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

Accelerating
Energy Transition
Annual Report 2022

A Strategic Global Investor
in the Energy Sector

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

From our origins in Hong Kong over a century ago, the Group also has a presence today in the United Kingdom, Australia, New Zealand, Mainland China, Thailand, the Netherlands, Canada and the United States, bringing clean, reliable, and affordable energy to about 19.5 million homes and businesses. The bulk of our business derives from our interests in 520,100 km of power, gas and oil networks, supplemented by investments in around 9,800 MW of power generation facilities.

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

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

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

Accelerating Energy Transition

The design of our 2022 Annual Report uses the common icon for 'fast forward' as a visual metaphor for our transition to support a zero-carbon energy world. A montage of images pulls out highlights from various aspects of our operations to progress this strategy, including investing in renewables, achieving customer service excellence, and embracing a just transition for all.

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NUMBER OF CUSTOMERS
19,457,000

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

5,258 MW
GENERATION CAPACITY - GAS-FIRED

3,569 MW
GENERATION CAPACITY - COAL / OIL-FIRED

114,600 km
GAS / OIL PIPELINE LENGTH

405,500 km
POWER NETWORK LENGTH

Canada

TransAlta Cogeneration

Meridian

Okanagan Wind Power

Husky Midstream Limited Partnership

Energy Developments

United States of America

Energy Developments

United Kingdom

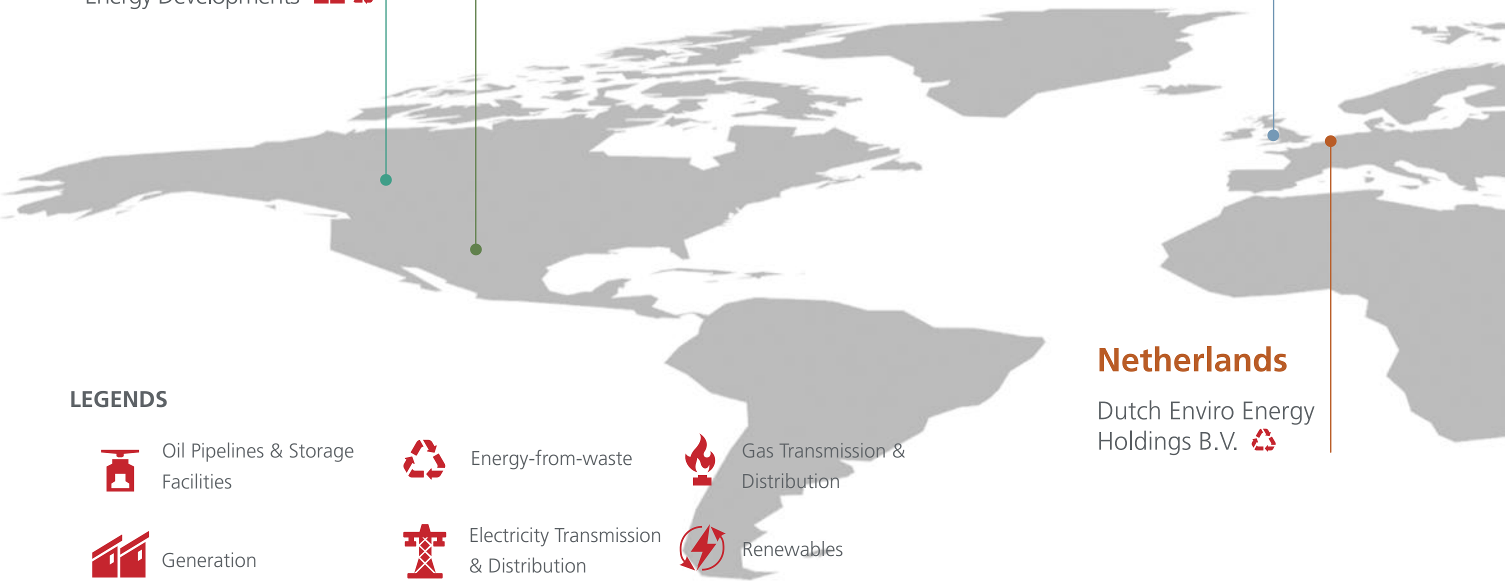
UK Power Networks

Northern Gas Networks

Wales & West Utilities

Seabank Power

Energy Developments



Netherlands

Dutch Enviro Energy Holdings B.V.

LEGENDS

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

Financials	2022 HK$	2021 HK$
Profit attributable to shareholders (million)	**5,649**	6,140
Earnings per share	**2.65**	2.88
Dividends per share	**2.82**	2.82
Total equity (million)	**86,857**	86,767
Cash on hand (million)	**5,894**	4,610
Debts (million)	**3,236**	3,433
Net debt to net total capital ratio	**Net Cash**	Net Cash
S&P credit rating	**A / Stable**	A / Stable

Chairman's Statement

Full year results

The Power Assets Group (the Group) delivered stable performance in 2022, thanks to a resilient business model. Our portfolio comprises midstream businesses in electricity and gas with regulated revenue schemes, together with generation businesses operating under similar schemes or long-term off-take contracts. This business model continues to underpin our ability to insulate our underlying results from macroeconomic cyclicity and fluctuations in fuel prices.

The Group recorded profit attributable to shareholders of HK$5,649 million for the 12 months ended 31 December 2022 (2021: HK$6,140 million). This result was significantly impacted by higher finance costs and weakened foreign currencies against the Hong Kong dollar.

In local currency basis, the year-on-year growth in contribution from the infrastructure portfolio was 5%.

Funds received from operations for the year remained healthy at HK$5,528 million (2021: HK$5,300 million), representing a year-on-year increase of 4%.

Dividends

The Board of Directors has recommended a final dividend of HK$2.04 (2021: HK$2.04) per share, payable on 6 June 2023 to shareholders whose names appear in the Company's Register of Members on 23 May 2023. This, together with the interim dividend of HK$0.78 per share, takes the total dividend for the year to HK$2.82 (2021: HK$2.82) per share.

International Portfolio

In 2022, our operating companies maintained a two-fold focus: providing uninterrupted, reliable energy to our business and residential customers; and supporting governments in every region by implementing initiatives to achieve their net-zero targets.

United Kingdom portfolio

The Group's portfolio in the UK, our largest market of operation, made a profit contribution of HK$2,517 million (2021: HK$2,819 million). Short-term exchange rate volatility affected profit contribution, but the underlying economy continues to show positive indicators. Rising inflation and interest rates increased finance costs, while built-in mechanisms within the regulatory framework governing our businesses enabled us to adjust for inflation and recovery of fuel costs.

UK Power Networks (UKPN) delivered its strong network reliability performance and maintained its industry leadership in customer service quality. The company's business plan has been approved by the regulator Ofgem for the next regulatory period, ensuring predictable revenues and cash flow for the period April 2023 – March 2028. Facilitating the UK's Net Zero carbon emissions by 2050 target is central to UKPN's business plan for RIIO-ED2. UKPN is driving change by transitioning the energy system itself and actively helping other industries move away from fossil fuels. To fast track this process, UKPN is establishing an independent Distribution System Operator, building new capabilities to accommodate intermittent and distributed renewable generation within its electricity distribution regions to create a future-ready network.

Northern Gas Networks (NGN) explored ways to bring hydrogen for heating and cooking to communities and generate self-sufficient hydrogen locally from renewable sources. Wales & West Utilities (WWU) started new initiatives and supplied decarbonised biomethane gas to about 150,000 homes and has connected 20 biomethane plants to the network since 2013. It exceeded operational targets for customer satisfaction, reliability, and emissions. Seabank Power continued to deliver satisfactory performance.

Australian portfolio

The Australian portfolio reported a profit contribution of HK$1,342 million (2021: HK$1,283 million) to the Group. Our operating companies delivered good performance and focused on transforming distribution networks to support the increased use of green energy.

The Group's electricity distribution companies all delivered projects to facilitate more consumer-side renewable generation. Victoria Power Networks exceeded revenue expectations, and during the year installed a 150-kW community battery in Melbourne. The battery will store excess rooftop solar power and supply up to 150 nearby homes during peak periods. United Energy (UE) completed a major works programme to support more rooftop solar generation across the network. SA Power Networks implemented upgrades at many zone substations to enhance the network's ability to handle very high numbers of solar and battery systems without compromising reliability.

Australian Gas Networks (AGN) surpassed regulatory targets on response times, reliability, repairs, and customer service. It continued to work with governments and other industry participants on hydrogen projects, blending green hydrogen into its distribution networks for decarbonisation. AGN and Multinet Gas, together with AusNet, won the 2022 Energy Networks Industry Consumer Engagement Award for their joint customer and stakeholder engagement programme. Dampier Bunbury Pipeline delivered good performance.

Energy Developments (EDL) expanded its global presence in sustainable energy industry, and has commenced the operation of the Tessman Road Renewable Natural Gas Project in Texas, USA and the Jabiru Hybrid Renewable Power Station in the Northern Territory, Australia in 2022. EDL supplied green energy to offset more than 4 million tonnes of carbon emissions. Australian Energy Operations was awarded an agreement to provide up to 600 MW of system support services to strengthen the power infrastructure and increase generation capacity in Western Victoria.

Other portfolios

The Canadian portfolio continued on its decarbonisation journey and implemented system enhancements. Following the coal-to-gas conversion, Canadian Power's Sheerness power station delivered 100% gas-fired electricity during the year, cutting its carbon footprint significantly. The Okanagan wind farm completed its first full year of operation as a Group company. Husky Midstream opened major new connections to the Cold Lake Gathering System, the Saskatchewan Gathering System, and tanks in the Hardisty terminal.

In the Netherlands, AVR-Afvalverwerking B.V. (AVR) saw increased demand for carbon dioxide (CO_2) and sustainable steam supply and electricity flexibility services to maintain the balance of the national grid. In response, the company will further expand the amount of CO_2 it captures and sustainable steam it supplies.

Wellington Electricity (WELL) continues to maintain a reliable network. Severe weather events during the year were well managed, minimising supply disruption for customers. In Thailand, Ratchaburi Power Plant functioned above expectations in operation.

In Mainland China, the Jinwan co-generation power plant recorded losses in the year due to the upsurge of coal price. The two wind farms in Dali and Laoting jointly offset 166,240 tonnes of carbon emissions.

Investment in Hong Kong

HK Electric Investments and its wholly-owned subsidiary HK Electric continued to provide stable income to the Group, while supporting the Government's plan to halve carbon emissions by 2035 and achieve carbon neutrality before 2050. In pursuit of these goals, the company is implementing a HK$26.6 billion five-year development plan to reduce carbon emissions.

Highlights of the year included the launch of L11, a new 380-MW combined-cycle unit, which raised gas-fired generation at Hong Kong's Lamma Power Station to over 50%. 2023 will see the opening of the third and final planned gas-fired generating unit and an offshore liquefied natural gas receiving terminal that will enable the import of natural gas through marine routes.

The rollout of 240,000 smart meters on schedule by the end of 2022 enabled HK Electric's customers to optimise their energy usage. The company is working with the Government and other stakeholders on various renewable energy initiatives.

HK Electric further supported net-zero goals by employing emissions-reduction measures and offering technical consultancy for the development of electric road transport.

Energy transition in action

The COP27 climate summit held in November 2022 in Egypt demonstrated that most participating countries believe transitioning to a low-carbon energy mix is an urgent priority.

As major industries worldwide switch from fossil fuels to more climate friendly energy solutions, we are keenly aware of our critical role as catalysts and facilitators of this change. We provide lower-carbon generation alternatives and support the decarbonisation of other major energy-intensive industries like transport and domestic heating.

One of our key strategies is to evolve our electricity distribution business from the role of Distribution Network Operator towards the Distribution System Operator (DSO) model in order to accommodate and manage the influx of intermittent and distributed renewable generation (solar and wind) within our networks. The DSO model will enable our electricity distribution infrastructure to run a complex, interconnected, and low-carbon power network. This approach places us at the heart of the new energy future by managing tens of thousands of distributed energy resources on behalf of the regulator.

Additionally, we are re-engineering our electricity distribution networks to manage huge charge loads created by the increase in uptake of electric vehicles (EVs). UKPN forecasts 4.5 million EVs in London by 2030 and is innovating to meet the technical challenge of supporting the charging needs. A 30-year model developed by WELL shows that EV growth has already increased network peak demand, and will double within thirty years. UE undertook a project to model charging behaviours on its network to help it plan for expected mass take-up of EVs in coming years.

The concern over the accessibility of charging facilities is one of the key barriers for consumers. To address this roadblock, UKPN and HK Electric are supporting schemes that make it quick and easy for consumers to install charging points at or close to their homes.

Decarbonising gas distribution is another major area of focus. Blending hydrogen and natural gas supply reduces emissions significantly. Our vision is to deliver 'net zero-ready' gas networks, which can transport lower-emission gases like hydrogen and biogas. NGN is leading industry efforts to commercialise blended hydrogen in North East England, including establishing a hydrogen-blended network and piloting hydrogen-powered heating in key communities.

AVR's progress with the large-scale capture, reuse, and storage of CO_2 will reduce emissions of more than 500 kT CO_2 per year from 2027.

Outlook

Geopolitical instability has put pressure on the global supply chain. The availability of raw materials and chemicals is limited due to production restrictions in several industrial sectors. Recessionary pressures can indirectly impact waste availability for our energy-from-waste operations. We have made proactive moves to secure sufficient supplies for uninterrupted operations, and we remain focussed on business models that yield long-term guaranteed revenues.

Capital costs in global market increased during the year and the trend is likely to continue in the coming months. On the basis of our strong financial and cash position, we will continue with our long-term strategy of seeking out appropriately valued investments that meet our criteria. We will focus on low-risk, well-managed companies in mature energy markets to ensure we are able to deliver long-term sustainable growth to shareholders.

At the same time, our generation, transmission, and distribution operations must have as low a carbon footprint as possible. We have detailed targets mapped to the UN's Sustainable Development Goals, and a deep governance regime in place at Group as well as operating company levels to facilitate this transition. For example, UKPN seeks to recycle 99% of street works material by the end of the next regulatory period, while WWU and AGN will push forward to increase adoption of low-carbon hybrid heating. Our gas distribution companies will continue to replace old gas pipelines to cut fugitive emissions of methane from their networks.

Our commitment in supporting the achievement of the zero-carbon targets of our operating markets remain as strong as ever. 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.

We will also work intensively with all our stakeholders to ensure that we do our part in alleviating fuel poverty for those in less fortunate circumstances through subsidies, free support, tariff rebates, coupons, and more.

My warmest thanks to our board, management and shareholders, and all our employees around the world for your unflagging support and efforts on our behalf this year. We owe all our achievements to you.

Fok Kin Ning, Canning
Chairman
Hong Kong, 15 March 2023

Long-Term Development Strategy

With global investments in energy generation, transmission and distribution across four continents, Power Assets serves about 19.5 million of customers with power and heating.

Four key principles underpin our growth and development

1 Grow
shareholder value through expertise and innovation

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

2 Serve
as a catalyst for the green energy transition

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

In addition, we seek to decarbonise our generation portfolio by using cleaner fuels and expanding renewable energy, waste-to-energy and carbon capture and utilisation capacity. We are modernising and digitising our electricity networks to accommodate the projected influx of distributed renewable sources as well as the anticipated surge in charging requirements for a massive uptake of electric vehicles. Our gas networks are blending hydrogen and biogas into existing gas networks and ultimately replacing natural gas with hydrogen and biogas to achieve the net zero targets of local governments.

3 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.

4 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

2022
JAN - JUN

- 1 EDL opens its Wood Road Renewable Natural Gas (RNG) Facility in Michigan, United States, which extracts and converts methane from landfill gas into pipeline-quality RNG, displacing the equivalent of emissions from 5,700 fossil fuel-burning cars each year.
- AGN commissions the main extension to the Logic Industry Park industrial facility in Victoria and commences work on the Huckerby project, which supports network growth in the outer metropolitan area of Melbourne.
- A new 44-tonne transformer is energised at UKPN's substation in Guilford, part of a £7.3 million upgrade project.
- 3 As part of a feasibility study on whether the existing gas network is fit for transporting hydrogen, NGN engineers test gas operational procedures under 100% hydrogen conditions in the South Bank area of Teesside.
- 4 From among 2,000 entrants, WWU wins its 9th consecutive RoSPA Gold Medal Health and Safety Award in recognition of its industry-leading health and safety performance and commitment.
- NGN hosts an open day at Thorpe Park in Leeds to showcase how the company reduces customer vulnerability through innovations.

