

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK\$ million	Notes	2020	2019
Turnover	6	38,352	36,125
Sales and interest income from infrastructure investments	6	7,182	6,733
Other income	7	433	1,271
Operating costs	8	(4,009)	(3,665)
Finance costs	9	(301)	(332)
Exchange loss		(391)	(26)
Share of results of associates		2,666	3,033
Share of results of joint ventures		2,767	4,459
Profit before taxation	10	8,347	11,473
Taxation	11(a)	(188)	(129)
Profit for the year	12	8,159	11,344
Attributable to:			
Shareholders of the Company		7,320	10,506
Owners of perpetual capital securities		796	796
Non-controlling interests		43	42
		8,159	11,344
Earnings per share	13	HK\$2.91	HK\$4.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK\$ million	2020	2019
Profit for the year	8,159	11,344
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Loss from fair value changes of derivatives designated as effective cash flow hedges	(109)	(139)
Loss from fair value changes of derivatives designated as effective net investment hedges	(2,296)	(348)
Exchange differences on translation of financial statements of foreign operations	4,562	259
Share of other comprehensive expense of associates	(211)	(302)
Share of other comprehensive expense of joint ventures	(1,554)	(410)
Reserves released upon disposal of an associate	–	173
Reserves released upon disposal of joint ventures	–	(5)
Income tax relating to components of other comprehensive income	654	236
	1,046	(536)
Items that will not be reclassified to profit or loss:		
Share of other comprehensive (expense)/income of associates	(698)	204
Share of other comprehensive (expense)/income of joint ventures	(2,218)	552
Income tax relating to components of other comprehensive income/(expense)	594	(107)
	(2,322)	649
Other comprehensive (expense)/income for the year	(1,276)	113
Total comprehensive income for the year	6,883	11,457
Attributable to:		
Shareholders of the Company	6,036	10,622
Owners of perpetual capital securities	796	796
Non-controlling interests	51	39
	6,883	11,457

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK\$ million	Notes	2020	2019
Property, plant and equipment	15	2,965	2,805
Investment properties	16	396	398
Interests in associates	17	37,133	36,814
Interests in joint ventures	18	106,803	104,952
Other financial assets	19	1,892	1,871
Derivative financial instruments	20	126	1,107
Goodwill and intangible assets	21	2,602	2,486
Deferred tax assets	27	6	3
Total non-current assets		151,923	150,436
Inventories	22	146	137
Derivative financial instruments	20	347	1,452
Debtors and prepayments	23	1,518	1,082
Bank balances and deposits	24	13,477	12,077
Total current assets		15,488	14,748
Bank and other loans	25	4,655	4,447
Derivative financial instruments	20	1,030	345
Creditors, accruals and others	26	5,152	5,361
Taxation		187	150
Total current liabilities		11,024	10,303
Net current assets		4,464	4,445
Total assets less current liabilities		156,387	154,881
Bank and other loans	25	27,933	27,295
Derivative financial instruments	20	1,378	547
Deferred tax liabilities	27	476	450
Other non-current liabilities		338	215
Total non-current liabilities		30,125	28,507
Net assets		126,262	126,374
Representing:			
Share capital	29	2,651	2,651
Reserves		108,791	108,953
Equity attributable to shareholders of the Company		111,442	111,604
Perpetual capital securities	30	14,701	14,701
Non-controlling interests		119	69
Total equity		126,262	126,374

VICTOR T K LI
Director

IP TAK CHUEN, EDMOND
Director

17th March, 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

HK\$ million	Attributable to shareholders of the Company										Total	
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities		Non-controlling interests
At 1st January, 2019	2,651	25,299	(9,245)	6,062	68	(2,912)	(8,676)	93,858	107,105	14,701	30	121,836
Profit for the year	-	-	-	-	-	-	-	10,506	10,506	796	42	11,344
Loss from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	(139)	-	-	(139)	-	-	(139)
Loss from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	(348)	-	(348)	-	-	(348)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	262	-	262	-	(3)	259
Share of other comprehensive (expense)/income of associates	-	-	-	-	-	(439)	137	204	(98)	-	-	(98)
Share of other comprehensive (expense)/income of joint ventures	-	-	-	-	-	(410)	-	552	142	-	-	142
Reserves released upon disposal of an associate	-	-	-	-	-	39	134	-	173	-	-	173
Reserves released upon disposal of joint ventures	-	-	-	-	-	-	(5)	-	(5)	-	-	(5)
Income tax relating to components of other comprehensive income	-	-	-	-	-	236	-	(107)	129	-	-	129
Total comprehensive (expense)/income for the year	-	-	-	-	-	(713)	180	11,155	10,622	796	39	11,457
Final dividend paid for the year 2018	-	-	-	-	-	-	-	(4,410)	(4,410)	-	-	(4,410)
Interim dividend paid	-	-	-	-	-	-	-	(1,713)	(1,713)	-	-	(1,713)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(796)	-	(796)
At 31st December, 2019	2,651	25,299	(9,245)	6,062	68	(3,625)	(8,496)	98,890	111,604	14,701	69	126,374
Profit for the year	-	-	-	-	-	-	-	7,320	7,320	796	43	8,159
Loss from fair value changes of derivatives designated as effective cash flow hedges	-	-	-	-	-	(109)	-	-	(109)	-	-	(109)
Loss from fair value changes of derivatives designated as effective net investment hedges	-	-	-	-	-	-	(2,296)	-	(2,296)	-	-	(2,296)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	4,554	-	4,554	-	8	4,562
Share of other comprehensive (expense)/income of associates	-	-	-	-	-	(917)	706	(698)	(909)	-	-	(909)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	(1,554)	-	(2,218)	(3,772)	-	-	(3,772)
Income tax relating to components of other comprehensive income	-	-	-	-	-	654	-	594	1,248	-	-	1,248
Total comprehensive (expense)/income for the year	-	-	-	-	-	(1,926)	2,964	4,998	6,036	796	51	6,883
Final dividend paid for the year 2019	-	-	-	-	-	-	-	(4,485)	(4,485)	-	(1)	(4,486)
Interim dividend paid	-	-	-	-	-	-	-	(1,713)	(1,713)	-	-	(1,713)
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	(796)	-	(796)
At 31st December, 2020	2,651	25,299	(9,245)	6,062	68	(5,551)	(5,532)	97,690	111,442	14,701	119	126,262

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK\$ million	Notes	2020	2019
OPERATING ACTIVITIES			
Cash generated from operating activities before finance costs and income tax paid	32(a)	3,158	3,683
Finance costs paid		(199)	(369)
Income taxes paid		(134)	(78)
Net cash from operating activities		2,825	3,236
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(203)	(363)
Disposals of property, plant and equipment		1	6
Additions to intangible assets		(3)	(76)
Advances to associates		(7)	(24)
Loan repaid from an associate		–	112
Investment in a joint venture		(212)	(102)
Advances to joint ventures		(50)	(93)
Return of capital from a joint venture		–	29
Advances repaid from a joint venture/joint ventures		7	15
Loan repaid from a joint venture		1,178	10
Disposal of an associate		–	2,314
Disposal of joint ventures		45	74
Dividends received from associates		2,460	2,388
Dividends received from joint ventures		2,488	1,966
Distribution from a joint venture		1,380	–
Net cash (paid)/received on hedging instruments		(89)	1,206
Net cash flows from investing activities		6,995	7,462
Net cash flows before financing activities		9,820	10,698
FINANCING ACTIVITIES			
New bank and other loans	32(b)	6,684	3,688
Repayments of bank and other loans	32(b)	(8,073)	(1,445)
Repayment of lease principal	32(b)	(27)	(26)
Interest paid on lease liabilities	32(b)	(9)	(9)
Dividends paid		(6,198)	(6,123)
Dividends paid to non-controlling interests		(1)	–
Distribution paid on perpetual capital securities		(796)	(796)
Net cash utilised in financing activities		(8,420)	(4,711)
Net increase in cash and cash equivalents		1,400	5,987
Cash and cash equivalents at 1st January		12,077	6,090
Cash and cash equivalents at 31st December	24	13,477	12,077

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). The addresses of its registered office and principal place of business are disclosed in the section headed “Corporate Information” of the Group’s Annual Report. The Company’s ultimate holding company is CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group’s principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand, Canada and the United States.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted the Amendments to Reference to the Conceptual Framework in Hong Kong Financial Reporting Standards (“HKFRSs”) and a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective to the Group for accounting periods beginning on or after 1st January, 2020. In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”. Except as described below, the adoption of the amendments to HKFRSs has no material impact on the Group’s results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 “Interest Rate Benchmark Reform”

In the current year, the Group has adopted Amendments to HKFRS 9, HKAS 39 and HKFRS 7 “Interest Rate Benchmark Reform” (the “Amendments”) which are effective for the accounting periods beginning on or after 1st January, 2020. The Amendments were applied retrospectively to hedging relationships that existed on 1st January, 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform.

