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This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities and the guarantee referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities offer are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

Notice to Hong Kong investors: *The Issuer and the Guarantor (as defined below) confirm that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on the Hong Kong Stock Exchange (as defined below) on that basis. Accordingly, each the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING MEMORANDUM ON THE STOCK EXCHANGE OF HONG KONG LIMITED

State Grid Europe Development (2014) Public Limited Company
(incorporated with limited liability in England and Wales)
(the "Issuer")

Series A U.S.$350,000,000 3.25 per cent. Guaranteed Notes due 2027
(the "Series A Notes")
(Stock Code: 5121)

Series B U.S.$650,000,000 3.125 per cent. Guaranteed Notes due 2025
(the "Series B Notes", together with Series A Notes, the "Notes")
(Stock Code: 5123)

unconditionally and irrevocably guaranteed by

国家电网
STATE GRID
国家电网国际发展有限公司
STATE GRID INTERNATIONAL DEVELOPMENT LIMITED

State Grid International Development Limited
國家電網國際發展有限公司

(incorporated with limited liability under the laws of Hong Kong)
(the "Guarantor")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering memorandum dated 30 March 2022 (the "**Offering Memorandum**") appended hereto in relation to the Notes. As disclosed in the Offering Memorandum, the Notes issued are for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong, 8 April 2022

As at the date of this announcement, the directors of the Issuer are Mr. YU Jun and Ms. WANG Ying.

As at the date of this announcement, the directors of the Guarantor are Mr. YU Jun, Mr. CHEN Daobiao and Mr. LIU Jiacheng.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "**Offering Memorandum**") attached to this email, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES AND THE GUARANTEE TO BE PROVIDED IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: You are reminded that the Offering Memorandum has been delivered to you on the basis that you have confirmed that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Memorandum to any other person.

The materials relating to any offering of securities described in the Offering Memorandum do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers (each as defined in the Offering Memorandum) in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere any directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Trustee or the Agents (both as defined in the Offering Memorandum) or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

STATE GRID EUROPE DEVELOPMENT (2014) PUBLIC LIMITED COMPANY

(incorporated with limited liability in England and Wales)

Series A U.S.$350,000,000 3.25 per cent. Guaranteed Notes due 2027
and
Series B U.S.$650,000,000 3.125 per cent. Guaranteed Notes due 2025
irrevocably and unconditionally guaranteed by

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
國 家 電 網 國 際 發 展 有 限 公 司

(incorporated with limited liability under the laws of Hong Kong)

Issue Price of the Series A Notes: 99.529 per cent.
Issue Price of the Series B Notes: 99.660 per cent.

The 3.25 per cent. guaranteed notes due 2027 in the aggregate principal amount of U.S.$350,000,000 (the "**Series A Notes**") and the 3.125 per cent. guaranteed notes due 2025 in the aggregate principal amount of U.S.$650,000,000 (the "**Series B Notes**", together with Series A Notes, the "**Notes**" and each a "**series**") will be issued by State Grid Europe Development (2014) Public Limited Company (the "**Issuer**") and will be irrevocably and unconditionally guaranteed on an unsecured basis (the "**Guarantee**") by State Grid International Development Limited 國家電網國際發展有限公司 (the "**Guarantor**").

In this Offering Memorandum, references to the "**Notes**" are to any of the Series A Notes and the Series B Notes and references to a "**series of Notes**" or to a "**series**" are to the Series A Notes or the Series B Notes separately. In this Offering Memorandum, references to Terms and Conditions of the Notes are to the Terms and Conditions of Series A Note or to the Terms and Conditions of Series B Notes, as the case may be. The Series A Notes bear interest on their outstanding principal amount from and including 7 April 2022 at the rate of 3.25 per cent. per annum, payable semi-annually in arrear in equal instalments on 7 April and 7 October in each year (each a "**Series A Interest Payment Date**"). The Series B Notes bear interest on their outstanding principal amount from and including 7 April 2022 at the rate of 3.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 7 April and 7 October of each year (each a "**Series B Interest Payment Date**"). All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom, Hong Kong or the PRC or any political subdivision or authority therein or thereof in each case above having power to tax, unless such withholding or deduction is required by law. The Notes are solely to be repaid by the Issuer and the Guarantor (as the case may be) and the obligations of the Issuer and the Guarantor under the Notes or the Trust Deed (as defined in the Terms and Conditions of the Notes) shall solely be fulfilled by them as an independent legal person. In addition, ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the Issuer's and the Guarantor's financial condition.

Each series of Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Guarantor under the Guarantee in respect of each series of Notes constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor. The payment obligations of the Issuer under the Notes and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's and the Guarantor's other present and future unsecured and unsubordinated obligations, respectively.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") on 14 September 2015 which came into effect on the same day, the Guarantor has obtained a certificate from the NDRC on 15 March 2022 evidencing registration of the issuance of the Notes and has undertaken to file or cause to be filed the requisite information and documents on the issuance of the Notes to the NDRC within the prescribed time period after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Series A Notes will be redeemed at their principal amount on 7 April 2027 and the Series B Notes will be redeemed at their principal amount on 7 April 2025. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax. Please see "*Terms and Conditions of the Series A Notes – Redemption and Purchase – Redemption for Taxation Reasons*" and "*Terms and Conditions of the Series B Notes – Redemption and Purchase– Redemption for Taxation Reasons*". In addition, the Issuer may at any time redeem the Notes, in whole or in part, at the relevant Optional Redemption Amount (as defined in the Terms and Conditions of the Notes). Please see "*Terms and Conditions of the Series A Notes – Redemption and Purchase – Optional Redemption*" and *Terms and Conditions of the Series B Notes– Redemption and Purchase – Optional Redemption*". At any time following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Notes), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of the principal amount of the relevant series of Notes, together with accrued interest up to but excluding such Put Settlement Date. Please see "*Terms and Conditions of the Series A Notes – Redemption and Purchase – Redemption upon a Change of Control Triggering Event*" and "*Terms and Conditions of the Series B Notes – Redemption and Purchase – Redemption upon a Change of Control Triggering Event*". For a more detailed description of the Notes, please see "*Terms and Conditions of the Series A Notes*" and "*Terms and Conditions of the Series B Notes*".

The Series A Notes will be issued in registered form in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof. The Series B Notes will be issued in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.

The Series A Notes will be issued as green bonds under the Framework (as defined herein). Please see the section entitled "*Green Finance Framework*".

The Guarantor was rated A+ with a stable outlook by Fitch Ratings Inc. ("**Fitch**"), A1 with a stable outlook by Moody's Investors Service, Inc. ("**Moody's**"), and A+ with a stable outlook by S&P Global Ratings ("**S&P**"). Each series of Notes is expected to be rated A1, A+ and A+ by Moody's, S&P and Fitch, respectively. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves risks. Please see "*Risk Factors*" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States. The Notes and the Guarantee are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum, please see "*Subscription and Sale*".

This Offering Memorandum has not been approved as a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") and, accordingly, no offer to the public may be made and no admission to trading may be applied for on any market in the European Economic Area designated as a regulated market, in each case for the purposes of the Prospectus Regulation and UK Prospectus Regulation.

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Regulation (each, a "**Relevant Member State**") must be made pursuant to an exemption under the Prospectus Regulation, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 16 of the Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the Guarantor or any Joint Lead Manager has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Joint Lead Manager to publish or supplement a prospectus for such offer.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and are expected to be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should consider carefully the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes, the Issuer, the Guarantor or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the content of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This Offering Memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor, the Group and the Notes. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Memorandum and confirms, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each series of the Notes will be represented by beneficial interests in a global certificate (each a "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 7 April 2022 (the "**Issue Date**"), with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *S.A.* ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Certificates will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described in the Global Certificates, certificates for Notes will not be issued in exchange for relevant interests in a Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China	**ICBC (Asia)**	**Citigroup**
Mizuho Securities	**DBS Bank Ltd.**	**Santander**

Joint Bookrunners and Joint Lead Managers

BofA Securities	**BBVA**	**Crédit Agricole CIB**
Natixis	**MUFG**	**Société Générale Corporate & Investment Banking**
BNP PARIBAS	**Agricultural Bank of China Limited Hong Kong Branch**	**ABC International**
CLSA	**Goldman Sachs**	**Deutsche Bank**

Joint Green Structuring Advisors

Bank of China	**DBS Bank Ltd.**	**Santander**

Offering Memorandum dated 30 March 2022

NOTICE TO INVESTORS

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Memorandum contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "**Group**"), and the Notes which is material in the context of the issue and offering of the Notes, (ii) the statements contained in this Offering Memorandum relating to the Issuer, the Guarantor and the Group are in every material respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Memorandum with regard to the Issuer, the Guarantor and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain all facts in relation to the Issuer, the Guarantor, the Group and the Notes and to verify the accuracy of all such information and statements in this Offering Memorandum, and (v) any information sourced from third parties contained in this Offering Memorandum has been accurately reproduced and, as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Memorandum. Having taken all reasonable care to ensure that such is the case, to the best of the knowledge of the Issuer and the Guarantor the information contained in this Offering Memorandum is in accordance with the facts and contains no omission likely to materially affect its import.

The Issuer and the Guarantor have prepared this Offering Memorandum solely for use in connection with the proposed offering of the Notes described in this Offering Memorandum. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of Bank of China Limited, BOCI Asia Limited, Industrial and Commercial Bank of China (Asia) Limited, Citigroup Global Markets Limited, Mizuho Securities Asia Limited, DBS Bank Ltd., Banco Santander, S.A., Merrill Lynch (Asia Pacific) Limited, Banco Bilbao Vizcaya Argentaria, S.A., Crédit Agricole Corporate and Investment Bank, Natixis, MUFG Securities Asia Limited, Société Générale, BNP Paribas, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, CLSA Limited, Goldman Sachs (Asia) L.L.C. and Deutsche Bank AG, Hong Kong Branch (together the "**Joint Lead Managers**"), the Issuer or the Guarantor to subscribe for or purchase any of the Notes. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Notes, and distribution of this Offering Memorandum, please see "*Subscription and Sale*". By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Memorandum. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, Citicorp International Limited (the "**Trustee**") or the Agents (as defined in the Terms and Conditions of the Notes) or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them. Neither the delivery of this Offering Memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them to subscribe for or purchase the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them has independently verified the information contained in this Offering Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum or any other information supplied in connection with the Notes and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them. This Offering Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them that any recipient of this Offering Memorandum should purchase the Notes. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group and the merits and risks involved in investing in the Notes. Please see "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

It is expected that each series of Notes will, when issued, be assigned a rating of "**A1**", "**A+**" and "**A+**" by Moody's, S&P and Fitch, respectively. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Notes may adversely affect the market price of the Notes.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Memorandum and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, agents, advisers, representatives and each person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Memorandum or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them.