- SAPN begins construction of a new 66-kV to 11-kV substation in St. Kilda.
- 2 UE begins installation of 40 pole-top batteries in Melbourne's southeast suburbs, which will supply excess rooftop-generated solar power for up to 150 homes during peak periods.
- 5 HK Electric completes the jetty topside structure, equipment, post-trenching and armour rock placement connecting the Lamma Power Station Pipeline to the offshore liquefied natural gas terminal, which is being tested for commissioning by the first half of 2023.
- HMLP commissions the Onion Lake Lateral project, connecting Hardisty Terminal pipelines with the Cold Lake Gathering System thermal production facilities to provide safe, reliable, and cost-effective pipeline access in west-central Saskatchewan.

2022
JUL - DEC

- 6 As floodwaters inundate two zone substations in northern Victoria, Powercor supplies generators to sections of the network while crews design an innovative solution to restore power to customers.
- 7 VPN provides multiple scholarships to encourage women into electrical engineering studies as part of their inclusion and diversity strategy.
- AVR receives government subsidies to develop a carbon capture, utilisation and permanent storage facility at Rozenburg and Duiven which will reduce emissions of more than 500 kT CO_2 per year beginning in 2027.
- WELL installs two new earthquake-proof 33-kV cables at the Frederick Street zone substation, improving the resilience of its network of substations and the electricity supply to over 8,000 properties.
- As part of its commitment to phasing out all of its coal-fired generating units by the early 2030s, HK Electric retires L2, the third coal-fired generating unit at Lamma Power Station.
- EDL's new Jabiru Hybrid Renewable Power Station wins the 2022 Asian Power Awards' Solar Power Project of the Year – Australia, establishing the remote township of Jabiru as an eco-tourism hub.

- Together with AusNet, AGN and MG win the 2022 Energy Networks Industry Consumer Engagement Award for a joint customer and stakeholder engagement programme in Victoria. The programme offers over 40 workshops exploring opportunities to deliver valued services to customers.
- Seabank's offtake contract with customer is transformed into a full toll, removing most market risk in return for a contract based on 100% availability.
- AEO receives a contract to develop, construct, and operate a 250-MVA synchronous condenser to connect 600 MW of renewable generation to the Western Renewable Energy Zone in Victoria.
- 8 DBP completes the high flow testing of the Tubridgi Gas Storage outage, identifying areas for reinforcement to accelerate production and sale of certified natural gas reserves.
- 9 Smart Connect, UKPN's new smart portal, connects more than 10,000 electric car chargers with its electricity network during its first year, slashing notification time for installers across England from days to seconds.

CEO's Report

Tsai Chao Chung, Charles
Chief Executive Officer

Power Assets is a low-volatility focussed, long-term investor in the global energy market. Our investments mostly comprise low-risk companies in mature energy economies with operations further down the value chain so that they are minimally exposed to adjustments in the prices of coal, oil and natural gas. Our operations are diversified across electricity generation, transmission and distribution, gas transmission and distribution, as well as oil storage and transmission and energy from waste.

Birds-eye view of the solar farm at EDL's Jabiru Hybrid Renewable Power Station, Australia.

The revenue frameworks of our operating companies mainly follow one of two models: either they are regulated, or are covered by long-term offtake contracts. This emphasis on low risk and low volatility enables us to fulfil our mission of delivering long-term sustainable returns in mature international markets.

In 2022, operating results were satisfactory across our portfolio. All our operating companies met regulatory and operational targets, leading their respective sectors in essential parameters like energy efficiency, reliability, and customer service.

Global momentum towards carbon reduction continues to build. The 27th United Nations Climate Change Conference of the Parties (COP27) held in November 2022 in Sharm El-Sheikh, Egypt, resulted in countries delivering a package of decisions that reaffirmed their commitment to limit global temperature rise to 1.5 degrees Celsius above pre-industrial levels. A commitment to phase down fossil fuels in generation was also reached, making a global transition to gas-fired and renewables generation even more urgent.

Our operating companies continued with long-term initiatives to support the efforts of their respective economies to achieve this transition. They are running trials, pilot projects, stakeholder engagement activities, and research, to move the electricity and gas sectors into a zero-carbon regime.

Gas-fired generation, renewables and energy from waste now play a significant role in our global generation. We are actively seeking to invest in other innovative generation business such as energy from landfill gas or hybrid energy. Our transmission and distribution of electricity operations are investing in technology to manage dynamic network loads unlike any seen before: unpredictable spikes and troughs in electricity supply caused by renewables generation, and much higher network loads caused by charging of electric vehicles (EVs).

Our gas distribution operations, particularly in the UK and Australia, are spearheading industry efforts to migrate to blended green hydrogen into natural gas distribution network.

UNITED KINGDOM

The UK is a large and strategically significant market for the Group. Our presence here is characterised by low volatility and operational diversification, spanning electricity generation and distribution, and gas distribution. Our operations support over 13.7 million domestic, commercial, and industrial customers with reliable and affordable electricity and heating. We are at the forefront of the industry in facilitating the country's transition to net-zero carbon. Our electricity networks invested in research and innovation to handle unpredictable flows and loads associated with renewables generation and the widespread electrification of private and public transport. We are also working on research and pilots with the goal of adapting our gas networks to transport hydrogen in the future.

During the year, our electricity distribution business progressed with the groundwork and stakeholder engagement surrounding an impending regulatory reset in April 2023.

2022 saw macro-political and macro-economic uncertainty and associated cost pressure. Organisational resilience was tested by three significant storms – Dudley, Eunice, and Franklin – which caused considerable disruption to electricity networks. All our operating companies responded quickly and decisively to curtail disturbance to our customers.

Ofgem officials review how UKPN's Distribution System Operator plans could balance the energy system at a local level.

UK Power Networks

UK Power Networks (UKPN) is one of the largest electricity distribution network owners in the UK, covering an area of approximately 30,000 sq. km. It accounts for 28% of the UK's total electricity distribution serving for 8.4 million customers. UKPN also operates private electricity networks for major airports and railways.

UK Power Networks

Power Assets Interest:	Joined Since:
40%	October 2010
Network Length:	**No. of Customers:**
189,800 km	8,400,000

UKPN delivered its strong network reliability, best-ever safety performance and maintained its industry leadership on both customer service and stakeholder engagement. These achievements against targets enabled it to retain its spot as the best performing distribution network operator in the UK for the sixth consecutive year. The company played its part in keeping electricity affordable for consumers, charging below the industry average for use of the distribution system.

One of the company's strategic goals is to be an employer of choice. Thanks to an ethos of empowerment and support, UKPN was ranked second in the Sunday Times 25 Best Big Companies to Work For list, the eighth consecutive year on the list. It was named the Best Big Company to work for in London, and Employer of the Year at the Utility Week Awards.

Transport accounts for 28% of total emissions in the UK, and a complete switchover to EVs is necessary to meet net-zero goals. Over four million EVs will connect to UKPN's networks by 2030, and ensuring reliable, adequate charging at scale is a priority for the company.

In 2022, UKPN developed a digital self-service platform for consumers to upgrade their electricity supply when they purchase an EV or any other low-carbon technology. This service reduces application time from 10 days to a matter of minutes.

The company began to roll out a widespread network of charge points across London, Kent, Cambridge, and Norwich.

UKPN's business plan for the 2023-2028 regulatory period focussed on facilitating the UK's Net Zero by 2050 target, and was approved by the regulator Ofgem, ensuring predictable revenues and cash flow. As a key distribution network operator, UKPN is at the centre of the energy system transition and is a catalyst for the migration of other industries away from fossil fuels. To fast track this process, UKPN is building new capabilities to create a future-ready network as an independent Distribution System Operator.

Helping vulnerable customers stay connected

Rising energy bills, driven by increases in wholesale fuel prices, are putting additional pressure on the vulnerable. Our UK operating companies reached out to those in need to lend a helping hand.

UKPN maintains a Priority Services Register of more than two million vulnerable customers, ranging from elderly individuals living alone, to people who are medically dependent on electricity. These customers receive tailored support when needed, such as in the event of a power cut. In 2022, the company expanded a fuel poverty programme with advice provided to about 900,000 customers, out of whom 15,735 received in-depth, personalised support.

Under its Fuel Poor Network Extension Scheme, Wales & West Utilities (WWU) funded gas connections to 1,187 underprivileged homes with a value of £2.8 million. It also established a Fuel Bank Foundation fund of £500,000 along with other gas networks to help customers pay for their energy over two years in the face of increases in the cost of living. It can be used to provide same- or next-day emergency financial support to people who cannot afford to top up their prepayment gas and electricity meters.

Northern Gas Networks

Northern Gas Networks (NGN) runs the North of England Gas Distribution Network, one of the eight distribution networks in the UK. It supplies gas to 2.7 million customers via 36,100 km of gas distribution pipelines, transporting about 13% of the UK's gas. It also maintains and modernises gas mains within its network and provides essential gas connections and gas emergency services.

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 2022 was 63,754 GWh (2021: 68,803 GWh). Customer satisfaction remained a key priority, with scores for customer satisfaction in regulator surveys averaging 9.2 out of 10 across planned repair, and new connection work in the regulatory year.

During the year, NGN undertook a third-party review of progress on societal and environmental matters aligned with the United Nations Sustainable Development Goals to serve as the basis for future improvement. NGN scored 74% on the assessment, compared to an industry average of 47%.

The company continued to invest systematically in alignment with an overall £800 million budget for five years on network improvement to increase efficiency, reliability and safety.

Alongside other Group gas distribution companies in the UK and Australia, NGN collaborated with industry partners to accelerate industry-wide adoption of hydrogen blended with natural gas for household and industrial heating. Specific initiatives in this regard included the East Coast Hydrogen network, which will be able to connect 7-GW of hydrogen production by 2030, exceeding the government's 5-GW target. Feasibility studies and stakeholder engagement and education took place during the year.

Another step forward in the hydrogenation of the gas network was the submission of a proposal to the regulator for 100% hydrogen supply to the Redcar area by 2025. While hydrogen is not new to the UK's gas network, the Redcar hydrogen community would be amongst the first to use 100% green hydrogen. If approved, NGN will work with the community to replace any gas-burning appliances in households and businesses with hydrogen-burning ones at no cost to consumers.

NGN's Hydrogen Home, a flagship facility showcasing how gas-burning appliances can be replaced with hydrogen-burning ones, welcomes its 2,000th set of visitors.

WWU's main replacement programme installs long-lasting PVC pipes that can transport hydrogen, reducing leaks and improving safety.

Wales & West Utilities

Wales & West Utilities (WWU) is a gas distribution network operator serving Wales and South West England with 2.6 million customers and covering an area of 42,000 sq. km. of a diverse mix of urban and rural geography.

Wales & West Utilities

Power Assets Interest:	Joined Since:
36%	**October 2012**
Gas Pipeline Length:	No. of Customers:
35,000 km	**2,600,000**

In 2022, WWU achieved a total gas throughput of 54,300 GWh (2021: 59,562 GWh) and led the gas distribution industry in the UK for the lowest number and duration of planned interruptions. Satisfaction remained strong, with customers rating the company 9.1 out of 10. Complaint volumes have halved over eight years, and 78% of complaints were resolved within one working day.

Proactive maintenance and main replacement work allowed the company to cut wastage caused by gas network leakage by 16%. More demanding targets have been set in the new regulatory period that commenced in 2021. WWU's ongoing mains replacement programme and proactive pressure management will help reach this target. More than 410 km of new gas mains were laid during the year.

WWU maintained its support for biomethane as a greener alternative to natural gas. WWU has cumulatively connected 20 biomethane plants to its network since 2013, decarbonising the gas supplied to approximately 150,000 homes – the equivalent of supply to a city the size of Cardiff. Fifty-one new gas-fired peaking power stations have been connected to the network since 2013, which can support almost a million homes. These 'backup generators' are essential to increase the reliability of renewable electricity infrastructure, coming into action when renewable energy production is low.

A new telematics system was rolled out across the operational fleet. The data collected will provide better insights into WWU's environmental performance.

WWU continued its strategic collaboration with other operating companies in the UK to lead the industry in decarbonisation efforts, rolling out hybrid gas-electricity solutions for households and businesses.

Seabank Power

Seabank Power (SPL) is the Group's UK generation business, operating two combined-cycle gas turbine units with a capacity of 1,151 MW. SPL's output is governed by a long-term contract with a single customer with stable earnings over the years.

Seabank Power

Power Assets Interest:	Joined Since:
25%	**June 2010**

Gas-Fired Combined Cycle Gas Turbine:
1,151 MW

SPL generated 4,724 GWh (2021: 2,945 GWh) of power during the year, based on a pre-agreed running regime with its customer. Key operating parameters such as load factor, number of starts, and operating hours were higher than budget, reflecting higher demand and more flexible plant operations in the balancing market. The offtake contract with the customer was transformed into a full tolling agreement during the year, further reducing market risk in return for a 100% availability-based contract.

HONG KONG

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

The Hongkong Electric Company

Power Assets Interest:	Total Installed Capacity:	No. of Customers:
33.37%	**3,402 MW**	**586,000**

Year Established:	Network Length:
1889	**6,900 km**

HK Electric delivered a total of 9,941 GWh (2021: 10,361 GWh) of electricity in 2022, of which more than 50% was generated from natural gas. The company is steadily migrating from a coal-fired to gas-fired regime in alignment with the Hong Kong government's Clean Air Plan 2035.

A number of steps were taken to maintain generation reliability in the face of fuel supply disruptions and resultant volatility in prices that prevailed throughout 2022. With the help of installed emission-control facilities including flue gas desulphurisation plants, low-nitrogen-oxide burner systems and electrostatic precipitators, the company kept emissions of sulphur dioxide, nitrogen oxides, and respirable suspended particulates within statutory limits.

HK Electric's longstanding excellent supply reliability and customer satisfaction standards were maintained. The average customer satisfaction index from after-service surveys was 4.71 out of a 5-point scale. A supply reliability rating of over 99.9999% was achieved for the third consecutive year, thanks to proactive network maintenance, and state-of-the-art monitoring and diagnostics technologies. A next-generation geospatial information system was rolled out to improve the speed of addressing network faults.

The company entered the final phase of its HK$26.6 billion 2019-2023 Development Plan, which seeks to establish a generation regime that will help Hong Kong achieve its carbon reduction goals. L11, a second new 380-MW gas-fired combined-cycle generating unit under the Development Plan, was put into commercial operation in May 2022. The successful commissioning of L11 together with the retirement of a coal-fired unit and an older gas-fired unit, bring the overall gas-fired generating capacity of Lamma Power Station to 1,095 MW. Civil construction of the main station and support buildings, cooling water intake, and other associated structures for the third gas-fired generating unit, L12, was substantially completed in 2022. The unit is planned for commercial launch in early 2024.

The construction of an offshore liquefied natural gas terminal in Hong Kong reaches critical milestones. It will enable the import of natural gas through marine routes.

Smart meters and the associated advanced metering infrastructure will help HK Electric's customers optimise their energy usage.

Construction of an offshore liquefied natural gas (LNG) terminal using Floating Storage and Regasification Unit technology moved forward, to enable the import of LNG through marine routes. Structures, subsea pipes, and other infrastructure were put into place and key equipment was commissioned for the terminal to commence operation in mid-2023.

HK Electric's 0.8-MW Lamma Winds and 1.1-MW solar power system generated over 2 GWh of green electricity in 2022. About 150 new renewable energy systems installed at customer sites were connected to the grid under the Feed-in Tariff Scheme, taking the total capacity and annual output of grid-connected customers' renewables to more than 7 MW and 6 GWh respectively. The company is progressing various initiatives to increase renewable energy in consultation with the Hong Kong government.

Migrating to a smart metering setup will enable HK Electric's customers to save energy and cut their carbon footprints. The company aims to roll out smart meters across its entire customer base by 2025 and achieved its cumulative target of having more than 240,000 smart meters deployed by the end of 2022.

Support for electric transportation has long been one of the company's key strategies. It has provided free technical advice to the government, public transport operators, and residential property managers to enable installation of charging facilities for almost 50,000 car parking spaces.

Enormous cost pressure and supply scarcity of coal and natural gas triggered upward adjustments of the fuel clause charge component of the tariff. To alleviate the impact of this increase as much as possible, HK Electric continued to offer a suite of relief measures including the distribution of dining coupons and financial assistance and subsidies to support the underprivileged.

Helping customers overcome economic hardships

High volatility in the supply and price of natural gas and coal had a knock on impact on HK Electric's tariffs. To support underprivileged customers from the impact, the company implemented a range of relief measures. These ranged from HK$200 dining coupons that 50,000 low-consumption and underprivileged households could redeem at small cafes and restaurants, to bill payment deferral for SME caterers and subsidies for households in sub-divided units.

The underprivileged households often suffer the double disadvantage of not being able to save on energy costs because they cannot afford to upgrade to more energy-efficient appliances. These households were provided with free appliances as well as technical support for rewiring, meter installation, and more. Subsidies totaling HK$25 million were provided to building owners to help them enhance the energy efficiency performance of their buildings.

