessment and declarations in respect of the effectiveness of the risk management and internal control systems and the sustainability governance and management, the effectiveness of the Company's internal audit function, the internal audit plan and all internal audit reports compiled during the year, compliance of the Deed of Non-competition with HK Electric Investments Limited, the corporate governance structure and compliance with the Corporate Governance Code and the Environmental, Social and Governance Reporting Guide, the continuous professional development activities undertaken by Directors and senior managers, the adequacy of resources, qualifications and trainings of accounting and internal audit staff, auditor related matters (including fee, engagement and independence). In addition, the committee also reviewed and considered the Group's outstanding litigation and claims, and the statistics and registers on illegal or unethical behaviour of the Group (including whistleblowing cases). Management are available at all of these meetings to assist with any information and resources as may be required to enable committee members to carry out their functions.

Representatives from KPMG, the external auditor, were invited to attended two of the meetings to discuss the 2020 audited financial statements, the 2021 audit plan and various accounting matters with the committee members.

Subsequent to the financial year end, the Audit Committee reviewed at a meeting in March 2022 the Group consolidated financial statements for the year ended 31 December 2021 and Annual Report 2021, and resolved to recommend the approval of the Group consolidated financial statements and the re-appointment of KPMG as the Company's external auditor for 2022.

Nomination Committee

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

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

The Committee held a meeting in March 2021. During the meeting, members reviewed the structure, size and composition of the Board, the implementation and effectiveness of the Board Diversity Policy, and the independence of the Independent Non-executive

Directors, and resolved to recommend the nomination of all the retiring Directors standing for re-election at the 2021 annual general meeting. During the year, members also considered and recommended the appointments of Ms. Koh Poh Wah and Mr. Leung Hong Shun, Alexander as an Independent Non-executive Director and a Non-executive Director respectively.

Remuneration Committee

The Remuneration Committee comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Mr. Ralph Raymond Shea (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman of the Board) and Mr. Lui Wai Yu, Albert (an Independent Non-executive Director).

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

The Board has adopted a Policy on Remuneration of Full Time Directors and Management Team to provide guidance on the determination of remuneration of Executive Directors and management team, with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration should be performance-based and, coupled with an incentive system, competitive to attract and retain talented employees.

In the discharge of its duties the Remuneration Committee is assisted by relevant remuneration data and market conditions provided by the human resources function. Committee members may, if considered necessary, seek independent professional advice to perform their duties. The Group does not have any equity-based remuneration during the year.

The Committee held a meeting in December 2021. During the meeting and under delegated responsibility from the Board, Committee members considered and determined the performance-based bonus payable to the full time Executive Directors and management team in respect of the 2021 financial year and their remuneration for 2022. No Director and member of the management team participated in the determination of his/her own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2022 wage and salary review proposal for the Group's employees.

The emoluments paid to each Director for the 2021 financial year are shown in note 11 to the financial statements on pages 92 to 94 of the Annual Report. The remuneration paid to members of the management team for the 2021 financial year is disclosed by bands in the same note.

Sustainability Committee

The Sustainability Committee comprised three members. It is chaired by Mr. Tsai Chao Chung, Charles (the Chief Executive Officer), and the other members are Mr. Chan Loi Shun (an Executive Director) and Mr. Ip Yuk-keung, Albert (an Independent Non-executive Director).

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

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

The Sustainability Committee held two meetings in 2021. During the meetings members considered the Group's sustainability framework and its sustainability objectives, including the United Nations Sustainable Development Goals action plan, and material sustainability issues. They also assessed the Group's sustainability strategies, risks and opportunities, priorities, initiatives, goals and performance in health and safety, environmental management and other sustainability areas, and discussed areas for enhancing the Group's sustainability performance and reporting. They also reviewed the Sustainability Report 2020 and a series of sustainability and governance policies.

Subsequent to the financial year, the Sustainability Committee at a meeting held in March 2022 reviewed and recommended for the Board's approval the Sustainability Report 2021.

Company Secretary

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

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

External Auditor

Independence

KPMG, the external auditor and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, have confirmed that they have been, for the year ended 31 December 2021, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

KPMG adopt a policy of rotating the engagement partner servicing their client companies every seven years. The last rotation in respect of the Group took place in the audit of the 2021 financial statements and the next rotation will take place in the audit of the 2028 financial statements.

Reporting Responsibility

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

Remuneration

An analysis of the fees of KPMG and other external auditors for audit and non-audit services is shown in note 9 to the financial statements on page 90 of the Annual Report.

Re-appointment

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

Risk Management and Internal Control

Introduction

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

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

At the meetings held in March and July 2021, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2020 and for the half year ended 30 June 2021 respectively, and considered the systems effective and adequate.

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

Risk Management and Internal Control Environment

Effective risk management is fundamental to the achievement of the corporate strategic objectives, and an enterprise risk management policy is in place to outline the framework and processes adopted by the Group and provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks at corporate and business unit levels in a pro-active and structured manner. These key risks include risks in topics such as climate change, supply reliability, and health and safety which the Group considered to be key material environmental, social and governance issues. More details are given in the Risk Management and Risk Factors on pages 55 to 59 of the Annual Report.

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

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

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

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

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

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

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

The internal audit function, reporting to an Executive Director and the Audit Committee, 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. Its internal audit reports on the Group's operations are also reviewed and considered by the Audit Committee. The scope of work on the Group's business units performed by internal audit includes financial, operations and information technology review, recurring and ad hoc audit, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal audit follows up audit recommendations on implementation by business units and the progress is reported to the Audit Committee regularly.

With the assistance of the internal audit function, the Chief Executive Officer and an Executive Director review, among other things, the profile of the significant risks and how these risks have been identified, evaluated and managed, the changes since the last assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. In addition, they review the work of internal audit function and other assurance providers, the extent and frequency of communication of monitoring results to the Audit Committee which enables it to assess control of the Group and the effectiveness of risk management, any significant failings or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

In addition, 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 to arrange 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 for the acquisition of new businesses, including those on 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 and Anti-corruption

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

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

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

It is the responsibility of each Director and employee to avoid situations that may lead to or involve a conflict of interest, and make full disclosure of any dealings in case of potential or actual conflict. All Directors and employees have access to and in control of the Group's information are required to provide adequate safeguard to prevent any abuse or misuse of that information, and not to use it to secure personal advantage.

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

Whistleblowing

To ensure high standards of openness, probity and accountability, the whistleblowing procedures, as set out in the Code of Conduct and Whistleblowing Procedure, allow employees as well as customers, suppliers, contractors, debtors and creditors to report any suspected violation of the Code of Conduct or improprieties, misconduct or malpractice within the Group, including fraud and illegal acts. Investigations are carried out on all reported cases. The results are reported to the Audit Committee and the Chief Executive Officer, and disciplinary and remedial actions are taken as appropriate. During 2021, the Group had no reported whistleblowing cases and no convicted case of corruption.

Shareholders

Articles of Association

The current version of the articles of association of the Company is available on the Company's and HKEX's websites. No changes were made during the year ended 31 December 2021.

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.

Dividend Policy

The Board has adopted a dividend policy which outlines the principles of payment on dividend. The 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.

Registration and related matters

The Company handles share registration and related matters for shareholders, such as transfer of shares, change of address, change of dividend payment instruction, issue and/or loss of share certificates and death of shareholders, through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 136 of the Annual Report.

Financial Calendar and Other Information

A financial calendar of the announced key dates for 2021 and 2022 and other relevant share information are set out on the inside back cover of the Annual Report.

Rights relating to General Meeting

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings may request for the convening of a general meeting. Pursuant to sections 580 and 615 of the Companies Ordinance, shareholders qualified under sub-section (3) and sub-section (2) of the respective sections may request for the Company's circulation of statements with respect to proposed resolutions to be considered at a general meeting and the Company's giving of notice of a resolution intended to be moved at an annual general meeting. In both of these cases, the request stating the general nature of the business to be dealt with at the meeting should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form in accordance with the statutory provisions. Shareholders can refer to the detailed requirements and procedures set forth in the relevant sections of the articles of association of the Company when making any requisitions or proposals for transaction at general meetings.

Shareholder Communication

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

General Meetings

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

2021 Annual General Meeting

The 2021 Annual General Meeting (the "AGM"), held at Harbour Grand Kowloon on 12 May 2021, was held as a hybrid meeting for the first time. In addition to the traditional physical attendance, shareholders had the option of attending, participating and voting at the AGM through online access. The online access option allowed shareholders to participate in the AGM and helped to protect their health and safety against possible exposure to the COVID-19 pandemic.

The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 7 April 2021, 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 AGM was attended by all Directors of the Company. The chairmen and members of all board committees, as well as representatives from KPMG, the external auditor, were available at the meeting to answer questions, which could be raised by shareholders at the meeting venue or participating online. A separate resolution was proposed in respect of each substantially separate issue, and voted by way of a poll, and the poll voting procedure was explained fully to shareholders at the start of the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, acted as scrutineer for the poll.

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

– Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2020 (99.5007%);

– Declaration of a final dividend of HK$2.04 per share (99.4801%);

– Election of Mr. Neil Douglas McGee (95.0163%), Mr. Ralph Raymond Shea (79.8528%), Mr. Wan Chi Tin (95.3326%) and Mr. Wu Ting Yuk, Anthony (69.4083%) as Directors;

– Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (96.0744%); and

– General mandates to Directors to issue and dispose of additional shares of the Company not exceeding 10% of the total number of shares in issue (93.4827%) and to repurchase shares of the Company (99.8903%).

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

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

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

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

Investor Relations
All shareholders may put enquires to the Board at general meetings, whether they attend the meetings physically or through online access, and at other times by writing to the Company for the attention of an Executive Director, the Chief Financial Officer or the Company Secretary, whose contact channels are set out on page 136 the Annual Report.