IN CONNECTION WITH THIS OFFERING, EACH JOINT LEAD MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING FOR THE STABILISATION MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. FOR A LIMITED PERIOD OF TIME AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER TO DO SO. SUCH STABILISATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Memorandum and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification - In connection with Section 309B of the Securities and Futures Act (2001) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of the Bonds, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the Notes are prescribed capital market products (as defined in the CMP Regulations 2018).

Industry and Market Data

Market data and certain industry forecasts used throughout this Offering Memorandum have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, representatives, employees, officers, directors, agents, advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Exchange Rate Information

This Offering Memorandum contains translations of certain HK$ and EUR amounts into U.S. dollars, or *vice versa*, at specified rates solely for the convenience of the readers. Unless otherwise specified in this Offering Memorandum, where financial information in relation to the Group has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of HK$7.7658 to U.S.$1.00 (the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Unless otherwise specified in this Offering Memorandum, where financial information in relation to the Group has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of EUR1.00 to U.S.$1.1848 (the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "*Exchange Rate Information*" in this Offering Memorandum. No representation is made that the HK$ or EUR amounts, as the case may be, referred to in this Offering Memorandum could have been or could be converted into U.S. dollars at any particular rate or at all.

Rounding

In this Offering Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Certain Definitions and Conventions

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, "**China**" and "**mainland China**" are to the People's Republic of China (excluding Hong Kong, The Macao Special Administrative Region of the People's Republic of China, and Taiwan), all references to the "*United States*" and the "*U.S.*" are to the United States of America, all references to "*Hong Kong*" are to The Hong Kong Special Administrative Region of the People's Republic of China; all references to "*EUR*", "*euro*" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, all references to "*Hong Kong dollars*" and "*HK$*" are to the lawful currency of Hong Kong, all references to "*USD*", "*U.S.$*" and "*U.S. dollars*" are to the lawful currency of the United States of America, all references to "*AUD*", "*AU$*" and "*Australian Dollars*" are to the lawful currency of Australia, all references to "*BRL*" and "*Brazilian real*" are to the lawful currency of Brazil, all reference to "*PHP*" and "*Philippine peso*" are to the lawful currency of the Philippines, and all reference to "*OMR*" is to the lawful currency of the Oman, and all reference to "*CLP*" is to the lawful currency of the Chile.

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor prepares its consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRS**"). The Guarantor's consolidated financial information as at and for the years ended 31 December 2018 has been derived from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 (the "**2019 Audited Financial Statements**") audited by Ernst & Young, Certified Public Accountants, the independent auditor of the Guarantor as at and for the year ended 31 December 2019 and a member of Hong Kong Institute of Certified Public Accountants ("**EY**") and included elsewhere in this Offering Memorandum. The Guarantor made retrospective restatement to the consolidated financial statements for the year ended 31 December 2018 in the 2019 Audited Financial Statements – please see Note 2.2 of the 2019 Audited Financial Statements. In addition, the Group adopted certain new and revised HKFRSs for the first time for the consolidated financial statements of 2019. Please refer to Note 2.3 of the 2019 Audited Financial Statements for the nature and the impact of the new and revised HKFRSs, including the impact on the opening balance for 2019.

The Guarantor's consolidated financial information as at and for the years ended 31 December 2019 and 2020 has been derived from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020 (the "**2020 Audited Financial Statements**") audited by KPMG, Certified Public Accountants, Hong Kong, the independent auditor of the Guarantor as at and for the year ended 31 December 2020 ("**KPMG**") and included elsewhere in this Offering Memorandum. The Guarantor made retrospective restatement to the consolidated financial statements for the year ended 31 December 2019 in the 2020 Audited Financial Statements – please see Note 2.2 of the 2020 Audited Financial Statements. In addition, the Group adopted certain amendments to HKFRSs for the consolidated financial statements of 2020. Please refer to Note 2.3 of the 2020 Audited Financial Statements for the nature and the impact of the adoption of the amended HKFRSs.

The Guarantor's consolidated interim financial information as at and for the six months ended 30 June 2020 and 2021 has been derived from the unaudited but reviewed consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2021 reviewed by KPMG and included elsewhere in this Offering Memorandum. Such consolidated interim financial statements have not been audited by KPMG. Consequently, such consolidated interim financial statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The Joint Lead Managers do not make any representation or warranty, express or implied, regarding the sufficiency of such consolidated interim financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Guarantor's financial condition, results of operations and results. Such consolidated interim financial statements should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year.

"Preface to Hong Kong Financial Reporting Standards" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") sets out the relationship between HKFRS and International Financial Reporting Standards ("**IFRS**"). The Council of HKICPA (the "**Council**") has a policy to achieve convergence of HKFRS with IFRS. Each HKFRS issued by the Council contains information about the extent of compliance with the equivalent IFRS. Where the requirements of a HKFRS and an IFRS differ, the HKFRS should be followed by entities reporting within the area of application of the HKFRS.

The audited consolidated financial statements of the Group have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002.

As at the date of this Offering Memorandum, there are no differences between HKFRS and IFRS which will impact the financial position and results of operations of the Group.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Memorandum. All statements other than statements of historical facts contained in this Offering Memorandum constitute forward-looking statements. Some of these statements can be identified by forward-looking terms, such as "**anticipate**", "**target**", "**believe**", "**can**", "**would**", "**could**", "**estimate**", "**expect**", "**aim**", "**intend**", "**may**", "**plan**", "**will**" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor and/or the Group discussed in this Offering Memorandum regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Offering Memorandum (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed under "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Guarantor to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Memorandum. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Offering Memorandum to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor or any member of the Group to be materially different include, among others:

- projections of capital expenditures in general and other financial items;
- possible changes to legal and regulatory requirements;
- any governmental support;
- environmental compliance and remediation;
- the business prospects and various business opportunities that may be pursued;
- the ability to successfully implement investment strategies and integrate invested business; and
- other factors, including those discussed in "*Risk Factors*".

The Issuer and the Guarantor do not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Memorandum as a result of any new information, future events or otherwise.

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CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Memorandum, unless the context otherwise requires, the following expressions shall have the following meanings.

"**%**"	per cent.
"**AusNet**"	AusNet Services, an Australian electricity and gas network company
"**CDP**"	Cassa Depositi e Prestiti
"**CDP RETI**"	CDP RETI S.p.A., an Italian electricity and gas network holding company in which the Group holds 35 per cent. equity interest as at the date of this Offering Memorandum
"**China**" or "**PRC**"	the People's Republic of China, and for the sole purpose of this Offering Memorandum and by reference to region, excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
"**EIT**".	Enterprise Income Tax
"**ElectraNet**"	ElectraNet Pty Ltd., an Australian electricity network company in which the Group holds 46.56 per cent. equity interest as at the date of this Offering Memorandum
"**FATCA**"	Foreign Account Tax Compliance Act
"**Group**".	the Guarantor and its subsidiaries
"**HKEI**"	HK Electric Investments, a Hong Kong integrated electricity utility company in which the Group holds 20 per cent. equity interest as at the date of this Offering Memorandum
"**Hong Kong Stock Exchange**" . . .	The Stock Exchange of Hong Kong Limited
"**Hong Kong**" or "**HK**"	the Hong Kong Special Administrative Region of the PRC
"**IPTO**"	Independent Power Transmission Operator S.A., a Greek electricity transmission grid company in which the Group holds 24 per cent. equity interest as at the date of this Offering Memorandum
"**Issuer**"	State Grid Europe Development (2014) PLC
"**NDRC**".	China National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"**NGCP**".	National Grid Corporation of the Philippines, a Philippine electric network company in which the Group holds 40 per cent. equity interest as at the date of this Offering Memorandum

"OETC"	Oman Electricity Transmission Company SAOC, an Oman electricity company in which the Group holds 49 per cent. equity interest as at the date of this Offering Memorandum
"Powerlink"	Queensland Electricity Transmission Corporation Limited
"REN"	Redes Energéticas Nacionais, a Portuguese electricity and gas network company in which the Group holds 25 per cent. equity interest as at the date of this Offering Memorandum
"SAFE"	the State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"SGBH"	State Grid Brazil Holding S.A., a Brazilian electricity network company that is a wholly-owned subsidiary of the Guarantor
"SGCC"	State Grid Corporation of China, a PRC SOE
"SGCC Group"	SGCC and its subsidiaries
"SGID Beijing"	State Grid International Development Co., Ltd., a wholly-owned subsidiary of SGCC
"Guarantor"	State Grid International Development Limited, a wholly-owned subsidiary of SGID Beijing
"SGID"	collectively, the SGID Beijing and the Guarantor
"SGSPAA"	SGSP (Australia) Assets Pty Ltd., formerly SPI (Australia) Assets Pty Ltd, an Australian electricity and gas network company and a subsidiary of the Guarantor in which the Group holds 60 per cent. equity interest as at the date of this Offering Memorandum
"Singapore Power"	Singapore Power Ltd.
"SNAM"	SNAM S.p.A., an Italian gas network company
"SOE(s)"	state-owned enterprise(s)
"State Council"	State Council of the PRC (國務院)
"TERNA"	Terna S.p.A. – Reta Elettrica Nazionale, an Italian electricity network company