The Group has certain bank borrowings carrying interest at floating rate which were determined with reference to London Interbank Offered Rate (“LIBOR”). Interest rate swaps were utilised and designated as cash flow hedges to manage its exposure to interest rate movements. Under the ongoing interest rate benchmark reform, there is uncertainty over the negotiation with the counterparties on the introduction of fall back clauses. The Amendments modify certain hedge accounting requirements to allow hedge accounting to continue during the period of uncertainty.

The Amendments will continue to be applied until the uncertainty arising from the interest rate benchmark reform ends.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

The Group has not early adopted the following new and revised HKFRSs issued by the HKICPA that have been issued but are not yet effective. The Group is continuing to assess the implication of the adoption of these standards. The Directors anticipate that the adoption of the new and amendments to HKFRSs listed below will have no material impact on the results and financial position of the Group.

HKFRS 17	Insurance Contracts and the Related Amendments
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the year together with the Group's interests in associates and joint ventures on the basis set out in (e) below.

The results of subsidiaries, share of results of associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control/exercises significant influences/gains joint control until the date when the Group ceases to control/ceases to exercise significant influences/ceases to joint control, as appropriate.

(b) Goodwill

In relation to business combination that took place on or after 1st January, 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the subsidiaries, and the fair value of the Group's previously held equity interests in the subsidiaries (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Goodwill (Cont'd)

Goodwill recognised prior to 1st January, 2010 was measured as the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and joint ventures acquired.

Goodwill is recognised as an asset less any identified impairment loss. Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, joint venture or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(c) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is provided over their estimated useful lives using the straight-line method, at the following rates per annum:

Brand name and trademarks	Indefinite useful lives
Customer contracts	Over the contract lives
Resource consents (excluding landfills)	4% or over the contract lives
Computer software	33% or over the license period
Operation license	7%
Others	Over the contract lives

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired through business combination are carried at cost less accumulated impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Intangible Assets (Cont'd)

The useful life of the resource consents for the landfills is dependent on the total capacity of the landfills, the level of tonnage of waste, the compacting rate and other variable. As such the landfills useful life is reassessed annually and the amortisation rate of the landfills resource consents is adjusted accordingly.

The carrying amount of intangible assets with indefinite useful life is tested for impairment annually. The carrying amount of intangible assets with finite useful life is reviewed for indications of impairment at the end of each reporting period. 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. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it has power over the investees; it is exposed, or has rights, to variable returns from its involvement with the entity; and has the ability to affect those returns through its power over the entity.

The acquisition of a subsidiary is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. After 1st January, 2010, acquisition-related costs are generally recognised in profit or loss as incurred.

Prior to 1st January, 2010, any costs directly attributable to business combination were included as part of the cost of the acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(e) Associates and Joint Ventures

An associate is a company, other than a subsidiary or joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

A joint venture is a contractual arrangement whereby the venturers agree to share control of the arrangement which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control, and have rights to the net assets of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Associates and Joint Ventures (Cont'd)

The results and assets and liabilities of associates/joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates/joint ventures are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

Losses of an associate/joint venture in excess of the Group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate/joint venture) are not recognised.

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Freehold land is not depreciated. Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired lease term
Buildings	2% to 3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3% to 26% or over the expected useful lives
Leased properties and others	Over the lease term or expected useful lives
Furniture, fixtures and others	3% to 33% or over the expected useful lives

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

(i) Financial Instruments

Investments in securities

Equity securities and debt securities are classified as “financial assets at fair value through profit or loss” and “financial assets at amortised cost”, respectively, according to the business model.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Interest income from investments in debt securities are recognised when the Group's right to receive payment is established.

Other investments

Other investments are classified as financial assets at fair value through profit or loss in accordance with HKFRS 9.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Hedging accounting relationships are aligned with the Group's risk management objectives and strategy.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amounts deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Derivative financial instruments and hedge accounting (Cont'd)

The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria, including instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it, in which case hedge accounting continues for the remainder of the hedging relationship. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

For the purpose of determining whether a forecast transaction is highly probable and assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark is not altered as a result of interest rate benchmark reform.

Debtors

Debtors are classified as financial assets at amortised cost in accordance with HKFRS 9, and subsequently measured at amortised cost using the effective interest method.

Appropriate allowances for expected credit loss are recognised in the consolidated income statement to reflect the initial expected credit losses and the changes in credit risk since initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group are classified as equity instruments and are initially recorded at the proceeds received.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of the initial fair value less subsequent amortisation and the amount of the expected loss determined in accordance with HKFRS 9.

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

Impairment

The Group recognises a loss allowance for expected credit loss on financial assets and financial guarantee which are subject to impairment under HKFRS 9. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognises lifetime expected credit loss for trade receivables. For all other financial instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime expected credit loss.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised when a performance obligation is satisfied, which is recognised at a point in time, based on the timing of control of the goods underlying the particular performance obligation being transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

Sales of services

Revenue from sales of services is recognised when a performance obligation is satisfied, which is recognised at a point in time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(k) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (Cont'd)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income and accumulated in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and included in the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(l) Taxation

Hong Kong Profits Tax is provided for at the prevailing tax rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(l) Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Leases

For lessees, right-of-use assets and lease liabilities are recognised at the lease commencement date, except for leases with a lease term of 12 months or less, or those low-value assets, which are recognised as expenses on a straight-line basis over the lease terms.

Lease liabilities are initially measured at the present value of the remaining lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The remaining lease payments are discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease is not readily determinable, the Group uses the incremental borrowing rate at the lease commencement date. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

At inception, the right-of-use assets comprise the initial lease liabilities, initial direct costs and the obligation to restore the asset, less any incentive granted by the lessor. The right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. The carrying amount of right-of-use assets is reviewed for indications of impairment at the end of each reporting period. All impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

3. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(n) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. 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 consolidated 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 retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include other financial assets, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 24 per cent of the Group's borrowings (2019: 23 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency derivatives to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency derivatives entered into by the Group at the end of the reporting period are set out in note 20.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 74 per cent of the Group's bank balances and deposits at the end of the reporting period (2019: 73 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Currency Risk (Cont'd)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other comprehensive income in response to a 5 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

HK\$ million	2020		2019	
	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)
Australian dollars	25	(542)	48	(478)
Pounds sterling	75	(1,330)	73	(1,207)
Japanese yen	(112)	–	(107)	–
Canadian dollars	9	(358)	6	(342)
New Zealand dollars	16	(78)	2	(73)
Euros	16	(501)	3	(519)

A 5 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's entities exposure to currency risk for both monetary financial assets and liabilities and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with nearly risk-free alternative rates. The LIBOR to certain bank borrowings and interest rate swaps of the Group may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 20 and 25, respectively.

Sensitivity analysis

At 31st December, 2020, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit for the year by HK\$12 million (2019: HK\$12 million). Other comprehensive income would increase by HK\$192 million (2019: HK\$35 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

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 100 basis points increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(c) Credit Risk

The Group's credit risk is primarily attributable to debt securities investments, derivative financial instruments entered into for hedging purposes, bank balances and deposits, trade debtors and other receivables.

In respect of trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams perform impairment assessment under expected credit loss model based on provision matrix or individual assessment on each debt at the end of the reporting period in relation to waste management services and sales of infrastructure materials to ensure that adequate impairment losses are recognised. Normally, the Group does not obtain collateral covering the outstanding balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit Risk (Cont'd)

The Group recognises lifetime expected credit loss for trade receivables. For all other financial instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss.