AUSTRALIA

Since 2000, Australia has developed into one of the Group's largest markets of operation. Our portfolio there spans renewables, and energy from landfill gas and waste coal mine gas, as well as the transmission and distribution of electricity and gas. It is a flagship market for advancing solar power, hybrid energy systems, and energy from landfill gas.

The Australian Energy Regulator (AER) completed a comprehensive review of its Rate of Return Instrument, which plays a crucial role in determining the revenues for all our operating companies. It has set key parameters that underpin the allowed rate of return for future period. Engaging with the regulator and achieving synergies in their submissions was a key focus for all our Australian operating companies during the year.

South Australia's adoption of solar power systems stands at nearly 35% of households. Rooftop solar alone can generate almost 80% of the state's energy needs and, combined with large, utility-scale solar farms, even 100% 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, sustainable future.

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

Integrating these disruptive new developments while maintaining reliability, affordability, and excellent customer service is the key priority for our Australian businesses.

AGN's zero-emissions 1.25-MW electrolysis plant in South Australia creates green hydrogen and enables completely zero-carbon heating.

At SAPN's transformer workshop, skilled workers conduct maintenance for optimal equipment function.

SA Power Networks

SA Power Networks (SAPN) is an electricity distributor in the state of South Australia. SAPN serves 907,000 residential and business customers and manages about 90,000 km of electricity distribution networks.

SA Power Networks	
Power Assets Interest: **27.93%**	Joined Since: **January 2000**
Network Length: **90,200 km**	No. of Customers: **907,000**

SAPN distributed 9,832 GWh of electricity in 2022 (2021: 9,634 GWh). More than 507 MW of distributed energy resources were connected to the network, covering more than 34,000 customers. Key metrics like unplanned power interruptions and network reliability outperformed targets and secured incentive payments from the regulator. SAPN continued to invest in several network improvement projects to manage future performance. These included network automation and initiatives to mitigate the impact of Grey Headed Flying Foxes (bats) on the network.

The South Australian distribution network is experiencing an increasing volume of reverse power flows due to the very high penetration of distributed energy resources (solar and battery systems) connected to it. To maintain state-wide security of supply with unpredictable two-way power flows, the AER approved an application from the company to pass through additional capital expenditure, which will allow SAPN to make key investments in emergency management facilities.

Enerven, a wholly-owned subsidiary of SAPN, has secured a project to construct a substation for a critical component in one of the largest road infrastructure expansion projects in South Australia: the 10.5 km Torrens-to-Darlington tunnel.

Aerial inspections take place to ensure SAPN's network remains safe from bushfires and can reliably meet higher power demand in the warmer months.

Managing a new era of distributed generation

South Australia is a forerunner of things to come in electricity distribution. Rooftop solar systems are deployed by 35% of customers, at certain times generating over 80% of the state's energy in tandem with large-scale solar farms.

A system that can handle this new network landscape is essential to enable a future powered by reliable, abundant, low-cost, and zero-carbon energy. SAPN has developed a comprehensive set of strategies to facilitate this energy transition, including:

- Managing voltage dynamically to allow the network to host fluctuating system loads
- Setting up systems to enable distributed energy resources to respond to network capacity in real time and export to the energy market
- Deploying time-of-use tariffs to distribute load and generation during times that benefit the network
- Lobbying for regulatory reform to remove barriers to investment in renewables
- Evolving to a new role as a distribution system operator, managing tens of thousands of distributed energy resources on behalf of the Australian Energy Market Operator

Victoria Power Networks

Victoria Power Networks (VPN), through CitiPower and Powercor Australia, is an electricity distributor in Australia's Victoria state, managing 100,200 km of networks and serving approximately 1.3 million customers.

Victoria Power Networks

Power Assets Interest:
27.93%

CitiPower	Powercor
Joined Since: **July 2002**	Joined Since: **September 2000**
Network Length: **7,500 km**	Network Length: **92,700 km**
No. of Customers: **337,000**	No. of Customers: **925,000**

VPN sold 16,518 GWh of electricity during the year, compared to 16,076 GWh in 2021. Both CitiPower and Powercor networks continued to experience customer growth with 24,889 new connections.

Powercor successfully completed major improvements to allow more than 185,000 homes to export excess rooftop solar power to the grid for use by businesses across western Victoria. The company upgraded more than 700 individual items of work on 53 zone substation supply areas and other electrical infrastructure, successfully increasing network capacity.

Beon Energy Solutions, a subsidiary of VPN, has continued to lead the solar farm construction sector. In 2022, commercial operations began on the 240-MW Avonlie Solar Farm in New South Wales, while construction was completed on the 115-MW Metz Solar Farm in New South Wales, and the 18-MW Eastern Treatment Solar Farm and the 9-MW Winneke Solar Farm in Victoria.

Following major storm damage in 2021, VPN implemented a number of initiatives to enhance faults communications capabilities and on-the-ground emergency support. In 2022, the company deployed its first mobile emergency response vehicle, fully equipped to support communities impacted by extended outages. The vehicle is now a central hub for Powercor to provide localised updates to communities, together with an on-board generator, flood lighting, and phone charging facilities for residents, among other equipment. Improvements to SMS customer messaging relating to outage restoration times were also rolled out.

Powercor engineers replace power poles in western Victoria to increase network safety and resilience.

Australian Gas Networks

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

Australian Gas Networks

Power Assets Interest: **27.51%**	Joined Since: **August 2014**
Gas Pipeline Length: **27,000 km**	No. of Customers: **1,400,000**

AGN's total gas deliveries amounted to 98 million GJ, lower than 2021. The decrease was due to warmer weather in the first part of the year and slight decline in demand from larger customers.

The company outperformed customer satisfaction targets and achieved excellent safety performance. To maintain network performance and minimise leakage, it replaced about 260 km of old cast iron and unprotected steel pipelines with polyethylene.

Following extensive groundwork, AGN submitted its plan to the regulator for the new regulatory period, which commences in 2023. The company ran a comprehensive stakeholder engagement campaign during the preparation of the plan in collaboration with other industry participants. The campaign received an industry award recognising its value-driven engagement.

Hydrogen-related projects remained a key priority. Following previous success, AGN expanded its efforts and made progress on hydrogen projects in Murray Valley, South Australia, and Gladstone, which will provide green hydrogen for residential and industrial use.

AGN's customer service standards are highly rated by around 1.4 million customers.

CK William

CK William owns and operates four energy companies across electricity and gas distribution and sustainable distributed energy production. These include (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 global generation company specialising in energy from sustainable sources.

CK William

Power Assets Interest: **20%**	Joined Since: **May 2017**
Network Length: **13,500 km**	No. of Customers: **1,429,000**
Gas Pipeline Length: **14,200 km**	Total Installed Capacity: **1,042 MW**

DBP's total gas throughput averaged 1,090 TJ/day, compared to 1,060 TJ/day in 2021. A pipeline upgrade project in the Waitsia area will expand capacity and system capabilities, allowing it to connect a new gas plant while continuing to supply existing customers in the Pilbara and Perth metropolitan areas.

EDL had a total global installed capacity of 1,042 MW mostly in sustainable distributed energy solutions, with Australia accounting for more than 73% of operations. Global generation output in 2022 dropped by 5.5% due to declines in gas availability, customer demand

EDL's Agnew hybrid renewable microgrid supplies green energy with battery storage to the Gold Fields' Agnew gold mine community.

UE completes a major upgrade to the Sandringham Zone Substation as part of a multi-million network enhancement project.

and the conversion of two power stations to renewable natural gas (RNG). The conversion to RNG resulted in a 44% increase in gas production in 2022. The company's output offset about 4.1 million tonnes of carbon emissions, equivalent to removing about 1.2 million cars from the road. EDL commenced operations of the Jabiru Hybrid Renewable Power Station in the Northern Territory, supplying green electricity to the town of Jabiru.

MG recorded sales of 54.5 TJ in 2022, lower than 2021, which may be attributed to a combination of warmer weather and reduced residential consumption. The collaborative hydrogen-related project with AGN (Hydrogen Park Murray Valley project) progressed. The company ran a major promotional campaign educating consumers on the benefits of appliances powered by natural gas, focussing on the emissions benefits when green hydrogen is used. Customer and stakeholder engagement and feedback improved over previous years, as did assistance to vulnerable customers. MG submitted its final plan to the regulator for the 2023 reset.

UE sales stood at 7,723 GWh (2021: 7,475 GWh) of electricity during the year due to increased demand. The network continued to experience customer growth with 9,000 new connections. More than 108,000 residential rooftop solar systems (473 MW) are presently connected. UE exceeded benchmarks in customer service and reliability. Forty pole-top batteries with a total capacity of 1.2 MW were installed in Melbourne, significantly improving system stability and reliability. UE also completed widespread system upgrades to support increased uptake of rooftop solar power systems, improving power quality for more than 40,000 homes and businesses.

AEO's network infrastructure connects more than 800 MW of wind energy to the grid.

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. The company supported Australia's energy transition and already has more than 800 MW of wind farm connections directly to its network assets.

Australian Energy Operations

Power Assets Interest: **50%**

Joined Since: **July 2012**

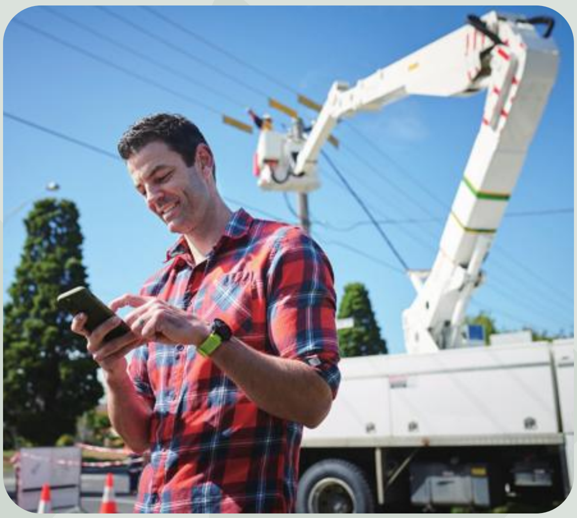
Network Length: **71 km**

AEO delivered reliable operations during the year. It was awarded a 20-year system strength contract for the development, construction and operation of a 250-MVA synchronous condenser located adjacent to its Ararat Terminal Station. The facility will commence operations in 2025, connecting 600 MW of renewable generation to the grid, strengthen the power system and increase renewable generation capacity in Victoria, Australia.

Digitalisation of customer services

In Australia, providing first-class digital interactions is a key priority for VPN and UE. To meet increasing demand and evolving customer preferences, the two companies launched a range of innovative digital customer experiences. Most notable among these was the launch of a "virtual front counter", with single-sign-on functionality. Customers can use this to submit connection requests; track projects end to end; check on the status of fault restoration; and submit complaints, claims or compliments. The platform stores all documentation and forms, allowing customers to go totally paperless.

UE also launched a new platform, 'UEConnect', offering a more streamlined connections process for electricians and consumers.



MAINLAND CHINA

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

In March 2022, the National Development and Reform Commission released the 14th Five Year Plan for a modern energy system, which among other goals, targets for non-fossil fuel sources to account for around 39% of power generation and approximately 20% of power consumption by 2025. In this context, our power plant and wind farms continued to deliver reliable results and run operations with minimal emissions.

Jinwan Power Plant

Operating under a long-term joint venture agreement with a partner in Mainland China, the Jinwan co-generation power plant owns two coal-fired heat and power generating units with a total capacity of 1,200 MW in Guangdong province.

Jinwan Power

Power Assets Interest: **45%**

Joined Since: **April 2009**

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

Electricity sold by the Jinwan power plant was 6,052 GWh (average of 2019 to 2021: 4,467 GWh), with average tariff up by 20% as compared with 2021 due to strong industrial demand, higher temperatures, and low electricity supply from Western China. Approximately 4.65 million GJ of steam was generated, higher than 3.72 million GJ in 2021. Jinwan outperformed all statutory emission caps.

Volatile coal prices continued to affect the sector, despite pricing and supply reform in the upstream coal market. In response, Jinwan continued with cost-saving programmes and increased the average tariff. The plant's demineralised water system was expanded to prepare for future growth in demand for low-pressure steam in the Gaolan industrial zone. After completion, the system will increase the plant's steam supply capacity from 200 t/h to 320 t/h.

A turbine efficiency study was conducted to determine whether a steam path retrofit would help improving the efficiency of the plant's turbines, and a development plan will be finalised in 2023.

The Jinwan Power Plant's maintenance and repair programme minimises emissions while maintaining performance.

Dali and Laoting Wind Farms

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

In 2022, performance of the two wind farms was stable with 191 GWh of electricity generated. The output of the two wind farms jointly offset 166,240 tonnes of carbon emissions.

The Group's renewables investments include wind farm at Dali in Yunnan province.

Dali Wind Power			Laoting Wind Power		
Power Assets Interest:	Joined Since:	Wind Turbine:	Power Assets Interest:	Joined Since:	Wind Turbine:
45%	December 2007	48 MW	45%	June 2008	49.5 MW

THAILAND

Ratchaburi Power Company

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

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

RPCL generated 1,075 GWh of electricity in 2022 and exceeded its operating targets on availability, capacity factor, and plant operations. This strong performance enabled it to secure availability payments from the regulator. Additional fuel cost savings were achieved from optimised operations.

RPCL's strong safety performance secured several prestigious awards from the government and public organisations such as the Thailand Institute of Occupational Safety and Health.

CANADA

Canada is one of the Group's strategic locations, with a stable and mature energy market and a strong focus on decarbonisation. In response, we began migrating our generation infrastructure from coal to gas-fired in 2020.

The North American crude oil market environment was robust throughout 2022. The sustained economic recovery resulted in increased customer production and throughput volumes that returned to near pre-pandemic levels. However, Canada was not immune to macro-economic issues such as energy price fluctuations and inflationary pressures. Despite this volatility, our operating companies delivered stable revenue streams under long-term offtake contracts.

Canadian Power's Okanagan wind farm supplies renewable electricity to British Columbia.

Canadian Power Holdings

Canadian Power Holdings operates a portfolio of power plants and wind farms with a total capacity of 1,314 MW.

TransAlta Cogeneration

Power Assets Interest:	Joined Since:	Total Installed Capacity:
25%	**December 2007**	**1,064 MW**

Meridian

Power Assets Interest:	Joined Since:	Gas-fired Combined Cycle Cogeneration:
50%	**December 2007**	**220 MW**

Okanagan Wind Power

Power Assets Interest:	Joined Since:	Wind Turbine:
50%	**June 2021**	**30 MW**

2022 marked the first full year of fully gas-fuelled operations for the Sheerness power plant, enabling it to cut carbon emissions by about 50%. The Sheerness and four other power plants produced a total of 3,564 GWh of electricity. The two wind farms operated by Okanagan

Wind sent out 82 GWh of green electricity to offset carbon emissions. All plants met their operating targets for availability, performance and efficiency.

Husky Midstream Limited Partnership

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

To ensure asset and employee safety, an expert working for HMLP demonstrates fire prevention procedures at Lloyd Terminal.

Husky Midstream Limited Partnership

Power Assets Interest: **48.75%**

Joined Since: **July 2016**

Oil Pipeline Length: **2,300 km**

Oil Storage Capacity: **5.9 million barrels**

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

In 2022, HMLP met operational targets for its midstream pipeline and terminal assets in Alberta and Saskatchewan and its gas infrastructure assets in Alberta. Fifty-six customers were active within the Hardisty terminal during the year, which had a throughput of approximately 570,000 barrels per day.

The company completed and placed into service several major expansion projects. These included the Onion Lake Lateral project connecting to the Cold Lake Gathering System, the Spruce Lake North Lateral project connecting to the Saskatchewan Gathering System, and tank connectivity projects in the Hardisty terminal. These investments will bring in stable revenues supported by long-term take-or-pay contracts.

HMLP implemented engineering transformation and facility integrity management programmes for ongoing enhancement of the safety, reliability, and integrity of its assets. The improvements also enable HMLP to improve operating efficiencies, facilitate future growth, and minimise environmental impact. The company made significant progress in implementing industry best practices in the critical areas of asset integrity and control room management, which will further contribute to the safe operations of the company's systems.

NETHERLANDS

Dutch Enviro Energy Holdings B.V.

Dutch Enviro Energy Holdings B.V., which owns AVR-Afvalverwerking B.V. (AVR), is an energy-from-waste producer in Rotterdam and Duiven. It generates electricity, heat, and steam from the combustion of residual waste. Electricity is supplied to the national grid, and steam is used for domestic and industrial heating. AVR has around 20% market share of total residual waste incinerated.

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: **1,652 kT/yr**	Paper Residue Incineration: **142 kT/yr**
Liquid Waste Treatment: **198 kT/yr**	Biomass Energy: **116 kT/yr**

AVR processed a total of 2,490 kT of waste and generated 7,759 TJ of energy in 2022. With an ethos of 'nothing goes to waste,' the company recovered secondary resources as much as possible, recycling 25 kT of plastic during the year. 43 kT of carbon dioxide was recovered from flue gasses and supplied to greenhouses to support horticulture.