GLOSSARY OF TECHNICAL TERMS

"AC"	alternating current
"DC"	direct current
"electricity prices"	on-grid tariffs, electricity sale prices and transmission and distribution tariffs
"EPC"	a business model in which the contractor is responsible for the engineering, procurement and construction of a project
"GVA"	gigavolt-ampere, a unit of power. 1 GVA = 1,000 MVA
"GW"	gigawatt, a unit of power. 1 GW = 1,000 MW
"HV"	high voltage
"installed capacity"	the rated output of power-generating units, usually denominated in MW
"km"	kilometre, a unit of length. 1 km = 1,000 m
"kV"	kilovolt, a unit of voltage. 1 kV = 1,000 volts
"kWh"	kilowatt-hour, a unit of energy. The standard unit of energy used in the electricity power industry. One kilowatt-hour is the amount of energy that would be produced by a power generator producing one-thousand watts for one hour
"MVA"	megavolt-ampere, a unit of power. The capacity of a transmission line is generally expressed in MVA
"MW"	megawatt, a unit of power 1 MW = 1,000 kilowatt. The capacity of a power project is generally expressed in MW
"RAB"	regulatory asset base or regulated asset base, generally used in the privatised network utilities industry to refer to the value of the assets used for the regulated activities, and a key element used to determine the regulated company's revenue requirement and prices/access charges
"RoR"	rate of return on regulated assets, which describes the return that the regulatory companies are permitted to earn
"smart grid"	generally used in the power industry to refer to a new type of power grid based on an integrated, high-speed two-way communication network, which is expected to lead to improvements in the reliability, compatibility, safety and efficiency of the power grids and cost reductions through the application of advanced sensor and measurement technologies, equipment technologies, control methods and autonomous decision-making support systems

"**UHV**" . . . . ultra-high voltage, 1000 kV AC or ± 800 kV DC or above

"**UHVAC**" . . . . UHV AC

"**UHVDC**" . . . . UHV DC

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Memorandum. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Memorandum shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Memorandum in its entirety.

OVERVIEW

The Guarantor is a wholly-owned subsidiary of SGID Beijing, which is also a wholly-owned subsidiary of SGCC. The Guarantor is mainly responsible for the overseas investments and operations of energy assets of the SGCC Group. Currently, with various overseas investments and operations in Asia, the Americas, Europe and Oceania, the Group has expanded its businesses into the global market. SGCC is the largest utility corporation and the largest power grid corporation in the world, and the largest power grid construction and operation company in China, each measured by the amount of total assets in 2020. The Group mainly invests in regulated power and electricity assets in emerging and developed markets, and has established a portfolio of long-term infrastructure assets featuring diverse geographical locations, stable regulatory environment and controllable business risks. Since its first successful overseas M&A deal in 2009, the Group has maintained a steady operational growth and recorded profits in all projects, with its net profit from 2018 to the first half of 2021 accounting for approximately 20 per cent. of the SGCC Group.

The Group's consolidated subsidiaries include SGSPAA, SGBH, CPFL, Chilquinta and CGE:

- In Australia, SGSPAA carries out a variety of business across the Australian Capital Territory, New South Wales, Victoria and Queensland, including regulated businesses such as electricity distribution (JEN) and gas distribution (JGN), and non-regulated businesses such as gas transmission and infrastructure services; all of its gas transmission assets are under relevant take-or-pay agreements.

- In Brazil, SGBH invests in and operates backbone transmission networks across 14 states in Brazil and mainly engages in the investment, construction, and operation of power transmission concessionaires. After more than a decade of development, SGBH has become the third largest transmission company in Brazil in terms of regulated revenues.

- CPFL is a comprehensive energy company with a history of over 100 years focusing on electricity distribution, transmission, generation and trade, and also new energy. It and is a leading company in Brazil in terms of power supply reliability, line loss in distribution and power generation reliability.

- Located in Región de Valparaíso, Chile, Chilquinta is the third largest power distribution company in terms of the number of customers and fourth largest power transmission company in Chile in terms of transmission network extension.

- CGE is the largest electricity distribution company and the second largest electricity transmission company in Chile, with electricity distribution and transmission service areas covering 14 out of the 16 regions of Chile.

The Group also derives profits from unconsolidated associates and joint ventures, including NGCP, HKEI, REN, CDP RETI, IPTO and ElectraNet:

- In the Philippines, NGCP is the only national-level electricity transmission company, engaging in the planning, construction, dispatch, operation and maintenance of high voltage electricity transmission facilities (including interconnection projects) and providing power transmission services to the generators, distribution service providers and major users. NGCP's concession right for operation cover most areas of the country.

- In Hong Kong, HKEI's business encompasses electricity generation, transmission, distribution and transaction in Hong Kong Island and Lamma Island.

- In Portugal, REN's core business is the management of energy transmission systems and it has presence in the electricity and natural gas markets.

- In Italy, CDP RETI holds 29.85 per cent. of the equity interest in TERNA, 31.35 per cent. of the equity interest in SNAM and 26.02 per cent. of the equity interest in ITALGAS, and is the largest single shareholder in, and has actual control of these three companies.

- In Greece, IPTO is the only national-level electricity transmission system operator, engaging in the development, operation, maintenance and dispatch of the national power transmission network in Greece, and is responsible for power trade management. IPTO also engages in international interconnections with Italy, North Macedonia, Albania, Bulgaria and Turkey.

- In South Australia, ElectraNet is the only electricity transmission network service provider, and is responsible for the construction, holding, operation and maintenance of power transmission networks in the area.

The Group also derived profits from OETC for the period from March to December 2020. In Oman, OETC is responsible for the construction, operation, maintenance and dispatch of the country's national electricity transmission backbone network, with its services covering approximately two-thirds of the regions in Oman. The Group's equity interest in OETC was transferred to another wholly-owned subsidiary of SGID Beijing in 2021 due to the considerations of lowering the Guarantor's investments in non-investment grade countries.

The Group also derived profit from its investment in AusNet from January 2014 to February 2022. The Group acquired 19.9 per cent. of the equity interest in AusNet from Singapore Power in January 2014. AusNet is the largest energy network operator in Victoria, Australia. It owns and operates the state's transmission networks, the eastern power distribution network and the southwestern gas distribution network. AusNet's non-regulated business includes integration of renewable energy, smart grids and energy services. Since the Group's acquisition of equity interest in AusNet in January 2014, AusNet has seen stable profits and dividends distribution and its stock price has increased steadily. Since August 2021, Brookfield, a Canadian asset management company, and APA Group, an Australian gas company, had proposed to acquire 100 per cent. of the shares of AusNet, respectively, and had made multiple bids. On 28 January 2022, AusNet shareholders approved the Scheme under which Brookfield would acquire all shares in AusNet.

COMPETITIVE STRENGTHS

The Group's believes that its competitive strengths include the following:

- world's leading utility company with wide international footprint and significant position in multiple key markets;

- focus on regulated networks in countries with advanced and mature regulation framework, ensuring stable cash flow;

- well-structured investment decision making system and diversified portfolio of quality investments;

- accelerated growth leveraging on continuously strong support from SGCC Group;

- robust financial performance supported by prudent financial risk management policies;

- effective implementation of green development concepts and active fulfilling social responsibility; and

- highly skilled talent pool led by seasoned management team with rich industry experience.

BUSINESS STRATEGIES

The Group intends to achieve its objectives through the following major business strategies:

- lean overseas asset operation;
- excellent global capital operation; and
- comprehensive risk management.

SUSTAINABLE DEVELOPMENT STRATEGIES

For the purpose of the above Environmental, Social and Governance ("**ESG**") related strategic goal and vision, SGID has formulated the following three strategies of sustainable development:

- adhering to strategies leadership;
- practicing ESG philosophy; and
- balancing shareholder returns and ESG.

THE OFFERING

The following summary contains some basic information about the Notes. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in Terms and Conditions of the Notes and Summary of Provisions Relating to the Notes while in Global Form shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Notes, please see the section entitled "Terms and Conditions of the Series A Notes" and "Terms and Conditions of the Series B Notes" of this Offering Memorandum.

"**Issuer**"	State Grid Europe Development (2014) Public Limited Company.
"**Guarantor**"	State Grid International Development Limited 國家電網國際發展有限公司.
"**The Notes**"	Series A Notes: U.S.$350,000,000 3.25 per cent. guaranteed notes due 2027.
	Series B Notes: U.S.$650,000,000 3.125 per cent. guaranteed notes due 2025.
"**Issue Price**"	Series A Notes: 99.529 per cent. of their principal amount.
	Series B Notes: 99.660 per cent. of their principal amount.
"**Form and Denomination**".	Series A Notes: the Series A Notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
	Series B Notes: the Series B Notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
"**Issue Date**".	7 April 2022.
"**Interest**".	Series A Notes: the Series A Notes bear interest on their outstanding principal amount from and including 7 April 2022 at the rate of 3.25 per cent. per annum, payable semi-annually in arrear in equal instalments on 7 April and 7 October in each year, commencing on 7 October 2022.
	Series B Notes: the Series B Notes bear interest on their outstanding principal amount from and including 7 April 2022 at the rate of 3.125 per cent. per annum, payable semi-annually in arrear in equal instalments on 7 April and 7 October in each year, commencing on 7 October 2022.
"**Maturity Date**".	Series A Notes: 7 April 2027.
	Series B Notes: 7 April 2025.
"**Use of Proceeds**"	The net proceeds from the sale of the Series A Notes will be used to finance and/or refinance the Eligible Green Assets in accordance with the Framework. Please see "*Use of Proceeds*".