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Debt securities investments are normally liquid securities for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 23.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial assets and liabilities, 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:

HK\$ million	2020						2019					
	Carrying amount	Total contractual undiscounted cash outflows	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	Carrying amount	Total contractual undiscounted cash outflows	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
Unsecured bank loans	24,005	24,421	4,856	9,588	9,977	-	23,938	24,947	4,836	4,760	15,351	-
Secured bank loans	1,507	1,531	17	1,514	-	-	1,272	1,338	27	27	1,284	-
Lease liabilities	338	418	43	33	90	252	214	282	31	30	61	160
Unsecured notes and bonds	7,076	7,545	96	96	5,929	1,424	6,532	7,063	90	90	5,469	1,414
Trade creditors	262	262	262	-	-	-	248	248	248	-	-	-
Other payables and accruals	989	989	963	-	-	26	732	732	714	-	-	18
	34,177	35,166	6,237	11,231	15,996	1,702	32,936	34,610	5,946	4,907	22,165	1,592
Derivatives settled gross:												
Currency derivatives held as net investment hedging instruments:												
- outflow		53,585	29,492	8,128	7,000	8,965		50,433	26,193	3,137	12,704	8,399
- inflow		(53,044)	(29,159)	(8,131)	(6,869)	(8,885)		(53,854)	(27,623)	(3,615)	(13,525)	(9,091)
		541	333	(3)	131	80		(3,421)	(1,430)	(478)	(821)	(692)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities and other investments as set out in note 19. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy sector.

Sensitivity analysis

At 31st December, 2020, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK\$86 million (2019: HK\$85 million). A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's investments in securities and other investments at fair value in existence at that date (as set out in note 19). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period.

(f) Fair Value

Except for certain investments in securities which are stated at cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

The fair value of the Group's financial instruments and non-financial instruments are grouped into Level 1 to 3 with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31st December, 2020, investment properties amounting to HK\$396 million (2019: HK\$398 million) and unlisted investment in securities amounting to HK\$524 million (2019: HK\$508 million) were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly. Other investments amounting to HK\$1,189 million (2019: HK\$1,189 million) were measured at fair value based on value inputs that are not observable market data but change of these value inputs to reasonable possible alternatives would not have material effect on the Group's results and financial position.

Derivative financial instruments were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(g) Offsetting Financial Assets and Financial Liabilities

The following tables set out the carrying amounts of financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the Group's consolidated statement of financial position.

As at 31st December, 2020 HK\$ million	Gross amounts of recognised financial assets / (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets / (liabilities)	Cash collateral pledged / (received)	
Financial asset						
Derivative financial instruments	411	-	411	(411)	-	-
Financial liability						
Derivative financial instruments	(831)	-	(831)	411	-	(420)

As at 31st December, 2019 HK\$ million	Gross amounts of recognised financial assets / (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets / (liabilities)	Cash collateral pledged / (received)	
Financial asset						
Derivative financial instruments	1,795	-	1,795	(219)	-	1,576
Financial liability						
Derivative financial instruments	(219)	-	(219)	219	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant estimates and assumptions concerning the future may be required in selecting and applying the appropriate accounting methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under various circumstances. Actual results may differ from these estimates and judgements under different assumptions and conditions.

(a) Impairment testing of goodwill

Goodwill is tested for impairment annually or more frequently when there is any indication of impairment which required the Group to estimate the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of goodwill as at 31st December, 2020 is HK\$948 million (2019: HK\$881 million). Details of the impairment testing of goodwill are disclosed in note 21.

(b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgement and estimate. Intangible assets with indefinite useful lives are tested for impairment annually and intangible assets with definite useful lives are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposals and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of intangible assets as at 31st December, 2020 is HK\$1,654 million (2019: HK\$1,605 million).

6. TURNOVER

Turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services and share of turnover of joint ventures. Sales of infrastructure materials and waste management services were substantially recognised at a point in time.

Turnover comprises both sales and interest income from infrastructure investments and share of turnover of joint ventures as follows:

HK\$ million	2020	2019
Sales of infrastructure materials	2,390	2,172
Interest income from loans granted to associates	285	289
Interest income from loans granted to joint ventures	3,028	2,784
Sales of waste management services	1,479	1,488
Sales and interest income from infrastructure investments	7,182	6,733
Share of turnover of joint ventures	31,170	29,392
Turnover	38,352	36,125

7. OTHER INCOME

Other income includes the following:

HK\$ million	2020	2019
Gain on disposal of an associate	–	427
Gain on disposal of joint ventures	57	88
Bank interest income	165	196
Change in fair values of investment properties	(2)	16

8. OPERATING COSTS

Operating costs include the following:

HK\$ million	2020	2019
Depreciation of property, plant and equipment	325	220
Amortisation of intangible assets	70	81
Cost of inventories sold	1,907	1,742
Cost of services provided	871	860

9. FINANCE COSTS

HK\$ million	2020	2019
Interest and other finance costs on		
Bank borrowings	434	590
Notes and bonds	91	95
Lease liabilities	9	10
Others	(233)	(363)
Total	301	332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROFIT BEFORE TAXATION

HK\$ million	2020	2019
Profit before taxation is arrived at after charging:		
Staff costs	831	810
Lease expenses relating to short-term leases and leases of low-value assets	58	40
Directors' emoluments (note 33)	100	113
Auditor's remuneration	8	9

11. TAXATION

- (a) Taxation is provided for at the applicable tax rates on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK\$ million	2020	2019
Current taxation – Hong Kong	1	1
Current taxation – outside Hong Kong	177	111
Deferred taxation (note 27)	10	17
Total	188	129

- (b) Reconciliation between tax charge and accounting profit at Hong Kong profits tax rate:

HK\$ million	2020	2019
Profit before taxation	8,347	11,473
Less: Share of results of associates	(2,666)	(3,033)
Share of results of joint ventures	(2,767)	(4,459)
	2,914	3,981
Tax at 16.5% (2019: 16.5%)	481	657
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(175)	(318)
Income not subject to tax	(261)	(323)
Expenses not deductible for tax purpose	93	84
Tax losses and other temporary differences not recognised	34	20
Others	16	9
Tax charge	188	129

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

Investment in Power Assets Holdings Limited	Infrastructure Investments																				
	United Kingdom		Australia		Continental Europe		Hong Kong and Mainland China		Canada		New Zealand		Total before unallocated items		Unallocated items		Consolidated				
													2020	2019	2020	2019	2020	2019	2020	2019	2020
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019					
HK\$ million																					
Turnover	-	-	19,355	17,401	6,483	6,387	5,118	5,033	3,434	3,148	1,967	2,101	1,995	2,055	38,352	36,125	-	-	38,352	36,125	
Sales and interest income from Infrastructure Investments	-	-	1,816	1,474	576	681	685	680	2,390	2,172	236	238	1,479	1,488	7,182	6,733	-	-	7,182	6,733	
Bank interest income	-	-	-	-	-	-	-	-	47	50	-	-	1	1	48	51	117	145	165	196	
Other income	-	-	-	-	-	22	-	-	56	56	-	-	38	2	94	80	117	480	211	560	
Depreciation and amortisation	-	-	-	-	-	-	-	-	(177)	(136)	-	-	(217)	(164)	(394)	(300)	(1)	(1)	(395)	(301)	
Other operating costs	-	-	-	-	-	(1)	(31)	-	(2,058)	(1,863)	-	-	(1,161)	(1,128)	(3,250)	(2,992)	(364)	(372)	(3,614)	(3,364)	
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(44)	(57)	(44)	(57)	(257)	(275)	(301)	(332)	
Exchange loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391)	(26)	(391)	(26)	
Gain on disposal of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	427	
Gain on disposal of joint ventures	-	-	-	-	-	-	-	-	57	88	-	-	-	-	57	88	-	-	57	88	
Share of results of associates and joint ventures	-	-	792	3,161	1,288	1,381	896	105	117	115	64	98	71	68	5,433	7,492	-	-	5,433	7,492	
Profit/(Loss) before taxation	2,205	2,991	2,608	4,635	1,864	2,083	1,550	785	432	482	300	336	167	210	9,126	11,522	(779)	(49)	8,347	11,473	
Taxation	-	-	(5)	(5)	-	-	-	-	(99)	(69)	(32)	(1)	(31)	(36)	(167)	(111)	(21)	(18)	(188)	(129)	
Profit/(Loss) for the year	2,205	2,991	2,603	4,630	1,864	2,083	1,550	785	333	413	268	335	136	174	8,959	11,411	(800)	(67)	8,159	11,344	
Attributable to:																					
Shareholders of the Company	2,205	2,991	2,603	4,630	1,864	2,083	1,550	785	290	371	268	335	136	174	8,916	11,369	(1,596)	(863)	7,320	10,506	
Owners of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	796	796	796	796	
Non-controlling interests	-	-	-	-	-	-	-	-	43	42	-	-	-	-	43	42	-	-	43	42	
	2,205	2,991	2,603	4,630	1,864	2,083	1,550	785	333	413	268	335	136	174	8,959	11,411	(800)	(67)	8,159	11,344	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