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

Interests and Short Positions of Shareholders

As at 31 December 2021, 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	106,726,434	*(Note 4)*	5.00%

(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	228,500 *(Note 5)*	0.01%

Notes:

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

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

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

(4) Such long position includes derivatives interests in 326,000 underlying shares of the Company derived from unlisted and cash settled derivatives.

(5) Such short position includes derivatives interests in 227,500 underlying shares of the Company derived from unlisted and cash settled derivatives.

Save as disclosed above, as at 31 December 2021, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Connected Transaction

Financial assistance and acquisition support in relation to the acquisition of the Okanagan Wind projects by CPHI

As announced by the Company on 5 February 2021, Canadian Power Holdings Inc. ("CPHI") and 1280164 B.C. Ltd. ("1280164 B.C."), both indirectly held as to 50% each by the Company and CKI, entered into a share and debt purchase agreement on 4 February 2021 in relation to the acquisition of all the issued shares of PSS Renewables Holdings Inc. ("PSS Holdings") and the debt of PSS Renewables LP (which is wholly owned by PSS Holdings) (the "Acquisition"). PSS Holdings and PSS Renewables LP indirectly own and operate the Okanagan Wind projects, comprising the Pennask Wind Farm and the Shinish Creek Wind Farm, in British Columbia, Canada. Concurrently, CKI, the Company, CPHI and 1280164 B.C. also entered into a funding and acquisition support agreement (the "Funding Agreement"), whereby, among other things, CKI and the Company agreed to provide, or cause the provision of, an amount up to CAD70 million by way of loan to CPHI and/or subscription of new shares of CPHI on a 50:50 basis to fund the Acquisition.

CPHI is considered a material joint venture of the Company. Each of CPHI and 1280164 B.C. is indirectly held as to 50% by CKI, a substantial shareholder of the Company, and is a connected person of the Company. The transactions contemplated under the Funding Agreement therefore constituted connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirement.

Continuing Connected Transactions

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

As announced by the Company on 29 September 2017, the operation and management contract dated 2 April 2009 (the "Contract") entered into between Outram Limited ("Outram"), an indirect wholly-owned subsidiary of the Company, and Cheung Kong China Infrastructure Limited ("CKCI"), was extended for a 3-year term from 2 April 2018 to 1 April 2021. Pursuant to the Contract, CKCI agreed to provide Outram with services in relation to the operation and management of Outram's power plant investments in Mainland China, at service fees payable monthly equivalent to CKCI's costs for provision of such services subject to a maximum annual aggregate maximum fee. For the period between 1 January 2021 and 1 April 2021, such maximum annual aggregate fee was HK$4.986 million, the pro rata amount of HK$20.0 million for a full calendar year, and the actual amount paid was approximately HK$4.985 million.

CKCI is an indirect wholly-owned subsidiary of CKI, a substantial shareholder of the Company. The transactions under the Contract therefore constituted continuing connected transactions for the Company under the Listing Rules, and the Company has complied with the applicable annual review requirements under the Listing Rules for the financial year 2021:

(a) All the Independent Non-executive Directors have reviewed the above continuing connected transactions in the 2021 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.

(b) Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the above 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 2021 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 pro rata annual cap amount for the relevant period.

The Contract was extended for a further 3-year term from 2 April 2021 to 1 April 2024 on the same terms, save that the relevant maximum annual aggregate fee was reduced to HK$18 million due to reduction in services following cessation of the Group's interests in the Zhuhai Power Plant and the Siping Power Plant in 2019. As all the applicable percentage ratios based on the new annual cap were less than 0.1%, the transactions under the Contract so extended ceased to be subject to the announcement, annual review and disclosure requirements under the Listing Rules.

Transactions ceasing to be Continuing Connected Transactions – Services Agreements between HMGP and Husky Energy's affiliates

As announced by CKI and the Company jointly on 26 April 2016 and by the Company on 16 March 2018, Husky Midstream General Partnership ("HMGP", a wholly-owned subsidiary of Husky Midstream Limited Partnership ("HMLP")) and/or certain other subsidiaries of HMLP on the one hand and certain subsidiaries of Husky Energy Inc. ("Husky Energy") on the other hand entered into certain services agreements and supplemental agreements (the "HMGP Services Agreements"). HMLP is considered as a material joint venture of the Company.

On 1 January 2021 Cenovus Energy Inc. and Husky Energy completed a combination under the Canadian law into a combined company (the "Combination"). Prior to the completion of the Combination, Husky Energy as an associate of CKI, a substantial shareholder of the Company, had been a connected person of the Company and therefore, the transactions under the HMGP Services Agreements which took place prior to the Combination constituted continuing connected transactions of the Company under the Listing Rules. Immediately following completion of the Combination, the combined company ceases to be an associate of CKI and a connected person of the Company. Accordingly, any transactions under the HMGP Services Agreements which take place after completion of the Combination no longer constitute continuing connected transactions of the Company under the Listing Rules.

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 2021 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

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

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

The Investment Opportunity Deed requires each of CKI and the Company to review the deed's implementation as part of its internal audit plan and each company's audit committee to review the deed's compliance. A committee comprising all its Independent Non-executive Directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework for ensuring the deed's compliance, internal audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that during 2021, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed were made in accordance with the requirements thereof.

Risk Management

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

Risk Management Framework

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

Governance & Oversight

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

Risk Management Framework Governance

The Board / Audit Committee Oversight

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

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

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

Risk & Control Monitoring

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

Front-Line Risk & Control Ownership

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

Risk Management Process

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

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

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

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

Risk Factors

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

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

Global Economy and Macro-Economic Conditions

The global economic recovery continues despite on-going COVID-19 pandemic. However, the threat of the more infectious variants, rising inflation and commodity prices, supply chain bottlenecks, trade protectionism, and geopolitical tensions may pose downside risks to the world economy and global financial market.

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

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

Outbreak of Highly Contagious Disease

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

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

Currency Markets and Interest Rates

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

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

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

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

Cyber Security

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

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

Health and Safety

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

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

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

Mergers and Acquisitions

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

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

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

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

Infrastructure Market

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

Impact of Local, National and International Regulations

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

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

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

Reliability of Supply

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

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

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

Climate Change

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

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

Financial 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$87,135 million (2020: HK$85,552 million). Total unsecured bank loans outstanding at the year end were HK$3,433 million (2020: HK$3,640 million). In addition, the Group had bank deposits and cash of HK$4,610 million (2020: HK$5,427 million). The Group did not maintain any undrawn committed bank facility at the year end (2020: HK$Nil).

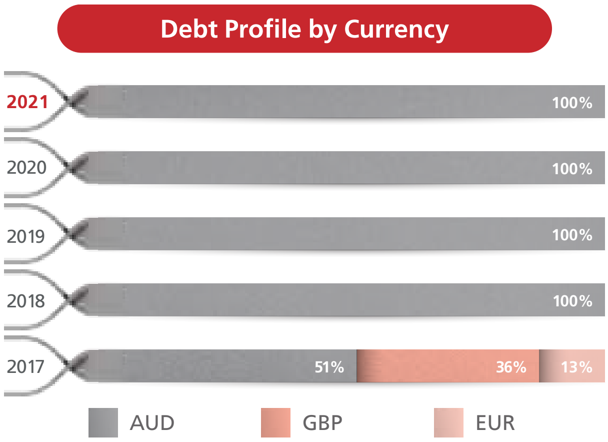
Treasury Policy, Financing Activities and Debt Structure

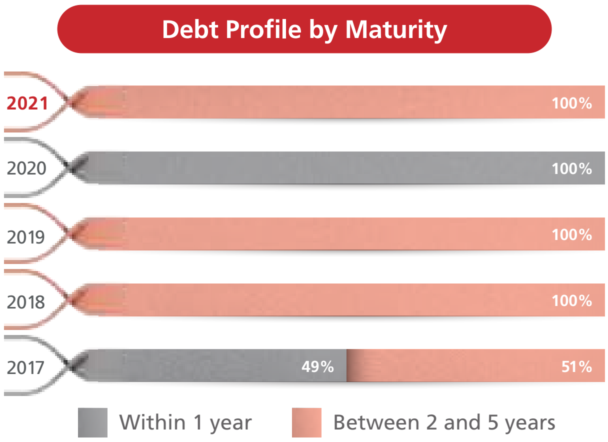
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation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

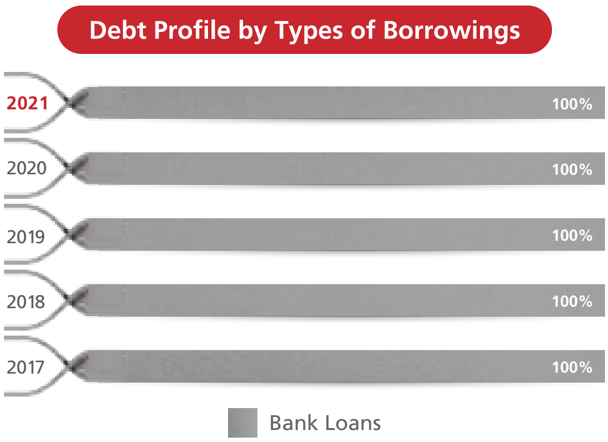
The Group's financial profile remained strong during the year. On 28 December 2020, Standard & Poor's reaffirmed the "A" long-term issuer credit rating and the "Stable" outlook of the Company, unchanged since September 2018.

As at 31 December 2021, the net cash position of the Group was HK$1,177 million (2020: HK$1,787 million).