	The net proceeds from the sale of the Series B Notes will be used for general corporate purposes. Please see "*Use of Proceeds*".
"**Status of the Notes**"	Each series of Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under each series of Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
"**Status of the Guarantee**"	The obligations of the Guarantor under the Guarantee in respect of each series of Notes will constitute direct, unconditional, unsubordinated and (subject to the Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.
"**Negative Pledge**"	The Notes will contain negative pledge provisions as further described in Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Notes.
"**Guarantee**".	The Guarantor will guarantee the due and punctual payment of the principal of, and interest on, and all other moneys payable under, the Notes.
"**Cross-Default**"	The Notes will contain cross-default provisions as further described in Condition 10(c) (*Events of Default – Cross Default*) of the Terms and Conditions of the Notes.
"**Events of Default**"	Upon the occurrence of certain events as described in Condition 10 (*Events of Default*) of the Terms and Conditions of the Notes, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes of the relevant series then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of the relevant series shall (provided that in either such case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Notes of the relevant series are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

"**Taxation**"	All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom, Hong Kong or the PRC, or any political subdivision or authority therein or thereof in each case above having power to tax unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or the Guarantor as a result of the Issuer or the Guarantor being deemed to be a PRC tax resident up to and including the aggregate rate applicable on 30 March 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required ("**PRC Taxes**"), so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any United Kingdom or Hong Kong deduction or withholding is required, the Issuer or, as the case may be, the Guarantor shall pay (except in certain circumstances set out in Condition 9 (*Taxation*) of the Terms and Conditions of the Notes) such additional amounts ("**Additional Tax Amounts**", which for the avoidance of doubt, shall include the PRC Taxes) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required except that no such Additional Tax Amounts shall be payable in respect of any Note in the circumstances set out in Condition 9 (Taxation) of the Terms and Conditions of the Notes.
"**Final Redemption**"	Unless previously redeemed or purchased and cancelled in the circumstances referred to in the Terms and Conditions of the Notes, each series of Notes will be redeemed at their principal amount on the Maturity Date.
"**Redemption for Change of Control Triggering Event**"	A Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of that Noteholder's Notes upon the occurrence of a Change of Control Triggering Event at 101 per cent. of the principal amount of the relevant series of Notes, together with accrued interest up to, but excluding, the relevant Put Settlement Date, as further described in Condition 7.4 *(Redemption upon a Change of Control Triggering Event)* of the Terms and Conditions of the Notes.

"**Redemption for Taxation Reasons**"	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with interest accrued up to but excluding the date fixed for redemption but unpaid, in the event that as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2022, the Issuer or the Guarantor would be required to pay Additional Tax Amounts and such obligation cannot be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures available to it, as further described in Condition 7.2 *(Redemption for Taxation Reasons)* of the Terms and Conditions of the Notes.
"**Optional Redemption**"	The Issuer may, at any time upon giving not less than 30 nor more than 60 days' notice to Noteholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem the Notes, in whole or in part, at the relevant Optional Redemption Amount, as further described in Condition 7.3 *(Optional Redemption)* of the Terms and Conditions of the Notes.
"**Further Issues**"	The Issuer may from time to time without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Series A Notes or the Series B Notes in all respects, as the case may be (or in all respects except for the issue date, first payment of interest on them and the timing for complying with the requirements as set out in the Terms and Conditions of the Notes in relation to the NDRC Post-Issue Filing), and so that such further issue shall be consolidated and form a single series with the outstanding notes of any series (including the Series A Notes and the Series B Notes).
"**Trustee**"	Citicorp International Limited.
"**Principal Paying Agent and Transfer Agent**"	Citibank, N.A., London Branch.
"**Registrar**"	Citicorp International Limited.
"**Clearing Systems**"	Each series of Notes will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear and Clearstream, Luxembourg. Except as described in the Global Certificates, certificates for Notes will not be issued in exchange for relevant interests in a Global Certificate.

"**Governing Law**"	The Trust Deed, the Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them will be governed by and shall be construed in accordance with English law.
"**Listing**"	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only, and it is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on or about 8 April 2022.
"**Ratings**"	The Guarantor was rated A+ with a stable outlook by Fitch, A1 with a stable outlook by Moody's, and A+ with a stable outlook by S&P. Each series of Notes is expected to be rated "A1", "A+" and "A+" by Moody's, S&P and Fitch, respectively. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer or the Guarantor.
"**Selling Restrictions**"	Neither the Notes nor the Guarantee have been and will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. Please see "*Subscription and Sale*".
"**ISIN**"	The ISIN for the Series A Notes is XS2435161539. The ISIN for the Series B Notes is XS2460254282.
"**Common Code**"	The Common Code for the Series A Notes is 243516153. The Common Code for the Series B Notes is 246025428.
"**Legal Entity Identifier of the Issuer**"	529900B2DHSUP1S0V619

SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

The following table set forth the summary of the Guarantor's selected financial information as at the dates and for the periods indicated.

The summary of the consolidated statements of profit or loss for the year ended 31 December 2018 and the summary of the consolidated statement of financial position at 31 December 2018, as set out below, have been derived from the Guarantor's audited consolidated financial statements for the year ended 31 December 2019, which have been audited by EY and are included elsewhere in this Offering Memorandum. The Guarantor made retrospective restatement to the consolidated financial statements for the year ended 31 December 2018 in the 2019 Audited Financial Statements – please see Note 2.2 of the 2019 Audited Financial Statements. In addition, the Group adopted certain new and revised HKFRSs for the first time for the consolidated financial statements of 2019. Please refer to Note 2.3 of the 2019 Audited Financial Statements for the nature and the impact of the new and revised HKFRSs, including the impact on the opening balance for 2019.

The summary of the consolidated statements of profit or loss for the years ended 31 December 2019 and 2020 and the summary of the consolidated statement of financial position as at 31 December 2019 and 2020, as set out below, have been derived from the Guarantor's audited consolidated financial statements for the year ended 31 December 2020, which have been audited by KPMG and are included elsewhere in this Offering Memorandum. The Guarantor made retrospective restatement to the consolidated financial statements for the year ended 31 December 2019 in the 2020 Audited Financial Statements – please see Note 2.2 of the 2020 Audited Financial Statements. In addition, the Group adopted certain amendments to HKFRSs for the consolidated financial statements of 2020. Please refer to Note 2.3 of the 2020 Audited Financial Statements for impact of the adoption of the amended HKFRSs.

The summary of the consolidated statements of profit or loss for the six months ended 30 June 2020 and 2021 and the summary of the consolidated statement of financial position as at 30 June 2021, as set forth below, have been derived from the Guarantor's consolidated interim financial statements for the six months ended 30 June 2021, which have been reviewed by KPMG and are included elsewhere in this Offering Memorandum. The consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2021 should not be taken as an indication of the expected financial condition or results of operations of the Guarantor for the full financial year ending 31 December 2021.

The Guarantor's consolidated financial statements and information are prepared and presented in accordance with HKFRS. Prospective investors should read the selected financial data below in conjunction with the Guarantor's audited consolidated financial statements and unaudited but reviewed consolidated interim financial information and the related notes included elsewhere in this Offering Memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period.

SUMMARY OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year Ended 31 December				Six Months Ended 30 June		
	2018	**2019**	**2020**		**2020**	**2021**	
	(HK$)	*(HK$)*	*(HK$)*	*(U.S.$)*	*(HK$)*	*(HK$)*	*(U.S.$)*
	(restated)	**(restated)**		**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
	(in millions)						
Revenue	87,989.3	77,720.1	62,657.4	8,068.4	28,643.2	33,825.9	4,355.8
Cost of sales	(69,542.6)	(58,203.3)	(45,778.6)	(5,894.9)	(20,785.9)	(24,642.3)	(3,173.2)
Gross profit	18,446.7	19,516.8	16,878.8	2,173.5	7,857.3	9,183.6	1,182.6
Other income and gains	3,038.7	3,206.0	2,709.0	348.8	1,215.2	940.1	121.0
Selling expenses	(976.8)	(981.4)	(696.5)	(89.7)	(374.5)	(320.3)	(41.2)
Administrative expenses	(2,544.2)	(2,641.4)	(2,012.7)	(259.2)	(1,007.0)	(711.7)	(91.6)
Impairment losses on financial and contract assets	(366.4)	(461.4)	(390.4)	(50.3)	(230.3)	(223.2)	(28.7)
Finance costs	(6,046.4)	(5,926.6)	(4,613.7)	(594.1)	(2,351.1)	(2,499.3)	(321.8)
Other expenses	(1,177.4)	(3,055.0)	(1,322.2)	(170.3)	(615.1)	(614.4)	(79.1)
Foreign exchange gains/(losses), net	(723.7)	(482.5)	398.5	51.3	322.4	(9.9)	(1.2)
Share of profit of associates	4,479.5	4,418.2	5,017.6	646.1	2,503.9	2,749.0	354.0
Share of profit of joint ventures	1,701.2	1,319.4	1,129.2	145.4	538.1	500.6	64.5
Profit before tax	15,831.2	14,912.1	17,097.5	2,201.6	7,858.9	8,994.4	1,158.2
Income tax expenses	(3,251.8)	(3,767.5)	(3,807.6)	(490.3)	(2,154.7)	(2,542.4)	(327.4)
Profit for the year	12,579.4	11,144.6	13,289.9	1,711.3	5,704.1	6,452.0	830.8
Attributable to:							
Owners of the Company	11,759.3	10,194.1	12,058.4	1,552.7	5,241.6	5,771.2	743.2
Non-controlling interests	820.1	950.5	1,231.5	158.6	462.5	680.8	87.7
Profit for the year	12,579.4	11,144.6	13,289.9	1,711.3	5,704.1	6,452.0	830.8

Note: The translations from HK$ into U.S.$ were made at the rate of HK$7.7658 to U.S.$1.00 (the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York).