A new back-pressure steam turbine came into operation at the beginning of the year and enabled AVR to expand heat supply to Rotterdam's Eneco and Vattenfall districts. At maximum power, this turbine can meet the annual consumption of 60,000 households. It provides AVR with the scalable capacity needed to support the anticipated growth of district heating and steam demand while minimising cooling waste.

The company successfully concluded a cooperation agreement with various industrial companies in Rotterdam Port to investigate expanding its supply of sustainable process steam further, with the purpose of steady revenue increase from 2025 and beyond. In response to increased demand, it received a grant for a second CO_2 capture installation in Duiven with a capacity of 60 kT per year. The new installation will supply liquid CO_2 to the nearby Dutch greenhouse horticulture sector.

AVR was granted government subsidies to develop a carbon capture, utilisation and permanent storage facility at Rozenburg and Duiven. This large-scale system will reduce emissions of more than 500 kT CO_2 per year from 2027.

An AVR engineer discusses the company's energy-from-waste innovations during a customer interaction.

NEW ZEALAND

Wellington Electricity Lines

Wellington Electricity Lines Limited (WELL) serves over 173,000 domestic, commercial, and industrial customers in Wellington city in New Zealand. Its 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: **173,000**

WELL sold 2,279 GWh of electricity (2021: 2,240 GWh) and maintained a network of approximately 4,800 km. Severe weather events affected the country in 2022, damaging the network and negatively impacting reliability. Ongoing proactive network maintenance and upgrade works to enhance resilience to withstand severe storms continued during the year. Most notably, this involved upgrades to the Frederick Street zone substation, which supplies the Wellington central business district and several of the city's suburban areas. A new protection system and two new 33-kV cables were installed on schedule.

The New Zealand government has finalised its Emission Reductions Plan to become carbon neutral by 2050. The plan includes the electrification of light transport and transitioning some coal and gas consumption to renewable electricity. WELL continues to develop the long term investment requirements to deliver the decarbonisation plan. WELL expects electrification for decarbonisation will result in a 100% increase in peak electricity demand by 2050. The model also highlights the need for an increase in regulatory funding for new network capacity and changes to the regulatory framework to provide for the step change in investment. The regulator is reviewing the methodology used to set allowances for network investment levels. The review will be completed by December 2023, in time for the next regulatory reset in 2025.

In 2022, the number of Electric Vehicles (EVs) in Wellington increased by 75% year on year, increasing electricity consumption. This trend is expected to continue, with government's plan for decarbonising all road transport by 2050. WELL developed a roadmap with the electricity industry, outlining the actions needed to accommodate EVs into the electricity system. WELL is also working with other industry working groups to trial and test new services that directly manage EV charging periods away from network peak congestion periods.

WELL workers repair high-voltage poles to upkeep network reliability.

Board of Directors and Management Team

Board of Directors

Executive Directors

FOK Kin Ning, Canning *Chairman*

Aged 71. 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 Commissioner 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 65. 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 60. 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 64. 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 40 years of experience in accounting and financial management.

Neil Douglas MCGEE

Aged 71. Appointed to the Board in 2005 as an Executive Director, and re-designated as a Non-executive Director in August 2012 and as an Executive Director in January 2014. He was Group Finance Director from February 2006 to August 2012. Mr. McGee has held various legal, corporate secretarial, finance and management positions with the Group and the CK Hutchison Group. He is also a Director or Alternate Director of certain joint ventures of the Company. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

WAN Chi Tin

Aged 72. 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 ("HKIE") and a Fellow of The Hong Kong Management Association. Mr. Wan was previously a member of the Audit Committee of The University of Hong Kong and Vice Chairman of the Engineers Registration Board of Hong Kong.

Non-executive Directors

LEUNG Hong Shun, Alexander

Aged 60. 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 58. 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 ("CKA"). 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. Mr. Li serves as a member of the 14th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China and a member of the Chief Executive's Council of Advisers of the Hong Kong Special Administrative Region. He is also Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is the Honorary Consul of Barbados in Hong Kong and is awarded the Grand Officer of the Order of the Star of Italy. He acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial shareholders of the Company. Mr. Li holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.).

Independent Non-executive Directors

Stephen Edward BRADLEY

Aged 64. Appointed to the Board in May 2022. Mr. Bradley is an Independent Non-executive Director of CKA, a listed company, a Director of CNEX (Shanghai CFETS-NEX International Money Broking Co., Ltd.) and Broad Lea Group Ltd, and Senior Advisor to CME Group. He was previously an Independent Director of Husky Energy Inc. which was delisted on 5 January 2021 following its combination with Cenovus Energy. Mr. Bradley entered the British Diplomatic Service in 1981 and retired from the British Diplomatic Service in 2009, having served in various capacities including Director of Trade & Investment Promotion (Paris) from 1999 to 2002; Minister, Deputy Head of Mission & Consul-General (Beijing) from 2002 to 2003; and HM Consul-General (Hong Kong) from 2003 to 2008. He also worked in the private sector as Marketing Director, Guinness Peat Aviation (Asia) and Associate Director, Lloyd George Management (now a part of BMO Global Asset Management). Mr. Bradley holds a Bachelor of Arts degree from Balliol College, University of Oxford, England and a post-graduate diploma from Fudan University, Shanghai.

IP Yuk-keung, Albert

Aged 70. 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 member of the Court and Senior Advisor to the President of The Hong Kong University of Science and Technology, and the Chairman of Career Development Advisory Council and Special Advisor to the Dean of the School of Business and Management of the university. He is also a member of the Court of City University of Hong Kong. He was formerly a Council Member of The Hong Kong University of Science and Technology. 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, 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. He is also an Independent Non-executive Director of Lifestyle International Holdings Limited which was delisted on 20 December 2022. Mr. Ip was formerly an Independent Non-executive Director of TOM Group Limited, a listed company. Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science in Applied Mathematics and a Master of Science in Accounting and Finance.

KOH Poh Wah

Aged 66. Appointed to the Board in May 2021. Ms. Koh has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering. Ms. Koh is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited which is the manager of Fortune Real Estate Investment Trust, a listed real estate investment trust. Ms. Koh is also an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL which is a company listed together with HKEI, and a Director of HK Electric. Ms. Koh was previously the Regional Accountant (Alpha Asia Pacific) of Alpha International, a non-profit organisation, from 2012 to 2015 in charge of the finance functions for Alpha Asia Pacific region, Alpha Singapore and AAP Publishing Pte. Ltd. Prior to this role she was a Director with Future Positive Pte. Ltd. working extensively on information technology and business re-engineering consultancy areas. Ms. Koh also worked for American International Assurance Co. Ltd. for 15 years during the period from 1986 to 2000, with her last position as Vice President – Quality Support & Operations Management. Ms. Koh holds a Master of Science in Management Science and Operational Research, a Bachelor of Arts Degree (Honours) in Accounting, and a Diploma from Institute for the Management of Information Systems (previously known as Institute of Data Processing Management, UK) and a Fellow of Life Management Institute (USA).

KWAN Chi Kin, Anthony

Aged 67. Appointed to the Board in May 2022. Mr. Kwan has over 40 years of experience in engineering. He joined the CK Group in May 1990 and was a member of Executive Committee and General Manager, Building Cost & Contract Department of CKA, a listed company, before his retirement in 2018. Mr. Kwan holds a Higher Diploma in Building Technology and Management. He is a Registered Professional Surveyor, a Registered Professional Engineer, a member of The Hong Kong Institute of Surveyors, a member of HKIE and a member of Hong Kong Institute of Construction Managers.

WU Ting Yuk, Anthony

Aged 68. 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 and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region, the Deputy Chairman and an Executive Director of Sincere Watch (Hong Kong) Limited, and an Independent Non-executive Director of Fidelity Funds, Agricultural Bank of China Limited and Guangdong Investment Limited. 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 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 the Chairman and a Non-executive Director of Clarity Medical Group Holding Limited, and an Independent Non-executive Director of China Taiping Insurance Holdings Company Limited, CStone Pharmaceuticals, Venus Medtech (Hangzhou) Inc., Ocumension Therapeutics, Sing Tao News Corporation Limited and Hui Xian Asset Management Limited which is the manager of Hui Xian Real Estate Investment Trust. All the companies mentioned above except for Hui Xian Asset Management Limited are listed companies, and Hui Xian Real Estate Investment Trust is a listed real estate investment trust. Mr. Wu is an Honorary Fellow of Hong Kong College of Community Medicine. He is a Fellow of the HKICPA and the Institute of Chartered Accountants in England and Wales, and an Honorary Chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch.

Management Team

CHAN Kee Ham, Ivan

Aged 60. 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 54. General Manager, has been with the Group since September 1990. He is responsible for business development activities which include both acquisition and greenfield development globally. He holds a Bachelor of Science degree in Mechanical Engineering.

Jeffrey KWOK

Aged 65. 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 53. 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 58. 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 50. 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. Ms. Yu holds a Master of Business Administration degree. She is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Institute of Directors. Ms. Yu is also a Certified Environmental, Social and Governance Analyst of The European Federation of Financial Analysts Societies.

Corporate Governance Report

Corporate Governance

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

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 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 2022.

Vision, Missions and Core Values

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

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

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

Board of Directors

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

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

All Directors, including the Non-executive Directors and the Independent Non-executive Directors, have independent access to the management team for information on the Group and unrestricted access to the advice and services of the Company Secretary on governance matters and board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company.

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

Board Composition

The Board currently comprises six Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. The number of Independent Non-executive Directors meets the one-third requirement under the Listing Rules, among which more than one of them have appropriate professional qualifications or accounting or related financial management expertise.

The changes to the board composition during 2022 were as follows:

(1) Mr. Ralph Raymond Shea and Mr. Lui Wai Yu, Albert resigned as Independent Non-executive Directors, both with effect from the conclusion of the annual general meeting of the Company held on 18 May 2022 (the "2022 AGM"); and

(2) Mr. Stephen Edward Bradley and Mr. Kwan Chi Kin, Anthony were appointed as Independent Non-executive Directors, both with effect from the conclusion of the 2022 AGM.

Biographical details of the Directors are set out in the Board of Directors and Management Team section on pages 30 to 34 of the Annual Report. An updated list of Directors containing their biographical information is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

Board Committees

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

Board Proceedings

The Board 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 for informed decisions and acts as co-ordinator for management in providing clarification sought by Directors.

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

Directors' Attendance of Meetings

Directors attend to the affairs of the Group through their participation at the Board and board committee meetings and the annual general meeting. In addition, the Chairman held meetings with the Independent Non-executive Directors without the presence of other Directors, to listen to their independent views on matters relating to the Group and its operations. The attendance record of the meetings during 2022 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 18 May 2022
Executive Directors							
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	–	–	2/2	✓
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	4/4	–	–	–	–	–	✓
Victor T K Li	4/4	–	–	1/1	–	–	✓
Independent Non-executive Directors							
Stephen Edward Bradley (1)	3/3	–	–	–	–	2/2	–
Ip Yuk-keung, Albert	4/4	4/4	–	1/1	2/2	2/2	✓
Koh Poh Wah (2)	4/4	4/4	1/1	–	–	2/2	✓
Kwan Chi Kin, Anthony (3)	3/3	–	1/1	–	–	2/2	–
Lui Wai Yu, Albert (4)	1/1	–	–	–	–	–	✓
Ralph Raymond Shea (5)	1/1	2/2	–	1/1	–	–	✗
Wu Ting Yuk, Anthony	4/4	4/4	–	–	–	2/2	✓

Business Review

Corporate Governance

Financial Statements

Other Information

Notes:

(1) Appointed as an Independent Non-executive Director and a member of the Nomination Committee at the conclusion of the 2022 AGM.
(2) Appointed as the Chairman of the Remuneration Committee at the conclusion of the 2022 AGM.
(3) Appointed as an Independent Non-executive Director and a member of the Remuneration Committee at the conclusion of the 2022 AGM.
(4) Resigned as an Independent Non-executive Director and ceased to be a member of the Remuneration Committee at the conclusion of the 2022 AGM.
(5) Resigned as an Independent Non-executive Director and ceased to be the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee at the conclusion of the 2022 AGM.

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

Board Performance Evaluation

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

Subsequent to the financial year end, the Board conducted an evaluation of its performance for 2022 in the manner described above, and the results were reviewed at the Board meeting in March 2023. The Directors considered the Board and the board committees continued to operate effectively.

Nomination, Appointment and Re-election

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

Directors retiring by rotation at the forthcoming annual general meeting are Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Victor T K Li and Mr. Tsai Chao Chung, Charles. Mr. Stephen Edward Bradley and Mr. Kwan Chi Kin, Anthony, who were appointed as Directors subsequent to the last annual general meeting, will also retire at the forthcoming annual general meeting. All the abovementioned retiring Directors offer themselves for re-election. Information relating to these Directors required to be disclosed under the Listing Rules is contained in the circular to be despatched to shareholders together with this Annual Report.

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

Nomination Process

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

Nomination Committee

- considers candidates and existing Directors based on merit and attributes that he/she will bring to the Board with the skills, experience, expertise and diversity of perspectives appropriate for the Group's businesses, as well as the benefits of various aspects of diversity, including gender, age, ethnicity, cultural and educational background, professional experience and qualifications and other factors that may be relevant from time to time
- makes recommendations to the Board on the appointment of additional, replacement or re-electing directors based on the above factors
- where an additional or replacement director is required, deploys multiple channels for identifying suitable candidates, including referral from Directors, shareholders, management, advisors and external executive search firms

Board

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

Shareholders

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

Diversity

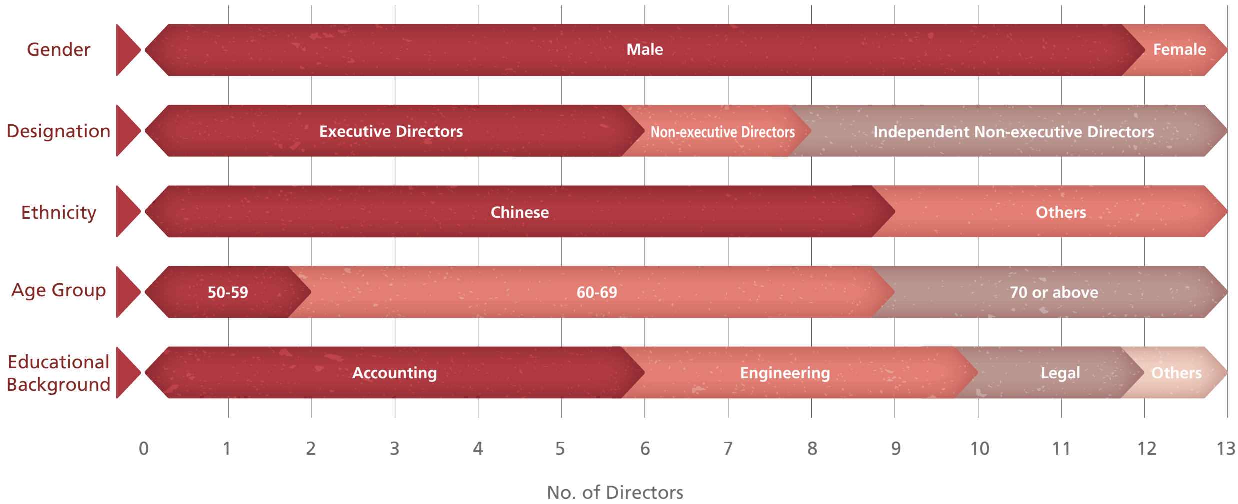
The Company recognises the importance of having qualified and competent Directors that possess a balance of skill set, experience, expertise and diversity of perspectives appropriate for its strategies, which can enhance decision-making capability and the overall effectiveness of the Board to achieve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

The full Board is ultimately responsible for reviewing the structure, size, diversity profile and skills matrix of the Board, appointment of new Directors and succession plan for Directors. They have delegated their responsibility to the Nomination Committee, and established the Director Nomination Policy and the Board Diversity Policy, which are published on the Company's website, to provide guidance on the approach and procedure for these processes. The Nomination Committee reviews the implementation of these policies and makes recommendation on any revisions as may be required to the Board for approval to ensure its continued effectiveness.

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

The same approach to gender diversity at the board level also applies to the Group's workforce, including the senior management. As of 31 December 2022, 73.3% and 26.7% of the Group's employees were male and female respectively. The Group recognises the value of gender diversity to promote a diverse and inclusive working environment and welcomes increased female representation at all levels. However, the Group currently does not consider it appropriate to set any specific gender target for its workforce. The availability of female candidates for many of the engineering positions is currently somewhat limited, and being an equal opportunity employer, the Group also considers other relevant factors in making its decision on fitting the right person to the right position.