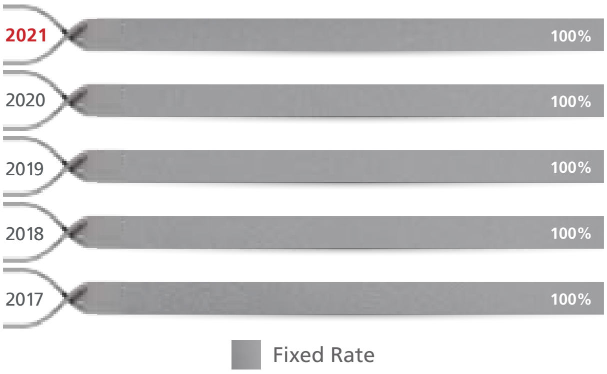
The profile of the Group's external borrowings as at 31 December 2021, after taking into account interest rate swaps, is set out in the tables below:







Debt Profile by Interest Rate Structure



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 2021 was HK$3,433 million (2020: HK$3,640 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2021 was an asset of HK$1,112 million (2020: liability of HK$78 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 2021 amounted to HK$34,407 million (2020: HK$35,010 million).

Contingent Liabilities

As at 31 December 2021, the Group had given guarantees and indemnities totalling HK$363 million (2020: HK$438 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 2021, excluding directors' emoluments, amounted to HK$24 million (2020: HK$25 million). As at 31 December 2021, the Group employed 13 (2020: 13) employees. No share option scheme is in operation.

Report of the Directors

(Expressed in Hong Kong dollars)

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2021.

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 2021 are set out in Appendix 2 on pages 130 to 131 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, Risk Management and Risk Factors on pages 55 to 59 and Financial Review on pages 60 to 61 of this Annual Report.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Chairman's Statement on pages 4 to 6 and CEO's Report on pages 10 to 29 of this Annual Report, and the Sustainability Report to be published at the same time as this Annual Report in April 2022, whilst its compliance with the relevant laws and regulations that have a significant impact on the Group are included in the Corporate Governance Report on pages 35 to 54 and Risk Factors on pages 57 to 59 of this Annual Report. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2021 and the financial positions of the Group as at that date are set out in the financial statements on pages 69 to 134.

Dividends

An interim dividend of $0.78 (2020: $0.77) per ordinary share was paid to shareholders on 14 September 2021. The Directors recommend a final dividend of $2.04 (2020: $2.04) per ordinary share payable on 7 June 2022 to shareholders who are registered on the register of members on 24 May 2022.

Share Capital

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

Donations

Charitable and other donations made by the Group during the year amounted to $2 million (2020: $1 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 135.

Major Customers and Suppliers

Sales to the largest customer is 25.9% (2020: 24.1%) of the Group's total revenue, and sales to five largest customers combined is 79.5% (2020: 75.4%) of the Group's total revenue for the year ended 31 December 2021. The five largest customers for the year are the joint ventures or associates of the Company.

Purchases from the largest supplier is 38.5% (2020: 33.1%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 73.4% (2020: 64.5%) of the Group's total purchases of revenue items for the year ended 31 December 2021.

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, Ms. Koh Poh Wah (appointed on 13 May 2021), Mr. Leung Hong Shun, Alexander (appointed on 13 May 2021), Mr. Li Tzar Kuoi, Victor, Mr. Lui Wai Yu, Albert, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Wan Chi Tin 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

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 the end of the year or at any time during the year.

Management Contracts

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

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2020: 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 (2020: 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 2021 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 2021	$ million
Non-current assets	424,130
Current assets	22,554
Current liabilities	(47,067)
Non-current liabilities	(286,883)
Net assets	112,734
Share capital	35,029
Reserves	77,705
Capital and reserves	112,734

As at 31 December 2021, the consolidated attributable interest of the Group in these affiliated companies amounted to $55,609 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 16 March 2022

KPMG

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Power Assets Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 69 to 134, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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.

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

Accounting for interests in associates and joint ventures

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

The Key Audit Matter	How the matter was addressed in our audit
The Group's associates and joint ventures operate in Hong Kong and outside Hong Kong (including the United Kingdom, Australia, Thailand, the People's Republic of China, Canada, the Netherlands, New Zealand and the United States). The Group's share of profits less losses of associates and joint ventures for the year ended 31 December 2021 and the Group's interests in associates and joint ventures at that date are significant in the context of the Group's consolidated financial statements. The financial information of associates and joint ventures with operations outside of Hong Kong is prepared in accordance with the prevailing accounting standards in each relevant jurisdiction which may differ in certain respects from HKFRSs. Converting the financial information of these entities into HKFRSs for the purpose of equity accounting involves management making a number of manual adjustments some of which are complex in nature. We identified the accounting for interests in associates and joint ventures as a key audit matter because of the material impact that these entities have on the consolidated financial statements and also because of the complex nature of certain adjustments made by management which we consider increases the inherent risk of error.	Our audit procedures to assess the accuracy of the accounting for interests in associates and joint ventures included the following: • performing an audit of the consolidated financial statements of the Hong Kong based associate, HK Electric Investments Limited, in accordance with the requirements of HKSAs; • evaluating the independence and competence of the auditors of associates and joint ventures outside Hong Kong; • participating in the risk assessment process undertaken by the auditors in respect of their audits of significant associates and joint ventures outside Hong Kong; • understanding the procedures planned to be performed by the auditors of significant associates and joint ventures outside Hong Kong to address the significant risks identified and considering whether the planned procedures were appropriate for the purpose of the audit of the Group's consolidated financial statements; • obtaining reporting from the component auditors of significant associates and joint ventures outside Hong Kong and discussing with these auditors matters of significance in their audits which could impact the Group's consolidated financial statements, the work performed thereon and their conclusions; • evaluating significant manual adjustments made in respect of associates and joint ventures outside Hong Kong to convert their financial information into HKFRSs by comparing the adjustments to underlying documentation or by re-performing the calculations on which the adjustments were based; • assessing whether the financial information of associates and joint ventures outside Hong Kong after the adjustments made by management was prepared in accordance with the Group's accounting policies.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shu, Wilson.

KPMG

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

16 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $ million	2020 $ million
Revenue	4	1,276	1,270
Other net income	5	368	59
Other operating costs	7	(143)	(154)
Operating profit		1,501	1,175
Finance costs	8	(125)	(86)
Share of profits less losses of joint ventures		3,374	3,782
Share of profits less losses of associates		1,522	1,329
Profit before taxation	9	6,272	6,200
Income tax:	10		
Current		(54)	(12)
Deferred		(78)	(56)
		(132)	(68)
Profit for the year attributable to equity shareholders of the Company		6,140	6,132
Earnings per share			
Basic and diluted	12	$2.88	$2.87

The notes on pages 74 to 134 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 2021
(Expressed in Hong Kong dollars)

	2021 $ million	2020 $ million
Profit for the year attributable to equity shareholders of the Company	6,140	6,132
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	(2)	(3)
Share of other comprehensive income of joint ventures and associates	1,681	(1,856)
Income tax relating to items that will not be reclassified to profit or loss	(426)	358
	1,253	(1,501)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	(1,414)	3,120
Net investment hedges	1,108	(1,229)
Cost of hedging	47	73
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current year	219	(115)
Share of other comprehensive income of joint ventures and associates	1,040	(1,631)
Income tax relating to items that may be reclassified subsequently to profit or loss	(373)	401
	627	619
	1,880	(882)
Total comprehensive income for the year attributable to equity shareholders of the Company	8,020	5,250

The notes on pages 74 to 134 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $ million	2020 $ million
Non-current assets			
Property, plant and equipment and leasehold land	13	20	17
Interest in joint ventures	14	60,234	59,147
Interest in associates	15	26,901	26,405
Other non-current financial assets	16	1,100	1,100
Derivative financial instruments	21	1,034	704
Deferred tax assets	23(b)	45	111
Employee retirement benefit assets	22(a)	7	6
		89,341	87,490
Current assets			
Trade and other receivables	17	353	635
Bank deposits and cash	18(a)	4,610	5,427
		4,963	6,062
Current liabilities			
Trade and other payables	19	(3,417)	(3,603)
Current portion of bank loans and other interest-bearing borrowings	20	–	(3,642)
Current tax payable	23(a)	(137)	(161)
		(3,554)	(7,406)
Net current assets/(liabilities)		1,409	(1,344)
Total assets less current liabilities		90,750	86,146
Non-current liabilities			
Bank loans and other interest-bearing borrowings	20	(3,433)	–
Lease liabilities		(3)	–
Derivative financial instruments	21	(267)	(1,181)
Deferred tax liabilities	23(b)	(134)	(57)
Employee retirement benefit liabilities	22(a)	(146)	(142)
		(3,983)	(1,380)
Net assets		86,767	84,766
Capital and reserves			
Share capital	24(c)	6,610	6,610
Reserves		80,157	78,156
Total equity attributable to equity shareholders of the Company		86,767	84,766

Approved and authorised for issue by the Board of Directors on 16 March 2022.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

The notes on pages 74 to 134 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(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 2020	6,610	(6,118)	(2,114)	82,781	4,333	85,492
Changes in equity for 2020:						
Profit for the year	–	–	–	6,132	–	6,132
Other comprehensive income	–	1,964	(1,345)	(1,501)	–	(882)
Total comprehensive income	–	1,964	(1,345)	4,631	–	5,250
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	–	–	(4,333)	(4,333)
Interim dividend paid (see note 24(b)(i))	–	–	–	(1,643)	–	(1,643)
Proposed final dividend (see note 24(b)(i))	–	–	–	(4,354)	4,354	–
Balance at 31 December 2020 and 1 January 2021	**6,610**	**(4,154)**	**(3,459)**	**81,415**	**4,354**	**84,766**
Changes in equity for 2021:						
Profit for the year	**–**	**–**	**–**	**6,140**	**–**	**6,140**
Other comprehensive income	**–**	**(259)**	**886**	**1,253**	**–**	**1,880**
Total comprehensive income	**–**	**(259)**	**886**	**7,393**	**–**	**8,020**
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	**–**	**–**	**–**	**–**	**(4,354)**	**(4,354)**
Interim dividend paid (see note 24(b)(i))	**–**	**–**	**–**	**(1,665)**	**–**	**(1,665)**
Proposed final dividend (see note 24(b)(i))	**–**	**–**	**–**	**(4,354)**	**4,354**	**–**
Balance at 31 December 2021	**6,610**	**(4,413)**	**(2,573)**	**82,789**	**4,354**	**86,767**