SUMMARY OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				As at 30 June	
	2018	2019	2020		2021	
	(HK$)	*(HK$)*	*(HK$)*	*(U.S.$)*	*(HK$)*	*(U.S.$)*[1]
	(restated)	**(restated)**		**(unaudited)**	**(unaudited)**	**(unaudited)**
			(in millions)			
Non-current assets						
Property, plant and equipment	68,802.7	67,196.0	74,876.4	9,641.8	75,057.2	9,665.1
Investment properties	175.8	164.2	146.6	18.9	149.5	19.3
Right-of-use assets	–	588.7	561.1	72.3	516.9	66.6
Goodwill	13,980.2	14,410.2	14,272.1	1,837.8	12,939.8	1,666.3
Other intangible assets	47,130.8	43,288.8	52,947.6	6,818.0	54,753.5	7,050.6
Investment in associates	48,321.5	48,277.9	60,563.5	7,798.7	53,326.3	6,866.8
Investment in joint ventures	20,941.0	20,361.7	18,880.7	2,431.3	19,001.8	2,446.9
Equity investments designated at fair value through other comprehensive income	9,762.7	10,171.3	8,923.1	1,149.0	9,424.4	1,213.6
Other equity instrument investments	249.6	244.0	114.0	14.7	119.4	15.4
Financial assets – concession rights	15,070.8	16,983.5	15,506.4	1,996.8	18,072.3	2,327.2
Derivative financial assets	3,193.8	3,719.6	4,116.3	530.1	3,326.3	428.3
Deferred tax assets	3,289.5	3,173.9	1,631.5	210.1	1,679.5	216.3
Sector financial assets	452.6	5.3	163.1	21.0	574.1	73.9
Contract assets	37,280.9	38,979.5	31,288.8	4,029.1	33,474.2	4,310.5
Other non-current assets	7,637.0	8,088.9	5,850.5	753.4	6,849.6	882.0
Total non-current assets	276,288.9	275,653.5	289,841.6	37,322.8	289,264.7	37,248.5
Current assets						
Inventories	336.5	327.0	660.1	85.0	763.8	98.4
Trade receivables	9,977.1	10,692.7	10,018.6	1,290.1	10,164.8	1,308.9
Contract assets	4,582.5	5,851.8	4,666.4	600.9	4,973.0	640.4
Sector financial assets	2,690.6	2,113.2	836.8	107.7	1,225.3	157.8
Prepayments, other receivable and other assets	3,315.5	3,006.5	3,262.8	420.1	6,549.9	843.4
Derivative financial assets	628.1	556.7	1,390.5	179.1	568.0	73.1
Financial assets at fair value through profit or loss	–	1,644.5	2,952.8	380.2	455.0	58.6
Cash and cash equivalents	8,503.2	16,613.9	13,637.3	1,756.1	13,123.5	1,689.9
Total current assets	30,033.5	40,806.3	37,425.3	4,819.2	37,823.2	4,870.5

	As at 31 December				As at 30 June	
	2018	2019	2020		2021	
	(HK$)	*(HK$)*	*(HK$)*	*(U.S.$)*	*(HK$)*	*(U.S.$)*[1]
	(restated)	**(restated)**		**(unaudited)**	**(unaudited)**	**(unaudited)**
			(in millions)			
Current liabilities						
Trade payables	6,353.4	7,768.5	7,495.6	965.2	7,740.1	996.7
Other payables and accruals	5,942.4	6,644.8	7,157.0	921.6	6,419.1	826.6
Derivative financial liabilities	57.3	85.9	303.0	39.0	17.3	2.2
Interest-bearing bank and other borrowings	30,042.5	32,034.5	49,467.9	6,370.0	55,343.2	7,126.5
Lease liabilities	6.7	153.1	113.9	14.7	106.5	13.7
Contract liabilities	673.2	689.1	1,195.7	154.0	1,264.6	162.8
Sector financial liabilities	–	–	62.2	8.0	–	–
Private pension plan	175.1	434.5	299.2	38.5	533.0	68.6
Tax payable	430.7	705.3	542.2	69.8	949.1	122.2
Provision	1,047.4	1,018.5	1,031.4	132.8	1,010.3	130.1
Total current liabilities	44,728.7	49,534.4	67,667.9	8,713.6	73,383.3	9,449.5
Net current (liabilities)/ assets	(14,695.2)	(8,728.1)	(30,242.5)	(3,894.3)	(35,560.1)	(4,579.1)
Total assets less current liabilities	261,593.7	266,925.4	259,599.0	33,428.5	253,704.6	32,669.5
Non-current liabilities						
Derivative financial liabilities	604.3	1,431.5	2,127.4	273.9	1,426.0	183.6
Interest-bearing bank and other borrowings	90,297.0	86,879.8	76,178.0	9,809.4	69,105.8	8,898.7
Lease liabilities	261.7	620.7	646.2	83.2	600.0	77.3
Contract liabilities	98.5	83.6	25.7	3.3	70.4	9.1
Sector financial liabilities	94.4	198.2	277.9	35.8	–	–
Private pension plan	2,338.1	4,161.1	4,132.3	532.1	3,998.7	514.9
Deferred tax liabilities	25,605.1	25,052.0	26,839.7	3,456.1	28,122.1	3,621.3
Provision	6,678.1	6,637.3	5,277.2	679.5	5,439.1	700.4
Other non-current liabilities	1,804.2	2,264.2	1,936.1	249.3	1,572.1	202.4
Total non-current liabilities	127,781.4	127,328.3	117,440.5	15,122.8	110,334.2	14,207.7
Net assets	133,812.3	139,597.1	142,158.5	18,305.7	143,370.5	18,461.8
Capital and reserves						
Share capital	130,517.0	130,517.0	143,878.4	18,527.2	143,878.4	18,527.2
Reserves	(7,861.4)	(6,651.4)	(20,812.9)	(2,680.1)	(16,101.2)	(2,073.3)
Total equity attributable to owners of the Company	122,655.6	123,865.6	123,065.5	15,847.1	127,777.1	16,453.8
Non-controlling interests	11,156.7	15,731.5	19,093.0	2,458.6	15,593.3	2,007.9
Total equity	133,812.3	139,597.1	142,158.5	18,305.7	143,370.5	18,461.8

Notes:

(1) The translations from HK$ into U.S.$ were made at the rate of HK$7.7658 to U.S.$1.00 (the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York).

(2) Upon initial application of HKFRS15 Revenue from Contracts with Customers, on 1 January 2018, the discount rate previously used to measure the contract assets in the preparation of the consolidated financial statements for the year ended 31 December 2018 (which were issued on 13 June 2019), was no longer suitable under the requirements of HKFRS 15. The Guarantor's management updated the discount rate in the preparation of the consolidated financial statements for the year ended 31 December 2019 to a discount rate that reflects characteristics in the financing transaction between the Guarantor and its customer at contract inception in accordance with the requirements set out in HKFRS 15. Based on the requirement of HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Guarantor's management retrospectively restated the consolidated financial statements for the year ended 31 December 2018.

OTHER FINANCIAL DATA (NON-GAAP)

	As at and for the Year Ended 31 December			As at and for the 12 Months Ended 30 June
	2018	2019	2020	2021
				(unaudited)
Adj. EBITDA[1] (HK$ in millions)	26,484.13	24,628.48	23,443.76	24,401.36
Adj. EBITDA[2] (U.S.$ in millions)	3,410.35	3,171.40	3,018.85	3,142.16
Total debt (HK$ in millions)	120,607.79	119,688.15	126,405.93	125,155.47
Total debt[3]/Adj. EBITDA	4.55	4.86	5.39	5.13
Net debt[4]/Adj. EBITDA	4.23	4.19	4.81	4.59
FFO[5]/net debt (%)	17.62	19.31	16.44	18.62
Adj. EBITDA/Interest expense[6]	4.25	4.11	5.02	5.14
FFO/cash interest paid	3.53	4.65	4.06	5.58
Gross debt/total equity (%)	90.13	85.74	88.92	87.30
Gross debt/total assets (%)	39.37	37.82	38.62	38.26
Total debt/Total capital[7] (%)	47.40	46.16	47.07	46.61

Notes:

(1) Adj. EBITDA for any period consists of the aggregate of revenue net cost of sales, selling expenses, administrative expenses and other expenses, adjusted by depreciation and amortisation, cash dividend received from equity investments designated at fair value through other comprehensive income, and cash dividend received from associates and joint ventures. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Guarantor believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor included EBITDA because it believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) The translations from HK$ into U.S.$ were made at the rate of HK$7.7658 to U.S.$1.00 (the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York).

(3) Total debt consists of current and non-current borrowings, including interest-bearing bank borrowings and other loans, debt securities, and lease liabilities.

(4) Net debt is calculated as total debt minus cash and cash equivalents.

(5) FFO is calculated as adj. EBITDA minus cash interest paid and cash tax paid, plus cash interest received.

(6) Interest expense is calculated as interest expense on bank loans and other borrowings and interest expense on lease liabilities.

(7) Total capital equals total debt plus total equity.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the businesses of the Group and the industries in which the Group operates together with all other information contained in this Offering Memorandum, including, in particular, the risk factors described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Issuer or the Guarantor or that they currently deem immaterial, may individually or cumulatively also have a material adverse effect on the businesses, prospects, results of operations and/or financial position of the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Memorandum and their personal circumstances.

RISKS RELATING TO THE GROUP AND ITS INDUSTRY

General risks

The Group's operations may be negatively affected by global and local economic conditions of the countries and regions where it operates or invests.

The Group's business, results of operations and financial condition can be materially affected by the global and local economic conditions of the countries and regions where it operates or invests, including Australia, Brazil, the Philippines, Portugal, Hong Kong, Italy, Greece and Chile. Due to the impact of the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") pandemic, there is the possibility of a slowdown in economic growth and reduced demand for electricity in the host country, or customers may be unable to make timely payments of accounts as a result of financial difficulties. If economic growth slows significantly or economic conditions deteriorate, the Group's business, financial conditions and results of operations may be adversely affected. Please also see "*Risk Factors – Risks Relating to the Group and its Industry – The Group's business may be adversely affected by the COVID-19 pandemic*".

The implementation of the Group's development strategy is subject to a variety of factors.

The Guarantor is the key platform for overseas investments and operations of the SGCC Group. The Group has made and continues to make significant investments and to expand its operations outside the PRC. The implementation of the Group's development strategy is subject to a variety of factors, such as the acquisition of assets and integration with existing businesses, entry into partnerships, and the recruitment and retention of local expertise to acquire and adapt know-how and the ability to operate in foreign markets and other regulatory environments. The Group may experience additional costs, delays or other unanticipated challenging conditions in foreign countries, including adverse commercial, economic, political, social and regulatory conditions, and may also be exposed to foreign exchange risks in foreign markets. These factors may have an impact on the Group's ability to properly execute its globalisation strategy and achieve its growth targets, and may have a negative impact on the results of operations and financial condition of the Group.