for the year ended 31st December

HK\$ million	Infrastructure Investments																				
	Investment in Power Assets Holdings Limited		United Kingdom		Australia		Continental Europe		Hong Kong and Mainland China		Canada		New Zealand		Total before unallocated items		Unallocated items		Consolidated		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
Other information																					
Expenditure for segment non-current assets:																					
– Additions to property, plant and equipment	-	-	-	-	-	-	-	-	20	133	-	-	310	248	330	381	-	-	330	381	
– Additions to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	3	76	3	76	-	-	3	76	
– Investments in joint ventures	-	-	-	-	-	-	-	-	-	-	212	102	-	-	5,188	102	-	-	5,188	102	
as at 31st December																					
Assets																					
Interests in associates and joint ventures	30,480	30,742	55,873	56,022	31,398	28,637	16,620	16,917	862	832	7,661	7,628	1,042	988	143,936	141,766	-	-	143,936	141,766	
Property, plant and equipment and investment properties	-	-	-	-	-	-	-	-	1,805	1,882	-	-	1,554	1,318	3,359	3,200	2	3	3,361	3,203	
Other segment assets	-	-	657	636	-	-	-	-	3,177	2,988	7	4	3,097	2,882	6,938	6,310	-	-	6,938	6,310	
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,176	13,905	13,176	13,905	
Total assets	30,480	30,742	56,530	56,658	31,398	28,637	16,620	16,917	5,844	5,702	7,668	7,632	5,693	4,988	154,233	151,276	13,178	13,908	167,411	165,184	
Liabilities																					
Segment liabilities	-	-	-	-	-	-	109	-	1,120	887	36	13	2,638	2,189	3,903	3,089	-	-	3,903	3,089	
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,246	35,721	37,246	35,721	
Total liabilities	-	-	-	-	-	-	109	-	1,120	887	36	13	2,638	2,189	3,903	3,089	37,246	35,721	41,149	38,810	

12. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

Segment profit attributable to shareholders of the Company represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets of the Group's head office; and
- all liabilities are allocated to reportable segments other than financial and other liabilities of the Group's head office.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$7,320 million (2019: HK\$10,506 million) and on 2,519,610,945 shares (2019: 2,519,610,945 shares) in issue during the year.

The 131,065,097 shares issued in connection with the issue of perpetual capital securities in March 2016 (note 30) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

14. DIVIDENDS

(a)	HK\$ million	2020	2019
	Interim dividend paid of HK\$0.68 per share (2019: HK\$0.68 per share)	1,713	1,713
	Proposed final dividend of HK\$1.79 per share (2019: HK\$1.78 per share)	4,510	4,485
	Total	6,223	6,198

During the year, dividends of HK\$6,223 million (2019: HK\$6,198 million) are stated after elimination of HK\$324 million (2019: HK\$322 million) paid/proposed for the shares issued in connection with the issue of perpetual capital securities (note 30).

(b)	HK\$ million	2020	2019
	Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.78 per share (2019: HK\$1.75 per share)	4,485	4,410

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2020, is stated after elimination of HK\$233 million (2019: HK\$229 million) for the shares issued in connection with the issue of perpetual capital securities (note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

HK\$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Leased properties and others	Furniture, fixtures and others	Total
Cost								
At 1st January, 2019	393	147	210	1,384	3,012	343	66	5,555
Transfer between categories	-	-	-	-	9	(9)	-	-
Additions	-	-	83	14	257	18	9	381
Disposals	-	-	-	-	(73)	-	(5)	(78)
Termination of leases	-	-	-	-	-	(22)	-	(22)
Exchange translation differences	-	(3)	(4)	(28)	(70)	(9)	-	(114)
At 31st December, 2019	393	144	289	1,370	3,135	321	70	5,722
Additions	-	-	25	2	174	127	2	330
Disposals	-	-	-	-	(85)	-	(1)	(86)
Termination of leases	-	-	-	-	-	(26)	-	(26)
Exchange translation differences	-	10	24	74	208	34	4	354
At 31st December, 2020	393	154	338	1,446	3,432	456	75	6,294
Accumulated depreciation								
At 1st January, 2019	207	52	-	694	1,722	121	46	2,842
Transfer between categories	-	-	-	-	6	(6)	-	-
Charge for the year	6	3	-	23	156	26	6	220
Disposals	-	-	-	-	(69)	-	(5)	(74)
Termination of leases	-	-	-	-	-	(17)	-	(17)
Exchange translation differences	-	(1)	-	(10)	(38)	(3)	(2)	(54)
At 31st December, 2019	213	54	-	707	1,777	121	45	2,917
Charge for the year	7	3	14	47	220	29	5	325
Disposals	-	-	-	-	(56)	-	(1)	(57)
Termination of leases	-	-	-	-	-	(24)	-	(24)
Exchange translation differences	-	4	1	30	122	9	2	168
At 31st December, 2020	220	61	15	784	2,063	135	51	3,329
Carrying value								
At 31st December, 2020	173	93	323	662	1,369	321	24	2,965
At 31st December, 2019	180	90	289	663	1,358	200	25	2,805

16. INVESTMENT PROPERTIES

HK\$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2019	382
Change in fair values	16
At 31st December, 2019	398
Change in fair values	(2)
At 31st December, 2020	396

The fair values of the Group's investment properties at 31st December, 2020 and 2019 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

17. INTERESTS IN ASSOCIATES

HK\$ million	2020	2019
Investment costs		
– Listed in Hong Kong	8,036	8,036
– Unlisted	730	730
Share of post-acquisition reserves	25,163	25,125
	33,929	33,891
Amounts due by unlisted associates (note 36)	3,204	2,923
	37,133	36,814
Market value of investment in a listed associate	32,120	43,747

Included in the amounts due by unlisted associates are subordinated loans of HK\$3,009 million (2019: HK\$2,744 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTERESTS IN ASSOCIATES (CONT'D)

Summarised financial information of Power Assets Holdings Limited (“Power Assets”), the only material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below.

(a) Financial information of the material associate as at 31st December

HK\$ million	Power Assets	
	2020	2019
Current assets	6,062	5,015
Non-current assets	87,490	88,556
Current liabilities	(7,406)	(4,324)
Non-current liabilities	(1,380)	(3,755)
Equity	84,766	85,492
Reconciled to the Group’s interests in the material associate		
Group’s effective interest	35.96%	35.96%
Group’s shares of net assets of the material associate and its carrying amount in the consolidated financial statements	30,480	30,742

(b) Financial information of the material associate for the year ended 31st December

HK\$ million	Power Assets	
	2020	2019
Turnover	1,270	1,348
Profit for the year	6,132	7,131
Other comprehensive (expense)/income	(882)	804
Total comprehensive income	5,250	7,935
Dividend received from the material associate	2,149	2,149

17. INTERESTS IN ASSOCIATES (CONT'D)

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

HK\$ million	2020	2019
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	3,449	3,149
Aggregate amounts of the Group's share of those associates'		
Profit for the year	461	469
Other comprehensive expense	(222)	(281)
Total comprehensive income	239	188

Particulars of the principal associates are set out in Appendix 2 on pages 142 and 143.