The notes on pages 74 to 134 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 $ million	2020 $ million
Operating activities			
Cash used in operations	18(b)	(112)	(33)
Interest paid		(153)	(91)
Interest received		1,287	1,125
Tax paid for operations outside Hong Kong		(91)	(43)
Tax refunded for operations outside Hong Kong		8	4
Net cash generated from operating activities		939	962
Investing activities			
Payment for the purchase of property, plant and equipment		–	(2)
Decrease/(increase) in bank deposits with more than three months to maturity when placed		1,670	(402)
Investment in a joint venture		(270)	(636)
Investment in an associate		(174)	–
New loan to a joint venture		(204)	–
Repayment from a joint venture		–	1,158
Net cash received/(paid) on hedging instruments		548	(934)
Distribution from a joint venture		–	1,379
Dividends received from joint ventures		2,501	3,073
Dividends received from associates		1,808	1,445
Dividends received from equity securities		52	53
Net cash generated from investing activities		5,931	5,134
Financing activities			
Proceeds from bank loans		3,685	–
Repayment of bank loans		(3,679)	–
Capital element of lease rentals paid	18(d)	(3)	(3)
Dividends paid to equity shareholders of the Company		(6,019)	(5,976)
Net cash used in financing activities		(6,016)	(5,979)
Net increase in cash and cash equivalents		854	117
Cash and cash equivalents at 1 January		3,388	3,239
Effect of foreign exchange rate changes		(1)	32
Cash and cash equivalents at 31 December	18(a)	4,241	3,388

The notes on pages 74 to 134 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

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

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

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

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

(c) Basis of consolidation

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

(d) Subsidiaries

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)(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)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment, the Group's share of the post-acquisition, post-tax results of the investees and impairment losses for the year, if any, are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. Significant accounting policies (Continued)

(e) Joint ventures and associates (Continued)

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

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

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

(f) Goodwill

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

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

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

(g) Investments in equity securities and other financial assets

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

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

Investments other than equity investments

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

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

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

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

Equity investments

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

(h) Derivative financial instruments

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)).

2. Significant accounting policies (Continued)

(i) Hedging

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

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

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

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

(iii) Hedge of net investments in foreign operations

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

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

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

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

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

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

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

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

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

	Years
Interests in buildings situated on leasehold land	60
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles	5 to 6
Workshop tools and office equipment	5
Properties leased for own use	Shorter of the unexpired term of lease and the properties' estimated useful life

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

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

2. Significant accounting policies (Continued)

(k) Leased assets

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

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16, *Leases*. In such cases, the Group has advantage of the practical expedient not to assess whether the rent concessions are lease modifications and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event taken or condition that triggers the rent concessions occurred.

In the Group’s consolidated statement of financial position, right-of-use asset has been included in property, plant and equipment and leasehold land and lease liabilities have been included in bank loans and other interest-bearing borrowings. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after reporting period.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

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

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.

2. Significant accounting policies (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)
In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

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

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

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

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

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

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

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

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

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

(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). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– 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).

2. Significant accounting policies (Continued)

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

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Trade and other receivables

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

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

(n) Interest-bearing borrowings

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

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

(o) Trade and other payables

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

(p) Cash and cash equivalents

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

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined benefit retirement scheme obligations

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

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

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

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

(iii) Contributions to defined contribution retirement schemes

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

2. Significant accounting policies (Continued)

(r) Income tax

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

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

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

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

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

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

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

(s) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

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

(u) Translation of foreign currencies

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

Exchange gains and losses are recognised in profit or loss.

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

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

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

(v) Borrowing costs

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

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

2. Significant accounting policies (Continued)

(w) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

3. Changes in accounting policies

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

- Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendments to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

4. Revenue

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

	2021 $ million	2020 $ million
Interest income	**1,224**	1,217
Dividend income	**52**	53
	1,276	1,270
Share of revenue of joint ventures	**18,322**	16,528

5. Other net income

	2021 $ million	2020 $ million
Interest income on financial assets measured at amortised cost	**12**	56
Net exchange gain/(loss)	**3**	(190)
Sundry income	**353**	193
	368	59

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 three reportable segments (United Kingdom, Australia and Others) on a geographical basis.
- All other activities: this segment represents other activities carried out by the Group.

The basis of accounting for the Group's segment information is the same as that for the Group's financial statements. The financial information about the Group's segments is set out in Appendix 1 on pages 128 to 129.

7. Other operating costs

	2021 $ million	2020 $ million
Staff costs	29	30
Depreciation	3	4
Cost of services and investment related expenses	111	120
	143	154

8. Finance costs

	2021 $ million	2020 $ million
Interest on borrowings and other finance costs	125	86

9. Profit before taxation

	2021 $ million	2020 $ million
Profit before taxation is arrived at after charging:		
Auditors' remuneration		
– audit and audit related work		
– KPMG	3	3
– other auditors	1	1
– non-audit work		
– KPMG	2	1
– other auditors	1	4

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

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

	2021 $ million	2020 $ million
Current tax – operations outside Hong Kong		
Provision for the year	54	12
Deferred tax (see note 23(b))		
Origination and reversal of temporary differences	78	56
	132	68

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:

	2021 $ million	2020 $ million
Profit before taxation	6,272	6,200
Less: Share of profits less losses of joint ventures	(3,374)	(3,782)
Share of profits less losses of associates	(1,522)	(1,329)
	1,376	1,089
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	207	111
Tax effect of non-deductible expenses	10	45
Tax effect of non-taxable income	(94)	(98)
Tax effect of unused tax losses not recognised	9	10
Actual tax expense	132	68

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 [18] $ million	Retirement scheme contributions $ million	Bonuses $ million	2021 Total emoluments $ million	2020 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning [3] [12]						
Chairman	0.12	–	–	–	0.12	0.12
Tsai Chao Chung, Charles [5] [13]						
Chief Executive Officer	0.09	3.52	0.51	0.85	4.97	4.90
Chan Loi Shun [5] [14] [17]	0.09	5.50	–	–	5.59	5.57
Andrew John Hunter	0.07	0.10	–	–	0.17	0.18
Neil Douglas McGee	0.07	–	–	–	0.07	0.07
Wan Chi Tin [15]	0.07	–	–	–	0.07	0.07
Non-executive Directors						
Victor T K Li [4] [16]	0.09	–	–	–	0.09	0.07
Ip Yuk-keung, Albert [1] [2] [4] [5]	0.18	–	–	–	0.18	0.14
Koh Poh Wah [1] [2] [11]	0.09	–	–	–	0.09	–
Leung Hong Shun, Alexander [10]	0.04	–	–	–	0.04	–
Lui Wai Yu, Albert [1] [3] [7] [9]	0.09	–	–	–	0.09	0.07
Ralph Raymond Shea [1] [2] [3] [4]	0.18	–	–	–	0.18	0.16
Wong Chung Hin [1] [2] [3] [6]	–	–	–	–	–	0.03
Wu Ting Yuk, Anthony [1] [2] [8]	0.14	–	–	–	0.14	0.13
Total for the year 2021	1.32	9.12	0.51	0.85	11.80	
Total for the year 2020	1.07	9.10	0.51	0.83		11.51

Notes:

(1) Independent Non-executive Director

(2) Member of the Audit Committee

(3) Member of the Remuneration Committee

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

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

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

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

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

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

(10) Appointed as a Non-executive Director with effect from 13 May 2021.

(11) Appointed as an independent Non-executive Director and a member of the Audit Committee with effect from 13 May 2021.

(12) 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.

(13) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB434,945 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(14) During the year, Mr. Chan Loi Shun received director's emoluments of THB434,945 from Ratchaburi Power Company Limited and $3,378,100 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

(15) During the year, Mr. Wan Chi Tin received director's emoluments of $90,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

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

(17) During the year, Mr. Chan Loi Shun received director's emoluments of $5,592,100 from the Company. The director's emoluments received were paid back to CK Infrastructure Holdings Limited, a substantial shareholder of the Company.

(18) 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 (2020: two) whose total emoluments are shown above. The remuneration of the other three individuals (2020: three) who comprises the five highest paid individuals of the Group is set out below:

	2021 $ million	2020 $ million
Salary and other benefits	9.7	9.3
Retirement scheme contributions	0.4	0.4
	10.1	9.7

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

	2021 Number	2020 Number
$1,500,001 – $2,000,000	2	3
$2,000,001 – $2,500,000	1	–
$3,500,001 – $4,000,000	1	2
$4,000,001 – $4,500,000	1	–

The remuneration of directors and senior management is as follows:

	2021 $ million	2020 $ million
Short-term employee benefits	24	23
Post-employment benefits	1	1
	25	24

At 31 December 2021 and 2020, there was no amount due from directors and senior management.

12. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $6,140 million (2020: $6,132 million) and 2,134,261,654 ordinary shares (2020: 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 2021 and 2020.

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 2020	1	4	5	13	7	25
Additions	–	2	2	–	–	2
At 31 December 2020 and 1 January 2021	1	6	7	13	7	27
Additions	–	–	–	–	6	6
Disposal	–	–	–	–	(7)	(7)
At 31 December 2021	1	6	7	13	6	26
Accumulated amortisation and depreciation:						
At 1 January 2020	–	3	3	1	2	6
Charge for the year	–	1	1	–	3	4
At 31 December 2020 and 1 January 2021	–	4	4	1	5	10
Written back on disposal	–	–	–	–	(7)	(7)
Charge for the year	–	–	–	–	3	3
At 31 December 2021	–	4	4	1	1	6
Net book value:						
At 31 December 2021	1	2	3	12	5	20
At 31 December 2020	1	2	3	12	2	17

14. Interest in joint ventures

	2021 $ million	2020 $ million
Share of net assets of unlisted joint ventures	47,811	46,531
Loans to unlisted joint ventures (see note below)	12,184	12,329
Amounts due from unlisted joint ventures (see note below)	239	287
	60,234	59,147
Share of total assets of unlisted joint ventures	141,144	141,570

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 2.8% per annum to 11.0% per annum (2020: 3.1% per annum to 11.0% per annum) and have no fixed repayment terms.