The Group's ability to influence participating entities is limited.

The Group has participated and invested in NGCP, REN, ElectraNet, HKEI, CDP RETI, IPTO and OETC*. However, its ability to influence the management and policy decisions of these companies may be limited. In the event that the Group cannot agree with other shareholders on management decisions, the potential deadlock may delay the development of relevant policies, which in turn may have an impact on business development.

* *Note:* OETC's 49 per cent. equity interests was held by the Guarantor for the period from March to December 2020, which was further transferred to another wholly-owned subsidiary of SGID Beijing in 2021 due to the considerations of lowering the Guarantor's investments in non-investment grade countries.

The Group's businesses are exposed to political risks.

The Group has invested and operated in companies or assets in a variety of countries and regions, including Australia, Brazil, the Philippines, Portugal, Hong Kong, Italy, Greece and Chile, and in the future may acquire more overseas assets in these and other countries and regions. The Group carries out its operations within the political, legal and regulatory environments of these countries, but may take time to adapt to any new environments in new countries or regions that the Group enters into, where the conditions are different from the PRC. Moreover, the laws, regulations and policies of such countries and regions are subject to changes due to the uncertainties in political and economic situations, which may have a negative impact on the Group's operations. In particular, any political conflict between the PRC and the countries and regions where the Group operates or invests in or any civil disturbance or war in these countries or regions may negatively affect the Group's business.

Acquisitions or strategic investments by the Group may not achieve anticipated economic results or commercial viability and the Group's operating results and financial position may be negatively affected.

From time to time the Group evaluates potential strategic acquisitions of complementary businesses and technologies. The Group may also consider joint ventures and other collaborative projects. The Group may not be able to identify appropriate acquisition targets or strategic partners, or successfully negotiate, finance or integrate any businesses, products or technologies that it acquires. Furthermore, the integration of any acquisition and management of any collaborative project may divert management time and resources from the core business of the Group, and the Group may incur legal, accounting and banking fees in connection with these transactions. In addition, if any company that the Group invests in does not perform as anticipated, the Group's financial condition may be negatively affected.

Regulatory risks

The Group's electricity and gas network assets are highly regulated, which might negatively affect the Group's financial performance.

Regulated electricity and gas network assets in the countries and regions where the Group operates or invests in are generally subject to governmental regulations. In particular, regulated electricity network assets may be subject to regulations with respect to, among others, limits on returns on investment, controls of technical standards and operating expenses, the amount and quality of electricity transmission and distribution, the construction of new transmission and distribution projects, and tariff levels which are subject to price controls set by the regulatory authorities. The changes in policy and regulations on tariffs in the countries and regions where the Group operates or invests in may negatively affect the Group's business, results of operation and financial condition.

Changes in international regulatory environment and demand may affect the Group's business, financial condition and results of operations.

Regulated electricity and gas network assets in the countries and regions where the Group operates or invests in are generally subject to governmental regulatory requirements. As the regulatory environment evolves, new laws and regulations may be implemented, and the business of the Group may be subject to further review on pricing, cost, safety, compliance and other matters. Furthermore, governments or regulatory authorities may repeal, modify, enact or promulgate new laws, regulations, treaties, orders, codes or official directives, or implement existing laws, regulations, treaties, orders, codes or official directives with different interpretations, which may adversely affect the Group's business. In particular, governments and regulatory authorities in countries and regions where the Group operates or invests in may implement new regulatory or tax policies, which may reduce the Group's operating regulatory income and further affect the Group's return on investment. Each of these factors may have an impact on the business, financial condition and results of operations of the Group.

Operational risks

The Group's business is subject to the status of licences, permits and concession agreements.

Regulatory policies in the countries and regions in which the Group operates or invests may require it to, among other things, obtain relevant licences, permits or concession agreements before submitting bids or conducting operations, or entering into a consortium arrangement, a joint venture, an agency agreement, or similar commercial arrangement with local businesses in order to conduct business in those countries and regions. The Group's ability to obtain, sustain, extend, or renew such licences, permits and concession agreements on acceptable terms is subject to changes in regulations and policies and to the discretion of applicable governmental authorities and counterparties in the countries and regions where it operates in. In addition, any breaches of the terms of any of the Group's licences, permits and concession agreements may result in the revocation or suspension of such licences and permits or termination of such agreements. Any revocation or suspension, or inability to renew a required licence or permit, or termination of a concession agreement, could limit Group's operations and create instability in the business, financial condition and results of operations of the Group.

Compliance with increasingly strict environmental, health and safety laws may increase the Group's costs and affect its financial condition and results of operations.

The Group is subject to environmental, health and safety regulations in the countries and regions where it operates or invests in. The Group may incur additional capital expenditures for compliance with the environmental, health and safety regulations adopted by the legislators and regulatory authorities in these countries and regions. The Group's costs of complying with current and future environmental, health and safety laws and the liabilities of the Group arising from any failure to comply with applicable regulatory requirements, may affect its business, financial condition and results of operations.

The construction of transmission or distribution projects is subject to contingencies, which may lead to delays and cost overruns.

The Group regularly upgrades and expands its transmission and distribution network to meet increased demand. The Group's transmission and distribution projects typically require substantial capital outlays and time before the commencement of commercial operations. The Group generally begins generating a return on its investment in a transmission or distribution project after the commencement of commercial operations, which may, however, be delayed due to various reasons. The Group's new transmission or distribution projects are subject to prior approvals from, among others, local regulatory authorities in the countries and regions where it operates or invests in. There can be no assurance that the approval process of each project will not be protracted or subject to more stringent regulatory standards than the Group may anticipate. The construction of a transmission or distribution project involves many potential risks, including shortages of materials, equipment or labour, accidents, adverse weather conditions, natural disasters, unanticipated problems in relation to geological conditions, engineering and environmental protection, and other unforeseeable problems and circumstances. Any of these factors may lead to delays and cost overruns in the Group's projects. Delays may result in decrease in revenue and increase in costs, and cause disputes with suppliers or customers due to its not being able to provide relevant services on a timely basis.

Natural disasters, network failures, equipment breakdowns, planned or unplanned outages or other potentially catastrophic events may cause network or equipment damages as well as losses or harms to the Group's business and reputation.

The Group's network and equipment may be disrupted or damaged by natural disasters or other potentially catastrophic events, such as typhoons, floods, severe weather conditions, man-made disasters, or acts of terrorism or intentional damage. Network failure or equipment breakdowns can adversely affect the Group's capacity to transmit or distribute electricity or gas and be costly and time-consuming to rectify such failure or breakdown. As such, although the Group has robust electricity transmission and distribution or gas transmission and distribution systems and takes measures such as modern operation and maintenance, customer load control and automated safety devices to prevent such failure or breakdown, accidents cannot be completely avoided and in turn may harm the Group's reputation, as well as its financial condition and results of operations. In addition, all of the Group's corridors of transmission and distribution require monitoring and regular repair and maintenance. Any network and equipment breakdown due to catastrophic events or otherwise will increase the cost of repair and maintenance, further negatively affecting the Group's results of operations.

The Group's business may be adversely affected by the COVID-19 pandemic.

COVID-19 outbreaks have been reported worldwide since December 2019 and declared as a pandemic by the World Health Organization in March 2020. Government authorities around the world have introduced various measures to cope with the pandemic, including quarantines and lockdowns, which led to delays and reductions in business activities and transactions and an adverse impact on on-site business operations. Since the outbreak of COVID-19 pandemic, the Group has implemented various measures to ensure the normal operation of its business as well as the health and safety of its employees, such as work from home, flexible working arrangements and the supply of personal protection equipment to employees. As at the date of this Offering Memorandum, the foregoing incidents have not had a material adverse effect on the Group's business and operations. However, the impact of the COVID-19 pandemic remains uncertain as the pandemic is still ongoing and there have been several sporadic outbreaks in different countries and regions.

There are risks of unsatisfactory execution of contracts by the third-party contractors that the Group engages.

Many of the Group's energy infrastructure projects are dependent on the availability of competent external contractors for equipment manufacturing, construction and maintenance. The Group selects contractors in accordance with applicable laws and regulations, and endeavours to ensure that its contractors have the necessary capabilities to carry out the relevant contracts. However, there is no assurance that the performance of external contractors will meet the terms and conditions or performance parameters required by the Group. If the performance of contractors is not satisfactory and fails to fulfill the Group's requirements, it could result in incremental costs, time overruns and project delays, and affect project returns, which in turn could negatively affect the Group's projects. In addition, the Group may be subject to fines and other penalties due to the failure of contractors to comply with applicable laws and regulations relating to project construction and/or maintenance. Even though the Group's contractors furnish performance guarantees for contract execution, there is no assurance that, in the event of the poor execution of contracts, the Group would always be able to enforce the performance guarantee of its contractors.

Further, if the Group is not able to engage competent contractors for necessary projects on a timely basis, those projects may be delayed. If the contractors engaged by the Group could not carry out cost effective execution of its projects, the expected returns on those projects may be affected. In addition, due to the non-controlling ownership of some of its assets, the Group has limited power on the appointment of third-party contractors.

The Group's businesses are exposed to a variety of risks, some of which are beyond its control and the insurance maintained may not be sufficient to cover economic losses.