18. INTERESTS IN JOINT VENTURES

HK\$ million	2020	2019
Investment costs	56,865	51,795
Share of post-acquisition reserves	10,454	11,513
	67,319	63,308
Impairment losses	–	(75)
	67,319	63,233
Amounts due by joint ventures (note 36)	39,484	41,719
	106,803	104,952

Included in the amounts due by joint ventures are subordinated loans of HK\$27,557 million (2019: HK\$27,105 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

The Directors reviewed certain joint ventures' operations and financial positions as at 31st December, 2020 and no further impairment loss is considered necessary for the year (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INTERESTS IN JOINT VENTURES (CONT'D)

Summarised financial information of CK William UK Holdings Limited (“CK William”) and UK Power Networks Holdings Limited (“UK Power Networks”), the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

(a) Financial information of the material joint ventures as at 31st December

HK\$ million	CK William		UK Power Networks	
	2020	2019	2020	2019
Current assets	4,419	3,341	6,915	6,795
Non-current assets	96,895	88,812	142,725	132,638
Current liabilities	(5,214)	(8,677)	(15,874)	(9,738)
Non-current liabilities	(74,576)	(64,216)	(75,651)	(72,421)
Equity	21,524	19,260	58,115	57,274
Reconciled to the Group's interest in the joint ventures				
Group's effective interest	40%	40%	40%	40%
Group's share of net assets of the joint ventures	8,610	7,704	23,246	22,910
Consolidation adjustments at Group level and non-controlling interests	710	660	124	120
Carrying amount of the joint ventures in the consolidated financial statements	9,320	8,364	23,370	23,030
Included in the above assets and liabilities:				
Cash and cash equivalents	1,828	818	3,081	3,244
Current financial liabilities (excluding trade and other payables and provisions)	(1,890)	(5,666)	(8,310)	(978)
Non-current financial liabilities (excluding trade and other payables and provisions)	(65,729)	(56,050)	(56,522)	(59,071)

18. INTERESTS IN JOINT VENTURES (CONT'D)

(b) Financial information of the material joint ventures for the year ended 31st December

HK\$ million	CK William		UK Power Networks	
	2020	2019	2020	2019
Turnover	10,783	10,418	16,118	15,829
Profit for the year	947	1,223	4,129	5,295
Other comprehensive (expense)/income	(378)	(412)	(2,846)	1,908
Total comprehensive income	569	811	1,283	7,203
Dividend received from the joint ventures	55	–	964	953
Included in the above profit:				
Depreciation and amortisation	(2,851)	(2,482)	(2,849)	(2,681)
Interest income	18	19	268	287
Interest expense	(2,261)	(2,302)	(2,446)	(2,533)
Income tax expense	(575)	(718)	(2,250)	(1,196)

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

HK\$ million	2020	2019
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	34,629	31,839
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	737	1,851
Other comprehensive expense	(1,614)	(436)
Total comprehensive (expense)/income	(877)	1,415

Particulars of the principal joint ventures are set out in Appendix 3 on pages 144 and 145.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. OTHER FINANCIAL ASSETS

HK\$ million	2020	2019
Financial assets at fair value through profit or loss		
Equity securities, unlisted	524	508
Other investments [#]	1,189	1,189
Financial assets at amortised cost		
Debt securities, unlisted	179	174
Total	1,892	1,871

[#] Other investments represent the investments under the agreement made as of 31st August, 2018 and as amended as of 30th December, 2019 with CK Hutchison Holdings Limited and its wholly-owned subsidiary. On 30th December, 2019, certain other investments were remeasured at fair value and recognised as interest in joint ventures.

20. DERIVATIVE FINANCIAL INSTRUMENTS

HK\$ million	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	432	(1,125)	1,872	(369)
Cross currency swaps	41	(677)	687	(26)
Interest rate swaps	–	(606)	–	(497)
	473	(2,408)	2,559	(892)
Portion classified as:				
Non-current	126	(1,378)	1,107	(547)
Current	347	(1,030)	1,452	(345)
	473	(2,408)	2,559	(892)

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge long-term foreign investments. The Group is a party to a variety of foreign currency forward contracts and cross currency swaps in the management of its exchange rate exposures.

The following contracts are outstanding as at the end of the reporting period and the major terms of these contracts are as follows:

As at 31st December, 2020	
Notional amount	Maturity
Sell AUD 159.3 million [^]	2021
Sell CAD 276.7 million [^]	2021
Sell GBP 2,411.4 million [^]	2021
Sell NZD 280.0 million [^]	2021
Sell CAD 400.0 million [^]	2022
Sell GBP 76.0 million [^]	2022
Sell EUR 515.0 million [^]	2022
Sell CAD 114.9 million [^]	2023
Sell CAD 200.0 million [^]	2024
Sell EUR 450.0 million [^]	2024
Sell CAD 132.5 million [^]	2025
Sell EUR 65.0 million [^]	2027
Sell AUD 1,414.8 million [^]	2027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

As at 31st December, 2019 Notional amount	Maturity
Sell AUD 159.3 million [^]	2020
Sell CAD 291.6 million [^]	2020
Sell GBP 2,011.0 million [^]	2020
Sell EUR 200.0 million [^]	2020
Sell NZD 280.0 million [^]	2020
Sell CAD 100.0 million [^]	2021
Sell GBP 250.4 million [^]	2021
Sell CAD 400.0 million [^]	2022
Sell EUR 515.0 million [^]	2022
Sell GBP 76.0 million [^]	2022
Sell CAD 200.0 million [^]	2024
Sell EUR 450.0 million [^]	2024
Sell CAD 132.5 million [^]	2025
Sell AUD 1,414.8 million [^]	2027

[^] designated as hedging instrument in accordance with HKFRS 9

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK\$1,329 million (net liabilities to the Group) (2019: HK\$2,164 million (net assets to the Group)) have been deferred in equity at 31st December, 2020.

None of the above currency derivatives is designated and effective as cash flow hedges and fair value hedges at 31st December, 2020 and 2019.

20. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2020 and the major terms of these contracts are as follows:

As at 31st December, 2020 HK\$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2022	BKBM*	1.53%	830
Contracts maturing in 2022	LIBOR*	1.89%	6,300
Contracts maturing in 2025	BBSW*	2.70%	3,003

As at 31st December, 2019 HK\$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2022	BKBM*	1.53%	771
Contracts maturing in 2022	LIBOR*	1.89%	6,096
Contracts maturing in 2025	BBSW*	2.70%	2,738

* BBSW – Australian Bank Bill Swap Reference Rate
 BKBM – New Zealand Bank Bill Reference Rate
 LIBOR – London Interbank Offered Rate

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK\$393 million (2019: HK\$327 million) (net liabilities to the Group) have been deferred in equity at 31st December, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. GOODWILL AND INTANGIBLE ASSETS

HK\$ million	2020	2019
Goodwill	948	881
Intangible assets	1,654	1,605
Total	2,602	2,486

Goodwill

HK\$ million	2020	2019
At 1st January	881	905
Exchange difference	67	(24)
At 31st December	948	881

For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations.

The Group prepared its cash flow projections of each cash-generating unit based on the latest approved budget plus extrapolated cash flows for the subsequent 4 years (2019: 4 years) except for a landfill where the whole life model is used. Cash flow projections for each cash-generating unit are based on the expected terminal growth rate of 3 per cent (2019: 3 per cent). The Group considers that cash flow projections of 5 years (2019: 5 years) are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight to ten times of earnings before interest, taxation, depreciation and amortisation and discount rate of 6.7 per cent to 9.8 per cent (2019: 7.5 per cent to 8.5 per cent). The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2020 and 2019.

21. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK\$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Operation license	Others	Total
Cost							
At 1st January, 2019	125	58	1,459	64	91	12	1,809
Additions	-	-	71	4	-	1	76
Exchange translation differences	(3)	(1)	(37)	(2)	(2)	-	(45)
At 31st December, 2019	122	57	1,493	66	89	13	1,840
Additions	-	-	1	-	-	2	3
Exchange translation differences	9	3	111	5	6	-	134
At 31st December, 2020	131	60	1,605	71	95	15	1,977
Accumulated amortisation							
At 1st January, 2019	-	37	91	18	1	11	158
Charge for the year	-	6	17	6	52	-	81
Exchange translation differences	-	(1)	(2)	-	(1)	-	(4)
At 31st December, 2019	-	42	106	24	52	11	235
Charge for the year	-	5	19	7	38	1	70
Exchange translation differences	-	3	8	2	5	-	18
At 31st December, 2020	-	50	133	33	95	12	323
Carrying value							
At 31st December, 2020	131	10	1,472	38	-	3	1,654
At 31st December, 2019	122	15	1,387	42	37	2	1,605

For brand name and trademarks of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

For other intangible assets of the Group that are regarded to have finite useful lives, they are amortised on a straight-line basis according to their license periods or contract lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. INVENTORIES

HK\$ million	2020	2019
Raw materials	62	37
Work-in-progress	26	32
Stores, spare parts and supplies	39	47
Finished goods	19	21
Total	146	137

23. DEBTORS AND PREPAYMENTS

HK\$ million	2020	2019
Trade debtors	257	263
Prepayments, deposits and other receivables	1,261	819
Total	1,518	1,082

The aging analysis of the Group's trade debtors is as follows:

HK\$ million	2020	2019
Current	190	171
Less than 1 month past due	54	70
1 to 3 months past due	11	17
More than 3 months but less than 12 months past due	9	10
More than 12 months past due	7	7
Amount past due	81	104
Loss allowance	(14)	(12)
Total after allowance	257	263

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

23. DEBTORS AND PREPAYMENTS (CONT'D)

During the year ended 31st December, 2020, the Group measured the loss allowance based on provision matrix or individual assessment under the expected credit loss model.