The diversity profile of the Board as at 31 December 2022 is as follows:



Board Independence

The Company is committed to promoting strong Board independence.

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

Each Independent Non-executive Director has provided a confirmation of his/her independence (which also covers his/her immediate family members) to the Company for the financial year 2022 pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider them to be independent.

The Board has put in place mechanisms to ensure independent views and inputs from Directors are available to the Board. The Chairman holds meetings annually with Independent Non-executive Directors without the presence of other Directors to encourage them to voice out their independent views and promote an open and constructive dialogue. During the year, the Chairman had two such meetings with the Independent Non-executive Directors to discuss matters relating to the Group and its operations. In addition, all Directors, including Independent Non-executive Directors, provide valuable views and inputs to the Board through the board performance evaluation mentioned earlier in this report. The Board has reviewed the above mechanisms and their implementation for the financial year 2022 and considered them to be effective.

Directors' Interests in Competing Business

In 2022 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 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 2022, and they have participated in the following training activities:

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

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

3. Reading materials and e-trainings on sustainability

Directors	1	2	3
Executive Directors			
Fok Kin Ning, Canning	✓	✓	✓
Tsai Chao Chung, Charles	✓	✓	✓
Chan Loi Shun	✓	✓	✓
Andrew John Hunter	✓	✓	✓
Neil Douglas McGee	✓	✓	✓
Wan Chi Tin	✓	✓	✓
Non-executive Directors			
Leung Hong Shun, Alexander	✓	✓	✓
Victor T K Li	✓	✓	✓
Independent Non-executive Directors			
Stephen Edward Bradley (1)	✓	✓	✓
Ip Yuk-keung, Albert	✓	✓	✓
Koh Poh Wah	✓	✓	✓
Kwan Chi Kin, Anthony (1)	✓	✓	✓
Lui Wai Yu, Albert (2)	N/A	N/A	N/A
Ralph Raymond Shea (2)	N/A	N/A	N/A
Wu Ting Yuk, Anthony	✓	✓	✓

Notes:

(1) Appointed as an Independent Non-executive Director on 18 May 2022.

(2) Resigned as an Independent Non-executive Director on 18 May 2022.

For new Directors, Mr. Stephen Edward Bradley and Mr. Kwan Chi Kin, Anthony (both Independent Non-executive Directors), appointed during the year, the Company provided briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules.

Directors' Securities Transactions

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

As stated in the policy, the Board has adopted the Model Code for Securities Transactions by Directors (the "Model Code") set out in Appendix 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 2022.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

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

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

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

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

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

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals, and are subject to retirement from their directorship by rotation and re-election once every three years at the annual general meeting. During 2022, the Chairman was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

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

Chairman	Chief Executive Officer
• provides leadership to, and oversees the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group • ensures that good corporate governance practices and procedures are established • acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group • approves board meeting agendas and ensures that meetings of the Board are planned and conducted effectively and that all Directors are properly briefed on issues arising at board meetings • maintains an ongoing dialogue with the Independent Non-executive Directors for their independent views	• manages the businesses of the Group and assumes full accountability to the Board for all Group operations • attends to the formulation and successful implementation of Group policies • attends to developing strategic operating plans and ensures the maintaining of the operational performance of the Group • ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary • maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues

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

As at 31 December 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

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

Note: The approximate percentages of shareholding in this table were computed based on the number of issued shares of the Company as at 31 December 2022, being 2,131,105,154 shares.

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

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

Notes:

(1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("SSUs") are held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

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

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

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

(3) Such SSUs are held by a company which is equally owned by Mr. Fok Kin Ning, Canning and his wife.

Save as disclosed above, as at 31 December 2022, 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 currently comprises three Independent Non-executive Directors. It is chaired by Mr. Ip Yuk-keung, Albert, and the other members are Ms. Koh Poh Wah and Mr. Wu Ting Yuk, Anthony. Mr. Ralph Raymond Shea, an Independent Non-executive Director resigned with effect from the conclusion of the 2022 AGM, was also a member of the committee until his resignation. None of the committee members is a partner or former partner of the Group's external auditor.

Responsibilities

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

Work Done

The Audit Committee held four meetings in 2022. Management are available at all of these meetings to assist with any information and resources as may be required to enable committee members to carry out their functions. During the year, members reviewed and considered matters including:

- the interim and annual results and reports, and the financial highlights;
- the risk management reports 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 ("ESG") Reporting Guide;
- the continuous professional development activities (including trainings related to ESG) undertaken by Directors and senior managers, as well as the adequacy of resources, staff qualifications and trainings of accounting, internal audit and ESG performance and reporting functions;
- the report on engagement for shareholders and investors for the half year ended 30 June 2022 for assessment of the implementation and effectiveness of the Shareholder Communication Policy;

- auditor related matters (including fees, engagement, independence, re-appointment and auditor's report); and

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

Representatives from KPMG, the external auditor, were invited to attended two of the meetings to discuss the 2021 audited financial statements, the 2022 audit plan and various accounting matters with the committee members.

Subsequent to the financial year end, the Audit Committee held a meeting in March 2023, at which it reviewed the Group consolidated financial statements for the year ended 31 December 2022 and the Annual Report 2022; 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 2023.

Nomination Committee

The Nomination Committee comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Mr. Ip Yuk-keung, Albert (an Independent Non-executive Director), and the other members are Mr. Stephen Edward Bradley (an Independent Non-executive Director and appointed to the committee on 18 May 2022 following the aforesaid resignation of Mr. Ralph Raymond Shea as an Independent Non-executive Director and his cessation as a member of the committee) and Mr. Victor T K Li (a Non-executive Director).

Responsibilities

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

Work Done

The Nomination Committee held a meeting in March 2022. During the year, members performed matters including:

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

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

- resolved to recommend the nomination of all the retiring Directors standing for re-election at the 2022 AGM; and

- considered and recommended the appointments of Mr. Stephen Edward Bradley and Mr. Kwan Chi Kin, Anthony as Independent Non-executive Directors to fill the vacancies following the resignations of Mr. Lui Wai Yu, Albert and Mr. Ralph Raymond Shea as Independent Non-executive Directors.

Remuneration Committee

The Remuneration Committee comprises three members, a majority of which are Independent Non-executive Directors. It is chaired by Ms. Koh Poh Wah (an Independent Non-executive Director and appointed to the committee on 18 May 2022 following the aforesaid resignation of Mr. Ralph Raymond Shea as an Independent Non-executive Director and his cessation as the Chairman of the committee), and the other members are Mr. Fok Kin Ning, Canning (the Chairman of the Board) and Mr. Kwan Chi Kin, Anthony (an Independent Non-executive Director and appointed to the committee on 18 May 2022 following the resignation of Mr. Lui Wai Yu, Albert as an Independent Non-executive Director and his cessation as a member of the committee).

Responsibilities

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

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

Work Done

The Remuneration Committee held a meeting in December 2022. During the year and under delegated responsibility from the Board, members considered and approved matters including:

- the performance-based bonus payable to the full time Executive Directors and management team in respect of the 2022 financial year and their remuneration for 2023; and
- the 2023 wage and salary review proposal for the Group's employees.

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

The emoluments paid to each Director for the 2022 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 2022 financial year is disclosed by bands in the same note.

Sustainability Committee

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

Responsibilities

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

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

Work Done

The Sustainability Committee held two meetings in 2022. During the year, members performed matters including:

- reviewed and approved the Company's joining and its pledge towards the United Nations Global Compact, and reviewed and endorsed the United Nations Sustainable Development Goals with goals and KPIs;
- assessed the Group's material sustainability issues, health and safety management, environmental management and other sustainability areas, and other updates on the Group's sustainability reporting; and
- reviewed the Sustainability Report 2021.

Subsequent to the financial year, the Sustainability Committee at a meeting held in March 2023 reviewed and recommended for the Board's approval the Sustainability Report 2022.

Company Secretary

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

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

External Auditor

Independence

KPMG, the external auditor and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance, have confirmed that they have been, for the year ended 31 December 2022, 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

Board Oversight

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

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

At the meetings held in March and August 2022, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2021 and for the half year ended 30 June 2022 respectively, and considered the systems effective and adequate.

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

Risk Management

Effective risk management is fundamental to the achievement of the corporate strategic objectives, and an enterprise risk management policy is in place to outline the framework and processes adopted by the Group and provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks at corporate and business unit levels in a pro-active and structured manner. These key risks include risks in topics such as climate change, reliability of energy supply, health and safety, cyber security, mergers and acquisitions, and compliance with local, national and international laws and regulations which the Group considered to be key material ESG issues. More details are given in the Risk Management and Risk Factors on pages 56 to 60 of the Annual Report.

Internal Control Environment

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

There are inherent limitations in any systems of risk management and internal control and accordingly the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Control Structure

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

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

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

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

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

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

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

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

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

Internal Control Assessment

Regarding the Group's Internal Control System, the Chief Executive Officer and an Executive Director review the results of the self-assessment on internal controls. The assessment of the effectiveness of entity-level controls is the first tier of the internal control self-assessment. Management of each business unit conduct surveys on entity-level controls self-assessment with reference to five components of internal control, namely, Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The second tier of internal control self-assessment at key business process level is also conducted to assess the effectiveness of controls over the operations within their areas of accountability and compliance with applicable laws and regulations. These assessments form part of the bases on which the Chief Executive Officer and an Executive Director formulate their opinion on risk management and internal control systems and report their results to the Audit Committee and the Board.

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

Internal Audit

The internal audit function, reporting to the Audit Committee and an Executive Director, provides independent assurance as to the existence and effectiveness of the risk management activities and internal controls in the operations of the Group's business units. Staff members are from disciplines including accounting, engineering and information technology.

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

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

The internal audit function facilitates the bi-annual risk management and internal control self-assessment which enables the Chief Executive Officer and an Executive Director to review the profile of the significant risks and how these risks have been identified, evaluated and managed, changes since the last assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. The results are presented to the Audit Committee.

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

Inside Information

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

Code of Conduct and Anti-corruption

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

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

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

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

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

Whistleblowing

To ensure high standards of openness, probity and accountability, the whistleblowing procedures, as set out in the Code of Conduct and Whistleblowing Procedure, allow employees as well as customers, suppliers, contractors, debtors and creditors to report any suspected violation of the Code of Conduct or improprieties, misconduct or malpractice within the Group, including fraud and illegal acts. Investigations are carried out on all reported cases. The results are reported to the Audit Committee and the Chief Executive Officer, and disciplinary and remedial actions are taken as appropriate. During 2022, 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 2022.

Public Float

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

Engagement of Shareholders

Shareholders' Rights

Dividend Policy

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

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

Registration and related matters

The Company handles share registration and related matters for shareholders, such as transfer of shares, change of address, change of dividend payment instruction, issue and/or loss of share certificates and death of shareholders, through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 135 of the Annual Report.

Financial Calendar and Other Information

A financial calendar of the announced key dates for 2022 and 2023 and other relevant share information are set out on page 136 of the Annual Report.

Shareholders Communications

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

The Audit Committee reviewed the engagement activities for the shareholders or investors conducted in 2022, and was satisfied with the implementation and effectiveness of the Shareholder Communication Policy.

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.

2022 Annual General Meeting
The 2022 AGM was held as a hybrid meeting. In addition to the traditional physical attendance, shareholders had the option of attending, participating and voting at the meeting through online access. The online access option allowed shareholders to participate in the meeting 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 2022, more than 21 clear days (as required by the Company's articles of association) prior to the meeting.

The 2022 AGM was attended by all Directors of the Company, other than one Independent Non-executive Director who was not able to attend due to other commitments. The chairmen and members of all board committees as well as representatives from KPMG, the external auditor, were available at the meeting to answer questions from shareholders, which could either be raised at the meeting venue or online. A separate resolution was proposed in respect of each substantially separate issue and voted by way of a poll, and the poll voting procedure was explained fully to shareholders at the start of the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, acted as scrutineer for the poll.

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

– Adoption of the audited Financial Statements, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2021 (99.5054%);

– Declaration of a final dividend of HK$2.04 per share (99.6304%);

- Election of Mr. Fok Kin Ning, Canning (86.2956%), Mr. Chan Loi Shun (94.5700%), Mr. Leung Hong Shun, Alexander (92.7990%) and Ms. Koh Poh Wah (99.0882%) as Directors;

- Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (95.5790%); and

- Granting of general mandates to Directors to issue and dispose of additional shares of the Company not exceeding 10% of the total number of shares in issue (99.2926%) and to repurchase shares of the Company (99.9789%).

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

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

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

Shareholders may, as a standing or an ad hoc instruction, elect to receive certain corporate 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 135 of the Annual Report.

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

Interests and Short Positions of Shareholders

As at 31 December 2022, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

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

Notes:

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

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

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

(4) The approximate percentages of shareholding in this table were computed based on the number of issued shares of the Company as at 31 December 2022, being 2,131,105,154 shares.

Save as disclosed above, as at 31 December 2022, 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.

Other Transactions

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

Non-competition Deed with HK Electric Investments Limited

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

The Company has complied with the Non-competition Deed during 2022 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 2022, 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

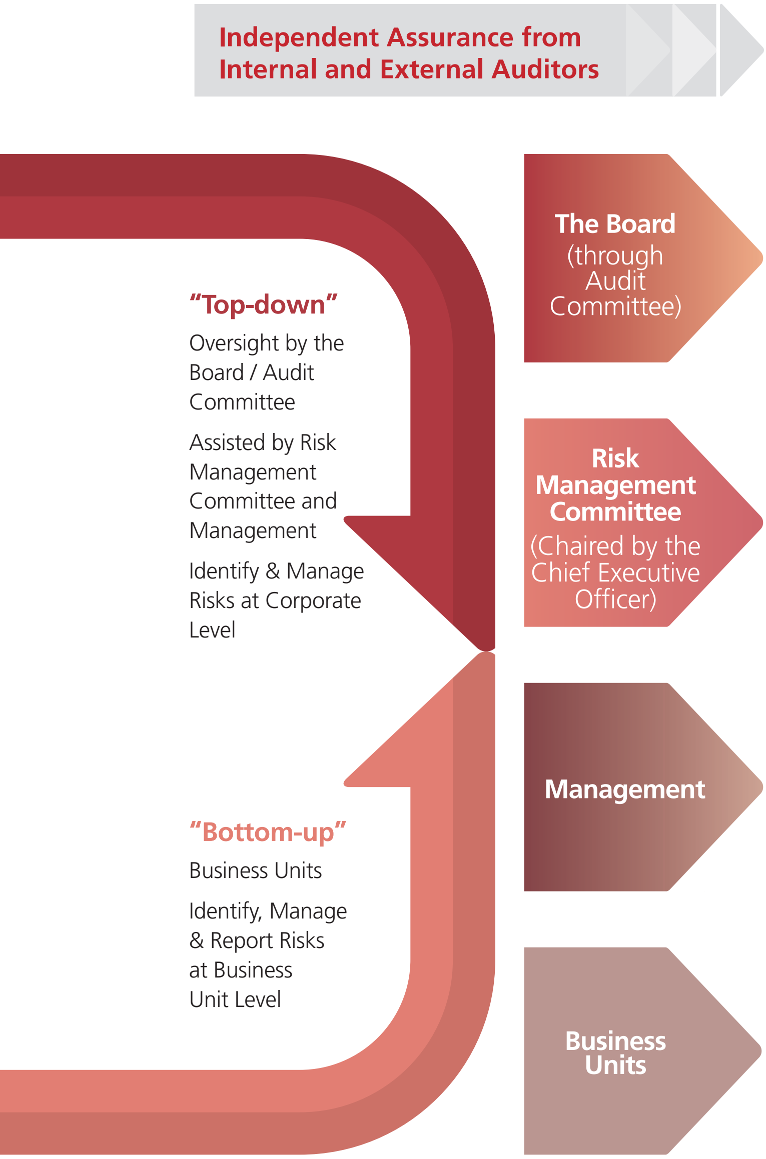
Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives.