The Group's businesses are exposed to a variety of risks associated with transmission and distribution, including damage to equipment and assets arising from explosions, fires, earthquakes and other natural disasters, equipment failure or substandard performance, acts of terrorism and traffic disruptions. Such risks may result in injury or death, equipment failure, property damage, and limitation or interruption of business operations, which in turn may give rise to civil or criminal liability. The Group's businesses may also be exposed to civil liability or financial penalties for damage to third parties in its ordinary course of business, and may be required to pay compensation pursuant to applicable laws. Although the Group maintains insurance policies to protect against major operational and other risks and developed insurance policies to cover certain other risks associated with its business, there is no assurance that the Group's insurance policies could cover all the risks and losses it may incur in the future. Due to evolving insurance market conditions, there can be no assurance that adequate insurance coverage for potential losses and liabilities will be available in the future on commercially reasonable terms, and the Group may also elect to self-insure or carry increased insurance deductibles. If there is any significant uninsured losses or a loss substantially exceeds the insured coverage, it may have a negative effect on the Group's businesses, financial condition and results of operations. If the Group experiences a loss in the future, the proceeds of the applicable insurance policies and government relief payments, if any, may not be adequate to cover replacement costs, lost revenues, increased expenses or liabilities to third parties, in which case the Group's financial condition and results of operations may be negatively affected.

If the Group fails to adapt to technological changes in a timely manner, its transmission and distribution operations may be adversely affected.

The future success of the Group depends in part on its ability to respond to technological changes on a cost-effective and timely basis. There is no assurance that the Group's investment in research or development or the technological support from the SGCC Group will continue to be adequate, or that the Group will satisfy market demands for technological innovation. In addition, the development and implementation of new technology entails significant technical and commercial risks. There can be no assurance that the Group will implement new technologies successfully or generate satisfactory returns on its investments. If the Group is unable to adapt in a timely manner to new technological developments for technical, financial or other reasons, its business and results of operations could be adversely affected.

The Group's businesses are exposed to a variety of legal and regulatory risks.

The Group's businesses are exposed to a variety of legal and regulatory risks, including but not limited to risks associated with regulatory compliance, litigation and other legal proceedings, labour and third-party fraud, corruption or other misconduct. In particular, the Group may be required to further reduce the risks of any adverse impact on the health and safety of its employees due to the increasingly stringent enforcement by governments of laws and regulations applicable to environmental protection, which may result in additional costs incurred by the Group. In addition, there is no assurance that the Group will always fully comply with relevant laws and regulations, and violations of such laws and regulations, whether accidental or not, may expose the Group to legal penalties and financial fines.

As a result, the increased costs incurred by the Group to protect against various legal and regulatory risks and liabilities arising from failure to comply with applicable laws and regulations may affect the Group's businesses, financial condition and results of operations.

The Group may be exposed to risks associated with labour fluctuations in the locations where it invests.

The Group is exposed to the risk of strikes and other industrial actions. The Group may be subject to collective bargaining agreements. There may be labour fluctuations due to disputes, strikes, lockouts or other labour actions which may negatively affect the Group's businesses, financial condition and results of operations.

Financial risks

The Group has significant financing needs to support its planned investments and acquisitions and capital expenditures. If it is unable to obtain adequate funding due to market or policy factors, its investment activities and debt service and repayment could be adversely affected.

The Group has significant financing needs to support its planned investments, acquisitions and capital expenditures. In 2018, 2019 and 2020, and the six months ended 30 June 2020 and 2021, the Group's cash flows generated/(used) in investing activities were HK$(9,672.9) million, HK$(5,382.7) million, HK$(23,417.4) million, HK$(21,516.0) million and HK$1,303.6 million, respectively. The Group plans to continue to make additional investments and acquisitions or incur capital expenditures, mainly in relation to electricity and gas transmission and distribution projects outside the PRC. There can be no assurance that the Group will always obtain future financing in a timely manner and on favourable terms, or maintain a favourable credit rating. The Group's ability to obtain external financing in the future is subject to a number of uncertainties, including (i) its future financial condition, results of operations and cash flows, (ii) whether the funding demand of a particular project will be met in a timely manner, and (iii) any support from the SGCC Group. Future debt financing, if available, may result in increased finance charges, increased financial leverage and reduced income available to fund further projects. If the Group fails to generate or obtain sufficient additional capital in the future, it could be forced to reduce or delay its planned acquisitions, investments in projects, or other capital expenditures.

The Group may be exposed to counterparty credit risk.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to contracts, including credit risk relating to banks holding the Group's deposits and counterparties to derivative instruments, which the Group uses to manage financial risks. Non-performance by any of the Group's counterparties could have a material negative effect on the Group's earnings.

Future fluctuations in foreign currency exchange rates may adversely affect the business, financial condition and results of operations of the Group.

The Group reports its financial results in Hong Kong dollars, fluctuations in exchange rates of the local currency of a country relevant to the Group's operation, particularly among the Australian dollar, the Brazilian real, the Philippine peso, the euro, the Omani rial, the Chilean peso and the Hong Kong dollar, may negatively affect the value of the Group's net assets and earnings in foreign currency terms.

Risks Relating to the Notes and the Guarantee

The Guarantor relies on its operating subsidiaries or associate companies to provide it with funds in order to meet its financial obligations.

The Guarantor is a holding company with no material direct operations. Its principal assets are the equity interests it directly or indirectly holds in its operating subsidiaries or associate companies and which own the operating assets. As a result, it is dependent on dividends and other payments from its subsidiaries or associate companies to generate the funds in order to meet its financial obligations. The Guarantor's subsidiaries and associate companies are legally independent from the Guarantor and will pay dividends to the Guarantor when relevant requirements are satisfied. There is no assurance that the Guarantor will receive sufficient dividends and other payments from its subsidiaries or associate companies to meet its financial obligations. In addition, any claim against the Guarantor will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries and associate companies, and all claims by creditors of such subsidiaries and associate companies (which do not guarantee the Notes) will have priority to the assets of such entities which are the subject of the claims under the Notes.

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to an investor's overall investment portfolio. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Notes. Financial institution investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Each potential investor in the Notes must determine the suitability of such an investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The liquidity and price of the Notes following the offering may be volatile and there may not be any trading market existing for the Notes.

The price and trading volume of the Notes may be highly volatile. Factors such as revenue, earnings and cash flows, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will be traded. There is no assurance that these developments will not occur in the future.

In addition, the Notes constitute a new issue of securities for which there is currently no existing trading market, and the Notes offer limited liquidity. Although application has been made to the Hong Kong Stock Exchange for permission to deal in and list the Notes, neither the Issuer nor the Guarantor can guarantee that a liquid trading market for the Notes will develop or continue. If such a market were to develop, the Notes could be traded at prices that may be higher or lower than the relevant initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. None of the Joint Lead Managers is obliged to make a market in the Notes and any such market-making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom, Hong Kong, the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Notes, the Issuer or the Guarantor is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time if as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2022, the Issuer or the Guarantor would be required to pay Additional Tax Amounts and such obligation cannot be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures. Please see "*Terms and Conditions of the Series A Notes – Condition 7 (Redemption and Purchase) – Condition 7.2 (Redemption for Taxation Reasons)*" and "*Terms and Conditions of the Series B Notes – Condition 7 (Redemption and Purchase) – Condition 7.2 (Redemption for Taxation Reasons)*" for additional details.

The Issuer or the Guarantor may not be able to meet its outstanding obligations under the Notes.

The Issuer or the Guarantor may (and at maturity, will) be required to redeem all of the Notes. If such an event were to occur, the Issuer or the Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by or on behalf of the Issuer may constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10 (*Events of Default*) of the Terms and Conditions of the Notes and taking action pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of Noteholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute such proceedings if not indemnified and/or prefunded and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such actions and/or steps and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions and/or steps and/or institute such proceedings directly.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes, the Trust Deed and the Agency Agreement by the Trustee or less than all of the Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including those Noteholders who do not attend and vote at the relevant meeting and those Noteholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of a majority of Noteholders may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes also provide that the Trustee may (but shall not be obliged to) agree, without the consent of Noteholders, to any modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of the Terms and Conditions of the Notes, or any provisions of the Trust Deed or Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Terms and Conditions of the Notes, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without the consent of the Noteholders create and issue further Notes (please see "*Terms and Conditions of the Series A Notes – Further Issues*" and "*Terms and Conditions of the Series B Notes – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not negatively affect the market price and liquidity of the Notes.

The Series A Notes to be issued as green bonds may not be a suitable investment for all investors seeking exposure to green assets.

S&P has been engaged to review the Green Finance Framework and to provide a second party opinion (the "**SPO**") on the environmental credentials and alignment with the Principles (as defined in the section entitled "*Green Finance Framework*") of SGID Beijing's Green Finance Framework (the "**Framework**").

The SPO provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in the Series A Notes, including without limitation market price, marketability, investor preference or suitability of any security. The SPO is not incorporated into, and does not form part of, this Offering Memorandum. None of the Issuer, the Guarantor, or the Joint Lead Managers makes any representation as to the suitability of the SPO. The SPO is not, and should not be deemed to be, a recommendation to buy, sell or hold securities and is only current as of the date that the SPO were initially issued, and may be updated, suspended or withdrawn by the relevant provider(s) at any time, and is subject to certain disclaimers set out therein. Furthermore, the SPO is for information purposes only and S&P does not accept any form of liability for the substance of the SPO and/or any liability for loss arising from the use of the SPO and/or the information provided in them. A withdrawal of the SPO may affect the value of the Series A Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets. The SPO may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Series A Notes. Prospective investors must determine for themselves the relevance of the SPO and/or the information contained therein and/or the SPO provider for the purpose of any investment in the Series A Notes.

The SPO and the Framework have been made available to investors on the website of SGID Beijing. The contents of the website do not form part of this Offering Memorandum and are not incorporated by reference in it.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green", and therefore no assurance can be provided to potential investors that the relevant Eligible Green Projects/Assets (as defined in the Framework) will continue to meet the relevant eligibility criteria. Although applicable green projects/assets are expected to be selected in accordance with the categories recognised by the International Capital Markets Association ("**ICMA**") Green Bond Principles and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects/assets. Where any negative impacts are insufficiently mitigated, green projects/assets may become controversial, and/or may be criticised by activist groups or other stakeholders.