The Group used average loss rates ranging from 0.4 per cent to 31.1 per cent (2019: from 0.1 per cent to 31.4 per cent) for provision matrix assessment. The average loss rates were estimated based on historically observed default rates of the debtors and were adjusted for any forward-looking information that was available without undue cost or effort.

The movement in the loss allowance during the year is as follows:

HK\$ million	2020	2019
At 1st January	12	13
Impairment loss recognised	3	1
Impairment loss written back	(1)	(2)
At 31st December	14	12

24. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 1.00 per cent (2019: 1.98 per cent) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. BANK AND OTHER LOANS

HK\$ million	2020	2019
Unsecured bank loans repayable:		
Within 1 year	4,655	4,447
In the 2nd year	9,463	4,421
In the 3rd to 5th year, inclusive	9,887	15,070
	24,005	23,938
Unsecured notes and bonds repayable:		
Within 1 year	–	–
In the 2nd year	–	–
In the 3rd to 5th year, inclusive	5,700	5,202
After 5 years	1,376	1,330
	7,076	6,532
Secured bank loans repayable:		
Within 1 year	–	–
In the 2nd year	1,507	–
In the 3rd to 5th year, inclusive	–	1,272
	1,507	1,272
Total	32,588	31,742
Portion classified as:		
Current liabilities	4,655	4,447
Non-current liabilities	27,933	27,295
Total	32,588	31,742

25. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

HK\$ million	Bank loans		Notes		Bonds		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
GBP	1,575	3,048	–	–	–	–	1,575	3,048
AUD	16,004	14,593	–	–	–	–	16,004	14,593
JPY	1,116	1,070	1,116	1,070	–	–	2,232	2,140
EUR	950	867	–	–	5,700	5,202	6,650	6,069
NZD	1,507	1,272	–	–	–	–	1,507	1,272
HKD	4,360	4,360	260	260	–	–	4,620	4,620
Total	25,512	25,210	1,376	1,330	5,700	5,202	32,588	31,742

The average effective interest rate of the Group's bank loans is 1.33 per cent (2019: 2.23 per cent) per annum.

The Group's notes and bonds of HK\$7,076 million (2019: HK\$6,532 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans carried interest at floating rate, which was determined with reference to BBSY*, LIBOR, USD LIBOR, EURIBOR, BKBM or British Bankers Association Interest Settlement Rate for JPY deposit plus an average margin less than 1 per cent (2019: 1 per cent) per annum.

Fixed rate notes and bonds carried interest ranging from 1 per cent to 4 per cent (2019: interest ranging from 1 per cent to 4 per cent) per annum.

Certain assets were pledged to secure bank borrowings totalling HK\$1,507 million (2019: HK\$1,272 million) granted to the Group.

* BBSY – Australian Bank Bill Swap Bid Rate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. CREDITORS, ACCRUALS AND OTHERS

HK\$ million	2020	2019
Trade creditors	262	248
Other payables and accruals	4,858	5,091
Lease liabilities	32	22
Total	5,152	5,361

The aging analysis of the Group's trade creditors is as follows:

HK\$ million	2020	2019
Current	188	194
1 month	37	26
2 to 3 months	9	7
Over 3 months	28	21
Total	262	248

At 31st December, 2020, non-current lease liabilities of HK\$306 million (2019: HK\$192 million) is included under other non-current liabilities.

The aging analysis of the Group's lease liabilities is as follows:

HK\$ million	2020	2019
Within 1 year	32	22
Within a period of more than 1 year but not more than 2 years	32	30
Within a period of more than 2 years but not more than 5 years	86	54
Within a period of more than 5 years	188	108
	338	214
Less: Amount due for settlement within 12 months shown under current liabilities	(32)	(22)
Amount due for settlement after 12 months shown under non-current liabilities (included in other non-current liabilities)	306	192

27. DEFERRED TAX ASSETS/LIABILITIES

HK\$ million	2020	2019
Deferred tax assets	(6)	(3)
Deferred tax liabilities	476	450
Total	470	447

The followings are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior years:

HK\$ million	Accelerated tax depreciation	Tax losses	Fair value arising from business combination	Others	Total
At 1st January, 2019	86	(6)	395	(28)	447
Charge/(Credit) to profit for the year	66	(67)	4	14	17
Exchange translation differences	(2)	–	(11)	–	(13)
Others	–	6	–	(10)	(4)
At 31st December, 2019	150	(67)	388	(24)	447
(Credit)/Charge to profit for the year	(8)	1	(3)	20	10
Exchange translation differences	3	–	29	(3)	29
Others	–	–	–	(16)	(16)
At 31st December, 2020	145	(66)	414	(23)	470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK\$1,764 million (2019: HK\$1,563 million) at 31st December, 2020. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits.

An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK\$ million	2020	2019
Within 1 year	–	–
In the 2nd year	–	80
In the 3rd to 5th year, inclusive	–	30
No expiry date	1,764	1,453
Total	1,764	1,563

28. RETIREMENT PLANS

Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees.

Contributions to the defined contribution plans in Hong Kong are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. The Company and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK\$30,000.

Contribution to the defined contribution plans in New Zealand are made by either the employer only at 9 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 9 per cent of the employees' monthly basic salaries.

28. RETIREMENT PLANS (CONT'D)

Defined Contribution Retirement Plans (Cont'd)

As the Group's retirement plans in Hong Kong, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

The Group's costs in respect of defined contribution plans for the year amounted to HK\$24 million (2019: HK\$27 million). No forfeited contributions and earnings for the year under the defined contribution plans were used to reduce the existing level of contributions (2019: HK\$1 million). At 31st December, 2020, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2019: nil).

29. SHARE CAPITAL

	Number of Shares		Amount	
	2020	2019	2020 HK\$ million	2019 HK\$ million
Authorised:				
Ordinary shares of HK\$1 each	4,000,000,000	4,000,000,000	4,000	4,000
Issued and fully paid:				
Ordinary shares of HK\$1 each	2,650,676,042	2,650,676,042	2,651	2,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. PERPETUAL CAPITAL SECURITIES

On 1st March, 2016, OVPH Limited (the "Issuer") issued US\$1,200 million perpetual capital securities which are guaranteed by the Company and listed on Hong Kong Stock Exchange at an issue price of 100 per cent. Distribution is payable semi-annually in arrear based on a fixed rate, which is 5.875 per cent per annum. Distribution by the Issuer may be deferred at its sole discretion. These perpetual capital securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer's option on 1st March, 2021, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 2nd March, 2016, the Company issued 131,065,097 new ordinary shares to the Issuer for a consideration of approximately US\$1,200 million (equivalent to approximately HK\$9,360 million). The net proceeds for the shares issued were approximately HK\$9,245 million. The shares were issued in connection with the issue of the above perpetual capital securities. A swap agreement dated 1st March, 2016 was entered into between the Company and the Issuer under which the Issuer is obliged to act in accordance with directions from the Company on certain matters. As a result, these shares were accounted for as treasury shares.