Included in the loans to unlisted joint ventures are subordinated loans totalling $8,707 million (2020: $8,814 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 132 to 133.

14. Interest in joint ventures (Continued)

(a) Summarised financial information of material joint ventures

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

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Current assets	**4,945**	6,915	**4,563**	4,419	**627**	336	**945**	658	**3,594**	4,733	**3,101**	5,704
Non-current assets	**147,303**	142,725	**92,637**	96,895	**34,485**	35,366	**18,835**	18,726	**34,039**	33,208	**41,392**	40,995
Current liabilities	**(9,508)**	(15,874)	**(15,175)**	(5,214)	**(1,749)**	(3,651)	**(409)**	(183)	**(4,670)**	(7,040)	**(1,352)**	(2,412)
Non-current liabilities	**(81,947)**	(75,651)	**(59,711)**	(74,576)	**(19,895)**	(18,475)	**(7,339)**	(7,157)	**(23,913)**	(21,099)	**(39,573)**	(42,539)

The above amounts of assets and liabilities include the following:

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Cash and cash equivalents	**1,831**	3,081	**1,616**	1,828	**34**	42	**398**	182	**142**	220	**2,419**	4,676
Current financial liabilities (excluding trade and other payables and provisions)	**(986)**	(8,310)	**(10,955)**	(1,890)	**(1,504)**	(2,552)	**–**	–	**(208)**	(998)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(61,835)**	(56,522)	**(51,328)**	(65,729)	**(16,878)**	(15,666)	**(6,866)**	(6,619)	**(18,526)**	(16,892)	**(37,308)**	(37,064)

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Revenue	**17,848**	16,118	**10,490**	10,783	**3,789**	3,461	**2,355**	1,831	**4,937**	4,462	**4,833**	4,529
Profit/(loss) from continuing operations	**3,492**	4,129	**1,042**	947	**1,086**	955	**1,099**	974	**(138)**	662	**2,325**	(461)
Other comprehensive income for the year	**1,405**	(2,872)	**1,004**	(378)	**613**	(253)	**89**	(114)	**320**	(735)	**(340)**	(763)
Total comprehensive income for the year	**4,897**	1,257	**2,046**	569	**1,699**	702	**1,188**	860	**182**	(73)	**1,985**	(1,224)
Dividends received from the joint ventures during the year	**615**	969	**97**	27	**299**	303	**815**	734	**350**	320	**–**	–

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

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Depreciation and amortisation	(3,188)	(2,849)	(2,772)	(2,851)	(338)	(631)	(817)	(616)	(929)	(855)	(797)	(753)
Interest income	274	268	9	18	1	1	5	6	–	–	8	29
Interest expense	(2,868)	(2,446)	(2,092)	(2,261)	(663)	(679)	(372)	(289)	(692)	(622)	(1,750)	(1,882)
Income tax (expense)/credit	(3,146)	(2,250)	(528)	(575)	(550)	(483)	–	1	(1,444)	(630)	2,102	(538)

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

	UK Power Networks		CK William		Australian Gas Networks		Husky Midstream L.P.		Northern Gas Networks		Wales & West Gas Networks	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Net assets of the joint ventures	60,793	58,115	22,314	21,524	13,468	13,576	12,032	12,044	9,050	9,802	3,568	1,748
Group's effective interest	40.0%	40.0%	20.0%	20.0%	27.51%	27.51%	48.75%	48.75%	41.29%	41.29%	36.0%	36.0%
Group's share of net assets of the joint ventures	24,317	23,246	4,463	4,305	3,706	3,735	5,866	5,871	3,737	4,047	1,284	629
Consolidation adjustments	68	67	290	343	–	–	294	246	–	–	256	259
Carrying amount of the Group's interest in the joint ventures	24,385	23,313	4,753	4,648	3,706	3,735	6,160	6,117	3,737	4,047	1,540	888

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

	2021 $ million	2020 $ million
The Group's share of net assets	3,530	3,783
The Group's share of profit from continuing operations	128	1,057
The Group's share of other comprehensive income	6	(270)
The Group's share of total comprehensive income	134	787

15. Interest in associates

	2021 $ million	2020 $ million
Share of net assets		
– Listed associate	16,376	16,160
– Unlisted associates	7,016	6,508
	23,392	22,668
Loans to unlisted associates (see note below)	3,456	3,642
Amounts due from associates (see note below)	53	95
	26,901	26,405

The market value (level 1 fair value measurement (see note 25(f))) of above listed associate, HKEI, at 31 December 2021 is $22,560 million (2020: $22,501 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 (2020: 10.9% per annum to 11.2% per annum) and have no fixed repayment terms.

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

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

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 134.

(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	
	2021 $ million	2020 $ million	2021 $ million	2020 $ million	2021 $ million	2020 $ million
Current assets	2,347	1,729	2,684	1,785	2,327	2,871
Non-current assets	112,481	109,838	41,632	43,397	54,495	54,940
Current liabilities	(5,817)	(8,341)	(7,953)	(5,298)	(6,515)	(11,263)
Non-current liabilities	(60,618)	(55,483)	(32,232)	(36,958)	(40,726)	(37,520)

	HKEI		SA Power Networks		Victoria Power Networks	
	2021	2020	**2021**	2020	**2021**	2020
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Revenue	**11,344**	10,389	**6,918**	6,367	**8,311**	8,182
Profit from continuing operations	**2,933**	2,732	**362**	491	**1,318**	1,529
Other comprehensive income for the year	**546**	(671)	**1,253**	(380)	**1,296**	(587)
Total comprehensive income for the year	**3,479**	2,061	**1,615**	111	**2,614**	942
Dividends received from the associates during the year	**945**	945	**55**	58	**458**	284

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	
	2021	2020	**2021**	2020	**2021**	2020
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Net assets of the associates	**48,393**	47,743	**4,131**	2,926	**9,581**	9,028
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	**16,150**	15,934	**1,154**	817	**2,675**	2,520
Consolidation adjustments	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,376**	16,160	**1,154**	817	**2,675**	2,520

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

	2021	2020
	$ million	$ million
The Group's share of net assets	**3,187**	3,171
The Group's share of profit/(loss) from continuing operations	**74**	(147)
The Group's share of other comprehensive income	**103**	(78)
The Group's share of total comprehensive income	**177**	(225)

16. Other non-current financial assets

	2021 $ million	2020 $ million
Financial assets measured at FVPL		
– unlisted equity securities	303	303
– other investments	797	797
	1,100	1,100

17. Trade and other receivables

	2021 $ million	2020 $ million
Interest and other receivables	128	406
Derivative financial instruments (see note 21)	223	226
Deposits and prepayments	2	3
	353	635

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:

	2021 $ million	2020 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	4,179	3,332
Cash at bank and on hand	62	56
Cash and cash equivalents in the consolidated cash flow statement	4,241	3,388
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	369	2,039
Bank deposits and cash in the consolidated statement of financial position	4,610	5,427

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

	Note	**2021 $ million**	2020 $ million
Profit before taxation		**6,272**	6,200
Adjustments for:			
Share of profits less losses of joint ventures		**(3,374)**	(3,782)
Share of profits less losses of associates		**(1,522)**	(1,329)
Interest income	4,5	**(1,236)**	(1,273)
Dividend income from unlisted equity securities	4	**(52)**	(53)
Finance costs	8	**125**	86
Depreciation	7	**3**	4
Exchange (gain)/loss		**(99)**	160
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(53)**	13
Decrease in trade and other payables		**(220)**	(46)
Decrease/(increase) in amounts due from joint ventures/ associates		**43**	(16)
Increase in net employee retirement benefit liabilities		**1**	3
Cash used in operations		**(112)**	(33)

(c) Funds from Operations

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

	2021 $ million	2020 $ million
Net cash generated from operating activities	**939**	962
Dividends received from joint ventures	**2,501**	3,073
Dividends received from associates	**1,808**	1,445
Dividends received from equity securities	**52**	53
	5,300	5,533

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

(d) Reconciliation of liabilities arising from financing activities:

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

$ million	Bank loans	Lease liabilities	Interest rate swaps held to hedge borrowings – liabilities	Total
At 1 January 2020	3,319	5	254	3,578
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(3)	–	(3)
Exchange adjustments	321	–	–	321
Change in fair values	–	–	115	115
At 31 December 2020 and 1 January 2021	3,640	2	369	4,011
Changes from financing cash flows:				
Repayment of bank loans	(3,679)	–	–	(3,679)
Proceeds from bank loans	3,685	–	–	3,685
Capital element of lease rentals paid	–	(3)	–	(3)
Exchange adjustments	(191)	–	–	(191)
Change in fair values	–	–	(219)	(219)
Other changes:				
Increase in lease liabilities	–	6	–	6
Others	(22)	–	–	(22)
At 31 December 2021	3,433	5	150	3,588

19. Trade and other payables

	2021 $ million	2020 $ million
Creditors measured at amortised cost (see note below)	3,384	3,397
Lease liabilities	2	–
Derivative financial instruments (see note 21)	31	206
	3,417	3,603

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

Creditors' ageing is analysed as follows:

	2021 $ million	2020 $ million
Due within 1 month or on demand	101	64
Due after 1 month but within 3 months	5	5
Due after 3 months but within 12 months	3,278	3,328
	3,384	3,397

20. Bank loans and other interest-bearing borrowings

	2021 $ million	2020 $ million
Bank loans and others	3,433	3,642
Current portion	–	(3,642)
Non-current portion	3,433	–

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 2021 and 2020, 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:

	2021 $ million	2020 $ million
Within 2 years to 5 years	3,433	–

21. Derivative financial instruments

	2021		2020	
	Assets $ million	Liabilities $ million	Assets $ million	Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	–	(150)	–	(369)
Forward foreign exchange contracts	–	(3)	–	(10)
Net investment hedges				
Cross currency swaps	457	–	195	(549)
Forward foreign exchange contracts	800	(145)	735	(459)
	1,257	(298)	930	(1,387)
Analysed as:				
Current	223	(31)	226	(206)
Non-current	1,034	(267)	704	(1,181)
	1,257	(298)	930	(1,387)

22. Employee retirement benefits

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

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

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

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

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

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

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Willis Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate and future pension increase rate which are disclosed in note 22(a)(viii) together with appropriate provisions for mortality rates. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 1 January 2021. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

Both defined retirement schemes expose the Group to investment risk and interest rate risk while the Pension Scheme also exposes the Group to risks of longevity and inflation.