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 including ESG risks, that the Group is willing to accept in pursuit of the Group's strategic and business objectives
- Discuss the risk management and internal control systems with management to ensure management has performed its duty to have effective systems

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

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

Risk & Control Monitoring

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

Front-Line Risk & Control Ownership

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

Risk Management Process

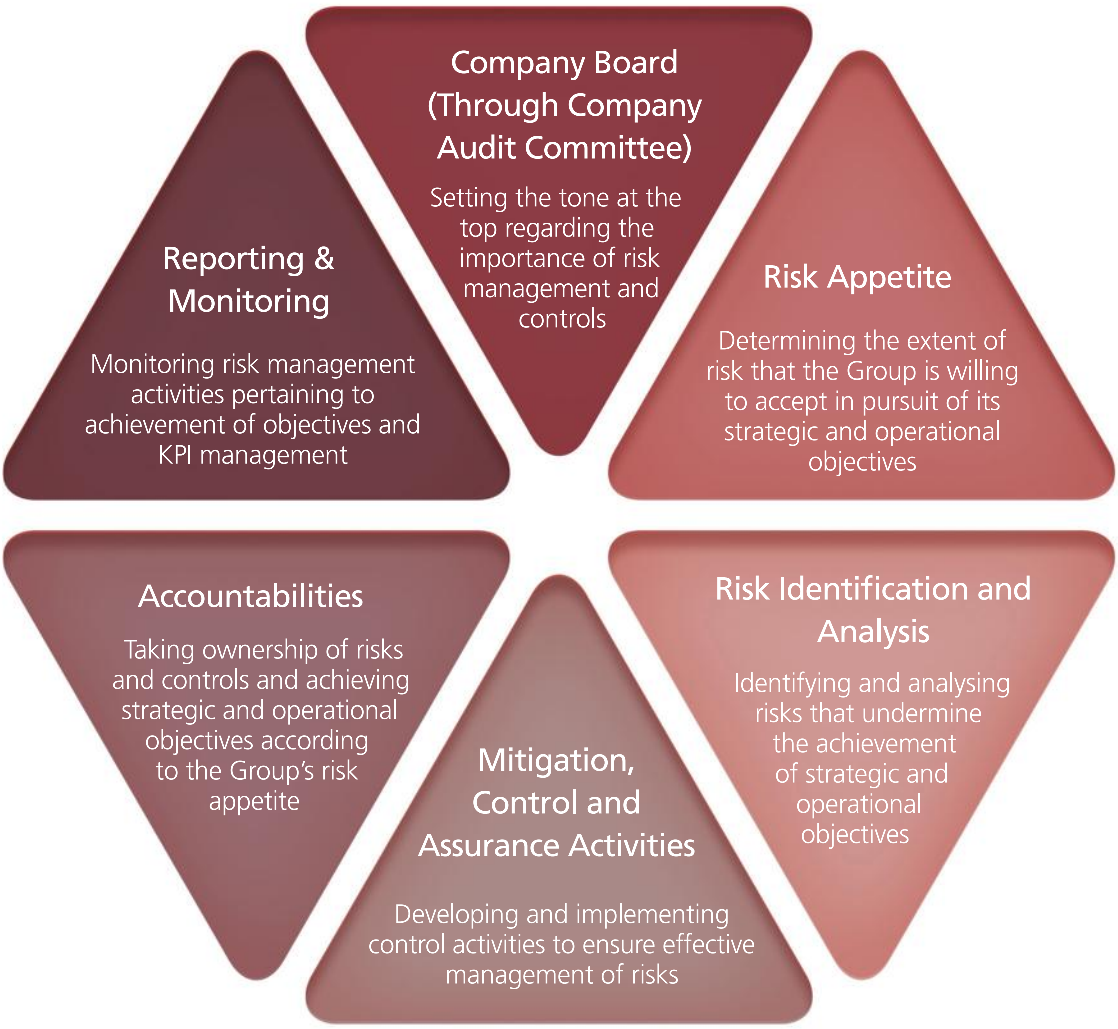
The risk management process is integrated into our day-to-day activities and is an on-going process involving all parts of the Group from the Board down to individual employees.

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

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

Fundamental to achieving our business goals is how we can effectively manage existing and emerging risks in different economic, social and political environments. A description of these risk factors is shown on pages 58 to 60 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.

Strategic and Operational Objectives



Risk Factors

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

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

Global Economy and Macro-Economic Conditions

The threat of the rising inflation and commodity prices, volatile energy prices, tightening financial conditions, supply chain bottlenecks, trade protectionism, and geopolitical tensions may pose downside risks to the world economy and global financial market.

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

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

Climate Change

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

To address the potential impact of climate-related risks and opportunities to our business, necessary steps recommended by the Task Force on Climate-related Financial Disclosures have been taken. The potential materiality of the risks and the opportunities have been identified and assessed to maximise the positive impacts and minimise the negative impacts on our business. In 2022, we conducted an initial identification and assessment of climate-related risks and opportunities. Details of the findings and the management framework are given in our Sustainability Report 2022.

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

Currency Markets and Interest Rates

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

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

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

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

Compliance with Local, National & International Laws and Regulations

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

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

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

Reliability of Energy Supply

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

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

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

Outbreak of Highly Contagious Disease

Although most of the countries where our businesses operate have lifted their COVID-19 measures such as social distancing and travel restrictions, any rebound of the pandemic may adversely impact our operations and overall business outcomes.

As the essential service provider of energy generation, transmission, and distribution across four continents, we have continuity plans, procedures, and guidelines in place to minimise the adverse impact on our core operations and services. The Group remains vigilant and is closely monitoring the impact on the business during the post-COVID period. We continuously review and improve guidelines and procedures to provide necessary support for changing domestic needs and requirements.

Financial Review

Financial Position, Liquidity and Financial Resources

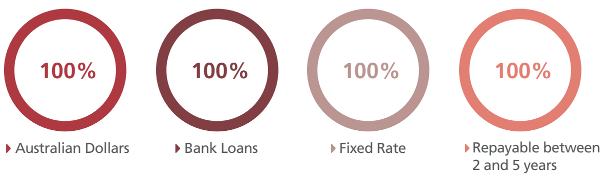
The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates at the year end were HK$84,636 million (2021: HK$87,135 million). Total unsecured bank loans outstanding at the year end were HK$3,236 million (2021: HK$3,433 million). In addition, the Group had bank deposits and cash of HK$5,894 million (2021: HK$4,610 million). As at 31 December 2022, the net cash position of the Group was HK$2,658 million (2021: HK$1,177 million). The Group did not maintain any undrawn committed bank facility at the year end (2021: HK$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.

The profile of the Group's external borrowings as at 31 December 2022, after taking into account interest rate swaps, was as follows:



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 2022 was HK$3,236 million (2021: HK$3,433 million). The fair value of forward foreign exchange contracts and cross currency swaps at 31 December 2022 was an asset of HK$2,608 million (2021: asset of HK$1,112 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 2022 amounted to HK$33,262 million (2021: HK$34,407 million).

Contingent Liabilities

As at 31 December 2022, the Group had given guarantees and indemnities totalling HK$253 million (2021: HK$363 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 2022, excluding director's emoluments, amounted to HK$27 million (2021: HK$24 million). As at 31 December 2022, the Group employed 14 (2021: 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 2022.

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 2022 are set out in Appendix 2 on page 130 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 56 to 60 and Financial Review on page 61 of this Annual Report, and also in the Sustainability Report to be published at the same time as this Annual Report in April 2023.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Chairman's Statement on pages 4 to 6 and the CEO's Report on pages 10 to 29 of this Annual Report, and the Sustainability Report mentioned above, whilst its compliance with the relevant laws and regulations that have a significant impact on the Group are included in the Corporate Governance Report on pages 35 to 55 and Risk Factors on pages 58 to 60 of this Annual Report. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2022 and the financial positions of the Group as at that date are set out in the financial statements on pages 69 to 133.

Dividends

An interim dividend of $0.78 (2021: $0.78) per ordinary share was paid to shareholders on 14 September 2022. The Directors recommend a final dividend of $2.04 (2021: $2.04) per ordinary share payable on 6 June 2023 to shareholders who are registered on the register of members on 23 May 2023.

Share Capital

Details of the shares movement during the year are set out in note 24(c) to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to $1 million (2021: $2 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 134.

Major Customers and Suppliers

Sales to the largest customer is 23.7% (2021: 25.9%) of the Group's total revenue, and sales to five largest customers combined is 79.7% (2021: 79.5%) of the Group's total revenue for the year ended 31 December 2022. The five largest customers for the year are the joint ventures or associates of the Company.

Purchases from the largest supplier is 34.1% (2021: 38.5%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 63.5% (2021: 73.4%) of the Group's total purchases of revenue items for the year ended 31 December 2022.

Directors

The Directors in office during the year and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Tsai Chao Chung, Charles, Mr. Stephen Edward Bradley (appointed on 18 May 2022), Mr. Chan Loi Shun, Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Ms. Koh Poh Wah, Mr. Kwan Chi Kin, Anthony (appointed on 18 May 2022), Mr. Leung Hong Shun, Alexander, Mr. Li Tzar Kuoi, Victor, Mr. Lui Wai Yu, Albert (resigned on 18 May 2022), Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea (resigned on 18 May 2022), Mr. Wan Chi Tin and Mr. Wu Ting Yuk, Anthony.

During the year, Mr. Ralph Raymond Shea resigned as a Director due to retirement, and Mr. Lui Wai Yu, Albert resigned as a Director in order to devote more time to his personal affairs. Both of them have no disagreement with the Board and do not have any matters in relation to their respective resignation that should be brought to the attention of the shareholders of the Company.

The list of directors and alternate directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available 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

During the year, the Company repurchased a total of 3,156,500 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited, with an aggregate consideration paid amounted to approximately $121 million. All the shares repurchased were subsequently cancelled during the year. As at 31 December 2022, the total number of shares of the Company in issue was 2,131,105,154.

Particulars of the share repurchases are as follows:

Month	Number of Shares Repurchased	Purchase Price per Share Highest $	Purchase Price per Share Lowest $	Aggregate Consideration $
September 2022	920,000	39.00	38.05	35,597,250.00
October 2022	2,236,500	39.80	35.50	85,403,514.65

The Directors considered that such repurchases would enhance the earnings per share and the net assets value per share attributable to the shareholders.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued securities during the year.

Arrangement to Purchase Shares or Debentures

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

Equity-linked Agreements

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

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 31 December 2022 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 2022	**$ million**
Non-current assets	407,111
Current assets	18,762
Current liabilities	(41,199)
Non-current liabilities	(270,576)
Net assets	114,098
Share capital	32,503
Reserves	81,595
Capital and reserves	114,098

As at 31 December 2022, the consolidated attributable interest of the Group in these affiliated companies amounted to $54,347 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 15 March 2023

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 133, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Accounting for interests in associates and joint ventures

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

The Key Audit Matter	How the matter was addressed in our audit
The Group's associates and joint ventures operate in Hong Kong and outside Hong Kong (including the United Kingdom, Australia, Thailand, the People's Republic of China, Canada, the Netherlands, New Zealand and the United States). The Group's share of profits less losses of associates and joint ventures for the year ended 31 December 2022 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 Shun, Wilson.

KPMG

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

15 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Revenue	4	**1,265**	1,276
Other net income	5	**58**	368
Other operating costs	7	**(159)**	(143)
Operating profit		**1,164**	1,501
Finance costs	8	**(104)**	(125)
Share of profits less losses of joint ventures		**2,994**	3,374
Share of profits less losses of associates		**1,784**	1,522
Profit before taxation	9	**5,838**	6,272
Income tax:	10		
Current		**(59)**	(54)
Deferred		**(130)**	(78)
		(189)	(132)
Profit for the year attributable to equity shareholders of the Company		**5,649**	6,140
Earnings per share			
Basic and diluted	12	**$2.65**	$2.88

The notes on pages 74 to 133 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 2022
(Expressed in Hong Kong dollars)

	2022 $ million	2021 $ million
Profit for the year attributable to equity shareholders of the Company	**5,649**	6,140
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**54**	(2)
Share of other comprehensive income of joint ventures and associates	**441**	1,681
Income tax relating to items that will not be reclassified to profit or loss	**(114)**	(426)
	381	1,253
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**(4,919)**	(1,414)
Net investment hedges	**2,019**	1,108
Cost of hedging	**(7)**	47
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current year	**237**	219
Share of other comprehensive income of joint ventures and associates	**4,191**	1,040
Income tax relating to items that may be reclassified subsequently to profit or loss	**(1,321)**	(373)
	200	627
	581	1,880
Total comprehensive income for the year attributable to equity shareholders of the Company	**6,230**	8,020

The notes on pages 74 to 133 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Non-current assets			
Property, plant and equipment and leasehold land	13	**18**	20
Interest in joint ventures	14	**57,331**	60,234
Interest in associates	15	**27,305**	26,901
Other non-current financial assets	16	**1,100**	1,100
Derivative financial instruments	21	**1,887**	1,034
Deferred tax assets	23(b)	**–**	45
Employee retirement benefit assets	22(a)	**6**	7
		87,647	89,341
Current assets			
Other receivables	17	**986**	353
Bank deposits and cash	18(a)	**5,894**	4,610
		6,880	4,963
Current liabilities			
Other payables	19	**(3,934)**	(3,417)
Current tax payable	23(a)	**(104)**	(137)
		(4,038)	(3,554)
Net current assets		**2,842**	1,409
Total assets less current liabilities		**90,489**	90,750
Non-current liabilities			
Bank loans and other interest-bearing borrowings	20	**(3,236)**	(3,433)
Lease liabilities		**(1)**	(3)
Derivative financial instruments	21	**(27)**	(267)
Deferred tax liabilities	23(b)	**(275)**	(134)
Employee retirement benefit liabilities	22(a)	**(93)**	(146)
		(3,632)	(3,983)
Net assets		**86,857**	86,767
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**80,247**	80,157
Total equity attributable to equity shareholders of the Company		**86,857**	86,767

Approved and authorised for issue by the Board of Directors on 15 March 2023.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

The notes on pages 74 to 133 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(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 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 and 1 January 2022	**6,610**	**(4,413)**	**(2,573)**	**82,789**	**4,354**	**86,767**
Changes in equity for 2022:						
Profit for the year	**–**	**–**	**–**	**5,649**	**–**	**5,649**
Other comprehensive income	**–**	**(2,907)**	**3,877**	**(389)**	**–**	**581**
Total comprehensive income	**–**	**(2,907)**	**3,877**	**5,260**	**–**	**6,230**
Final dividend in respect of the previous year approved and paid (see note 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))	**–**	**–**	**–**	**(4,347)**	**4,347**	**–**
Buy-backs and cancellation of shares (see note 24(c))	**–**	**–**	**–**	**(121)**	**–**	**(121)**
Balance at 31 December 2022	**6,610**	**(7,320)**	**1,304**	**81,916**	**4,347**	**86,857**

The notes on pages 74 to 133 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	2022 $ million	2021 $ million
Operating activities			
Cash used in operations	18(b)	**(207)**	(112)
Interest paid		**(108)**	(153)
Interest received		**1,128**	1,287
Tax paid for operations outside Hong Kong		**(92)**	(91)
Tax refunded for operations outside Hong Kong		**51**	8
Net cash generated from operating activities		**772**	939
Investing activities			
Payment for the purchase of property, plant and equipment		**(1)**	–
(Increase)/decrease in bank deposits with more than three months to maturity when placed		**(2,642)**	1,670
Investment in a joint venture		**(266)**	(270)
Investment in an associate		**–**	(174)
New loan to a joint venture		**–**	(204)
Repayment of loan from a joint venture		**56**	–
Net cash received on hedging instruments		**1,494**	548
Distribution from an associate		**667**	–
Dividends received from joint ventures		**3,324**	2,501
Dividends received from associates		**1,318**	1,808
Dividends received from equity securities		**58**	52
Net cash generated from investing activities		**4,008**	5,931
Financing activities			
Proceeds from bank loans		**–**	3,685
Repayment of bank loans		**–**	(3,679)
Capital element of lease rentals paid	18(d)	**(2)**	(3)
Payment for buy-back of shares	24(c)	**(121)**	–
Dividends paid to equity shareholders of the Company		**(6,019)**	(6,019)
Net cash used in financing activities		**(6,142)**	(6,016)
Net (decrease)/increase in cash and cash equivalents		**(1,362)**	854
Cash and cash equivalents at 1 January		**4,241**	3,388
Effect of foreign exchange rate changes		**4**	(1)
Cash and cash equivalents at 31 December	18(a)	**2,883**	4,241

The notes on pages 74 to 133 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 2022 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, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within 12 months after reporting period.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for 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.