On 23rd August, 2017, the Group issued US\$500 million 4.85 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. These perpetual capital securities were issued for general corporate funding purposes. Distributions on these perpetual capital securities are paid semi-annually in arrears from 23rd August, 2017 and may be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group's option on or after 23rd August, 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 3rd November, 2017, the Group issued US\$150 million 4.85 per cent guaranteed perpetual capital securities at an issue price of 100 per cent plus an amount corresponding to accrued distribution from and including 23rd August, 2017 to, but excluding 3rd November, 2017. The perpetual capital securities were issued for general corporate funding purposes. Distributions on these perpetual capital securities are paid from 23rd August, 2017 and may be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group's option on or after 23rd August, 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

31. 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 expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the Group consists of debts, which includes bank borrowings, notes, bonds as detailed in note 25, lease liabilities, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

The management actively and regularly reviews and manages the Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

The Group maintained a low net debt to net total capital ratio of 13.1 per cent (2019: 13.5 per cent) as at 31st December, 2020. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2019.

The net debt to net total capital ratios at 31st December, 2020 and 2019 were as follows:

HK\$ million	2020	2019
Total debts	32,588	31,742
Bank balances and deposits	(13,477)	(12,077)
Net debt	19,111	19,665
Net total capital	145,373	146,039
Net debt to net total capital ratio	13.1%	13.5%

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries, and fully complied with the capital requirements under the loan facility agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation between profit before taxation and cash generated from operating activities before finance costs and income taxes paid

HK\$ million	2020	2019
Profit before taxation	8,347	11,473
Share of results of associates	(2,666)	(3,033)
Share of results of joint ventures	(2,767)	(4,459)
Interest income from loans granted to associates	(285)	(289)
Interest income from loans granted to joint ventures	(3,028)	(2,784)
Bank interest income	(165)	(196)
Finance costs	301	332
Depreciation of property, plant and equipment	325	220
Amortisation of intangible assets	70	81
Change in fair values of investment properties	2	(16)
Loss/(Gain) on disposal of property, plant and equipment	28	(2)
Gain on disposal of an associate	–	(427)
Gain on disposal of joint ventures	(57)	(88)
Change in fair value of derivative financial instruments	130	–
Unrealised exchange loss	93	39
Returns received from joint ventures	2	134
Interest received from associates	285	284
Interest received from joint ventures	1,818	2,453
Bank interest received	172	194
Others	–	3
Operating cash flows before changes in working capital	2,605	3,919
(Increase)/Decrease in inventories	(9)	33
Increase in debtors and prepayments	(24)	(168)
Increase in creditors and accruals	487	388
Exchange translation differences	99	(489)
Cash generated from operating activities before finance costs and income taxes paid	3,158	3,683

32. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(b) Reconciliation of liabilities arising from financial activities

HK\$ million	Unsecured bank loans	Secured bank loans	Lease liabilities	Unsecured notes and bonds	Total
At 1st January, 2019	22,007	1,228	236	6,890	30,361
Financing cash flows	2,385	71	(35)	(213)	2,208
New lease entered/lease modified	–	–	10	–	10
Interest expenses	–	–	10	–	10
Exchange gain	(454)	(27)	(7)	(145)	(633)
At 31st December, 2019	23,938	1,272	214	6,532	31,956
Financing cash flows	(1,506)	117	(36)	–	(1,425)
New lease entered/lease modified	–	–	125	–	125
Interest expenses	–	–	9	–	9
Exchange loss	1,573	118	26	544	2,261
At 31st December, 2020	24,005	1,507	338	7,076	32,926

(c) Funds from Operations*

HK\$ million	2020	2019
Net cash from operating activities	2,825	3,236
Dividends received from associates	2,460	2,388
Dividends received from joint ventures	2,488	1,966
	7,773	7,590

* Funds from operations represent net cash from operating activities and dividends received from associates and joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to the Company's directors by the Group in connection with the management of the affairs of the Group. The independent non-executive directors ("INED") receive an annual director's fee of HK\$75,000 each; and for those acting as the audit committee members ("ACM"), additional annual fee of HK\$80,000 each is paid. For those INED acting as remuneration committee members ("RCM"), nomination committee members ("NCM") and sustainability committee members ("SCM"), additional annual fee of HK\$25,000 each is paid. The emoluments of each of the Company's directors for the current year, excluding emoluments received from the Group's associates, are as follows:

HK\$ million	Basic Salaries, Allowances and Fees	Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	Total Emoluments 2020	Total Emoluments 2019
Victor T K Li ^(1 and 3)	0.102	-	25.924	-	-	26.026	33.311
Kam Hing Lam	0.075	4.200	9.416	-	-	13.691	16.347
Ip Tak Chuen, Edmond	0.077	1.800	10.261	-	-	12.138	13.947
Fok Kin Ning, Canning ⁽¹⁾	0.075	-	-	-	-	0.075	0.075
Frank John Sixt	0.075	-	-	-	-	0.075	0.075
Andrew John Hunter ⁽¹⁾	0.075	12.669	13.850	1.265	-	27.859	28.829
Chan Loi Shun ^(1, 2 and 3)	0.075	7.107	2.850	0.709	-	10.741	10.793
Chen Tsien Hua	0.075	5.740	2.290	0.572	-	8.677	8.747
Cheong Ying Chew, Henry ⁽⁴⁾	0.180	-	-	-	-	0.180	0.180
Kwok Eva Lee ⁽⁴⁾	0.077	-	-	-	-	0.077	0.112
Sng Sow-Mei ⁽⁴⁾	0.155	-	-	-	-	0.155	0.155
Colin Stevens Russel ⁽⁴⁾	0.143	-	-	-	-	0.143	0.180
Lan Hong Tsung, David ⁽⁴⁾	0.155	-	-	-	-	0.155	0.155
Barrie Cook ⁽⁴⁾	0.077	-	-	-	-	0.077	0.075
Paul Joseph Tighe ⁽⁴⁾	0.157	-	-	-	-	0.157	0.138
Lee Pui Ling, Angelina	0.075	-	-	-	-	0.075	0.075
George Colin Magnus	0.075	-	-	-	-	0.075	0.075
Total for the year 2020	1.723	31.516	64.591	2.546	-	100.376	
Total for the year 2019	1.745	31.098	77.921	2.505	-		113.269

Notes:

- (1) During the year, Mr. Victor T K Li, Mr. Andrew John Hunter and Mr. Chan Loi Shun each received directors' fees of HK\$70,000 (2019: HK\$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK\$120,000 (2019: HK\$120,000) from Power Assets. The directors' fees totalling HK\$330,000 (2019: HK\$330,000) were then paid back to the Company.
- (2) During the year, the directors' emoluments in the sum of HK\$5,502,100 (2019: HK\$5,316,000) received by Mr. Chan Loi Shun from Power Assets were paid back to the Company.

33. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

Notes (Cont'd):

- (3) Mr. Victor T K Li and Mr. Chan Loi Shun have acted as NCM and SCM of Power Assets during the period from 1st December, 2020 to 31st December, 2020 respectively. The fees totalling HK\$3,388 (2019: nil) were then paid back to the Company.
- (4) INED, ACM, RCM, NCM and SCM – During the year, Mr. Cheong Ying Chew, Henry, Mr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei and Mr. Paul Joseph Tighe have acted as INED and ACM of the Company. Mr. Colin Stevens Russel has acted as INED of the Company during the year and acted as ACM of the Company during the period from 1st January, 2020 to 14th July, 2020. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. Mrs. Kwok Eva Lee and Mr. Barrie Cook have acted as NCM of the Company during the period from 1st December, 2020 to 31st December, 2020. Mr. Paul Joseph Tighe has acted as SCM of the Company during the period from 1st December, 2020 to 31st December, 2020. The total emoluments paid to these INED, ACM, RCM, NCM and SCM during the year were HK\$944,193 (2019: HK\$994,507).

Of the five individuals with the highest emoluments in the Group, all (2019: all) are directors whose emoluments are disclosed above.

34. COMMITMENTS

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

HK\$ million	Contracted but not provided for	
	2020	2019
Investments in joint ventures	13	242
Plant and machinery	287	219
Total	300	461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. CONTINGENT LIABILITIES

The contingent liabilities of the Group are as follows:

HK\$ million	2020	2019
Guarantee in respect of bank loan drawn by a joint venture	1,191	1,161
Other guarantees given in respect of a joint venture	438	493
Performance bond indemnities	173	103
Total	1,802	1,757

36. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK\$7 million (2019: HK\$24 million) to its unlisted associates. The Group received repayment of HK\$112 million from an unlisted associate in 2019. The total outstanding loan balances as at 31st December, 2020 amounted to HK\$3,204 million (2019: HK\$2,923 million), of which HK\$3,043 million (2019: HK\$2,744 million) at fixed rates ranging from 10.88 per cent to 11.22 per cent (2019: from 10.85 per cent to 11.19 per cent) per annum and HK\$161 million (2019: HK\$179 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.08 per cent (2019: 11.04 per cent) per annum. As stated in note 6, interest income from loans granted to associates during the year amounted to HK\$285 million (2019: HK\$289 million). The loans had no fixed terms of repayment.