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2021 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

	2021 $ million	2020 $ million
Present value of defined benefit obligations	**(355)**	(357)
Fair value of assets of the Schemes	**216**	221
	(139)	(136)
Represented by:		
Employee retirement benefit assets	**7**	6
Employee retirement benefit liabilities	**(146)**	(142)
	(139)	(136)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2021 and 2020.

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.

22. Employee retirement benefits (Continued)

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

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

	2021 $ million	2020 $ million
At 1 January	357	353
Current service cost	–	–
Interest cost	3	6
Actuarial loss/(gain) due to:		
– changes in liability experience	8	(1)
– changes in financial assumptions	(6)	14
– changes in demographic assumptions	7	5
Benefits paid	(21)	(24)
Transfer in	7	4
At 31 December	355	357

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

	2021 $ million	2020 $ million
At 1 January	221	223
Interest income on the Schemes' assets	2	3
Return on the Schemes' assets, excluding interest income	7	15
Benefits paid	(21)	(24)
Transfer in	7	4
At 31 December	216	221

The Group expects to contribute below $1 million to the Schemes in 2022.

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

	2021 $ million	2020 $ million
Net interest on net defined benefit asset/liability	1	3

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

	2021 $ million	2020 $ million
Other operating costs	1	3

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

	2021 $ million	2020 $ million
At 1 January	162	159
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	2	3
At 31 December	164	162

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

	2021 $ million	2020 $ million
Hong Kong equities	34	37
European equities	14	15
North American equities	48	47
Asia Pacific and other equities	16	18
Global bonds	104	103
Deposits, cash and others	–	1
	216	221

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:

	2021	2020
Discount rate		
– The Pension Scheme	1.0%	1.0%
– The Guaranteed Return Scheme	0.4%	0.4%
Long-term salary increase rate	Not applicable	Not applicable
Future pension increase rate	2.0%	2.0%

22. Employee retirement benefits (Continued)

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

(ix) Sensitivity analysis

(a) The Pension Scheme

	Increase/(decrease) in defined benefit obligations	
	2021	2020
	$ million	$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(8)**	(8)
– decrease by 0.25%	**8**	8
Pension increase rate		
– increase by 0.25%	**7**	8
– decrease by 0.25%	**(7)**	(8)
Mortality rate applied to specific age		
– set forward 1 year	**(14)**	(15)
– set backward 1 year	**14**	15

(b) The Guaranteed Return Scheme

	Increase/(decrease) in defined benefit obligations	
	2021	2020
	$ million	$ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(1)**	(1)
– decrease by 0.25%	**1**	1
Interest to be credited		
– increase by 0.25%	**1**	1

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the consolidated statement of financial position.

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

	2021 No. of years	2020 No. of years
The Pension Scheme	10.2	10.5
The Guaranteed Return Scheme	5.2	6.8

(b) Defined contribution retirement scheme

	2021 $ million	2020 $ million
Expenses recognised in profit or loss	2	2

No forfeited contributions have been received during the year (2020: $Nil).

23. Income tax in the consolidated statement of financial position

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

	2021 $ million	2020 $ million
Tax provision for the year	54	12
Provisional tax paid	(91)	(43)
Tax provision relating to prior years	174	192
Current tax payable	137	161

(b) Deferred tax (liabilities)/assets

The components of deferred tax (liabilities)/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 2020	76	1	77
Charged to profit or loss	–	(56)	(56)
Credited/(charged) to other comprehensive income	35	(2)	33
At 31 December 2020 and 1 January 2021	111	(57)	54
Charged to profit or loss	–	(78)	(78)
(Charged)/credited to other comprehensive income	(66)	1	(65)
At 31 December 2021	45	(134)	(89)

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2021 and 2020.

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:

	2021 $ million	2020 $ million
Interim dividend declared and paid of $0.78 per ordinary share (2020: $0.77 per ordinary share)	1,665	1,643
Final dividend proposed after the end of the reporting period of $2.04 per ordinary share (2020: $2.04 per ordinary share)	4,354	4,354
	6,019	5,997

The final dividend proposed after the end of the reporting period is based on 2,134,261,654 ordinary shares (2020: 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.

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

	2021 $ million	2020 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $2.04 per ordinary share (2020: $2.03 per ordinary share)	4,354	4,333

(c) Share capital

	Number of shares	2021 $ million	2020 $ 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 2020	(91)	2,959	(8,986)	(6,118)
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	–	–	3,120	3,120
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	–	(1,229)	–	(1,229)
Cost of hedging – changes in fair value recognised in other comprehensive income	73	–	–	73
	73	(1,229)	3,120	1,964
Balance at 31 December 2020 and 1 January 2021	**(18)**	**1,730**	**(5,866)**	**(4,154)**
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**–**	**–**	**(1,414)**	**(1,414)**
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	**–**	**1,108**	**–**	**1,108**
Cost of hedging – changes in fair value recognised in other comprehensive income	**47**	**–**	**–**	**47**
	47	**1,108**	**(1,414)**	**(259)**
Balance at 31 December 2021	**29**	**2,838**	**(7,280)**	**(4,413)**

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).

	2021 $ million	2020 $ million
Balance at 1 January	(3,459)	(2,114)
Effective portion of the cash flow hedge recognised in other comprehensive income	1,162	(1,827)
Amounts reclassified to profit or loss (see note below)	97	81
Related tax	(373)	401
Balance at 31 December (see note below)	(2,573)	(3,459)

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 2021 and 2020 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 2021, the Group's strategy, which was unchanged from 2020, 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 2021, the net cash position of the Group amounted to $1,177 million (2020: $1,787 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 and other receivables at an amount equal to lifetime ECLs (see note 2(l)(i)). No loss allowances are recognised as at 31 December 2021 (2020: $Nil) based on historical actual loss experience.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association Master Agreements or the general terms and conditions of these financial institutions, with a conditional right of set off under certain circumstances that would result in all outstanding transactions being terminated and net settled.

25. Financial risk management (Continued)

(a) Credit risk (Continued)

Offsetting financial assets and financial liabilities (Continued)

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:

		2021			2020		
$ 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		457	–	457	195	–	195
Forward foreign exchange contracts		800	(3)	797	735	(226)	509
Total		1,257	(3)	1,254	930	(226)	704
Financial liabilities	21						
Cross currency swaps		–	–	–	549	–	549
Interest rate swaps		150	–	150	369	–	369
Forward foreign exchange contracts		148	(3)	145	469	(226)	243
Total		298	(3)	295	1,387	(226)	1,161

(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 $4,610 million (2020: $5,427 million) and no undrawn committed bank facilities at 31 December 2021 (2020: $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:

	2021 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and interest accruals	29	31	3,522	–	3,582
Trade and other payables	3,380	–	–	–	3,380
Derivative financial instruments					
Net settled					
Interest rate swaps	88	93	108	–	289
Gross settled					
Forward foreign exchange contracts:					
– outflow	6,803	–	7,221	1,559	15,583
– inflow	(6,985)	–	(7,851)	(1,715)	(16,551)
Cross currency swaps and related interest accruals:					
– outflow	2,956	5,683	507	5,686	14,832
– inflow	(3,135)	(5,912)	(379)	(5,927)	(15,353)
	3,136	(105)	3,128	(397)	5,762

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

25. Financial risk management (Continued)

(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:

	2021	2020
Notional amount ($ million)	**3,453**	3,638
Maturity date	**2025**	2025
Weighted average fixed swap rates	**2.70%**	2.70%

The carrying amount of interest rate swaps at 31 December 2021 was a liability of $150 million (2020: $369 million).

(ii) Interest rate profile

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

	2021 Weighted average interest rate %	2021 $ million	2020 Weighted average interest rate %	2020 $ million
Net fixed rate assets/ (liabilities)				
Loans to unlisted joint ventures/ associates	10.0	9,149	10.1	9,219
Deposits with banks and other financial institutions	0.4	4,548	0.5	5,371
Cross currency swaps	N/A	457	N/A	(354)
Bank loans	3.7	(3,433)	3.6	(3,640)
Lease liabilities	1.8	(5)	2.9	(2)
		10,716		10,594
Net variable rate assets/ (liabilities)				
Loans to unlisted joint ventures/ associates	4.1	6,491	4.5	6,752
Other receivable	–	–	0.1	336
Cash at bank and on hand	–	62	–	56
Other payable	0.1	(404)	0.1	(156)
		6,149		6,988

(iii) Sensitivity analysis

At 31 December 2021, 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 $58 million (2020: increased/decreased by approximately $64 million). Other components of consolidated equity would have decreased/ increased by approximately $75 million (2020: decreased/increased by approximately $108 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 2020.