For all 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) 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) Other payables

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

(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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Revenue

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

	2022 $ million	2021 $ million
Interest income	**1,207**	1,224
Dividend income	**58**	52
	1,265	1,276
Share of revenue of joint ventures	**18,345**	18,322

5. Other net income

	2022 $ million	2021 $ million
Interest income on financial assets measured at amortised cost	**68**	12
Net exchange (loss)/gain	**(30)**	3
Sundry income	**20**	353
	58	368

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

	2022 $ million	2021 $ million
Staff costs	**32**	29
Depreciation	**3**	3
Cost of services and investment related expenses	**124**	111
	159	143

8. Finance costs

	2022 $ million	2021 $ million
Interest on borrowings and other finance costs	**104**	125

9. Profit before taxation

	2022 $ million	2021 $ million
Profit before taxation is arrived at after charging:		
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**1**	1
– non-audit work		
– KPMG	**1**	2
– other auditors	**1**	1

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

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

	2022 $ million	2021 $ million
Current tax – operations outside Hong Kong		
Provision for the year	59	54
Deferred tax (see note 23(b))		
Origination and reversal of temporary differences	130	78
	189	132

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:

	2022 $ million	2021 $ million
Profit before taxation	5,838	6,272
Less: Share of profits less losses of joint ventures	(2,994)	(3,374)
Share of profits less losses of associates	(1,784)	(1,522)
	1,060	1,376
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	154	207
Tax effect of non-deductible expenses	180	10
Tax effect of non-taxable income	(154)	(94)
Tax effect of unused tax losses not recognised	9	9
Actual tax expense	189	132

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 (19) $ million	Retirement scheme contributions $ million	Bonuses $ million	2022 Total emoluments $ million	2021 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning (3) (13)						
Chairman	0.12	–	–	–	0.12	0.12
Tsai Chao Chung, Charles (5) (14)						
Chief Executive Officer	0.09	3.57	0.31	1.03	5.00	4.97
Chan Loi Shun (5) (15) (18)	0.09	5.64	–	–	5.73	5.59
Andrew John Hunter	0.07	0.17	–	–	0.24	0.17
Neil Douglas McGee	0.07	–	–	–	0.07	0.07
Wan Chi Tin (16)	0.07	–	–	–	0.07	0.07
Non-executive Directors						
Victor T K Li (4) (17)	0.09	–	–	–	0.09	0.09
Stephen Edward Bradley (1) (4) (10)	0.06	–	–	–	0.06	–
Ip Yuk-keung, Albert (1) (2) (4) (5)	0.18	–	–	–	0.18	0.18
Koh Poh Wah (1) (2) (3) (7) (12)	0.15	–	–	–	0.15	0.09
Kwan Chi Kin, Anthony (1) (3) (11)	0.06	–	–	–	0.06	–
Leung Hong Shun, Alexander (6)	0.07	–	–	–	0.07	0.04
Lui Wai Yu, Albert (1) (3) (9)	0.03	–	–	–	0.03	0.09
Ralph Raymond Shea (1) (2) (3) (4) (8)	0.07	–	–	–	0.07	0.18
Wu Ting Yuk, Anthony (1) (2)	0.14	–	–	–	0.14	0.14
Total for the year 2022	1.36	9.38	0.31	1.03	12.08	
Total for the year 2021	1.32	9.12	0.51	0.85		11.80

Notes:

(1) Independent Non-executive Director

(2) Member of the Audit Committee

(3) Member of the Remuneration Committee

(4) Member of the Nomination Committee

(5) Member of the Sustainability Committee

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

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

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

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

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

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

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

(13) During the year, Mr. Fok Kin Ning, Canning received director's emoluments of $120,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(14) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB469,302 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.

(15) During the year, Mr. Chan Loi Shun received director's emoluments of THB469,302 from Ratchaburi Power Company Limited and $3,460,800 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

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

(18) During the year, Mr. Chan Loi Shun received director's emoluments of $5,729,700 from the Company. The director's emoluments received were paid back to CK Infrastructure Holdings Limited, a substantial shareholder of the Company.

(19) 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 (2021: two) whose total emoluments are shown above. The remuneration of the other three individuals (2021: three) who comprises the five highest paid individuals of the Group is set out below:

	2022 $ million	2021 $ million
Salary and other benefits	10.0	9.7
Retirement scheme contributions	0.5	0.4
	10.5	10.1

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

	2022 Number	2021 Number
$1,500,001 - $2,000,000	2	2
$2,000,001 - $2,500,000	1	1
$3,500,001 - $4,000,000	1	1
$4,000,001 - $4,500,000	1	1

The remuneration of directors and senior management is as follows:

	2022 $ million	2021 $ million
Short-term employee benefits	25	24
Post-employment benefits	1	1
	26	25

At 31 December 2022 and 2021, 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 $5,649 million (2021: $6,140 million) and on the weighted average of 2,133,515,443 ordinary shares (2021: 2,134,261,654 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

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 2021	1	6	7	13	7	27
Additions	–	–	–	–	6	6
Disposal	–	–	–	–	(7)	(7)
At 31 December 2021 and 1 January 2022	**1**	**6**	**7**	**13**	**6**	**26**
Additions	**–**	**1**	**1**	**–**	**–**	**1**
At 31 December 2022	**1**	**7**	**8**	**13**	**6**	**27**
Accumulated amortisation and depreciation:						
At 1 January 2021	–	4	4	1	5	10
Written back on disposal	–	–	–	–	(7)	(7)
Charge for the year	–	–	–	–	3	3
At 31 December 2021 and 1 January 2022	**–**	**4**	**4**	**1**	**1**	**6**
Charge for the year	**–**	**1**	**1**	**–**	**2**	**3**
At 31 December 2022	**–**	**5**	**5**	**1**	**3**	**9**
Net book value:						
At 31 December 2022	**1**	**2**	**3**	**12**	**3**	**18**
At 31 December 2021	1	2	3	12	5	20

14. Interest in joint ventures

	2022 $ million	2021 $ million
Share of net assets of unlisted joint ventures	**45,759**	47,811
Loans to unlisted joint ventures (see note below)	**11,221**	12,184
Amounts due from unlisted joint ventures (see note below)	**351**	239
	57,331	60,234
Share of total assets of unlisted joint ventures	**132,482**	141,144

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 4.0% per annum to 11.0% per annum (2021: 2.8% 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 $10,984 million (2021: $11,924 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

14. Interest in joint ventures (Continued)

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 131 to 132.

(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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Current assets	4,748	4,945	4,371	4,563	927	627	1,164	945	2,143	3,594	2,375	3,101
Non-current assets	140,904	147,303	89,559	92,637	33,592	34,485	17,244	18,835	31,515	34,039	38,668	41,392
Current liabilities	(12,898)	(9,508)	(8,728)	(15,175)	(2,438)	(1,749)	(284)	(409)	(2,080)	(4,670)	(1,688)	(1,352)
Non-current liabilities	(75,854)	(81,947)	(61,361)	(59,711)	(18,487)	(19,895)	(6,623)	(7,339)	(22,222)	(23,913)	(34,913)	(39,573)

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Cash and cash equivalents	1,254	1,831	1,422	1,616	78	34	216	398	65	142	2,066	2,419
Current financial liabilities (excluding trade and other payables and provisions)	(3,737)	(986)	(5,195)	(10,955)	(1,521)	(1,504)	–	–	(189)	(208)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(52,976)	(61,835)	(52,166)	(51,328)	(15,019)	(16,878)	(6,386)	(6,866)	(17,230)	(18,526)	(31,787)	(37,308)

	UK Power Networks 2022 $ million	UK Power Networks 2021 $ million	CK William 2022 $ million	CK William 2021 $ million	Australian Gas Networks 2022 $ million	Australian Gas Networks 2021 $ million	Husky Midstream L.P. 2022 $ million	Husky Midstream L.P. 2021 $ million	Northern Gas Networks 2022 $ million	Northern Gas Networks 2021 $ million	Wales & West Gas Networks 2022 $ million	Wales & West Gas Networks 2021 $ million
Revenue	16,930	17,848	10,994	10,490	3,570	3,789	2,455	2,355	4,709	4,937	4,520	4,833
Profit/(loss) from continuing operations	3,590	3,492	1,068	1,042	1,027	1,086	1,533	1,099	502	(138)	(127)	2,325
Other comprehensive income for the year	1,129	1,405	1,591	1,004	898	613	115	89	1,422	320	1,570	(340)
Total comprehensive income for the year	4,719	4,897	2,659	2,046	1,925	1,699	1,648	1,188	1,924	182	1,443	1,985
Dividends received from the joint ventures during the year	1,157	615	81	97	280	299	1,198	815	292	350	–	–

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

	UK Power Networks 2022 $ million	UK Power Networks 2021 $ million	CK William 2022 $ million	CK William 2021 $ million	Australian Gas Networks 2022 $ million	Australian Gas Networks 2021 $ million	Husky Midstream L.P. 2022 $ million	Husky Midstream L.P. 2021 $ million	Northern Gas Networks 2022 $ million	Northern Gas Networks 2021 $ million	Wales & West Gas Networks 2022 $ million	Wales & West Gas Networks 2021 $ million
Depreciation and amortisation	(3,477)	(3,188)	(2,626)	(2,772)	(577)	(338)	(629)	(817)	(847)	(929)	(755)	(797)
Interest income	261	274	17	9	1	1	8	5	–	–	28	8
Interest expense	(1,941)	(2,868)	(2,204)	(2,092)	(664)	(663)	(345)	(372)	(977)	(692)	(1,678)	(1,750)
Income tax (expense)/credit	(3,333)	(3,146)	(636)	(528)	(520)	(550)	–	–	(212)	(1,444)	(182)	2,102

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 2022 $ million	UK Power Networks 2021 $ million	CK William 2022 $ million	CK William 2021 $ million	Australian Gas Networks 2022 $ million	Australian Gas Networks 2021 $ million	Husky Midstream L.P. 2022 $ million	Husky Midstream L.P. 2021 $ million	Northern Gas Networks 2022 $ million	Northern Gas Networks 2021 $ million	Wales & West Gas Networks 2022 $ million	Wales & West Gas Networks 2021 $ million
Net assets of the joint ventures	56,900	60,793	23,841	22,314	13,594	13,468	11,501	12,032	9,356	9,050	4,442	3,568
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	22,761	24,317	4,768	4,463	3,740	3,706	5,606	5,866	3,862	3,737	1,598	1,284
Consolidation adjustments	61	68	185	290	–	–	80	294	–	–	287	256
Carrying amount of the Group's interest in the joint ventures	22,822	24,385	4,953	4,753	3,740	3,706	5,686	6,160	3,862	3,737	1,885	1,540

14. Interest in joint ventures (Continued)

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

	2022 $ million	2021 $ million
The Group's share of net assets	2,811	3,530
The Group's share of profit from continuing operations	155	128
The Group's share of other comprehensive income	47	6
The Group's share of total comprehensive income	202	134

15. Interest in associates

	2022 $ million	2021 $ million
Share of net assets		
– Listed associate	16,690	16,376
– Unlisted associates	7,274	7,016
	23,964	23,392
Loans to unlisted associates (see note below)	3,252	3,456
Amounts due from associates (see note below)	89	53
	27,305	26,901

The market value (level 1 fair value measurement (see note 25(f))) of above listed associate, HKEI, at 31 December 2022 is $15,246 million (2021: $22,560 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 (2021: 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 133.

(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	
	2022	2021	**2022**	2021	**2022**	2021
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Current assets	**5,294**	2,347	**1,893**	2,684	**2,181**	2,327
Non-current assets	**115,708**	112,481	**40,823**	41,632	**53,919**	54,495
Current liabilities	**(5,527)**	(5,817)	**(7,707)**	(7,953)	**(6,298)**	(6,515)
Non-current liabilities	**(66,142)**	(60,618)	**(29,620)**	(32,232)	**(38,564)**	(40,726)

	HKEI		SA Power Networks		Victoria Power Networks	
	2022	2021	**2022**	2021	**2022**	2021
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Revenue	**10,793**	11,344	**6,428**	6,918	**8,333**	8,311
Profit from continuing operations	**2,954**	2,933	**301**	362	**1,483**	1,318
Other comprehensive income for the year	**812**	546	**1,246**	1,253	**1,257**	1,296
Total comprehensive income for the year	**3,766**	3,479	**1,547**	1,615	**2,740**	2,614
Dividends received from the associates during the year	**945**	945	**16**	55	**137**	458

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	
	2022	2021	**2022**	2021	**2022**	2021
	$ million	$ million	**$ million**	$ million	**$ million**	$ million
Net assets of the associates	**49,333**	48,393	**5,389**	4,131	**11,238**	9,581
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	**16,464**	16,150	**1,504**	1,154	**3,139**	2,675
Consolidation adjustments	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,690**	16,376	**1,504**	1,154	**3,139**	2,675

15. Interest in associates (Continued)

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

	2022 $ million	2021 $ million
The Group's share of net assets	**2,631**	3,187
The Group's share of profit from continuing operations	**300**	74
The Group's share of other comprehensive income	**33**	103
The Group's share of total comprehensive income	**333**	177

16. Other non-current financial assets

	2022 $ million	2021 $ million
Financial assets measured at FVPL		
– unlisted equity securities	**303**	303
– other investments	**797**	797
	1,100	1,100

17. Other receivables

	2022 $ million	2021 $ million
Interest and other receivables	**132**	128
Derivative financial instruments (see note 21)	**852**	223
Deposits and prepayments	**2**	2
	986	353

Receivables are carried out on credit and invoices are normally due within one month after issued. Further details on the Group's credit policy is set out in note 25(a).

18. Bank deposits and cash and other cash flow information

(a) Bank deposits and cash comprise:

	2022 $ million	2021 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**2,790**	4,179
Cash at bank and on hand	**93**	62
Cash and cash equivalents in the consolidated cash flow statement	**2,883**	4,241
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	**3,011**	369
Bank deposits and cash in the consolidated statement of financial position	**5,894**	4,610

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

	Note	2022 $ million	2021 $ million
Profit before taxation		**5,838**	6,272
Adjustments for:			
Share of profits less losses of joint ventures		**(2,994)**	(3,374)
Share of profits less losses of associates		**(1,784)**	(1,522)
Interest income	4,5	**(1,275)**	(1,236)
Dividend income from unlisted equity securities	4	**(58)**	(52)
Finance costs	8	**104**	125
Depreciation	7	**3**	3
Exchange loss/(gain)		**462**	(99)
Changes in working capital:			
Decrease/(increase) in other receivables		**3**	(53)
Decrease in other payables		**(502)**	(220)
(Increase)/decrease in amounts due from joint ventures/associates		**(6)**	43
Increase in net employee retirement benefit liabilities		**2**	1
Cash used in operations		**(207)**	(112)

(c) Funds from operations

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

	2022 $ million	2021 $ million
Net cash generated from operating activities	**772**	939
Repayment of loan from a joint venture	**56**	–
Dividends received from joint ventures	**3,324**	2,501
Dividends received from associates	**1,318**	1,808
Dividends received from equity securities	**58**	52
	5,528	5,300

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

19. Other payables

	2022 $ million	2021 $ million
Creditors measured at amortised cost	3,915	3,384
Lease liabilities	2	2
Derivative financial instruments (see note 21)	17	31
	3,934	3,417

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

20. Bank loans and other interest-bearing borrowings

	2022 $ million	2021 $ million
Bank loans and others	3,236	3,433
Current portion	–	–
Non-current portion	3,236	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 2022 and 2021, 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:

	2022 $ million	2021 $ million
Within 2 years to 5 years	3,236	3,433

21. Derivative financial instruments

	2022 Assets $ million	2022 Liabilities $ million	2021 Assets $ million	2021 Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	**87**	**–**	–	(150)
Forward foreign exchange contracts	**–**	**–**	–	(3)
Net investment hedges				
Cross currency swaps	**1,130**	**–**	457	–
Forward foreign exchange contracts	**1,522**	**(44)**	800	(145)
	2,739	**(44)**	1,257	(298)
Analysed as:				
Current	**852**	**(17)**	223	(31)
Non-current	**1,887**	**(27)**	1,034	(267)
	2,739	**(44)**	1,257	(298)

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 2022 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

	2022 $ million	2021 $ million
Present value of defined benefit obligations	**(240)**	(355)
Fair value of assets of the Schemes	**153**	216
	(87)	(139)
Represented by:		
Employee retirement benefit assets	**6**	7
Employee retirement benefit liabilities	**(93)**	(146)
	(87)	(139)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2022 and 2021.

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:

	2022 $ million	2021 $ million
At 1 January	355	357
Interest cost	5	3
Actuarial (gain)/loss due to:		
– changes in liability experience	(28)	8
– changes in financial assumptions	(58)	(6)
– changes in demographic assumptions	(1)	7
Benefits paid	(33)	(21)
Transfer in	–	7
At 31 December	240	355

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

	2022 $ million	2021 $ million
At 1 January	216	221
Interest income on the Schemes' assets	3	2
Return on the Schemes' assets, excluding interest income	(33)	7
Benefits paid	(33)	(21)
Transfer in	–	7
At 31 December	153	216

The Group expects to contribute below $1 million to the Schemes in 2023.