During the year, the Group advanced HK\$50 million (2019: HK\$93 million) to its joint ventures. The Group received return of capital of HK\$29 million in 2019 and repayments of HK\$1,185 million (2019: HK\$25 million) from its joint ventures. The total outstanding loan balances as at 31st December, 2020 amounted to HK\$39,484 million (2019: HK\$41,719 million), of which HK\$19,239 million (2019: HK\$17,849 million) bore interest with reference to London Interbank Offered Rate, Australian Bank Bill Swap Reference Rate and return from joint ventures, and HK\$19,232 million (2019: HK\$23,071 million) at fixed rate ranging from 4.4 per cent to 14 per cent (2019: from 4.2 per cent to 14 per cent) per annum, and HK\$1,013 million (2019: HK\$799 million) was interest-free. The average effective interest rate of the loan granted to joint ventures is 6.17 per cent (2019: 6.84 per cent) per annum. As stated in note 6, interest income from loans granted to joint ventures during the year amounted to HK\$3,028 million (2019: HK\$2,784 million). The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a joint venture for the current year amounted to HK\$338 million (2019: HK\$292 million) and HK\$2 million (2019: HK\$2 million), respectively. The Group also received income and incurred operating costs from sales of waste management services from/to its joint ventures amounted to HK\$79 million (2019: HK\$91 million) and HK\$54 million (2019: HK\$55 million), respectively for the current year.

The emoluments of key management have been presented in note 33 above.

The above related party transactions made during the year did not constitute connected transactions or continuing connected transactions.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

as at 31st December

HK\$ million	2020	2019
Property, plant and equipment	2	3
Unlisted investments in subsidiaries	48,170	48,170
Total non-current assets	48,172	48,173
Amounts due from subsidiaries	57,866	56,753
Amount due from a joint venture	8	2
Prepayments, deposits and other receivables	15	33
Bank balances	16	9
Total current assets	57,905	56,797
Amounts due to subsidiaries	51,555	50,468
Other payables and accruals	276	296
Total current liabilities	51,831	50,764
Net current assets	6,074	6,033
Net assets	54,246	54,206
Representing:		
Share capital	2,651	2,651
Reserves	51,595	51,555
Total equity	54,246	54,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONT'D)

(b) Movements in the Company's Equity

HK\$ million	Share capital	Share premium	Retained profits	Total
At 1st January, 2019	2,651	25,267	26,571	54,489
Profit for the year	–	–	6,158	6,158
Final dividend paid for the year 2018	–	–	(4,639)	(4,639)
Interim dividend paid	–	–	(1,802)	(1,802)
At 31st December, 2019	2,651	25,267	26,288	54,206
Profit for the year	–	–	6,561	6,561
Final dividend paid for the year 2019	–	–	(4,719)	(4,719)
Interim dividend paid	–	–	(1,802)	(1,802)
At 31st December, 2020	2,651	25,267	26,328	54,246

38. EVENT AFTER THE REPORTING PERIOD

On 1st March, 2021, all outstanding US\$1,200 million perpetual capital securities (“Securities”) as disclosed in note 30 were redeemed in full at a redemption price equal to 100 per cent of the principal amount, plus accrued and unpaid distribution up to such date. After redemption of the outstanding Securities, all Securities have been withdrawn from listing on Hong Kong Stock Exchange.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 83 to 145 were approved by the Board of Directors on 17th March, 2021.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2020 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Anderson Asia (Holdings) Limited	Hong Kong	HK\$1 ordinary HK\$60,291,765 Non-voting deferred	100	Investment holding
Anderson Asphalt Limited	Hong Kong	HK\$30,300,000	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	Hong Kong	HK\$2	100	China infrastructure investment holding
China Cement Company (International) Limited	Hong Kong	HK\$1,000,000	70	Investment holding
Green Island Cement Company, Limited	Hong Kong	HK\$306,694,931	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	Hong Kong	HK\$722,027,503	100	Investment holding
Daredon Assets Limited	British Virgin Islands/ Hong Kong	US\$1	100	Investment holding
Enviro Waste Services Limited	New Zealand	NZ\$84,768,736	100	Waste management services

Note: The shares of all the above subsidiaries are indirectly held by the Company.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2020 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Power Assets Holdings Limited (note 1)	Hong Kong	HK\$6,610,008,417	36	Investment in energy and utility-related businesses
SA Power Networks Partnership (note 2)	Australia	N/A	23	Electricity distribution
Victoria Power Networks Pty Limited (note 3)	Australia	A\$315,498,640	23	Electricity distribution

Notes:

1. The associate is listed on Hong Kong Stock Exchange.
2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

CKI Utilities Development Limited
PAI Utilities Development Limited
Spark Infrastructure SA (No.1) Pty Ltd
Spark Infrastructure SA (No.2) Pty Ltd
Spark Infrastructure SA (No.3) Pty Ltd

CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the Group, together own a 51 per cent interest in SA Power Networks Partnership.

The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. Victoria Power Networks Pty Limited owns 100 per cent interests in the following companies:

Powercor Australia Ltd
CitiPower Pty Ltd
The CitiPower Trust

Powercor Australia Ltd and The CitiPower Trust each operates and manages an electricity distribution business in the State of Victoria of Australia.

PRINCIPAL JOINT VENTURES

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2020 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
UK Power Networks Holdings Limited	United Kingdom	£ 6,000,000 A ordinary £ 4,000,000 B ordinary £ 360,000,000 A preference £ 240,000,000 B preference	40	Electricity distribution
Northumbrian Water Group Limited (note 3)	United Kingdom	£ 39 A ordinary £ 142 B ordinary	52	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	United Kingdom	£ 71,670,979 ordinary £ 1 special	47	Gas distribution
Wales & West Gas Networks (Holdings) Limited (note 3)	United Kingdom	£ 29,027	39	Gas distribution
Electricity First Limited	United Kingdom	£ 1,004	50	Electricity generation
Eversholt UK Rails Limited (note 3)	United Kingdom	£ 102	65	Leasing of rolling stock
CK William UK Holdings Limited (note 1 & 2)	United Kingdom	£ 2,049,000,000	40	Investment holding
Australian Gas Networks Limited	Australia	A\$879,082,753	45	Gas distribution
Canadian Power Holdings Inc.	Canada	C\$137,000,000 ordinary	50	Electricity generation
1822604 Alberta Ltd. (note 3)	Canada	C\$1	65	Off-airport parking operation

APPENDIX 3 (CONT'D)

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Husky Midstream Limited Partnership	Canada	C\$1,153,845,000 class A units C\$621,301,154 class B units C\$1,776,923 general partnership interest	16	Oil pipelines, storage facilities and ancillary assets operation
CKP (Canada) Holdings Limited	Canada	C\$1,143,862,830	25	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
Wellington Electricity Distribution Network Limited	New Zealand	NZ\$406,500,100	50	Electricity distribution
Trionista TopCo GmbH	Germany	€25,000	35	Sub-metering and related services
AVR-Afvalverwerking B.V. (note 3)	The Netherlands	€1	46	Producing energy from waste

Notes:

- CK William UK Holdings Limited owns 100 per cent interests in the following companies:
Energy Developments Pty Limited
Multinet Group Holdings Pty Limited
DBNGP Holdings Pty Limited

Energy Developments Pty Limited owns and operates an energy generation business mainly in Australia. Multinet Group Holdings Pty Limited and DBNGP Holdings Pty Limited operate natural gas distribution businesses in Australia.
- CK William UK Holdings Limited owns 66 per cent interests in United Energy Distribution Holdings Pty Limited, which operates an energy distribution business in Australia.
- The percentage of equity attributable to the Group includes the additional interests under the agreements dated 30th December, 2019. Further details are set out in the Company's announcement dated 31st July, 2019.

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

Location	Lot Number	Group's Interest (per cent)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML 113	100	5,528	C	Medium

I: Industrial C: Commercial