25. Financial risk management (Continued)

(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:

	2021	2020
Forward foreign exchange contracts:		
Notional amount ($ million)	16,111	15,953
Maturity date	Ranging from 2022 to 2031	Ranging from 2021 to 2026
Weighted average contract rate:		
GBP:USD	1.5105	1.5322
AUD:USD	0.7134	0.6910
USD:CAD	1.2592	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 2021 includes an asset of $800 million and a liability of $145 million (2020: an asset of $735 million and a liability of $459 million). The carrying amount of cross currency swaps at 31 December 2021 includes an asset of $457 million and a liability of $Nil (2020: an asset of $195 million and a liability of $549 million). The change in fair value of the forward foreign exchange contracts and cross currency swaps during 2021 was a gain of $1,108 million (2020: a loss of $1,229 million) which were the effective portion of the hedge on investments outside Hong Kong recognised in other comprehensive income (see note 24(d)(i)).

(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:

	2021 Exposure to foreign currencies			
'million	**USD**	**GBP**	**AUD**	**CAD**
Trade and other receivables	**16**	**14**	**3**	**1**
Bank deposits and cash	**419**	**1**	**61**	**–**
Trade and other payables	**(52)**	**–**	**(6)**	**–**
Gross exposure arising from recognised assets and liabilities	**383**	**15**	**58**	**1**
Notional amounts of forward foreign exchange contracts used as economic hedges	**57**	**(9)**	**(60)**	**–**
Overall exposure	**440**	**6**	**(2)**	**1**

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

(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	**2021 Effect on profit for the year and revenue reserve increase/(decrease)**	2020 Effect on profit for the year and revenue reserve increase/(decrease)
Pounds Sterling	**6**	19
Australian dollars	**(1)**	(1)
Canadian dollars	**1**	–

25. Financial risk management (Continued)

(d) Currency risk (Continued)

(iii) Sensitivity analysis (Continued)

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 2020.

(e) Equity price risk

The Group is exposed to equity price changes arising from unlisted equity securities which are held for strategic purposes (see note 16).

All of the Group's unlisted investments are held for long-term strategic purposes. Their performance is reviewed regularly based on information available to the Group.

These unlisted investments do not have a quoted market price in an active market and are recognised as FVPL.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

(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 2021 categorised into Level 2	Level 3	Total
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
– Cross currency swaps	457	–	457
– Forward foreign exchange contracts	800	–	800
	1,257	1,100	2,357
Financial liabilities			
Derivative financial instruments:			
– Interest rate swaps	(150)	–	(150)
– Forward foreign exchange contracts	(148)	–	(148)
	(298)	–	(298)

$ million	Fair value measurement at 31 December 2020 categorised into Level 2	Level 3	Total
Financial assets			
Other non-current financial assets	–	1,100	1,100
Derivative financial instruments:			
– Cross currency swaps	195	–	195
– Forward foreign exchange contracts	735	–	735
	930	1,100	2,030
Financial liabilities			
Derivative financial instruments:			
– Interest rate swaps	(369)	–	(369)
– Cross currency swaps	(549)	–	(549)
– Forward foreign exchange contracts	(469)	–	(469)
	(1,387)	–	(1,387)

25. Financial risk management (Continued)

(f) Fair value measurement (Continued)

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

(b) Valuation techniques and inputs in fair value measurements

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 (2020: decreased/increased by $13 million/$14 million). A 0.5% increase/decrease in growth rate, with other variable held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $14 million/$13 million (2020: increased/decreased by $14 million/$13 million).

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

(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 2021 and 2020.

26. Capital commitments

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

	2021 $ million	2020 $ million
Contracted for:		
Investment in a joint venture	–	36
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	1	–

27. Contingent liabilities

	2021 $ million	2020 $ million
Guarantees given in respect of a joint venture	363	438

28. Material related party transactions

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

(a) Shareholder

Outram Limited ("Outram"), a subsidiary of the Company, reimbursed a wholly-owned subsidiary of CK Infrastructure Holdings Limited ("CKI") $19 million (2020: $20 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transactions constitute continuing connected transactions under the Listing Rules. The Company has complied with the applicable disclosure requirements for the transactions made in respect of the period up to 1 April 2021 and ceased to be subject to such requirements from 2 April 2021 onwards.

(b) Joint ventures

Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $827 million (2020: $851 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 $397 million (2020: $366 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 $42 million (2020: $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 2021 with the associate was $4 million (2020: $4 million).

(d) Key management personnel remuneration

The emoluments of key management are disclosed in note 11.

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

29. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. CKI holds approximately 35.96% of the issued share capital of the Company and is a substantial shareholder of the Company.

30. Critical accounting judgements and estimates

The methods, estimates and judgements the Directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 22 and 25 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities and financial instruments, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment

In considering the impairment losses that may be required for the Group's assets, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate the fair value less costs to disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit in future years.

(b) Associates

(i) CKI Spark Holdings No. One Limited holds a 51% attributable interest in Victoria Power Networks Pty Limited. Victoria Power Networks Pty Limited is the holding company of Powercor and CitiPower. Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district. The Group holds 54.76% of CKI Spark Holdings No. One Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

(ii) CKI Spark Holdings No. Two Limited holds a 51% attributable interest in SA Power Networks Partnership. SA Power Networks Partnership is the sole electricity distributor in South Australia. The Group holds 54.76% of CKI Spark Holdings No. Two Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

(c) COVID-19 Pandemic

The COVID-19 pandemic has significantly impacted the global economy in 2021. As the Group's core energy and utility-related businesses are mostly regulated or secured by long-term contracts, despite worldwide disruptions of business operations, impact of the pandemic to the Group is modest.

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

31. Company-level Statement of Financial Position

	Note	2021 $ million	2020 $ million
Non-current assets			
Property, plant and equipment		6	4
Investments in subsidiaries	31(a)	30,306	30,103
		30,312	30,107
Current assets			
Amounts due from subsidiaries	31(b)	21,043	23,032
Trade and other receivables		2	3
Bank deposits and cash		368	988
		21,413	24,023
Current liabilities			
Amounts due to subsidiaries	31(b)	(1,420)	(1,637)
Trade and other payables		(347)	(362)
Derivative financial instruments		(3)	(10)
		(1,770)	(2,009)
Net current assets		19,643	22,014
Total assets less current liabilities		49,955	52,121
Non-current liabilities			
Lease liabilities		(3)	–
Employee retirement benefit liabilities		(146)	(142)
		(149)	(142)
Net assets		49,806	51,979
Capital and reserves			
Share capital	24(c)	6,610	6,610
Reserves		43,196	45,369
Total equity attributable to equity shareholders of the Company	31(c)	49,806	51,979

Approved and authorised for issue by the Board of Directors on 16 March 2022.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

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

(a) Investments in subsidiaries

Particulars of the principal subsidiaries at the end of the reporting period are set out in Appendix 2 on pages 130 to 131.

(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 2020	6,610	46,793	4,333	57,736
Changes in equity for 2020:				
Profit for the year	–	223	–	223
Other comprehensive income	–	(4)	–	(4)
Total comprehensive income	–	219	–	219
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	–	–	(4,333)	(4,333)
Interim dividend paid (see note 24(b)(i))	–	(1,643)	–	(1,643)
Proposed final dividend (see note 24(b)(i))	–	(4,354)	4,354	–
Balance at 31 December 2020 and 1 January 2021	**6,610**	**41,015**	**4,354**	**51,979**
Changes in equity for 2021:				
Profit for the year	**–**	**3,849**	**–**	**3,849**
Other comprehensive income	**–**	**(3)**	**–**	**(3)**
Total comprehensive income	**–**	**3,846**	**–**	**3,846**
Final dividend in respect of the previous year approved and paid (see note 24(b)(ii))	**–**	**–**	**(4,354)**	**(4,354)**
Interim dividend paid (see note 24(b)(i))	**–**	**(1,665)**	**–**	**(1,665)**
Proposed final dividend (see note 24(b)(i))	**–**	**(4,354)**	**4,354**	**–**
Balance at 31 December 2021	**6,610**	**38,842**	**4,354**	**49,806**

The net profit for the year of the Company is $3,849 million (2020: $223 million) and is included in determining the consolidated profit attributable to equity shareholders of the Company in the financial statements.

All of the Company's revenue reserve is available for distribution to equity shareholders. After the end of the reporting period, the Directors proposed a final dividend of $2.04 per ordinary share, amounting to $4,354 million (2020: a final dividend of $2.04 per ordinary share, amounting to $4,354 million).

32. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

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 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
• Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
• Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
• Amendments to HKAS 37, *Onerous contracts – Cost of fulfilling a contract*	1 January 2022
• Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
• Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
• Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
• Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
• Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
• Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

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

Appendix 1

Segment information

$ million	Investment in HKEI	Investments: United Kingdom	Investments: Australia	Investments: Others	Investments: Sub-total	All other activities	Total
	2021						
For the year ended 31 December							
Revenue							
Revenue	–	583	540	153	1,276	–	1,276
Other net income	–	–	–	5	5	351	356
Reportable segment revenue	–	583	540	158	1,281	351	1,632
Result							
Segment earnings	–	583	540	144	1,267	225	1,492
Depreciation and amortisation	–	–	–	–	–	(3)	(3)
Bank deposit interest income	–	–	–	–	–	12	12
Operating profit	–	583	540	144	1,267	234	1,501
Finance costs	–	71	(222)	26	(125)	–	(125)
Share of profits less losses of joint ventures and associates (Note)	979	2,164	989	761	3,914	3	4,896
Profit before taxation	979	2,818	1,307	931	5,056	237	6,272
Income tax	–	1	(24)	(109)	(132)	–	(132)
Reportable segment profit	979	2,819	1,283	822	4,924	237	6,140
At 31 December							
Assets							
Property, plant and equipment and leasehold land	–	–	–	–	–	20	20
Other assets	–	914	358	400	1,672	867	2,539
Interest in joint ventures and associates	16,376	39,304	20,452	10,995	70,751	8	87,135
Bank deposits and cash	–	–	–	–	–	4,610	4,610
Reportable segment assets	16,376	40,218	20,810	11,395	72,423	5,505	94,304
Liabilities							
Segment liabilities	–	(332)	(656)	(35)	(1,023)	(2,810)	(3,833)
Current and deferred taxation	–	–	(3)	(268)	(271)	–	(271)
Interest-bearing borrowings	–	–	(3,433)	–	(3,433)	–	(3,433)
Reportable segment liabilities	–	(332)	(4,092)	(303)	(4,727)	(2,810)	(7,537)

Note: Included net amount of share of deferred tax charges on change in corporate tax rate of the United Kingdom and share of tax credit in respect of deferred tax liabilities on intangible assets amounting to $551 million (2020: $780 million).