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

	2022 $ million	2021 $ million
Net interest on net defined benefit asset/liability	2	1

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

	2022 $ million	2021 $ million
Other operating costs	2	1

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

	2022 $ million	2021 $ million
At 1 January	**164**	162
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**(54)**	2
At 31 December	**110**	164

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

	2022 $ million	2021 $ million
Hong Kong equities	**29**	34
European equities	**10**	14
North American equities	**35**	48
Asia Pacific and other equities	**12**	16
Global bonds	**67**	104
	153	216

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:

	2022	2021
Discount rate		
– The Pension Scheme	**4.0%**	1.0%
– The Guaranteed Return Scheme	**3.4%**	0.4%
Future pension increase rate	**2.5%**	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 2022 $ million	2021 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(5)**	(8)
– decrease by 0.25%	**5**	8
Pension increase rate		
– increase by 0.25%	**5**	7
– decrease by 0.25%	**(4)**	(7)
Mortality rate applied to specific age		
– set forward 1 year	**(8)**	(14)
– set backward 1 year	**8**	14

(b) The Guaranteed Return Scheme

	Increase/(decrease) in defined benefit obligations 2022 $ million	2021 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**–**	(1)
– decrease by 0.25%	**–**	1
Interest to be credited		
– increase by 0.25%	**–**	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:

	2022 No. of years	2021 No. of years
The Pension Scheme	**8.9**	10.2
The Guaranteed Return Scheme	**5.5**	5.2

(b) Defined contribution retirement scheme

	2022 $ million	2021 $ million
Expenses recognised in profit or loss	**1**	2

No forfeited contributions have been received during the year (2021: $Nil).

23. Income tax in the consolidated statement of financial position

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

	2022 $ million	2021 $ million
Tax provision for the year	**59**	54
Provisional tax paid	**(92)**	(91)
Tax provision relating to prior years	**137**	174
Current tax payable	**104**	137

(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 2021	111	(57)	54
Charged to profit or loss	–	(78)	(78)
(Charged)/credited to other comprehensive income	(66)	1	(65)
At 31 December 2021 and 1 January 2022	**45**	**(134)**	**(89)**
Charged to profit or loss	**(1)**	**(129)**	**(130)**
(Charged)/credited to other comprehensive income	**(71)**	**15**	**(56)**
At 31 December 2022	**(27)**	**(248)**	**(275)**

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2022 and 2021.

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:

	2022 $ million	2021 $ million
Interim dividend declared and paid of $0.78 per ordinary share (2021: $0.78 per ordinary share)	**1,665**	1,665
Final dividend proposed after the end of the reporting period of $2.04 per ordinary share (2021: $2.04 per ordinary share)	**4,347**	4,354
	6,012	6,019

The final dividend proposed after the end of the reporting period is based on 2,131,105,154 ordinary shares (2021: 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:

	2022 $ million	2021 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $2.04 per ordinary share (2021: $2.04 per ordinary share)	**4,354**	4,354

(c) Share capital

	Number of shares	**$ million**
Issued and fully paid		
Voting ordinary shares		
At 1 January 2021, 31 December 2021 and 1 January 2022	**2,134,261,654**	**6,610**
Buy-backs and cancellation of shares	**(3,156,500)**	**–**
At 31 December 2022	**2,131,105,154**	**6,610**

During the year, the Company bought back a total of 3,156,500 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited for a total aggregate price paid of approximately $121 million and these shares were cancelled. The share buy-backs were governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid for these 3,156,500 ordinary shares bought back was paid wholly out of the distributable profits of the Company included in its revenue reserve.

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 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 and 1 January 2022	**29**	**2,838**	**(7,280)**	**(4,413)**
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**–**	**–**	**(4,919)**	**(4,919)**
Effective portion of changes in fair value of hedging instruments recognised in other comprehensive income (see note 25(d)(i))	**–**	**2,019**	**–**	**2,019**
Cost of hedging – changes in fair value recognised in other comprehensive income	**(7)**	**–**	**–**	**(7)**
	(7)	**2,019**	**(4,919)**	**(2,907)**
Balance at 31 December 2022	**22**	**4,857**	**(12,199)**	**(7,320)**

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).

	2022 $ million	2021 $ million
Balance at 1 January	**(2,573)**	(3,459)
Effective portion of the cash flow hedge recognised in other comprehensive income	**5,146**	1,162
Amounts reclassified to profit or loss (see note below)	**52**	97
Related tax	**(1,321)**	(373)
Balance at 31 December (see note below)	**1,304**	(2,573)

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 2022 and 2021 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 2022, the Group's strategy, which was unchanged from 2021, 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 2022, the net cash position of the Group amounted to $2,658 million (2021: $1,177 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 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 other receivables, with exposure spread over a number of counterparties.

The Group measures loss allowances for other receivables at an amount equal to lifetime ECLs (see note 2(l)(i)). No loss allowances are recognised as at 31 December 2022 (2021: $Nil) based on historical actual loss experience.

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

		2022			2021		
$ 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		**1,130**	**(27)**	**1,103**	457	–	457
Interest rate swaps		**87**	**–**	**87**	–	–	–
Forward foreign exchange contracts		**1,522**	**–**	**1,522**	800	(3)	797
Total		**2,739**	**(27)**	**2,712**	1,257	(3)	1,254
Financial liabilities	21						
Interest rate swaps		**–**	**–**	**–**	150	–	150
Forward foreign exchange contracts		**44**	**(27)**	**17**	148	(3)	145
Total		**44**	**(27)**	**17**	298	(3)	295

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $5,894 million (2021: $4,610 million) and no undrawn committed bank facilities at 31 December 2022 (2021: $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:

	2022 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and interest accruals	125	125	3,398	–	3,648
Other payables	3,912	–	–	–	3,912
Derivative financial instruments					
Net settled					
Interest rate swaps	(9)	(9)	–	–	(18)
Gross settled					
Forward foreign exchange contracts:					
— outflow	4,842	1,148	6,637	1,419	14,046
— inflow	(5,015)	(1,203)	(7,851)	(1,715)	(15,784)
Cross currency swaps and related interest accruals:					
— outflow	5,292	248	8,422	–	13,962
— inflow	(5,987)	(202)	(9,016)	–	(15,205)
	3,160	107	1,590	(296)	4,561

	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
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

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 at least a significant portion of its debt at fixed interest rate. The Group also uses interest rate swaps to manage the exposure in accordance with its treasury policy. The Group seeks to hedge the benchmark interest rate component only. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	2022	2021
Notional amount ($ million)	**3,249**	3,453
Maturity date	**2025**	2025
Weighted average fixed swap rates	**2.70%**	2.70%

The carrying amount of interest rate swaps at 31 December 2022 was an asset of $87 million (2021: a liability of $150 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):

	2022 Weighted average interest rate %	**2022** $ million	2021 Weighted average interest rate %	2021 $ million
Net fixed rate assets/(liabilities)				
Loans to unlisted joint ventures/ associates	**10.0**	**8,425**	10.0	9,149
Deposits with banks and other financial institutions	**5.1**	**5,801**	0.4	4,548
Cross currency swaps	**N/A**	**1,130**	N/A	457
Bank loans	**3.7**	**(3,236)**	3.7	(3,433)
Lease liabilities	**1.8**	**(3)**	1.8	(5)
		12,117		10,716
Net variable rate assets/ (liabilities)				
Loans to unlisted joint ventures/ associates	**5.4**	**6,048**	4.1	6,491
Cash at bank and on hand	**–**	**93**	–	62
Other payables	**4.3**	**(1,373)**	0.1	(404)
		4,768		6,149

(iii) Sensitivity analysis

At 31 December 2022, 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 $48 million (2021: increased/decreased by approximately $58 million). Other components of consolidated equity would have decreased/ increased by approximately $44 million (2021: decreased/increased by approximately $75 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 2021.

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:

	2022	2021
Forward foreign exchange contracts:		
Notional amount ($ million)	**15,784**	16,111
Maturity date	**Ranging from 2023 to 2031**	Ranging from 2022 to 2031
Weighted average contract rate:		
GBP:USD	**1.5105**	1.5105
AUD:USD	**0.6763**	0.7134
USD:CAD	**1.2996**	1.2592
Cross currency swaps:		
Notional amount ($ million)	**14,229**	14,404
Maturity date	**Ranging from 2023 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	**0.7367**	0.7518

The carrying amount of forward foreign exchange contracts at 31 December 2022 includes an asset of $1,522 million and a liability of $44 million (2021: an asset of $800 million and a liability of $145 million). The carrying amount of cross currency swaps at 31 December 2022 includes an asset of $1,130 million and no liability (2021: an asset of $457 million and no liability). The change in fair value of the forward foreign exchange contracts and cross currency swaps during 2022 was a gain of $2,019 million (2021: a gain of $1,108 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:

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

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

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

(iii) Sensitivity analysis

The following table indicates that a 10% strengthening in the following currencies against Hong Kong dollars at the end of the reporting period would have increased/(decreased) the Group's profit for the year and revenue reserve:

$ million	**2022 Effect on profit for the year and revenue reserve increase/(decrease)**	2021 Effect on profit for the year and revenue reserve increase/(decrease)
Pounds Sterling	**35**	6
Australian dollars	**10**	(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 2021.

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

$ 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)

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 (2021: 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 (2021: 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, other receivables, other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2022 and 2021.

26. Capital commitments

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

	2022 $ million	2021 $ million
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	**2**	1

27. Contingent liabilities

	2022 $ million	2021 $ million
Guarantees given in respect of a joint venture	253	363

28. Material related party transactions

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

(a) Joint ventures

Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $836 million (2021: $827 million) for the year. The outstanding balances with joint ventures are disclosed in note 14.

(b) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $371 million (2021: $397 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 $43 million (2021: $42 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 2022 with the associate was $4 million (2021: $4 million).

(c) 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. CK Infrastructure Holdings Limited holds approximately 36.01% of the issued share capital of the Company as at 31 December 2022 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 electricity distributor in South Australia. The Group holds 54.76% of CKI Spark Holdings No. Two Limited but the Group does not have control or joint control over it and, therefore, it has been accounted for as an associate.

31. Company-level Statement of Financial Position

	Note	2022 $ million	2021 $ million
Non-current assets			
Property, plant and equipment		**5**	6
Investments in subsidiaries	31(a)	**30,306**	30,306
		30,311	30,312
Current assets			
Amounts due from subsidiaries	31(b)	**20,912**	21,043
Other receivables		**2**	2
Bank deposits and cash		**213**	368
		21,127	21,413
Current liabilities			
Amounts due to subsidiaries	31(b)	**(1,796)**	(1,420)
Other payables		**(349)**	(347)
Derivative financial instruments		**–**	(3)
		(2,145)	(1,770)
Net current assets		**18,982**	19,643
Total assets less current liabilities		**49,293**	49,955
Non-current liabilities			
Lease liabilities		**(1)**	(3)
Employee retirement benefit liabilities		**(93)**	(146)
		(94)	(149)
Net assets		**49,199**	49,806
Capital and reserves			
Share capital	24(c)	**6,610**	6,610
Reserves		**42,589**	43,196
Total equity attributable to equity shareholders of the Company	31(c)	**49,199**	49,806

Approved and authorised for issue by the Board of Directors on 15 March 2023.

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 page 130.

(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 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 and 1 January 2022	**6,610**	**38,842**	**4,354**	**49,806**
Changes in equity for 2022:				
Profit for the year	**–**	**5,478**	**–**	**5,478**
Other comprehensive income	**–**	**55**	**–**	**55**
Total comprehensive income	**–**	**5,533**	**–**	**5,533**
Final dividend in respect of the previous year approved and paid (see note 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))	**–**	**(4,347)**	**4,347**	**–**
Buy-backs and cancellation of shares (see note 24(c))	**–**	**(121)**	**–**	**(121)**
Balance at 31 December 2022	**6,610**	**38,242**	**4,347**	**49,199**

The net profit for the year of the Company is $5,478 million (2021: $3,849 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 $4,347 million. (2021: 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 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
• Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements*: *Disclosure of accounting policies*	1 January 2023
• Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
• Amendments to HKAS 12, *Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
• Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
• Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024

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

	2022						
		Investments					
$ million	Investment in HKEI	United Kingdom	Australia	Others	Sub-total	All other activities	Total
For the year ended 31 December							
Revenue							
Revenue	–	550	557	158	1,265	–	1,265
Other net income	–	–	–	6	6	(16)	(10)
Reportable segment revenue	–	550	557	164	1,271	(16)	1,255
Result							
Segment earnings	–	550	557	151	1,258	(159)	1,099
Depreciation and amortisation	–	–	–	–	–	(3)	(3)
Bank deposit interest income	–	–	–	–	–	68	68
Operating profit	–	550	557	151	1,258	(94)	1,164
Finance costs	–	76	(206)	26	(104)	–	(104)
Share of profits less losses of joint ventures and associates	986	1,891	1,009	889	3,789	3	4,778
Profit before taxation	986	2,517	1,360	1,066	4,943	(91)	5,838
Income tax	–	–	(18)	(171)	(189)	–	(189)
Reportable segment profit	986	2,517	1,342	895	4,754	(91)	5,649
At 31 December							
Assets							
Property, plant and equipment and leasehold land	–	–	–	–	–	18	18
Other assets	–	1,972	551	587	3,110	869	3,979
Interest in joint ventures and associates	16,690	37,152	21,080	9,706	67,938	8	84,636
Bank deposits and cash	–	–	–	–	–	5,894	5,894
Reportable segment assets	16,690	39,124	21,631	10,293	71,048	6,789	94,527
Liabilities							
Segment liabilities	–	(922)	(763)	(94)	(1,779)	(2,276)	(4,055)
Current and deferred taxation	–	–	(25)	(354)	(379)	–	(379)
Interest-bearing borrowings	–	–	(3,236)	–	(3,236)	–	(3,236)
Reportable segment liabilities	–	(922)	(4,024)	(448)	(5,394)	(2,276)	(7,670)

$ 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.

Appendix 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2022 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hong Kong Electric International Finance (Australia) Pty Ltd	A$45,952,603	100*	Australia	Investing
PAH Gas Infrastructure Limited	GBP330,830,581	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
Quickview Limited	US$2	100	British Virgin Islands	Investment holding

* Indirectly held

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2022 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 Ltd (note (i))	A$20,979,450	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Ltd (note (i))	A$10,382,100	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 3 Pty Ltd (note (i))	A$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

Appendix 3 (Continued)

Principal joint ventures (Continued)

Notes:

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

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

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

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

Energy Developments Pty Limited
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 and transmission 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 has ownership of midstream pipeline and terminal assets in the Lloydminster region of Alberta and Saskatchewan, Canada. Its asset portfolio includes oil pipeline, storage facilities and other ancillary assets.

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

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

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

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

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

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2022 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 ("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	2022	2021	2020	2019	2018
Revenue	**1,265**	1,276	1,270	1,348	1,555
Operating profit	**1,164**	1,501	1,175	1,760	1,528
Finance costs	**(104)**	(125)	(86)	(96)	(194)
Share of profits less losses of joint ventures and associates	**4,778**	4,896	5,111	5,510	6,356
Profit before taxation	**5,838**	6,272	6,200	7,174	7,690
Income tax	**(189)**	(132)	(68)	(43)	(54)
Profit attributable to equity shareholders of the Company	**5,649**	6,140	6,132	7,131	7,636

Five-Year Group Statement of Financial Position

HK$ million	2022	2021	2020	2019	2018
Property, plant and equipment and leasehold land	**18**	20	17	19	14
Interest in joint ventures and associates	**84,636**	87,135	85,552	86,142	79,422
Other non-current financial assets	**1,100**	1,100	1,100	1,100	5,100
Other non-current assets	**1,893**	1,086	821	1,295	1,426
Net current assets/(liabilities)	**2,842**	1,409	(1,344)	691	1,403
Total assets less current liabilities	**90,489**	90,750	86,146	89,247	87,365
Non-current liabilities	**(3,632)**	(3,983)	(1,380)	(3,755)	(3,808)
Net assets	**86,857**	86,767	84,766	85,492	83,557
Share capital	**6,610**	6,610	6,610	6,610	6,610
Reserves	**80,247**	80,157	78,156	78,882	76,947
Capital and reserves	**86,857**	86,767	84,766	85,492	83,557

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

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

Audit Committee

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

Remuneration Committee

KOH Poh Wah *(Chairman)*
FOK Kin Ning, Canning
KWAN Chi Kin, Anthony

Nomination Committee

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

Sustainability Committee

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

Company Secretary

Alex NG

Principal Bankers

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

Auditor

KPMG

Website

www.powerassets.com

Registered Office

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Share Registrar

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

ADR (Level 1 Programme) Depositary

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

Investor Relations

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2 Queen's Road Central, Hong Kong

Financial Calendar and Share Information

Financial Calendar

Interim Results Announcement	3 August 2022
Annual Results Announcement	15 March 2023
Closure of Register of Members – Annual General Meeting	12 May 2023 to 17 May 2023 (both days inclusive)
Annual General Meeting	17 May 2023
Ex-dividend Date	22 May 2023
Record Date for Final Dividend	23 May 2023
Dividend per Share	
Interim : HK$0.78	14 September 2022
Final : HK$2.04	6 June 2023

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2022	HK$91,104 million
Ordinary Share to ADR ratio	1:1

Stock Codes

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

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

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

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

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電能實業有限公司

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