$ million	Investment in HKEI	United Kingdom	Australia	Others	Sub-total	All other activities	Total
	2020						
		Investments					
For the year ended 31 December							
Revenue							
Revenue	–	548	511	211	1,270	–	1,270
Other net income	–	–	–	6	6	(3)	3
Reportable segment revenue	–	548	511	217	1,276	(3)	1,273
Result							
Segment earnings	–	548	511	205	1,264	(141)	1,123
Depreciation and amortisation	–	–	–	–	–	(4)	(4)
Bank deposit interest income	–	–	–	–	–	56	56
Operating profit	–	548	511	205	1,264	(89)	1,175
Finance costs	–	74	(186)	26	(86)	–	(86)
Share of profits less losses of joint ventures and associates (Note)	912	1,785	1,029	1,381	4,195	4	5,111
Profit before taxation	912	2,407	1,354	1,612	5,373	(85)	6,200
Income tax	–	53	(25)	(96)	(68)	–	(68)
Reportable segment profit	912	2,460	1,329	1,516	5,305	(85)	6,132
At 31 December							
Assets							
Property, plant and equipment and leasehold land	–	–	–	–	–	17	17
Other assets	–	966	473	308	1,747	809	2,556
Interest in joint ventures and associates	16,160	38,171	20,330	10,882	69,383	9	85,552
Bank deposits and cash	–	–	–	–	–	5,427	5,427
Reportable segment assets	16,160	39,137	20,803	11,190	71,130	6,262	93,552
Liabilities							
Segment liabilities	–	(232)	(1,446)	(124)	(1,802)	(3,124)	(4,926)
Current and deferred taxation	–	–	(7)	(211)	(218)	–	(218)
Interest-bearing borrowings	–	–	(3,640)	–	(3,640)	(2)	(3,642)
Reportable segment liabilities	–	(232)	(5,093)	(335)	(5,660)	(3,126)	(8,786)

(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 2021 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
Aber Keen Limited (Formerly known as Ace Keen Limited)	US$2	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Beta Central Profits Limited	GBP277,303,283	100*	United Kingdom	Investment holding
Champion Race Limited	US$2	100*	British Virgin Islands/ Hong Kong	Property holding
Cheer Venture Enterprises Limited	HK$4,602,240,001	100*	Hong Kong	Investing
Clear Eminent Limited	US$1	100	British Virgin Islands	Investment holding
Constant Wealth Limited	US$1	100	British Virgin Islands	Investing
Devin International Limited	US$2	100*	British Virgin Islands	Investment holding
Ellanby Green Limited	US$2	100*	British Virgin Islands	Investing
Goldteam Resources Limited	US$1 and NZ$203,250,000	100*	British Virgin Islands	Investment holding
HEI Leting Limited	HK$94,785,185	100*	Hong Kong	Investment holding
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hon King Development Limited	HK$5,238,963,067	100	Hong Kong	Investment holding
Hong Kong Electric International Finance (Australia) Pty Ltd	A$45,952,603	100*	Australia	Investing
Hongkong Electric (Natural Gas) Limited	US$2	100	British Virgin Islands	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$75,485,352	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK$1,283,443,709	100*	Hong Kong	Investing
Kentson Limited	US$2	100*	British Virgin Islands	Investing
Kind Eagle Investment Limited	HK$1,073,553,298	100	Hong Kong	Investment holding

* Indirectly held

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Mauve Blossom Limited	US$1	100*	British Virgin Islands	Investment holding
Ocean Dawn Investments Limited	US$1	100	British Virgin Islands	Holding deposits
Optimal Glory Limited	US$102	100*	British Virgin Islands/ Hong Kong	Investment holding
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAH Canadian Midstream Assets Inc.	C$866,276	100*	Canada	Investment holding
PAH Canadian Midstream Assets Holdings Inc.	C$350,653,501	100*	Canada	Investment holding
PAH Gas Infrastructure Limited	GBP330,830,581	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
Popular Sky Investment Limited	HK$1 and GBP193,500,000	100*	Hong Kong	Investment holding
Power Assets Investments Limited	US$50,901	100	British Virgin Islands	Investment holding
Precious Glory Limited	HK$11,012,527,147	100*	Hong Kong	Investment holding
Quick Reach International Limited	US$1	100*	British Virgin Islands	Obtaining external funding
Quickview Limited	US$2	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$2	100*	British Virgin Islands	Property holding
Sparkle Gain Investment Limited	HK$5,238,963,067	100*	Hong Kong	Investment holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Investing
Well Joint Investment Limited	HK$2,457,616,097	100*	Hong Kong	Investment holding

* Indirectly held

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2021 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$206,645,761 Ordinary shares	50%	Canada	Electricity generation	Equity
CK William UK Holdings Limited (notes (d) & (e))	GBP2,049,000,000	20%	United Kingdom	Investment holding	Equity
Electricity First Limited (note (f))	GBP1,004	50%	United Kingdom	Electricity generation	Equity
Husky Midstream Limited Partnership (note (g))	C$1,153,845,000 Class A units C$621,301,154 Class B units C$1,776,923 General Partnership Interest	48.75%	Canada	Oil pipelines, storage facilities and ancillary assets operation	Equity
Northern Gas Networks Holdings Limited (note (h))	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited (note (i))	A$20,979,450	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Limited (note (i))	A$10,382,100	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited (note (j))	GBP610,000,000 Ordinary shares	40%	United Kingdom	Electricity distribution	Equity
Wales & West Gas Networks (Holdings) Limited (note (k))	GBP29,027	36%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited (note (l))	NZ$406,500,100	50%	New Zealand	Electricity distribution	Equity

Notes:

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

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

(c) Canadian Power Holdings Inc. holds 49.99% partnership interest in TransAlta Cogeneration L.P. which owns interest in four power plants in Alberta and Ontario, Canada. Canadian Power Holdings Inc. also holds 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada and 100% interest in Okanagan Wind projects in British Columbia, Canada since 2021.

(d) CK William UK Holdings Limited owns 100% interest 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% interest in United Energy Distribution Holdings Pty Limited, which operates an energy distribution business in Australia.

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

(g) Husky Midstream Limited Partnership assumes ownership of midstream pipeline and terminal assets in the Lloydminster region of Alberta and Saskatchewan, Canada. Its asset portfolio includes oil pipeline, storage facilities and other ancillary assets.

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

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

(j) UK Power Networks Holdings Limited owns and operates three regulated electricity distribution networks in the United Kingdom that cover London, South East England and East England. The power networks also include certain non-regulated electricity distribution businesses, which consist predominantly of commercial contracts to distribute electricity to a number of privately owned sites.

(k) Wales & West Gas Networks (Holdings) Limited is engaged in gas distribution in Wales and the South West of England.

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

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2021 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	2021	2020	2019	2018	2017
Revenue	1,276	1,270	1,348	1,555	1,420
Operating profit	1,501	1,175	1,760	1,528	2,557
Finance costs	(125)	(86)	(96)	(194)	(295)
Share of profits less losses of joint ventures and associates	4,896	5,111	5,510	6,356	6,154
Profit before taxation	6,272	6,200	7,174	7,690	8,416
Income tax	(132)	(68)	(43)	(54)	(97)
Profit attributable to equity shareholders of the Company	6,140	6,132	7,131	7,636	8,319

Five-Year Group Statement of Financial Position

HK$ million	2021	2020	2019	2018	2017
Property, plant and equipment and leasehold land	20	17	19	14	14
Interest in joint ventures and associates	87,135	85,552	86,142	79,422	81,004
Other non-current financial assets	1,100	1,100	1,100	5,100	67
Other non-current assets	1,086	821	1,295	1,426	342
Net current assets/(liabilities)	1,409	(1,344)	691	1,403	18,742
Total assets less current liabilities	90,750	86,146	89,247	87,365	100,169
Non-current liabilities	(3,983)	(1,380)	(3,755)	(3,808)	(4,589)
Net assets	86,767	84,766	85,492	83,557	95,580
Share capital	6,610	6,610	6,610	6,610	6,610
Reserves	80,157	78,156	78,882	76,947	88,970
Capital and reserves	86,767	84,766	85,492	83,557	95,580

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 Directors

LEUNG Hong Shun, Alexander
LI Tzar Kuoi, Victor

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Sustainability Committee

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

Company Secretary

Alex NG

Principal Bankers

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

Auditor

KPMG

Website

www.powerassets.com

Registered Office

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Share Registrar

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

ADR (Level 1 Programme) Depositary

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

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Ivan CHAN *(Chief Financial Officer)*

For other investors, please contact:
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2 Queen's Road Central, Hong Kong

Financial Calendar and Share Information

Financial Calendar

Interim Results Announcement	4 August 2021
Annual Results Announcement	16 March 2022
Closure of Register of Members – Annual General Meeting	13 May 2022 to 18 May 2022 (both days inclusive)
Annual General Meeting	18 May 2022
Ex-dividend Date	23 May 2022
Record Date for Final Dividend	24 May 2022
Dividend per Share	
Interim : HK$0.78	14 September 2021
Final : HK$2.04	7 June 2022

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2021	HK$103,725 million
Ordinary Share to ADR ratio	1:1

Stock Codes

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

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

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

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

Power Assets Holdings Ltd.
電能實業有限公司

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