While the Issuer and the Guarantor have agreed to certain obligations relating to use of proceeds and reporting as described under the sections headed "Use of Proceeds" and "Green Finance Framework" of this Offering Memorandum, it would not be an Event of Default under the Terms and Conditions of the Series A Notes if (i) the Issuer or the Guarantor were to fail to comply with such obligations or were to fail to use an amount equal to the net proceeds of the issue of the Series A Notes in accordance with the Framework and/or (ii) the SPO and/or any other certification were to be withdrawn. While the Issuer or the Guarantor intends to allocate the net proceeds from the offering to Eligible Green Projects/Assets, as described under "*Green Finance Framework*", any failure to use the net proceeds in connection with such Eligible Green Projects/Assets, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to the Series A Notes, may affect the value and/or trading price of the Series A Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Series A Notes are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Issuer or the Guarantor or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee nor the Agents make any representation as to the suitability or reliability for any purpose of the SPO or any other certification or whether the Series A Notes fulfil, in whole or in part, the relevant environmental criteria or any present or future investor expectations or requirements. None of the Joint Lead Managers has undertaken, or is responsible for, any assessment of the eligibility of projects in Eligible Green Projects/Assets or the monitoring of the use of proceeds from the offering of the Series A Notes. Each prospective investor of the Series A Notes should determine for itself the relevance of the information contained in the Offering Memorandum regarding the use of proceeds and its purchase of the Series A Notes should be based upon such investigation as it deems necessary.

Changes in market interest rates may adversely affect the value of the Notes.

Investment in the Notes, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may negatively affect the value of the Notes.

The Issuer will follow the applicable disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other jurisdictions.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other jurisdictions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

The rating on each series of Notes may be changed or withdrawn at any time and may negatively affect the market price of the Notes.

It is a condition to the issuance of each series of Notes that each series of Notes be rated "A1", "A+" and "A+" by Moody's, S&P and Fitch, respectively, upon issuance. The rating addresses the full and timely payment of interest and the timely repayment of principal on or before the maturity date in accordance with the terms and conditions of the Notes. The rating reflects the views held by the rating agencies at the time of issuing such rating, instead of a comprehensive coverage of all risks associated with an investment in the Notes. Such rating represents the rating agency's view and assessment of the Issuer's ability to meet its obligations under the Notes and the credit risks affecting the Issuer's ability to make timely payment. A rating is not a recommendation to purchase, hold or sell the Notes. No assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. Neither the Trustee nor any Agent is responsible, and investors should not rely on the Trust or any Agent to be responsible for, monitoring or maintaining any credit rating. The Issuer is not responsible for informing the Noteholders of the downgrade or withdrawal of the rating. If the rating initially assigned to the Notes is subsequently lowered or withdrawn for any reason, the liquidity and market price of the Notes will be negatively affected.

The Notes and the Guarantee are unsecured obligations.

As the Notes and the Guarantee are unsecured obligations, the repayment of the Notes and payment under the Guarantee may be compromised if:

(i) the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding up proceedings;

(ii) there is a default in payment under the future secured indebtedness or other unsecured indebtedness of the Issuer or the Guarantor; or

(iii) there is an acceleration of any of the indebtedness of the Issuer or the Guarantor.

If any of these events were to occur, the assets of the Issuer or the Guarantor may not be sufficient to pay amounts due on the Notes.

The Issuer may not be able to redeem the Notes upon a Change of Control Triggering Event.

At any time following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Notes), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that Noteholder's Notes at a purchase price equal to 101 per cent. of the principal amount of the relevant series of Notes together with accrued interest. Please see "*Terms and Conditions of the Series A Notes – Redemption and Purchase – Redemption upon a Change of Control Triggering Event*" and "*Terms and Conditions of the Series B Notes – Redemption and Purchase – Redemption upon a Change of Control Triggering Event*" for additional details. The source of funds for any such redemption would be available cash of the Group or third-party financing. However, the Issuer may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to redeem the outstanding Notes. If an event constituting a Change of Control Triggering Event occurs at a time when the Issuer is prohibited from redeeming the Notes, the Issuer may seek the consent of the lenders under such indebtedness to redeem the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer may be unable to redeem the Notes. The Issuer's failure to redeem the outstanding Notes at the request of the relevant holder would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace period. If the Issuer's or the Guarantor's other debts were to be accelerated, the Issuer may not have sufficient funds to purchase the Notes and repay the debt.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain of the Guarantor's or its subsidiaries' debt instruments, requiring the repurchase of such debt or otherwise cancelling the Guarantor's or its subsidiaries' lenders' commitments under such debt instruments. In addition, future debt of the Issuer or the Guarantor may also (1) prohibit the Issuer from redeeming Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Noteholders of their right to require the Issuer to redeem the Notes could cause a default under the Guarantor's or its subsidiaries' other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the redemption on the Guarantor and its subsidiaries.

If the Issuer or the Guarantor is unable to comply with the terms of the Trust Deed governing the Notes or their respective future debt agreements, there could be a default under those agreements, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

If the Issuer or the Guarantor is unable to comply with the terms in the Trust Deed governing the Notes or its future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to the Issuer or, as the case may be, the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, a number of the Issuer's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other obligations, or result in a default under their other debt agreement. If any of these events occur, the Issuer's or the Guarantor's assets and cash flows might not be sufficient to repay in full all of its respective indebtedness and the Issuer or, as the case may be, the Guarantor might not be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, it might not be on terms that are favourable or acceptable to it.

Each series of Notes will initially be held in book-entry form, and therefore Noteholders must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Each series of Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream, Luxembourg. Interests in a Global Certificate representing each series of Notes will trade in book-entry form only, and Notes in definitive registered form will be issued in exchange for the relevant book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the relevant series of Notes for purposes of the Trust Deed. A common depositary for Euroclear and Clearstream, Luxembourg will be the sole registered holder of a Global

Certificate. Accordingly, Noteholders must rely on the procedures of Euroclear or Clearstream, Luxembourg, and if a Noteholder is not a participant in Euroclear or Clearstream, Luxembourg, on the procedures of the participant through which the Noteholder owns its interest, to exercise any rights and obligations of a holder of the Notes under the Trust Deed. Upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Notes are issued in respect of all book-entry interests, if a Noteholder owns a book-entry interest, such Noteholder will be restricted to acting through Euroclear and Clearstream, Luxembourg. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes. Please see "*Summary of Provisions Relating to the Notes while in Global Form*".

Investors in the Notes may be subject to foreign currency exchange risks.

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign currency exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a reduction in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes.

The Issuer or the Guarantor may be treated as a PRC-resident enterprise for PRC tax purposes, which may subject the Issuer or the Guarantor to PRC income taxes on interest payable by the Issuer or the Guarantor to foreign investors, and gains on the sale of the Notes may be subject to withholding taxes under PRC tax law. The Issuer may redeem the Notes if the Issuer is required to pay additional amounts because it is treated as a PRC-resident enterprise.

Under the PRC Enterprise Income Tax Law and the implementation rules (the "**EIT Law**"), which both took effect on 1 January 2008, enterprises established outside the PRC whose de facto management bodies are located in China are considered resident enterprises for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. To date, neither the Issuer nor the Guarantor has been notified by the competent tax bureau that it is a PRC resident enterprise.

If the Issuer or the Guarantor is deemed to be a PRC-resident enterprise for EIT Law purposes, the Issuer or the Guarantor may be obliged to withhold PRC enterprise income tax at the rate of up to 10 per cent. on payments of interest to non-PRC resident enterprise holders of the Notes and 20 per cent. for non-resident individual holders of the Notes if such interest payments are deemed to be derived from sources within the PRC. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may, accordingly, be subject to a 10 per cent. PRC withholding tax provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax and the investors do not have offices or premises in the PRC, or that they have offices or premises in the PRC but such gains are not effectively connected therewith.

If the Issuer or the Guarantor is required under the EIT Law to withhold PRC income tax from interest payments made to foreign investors who are non-residents, the Issuer or, as the case may be, the Guarantor will be required to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a negative effect on the Issuer's or the Guarantor's ability to pay interest on, and repay the principal amount of, the Notes, as well as profitability and cash flow. As set out in Condition 7.2 (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Notes, in the event that as a result of a change in PRC tax law such that such PRC deduction or withholding is in excess of the Applicable Rate (as defined in the Terms and Conditions of the Notes), and the Issuer or, as the case may be, the Guarantor is required to pay additional amounts as a result of certain changes in, or interpretations of, tax law, including any change or interpretation that results in the Issuer or, as the case may be, the Guarantor being required to withhold tax on interest payments as a result of its being treated as a PRC-resident enterprise, the Issuer may redeem the Notes in full, but not in part, at the principal amount at any time prior to the Final Redemption as set out in Condition 7.1 (*Final Redemption*) of the Terms and Conditions of the Notes, together with interest accrued up to but excluding the date fixed for redemption but unpaid.

Additional procedures may be required to be taken to hear matters governed by English law in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law matters.

The Terms and Conditions of the Notes are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear matters governed by English law, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned, final judgments of Hong Kong courts will be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so.

Noteholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Note which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified denominations. If definitive Notes are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

TERMS AND CONDITIONS OF THE SERIES A NOTES

The following are the Terms and Conditions of the Series A Notes substantially in the form in which they (other than the text in italics) will be endorsed on the definitive notes and referred to in the Global Certificate representing the Series A Notes.

The issue of the Series A U.S.$350,000,000 3.25 per cent. guaranteed notes due 2027 (the "**Notes**", which expression includes, unless the context requires otherwise, any further notes issued pursuant to Condition 16 and consolidated and forming a single series therewith) was authorised by written resolutions of the board of directors of State Grid Europe Development (2014) Public Limited Company (the "**Issuer**") dated 11 March 2022. The Notes are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 7 April 2022 (the "**Issue Date**") between the Issuer, State Grid International Development Limited 國家電網國際發展有限公司 (the "**Guarantor**") as guarantor and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being as the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for itself and the holders of the Notes. The Notes are the subject of an agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated 7 April 2022 relating to the Notes between the Issuer, the Guarantor, the Trustee, Citicorp International Limited as registrar (the "**Registrar**"), Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**") and as initial principal paying agent (the "**Principal Paying Agent**"), and any other agents named therein. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Notes and shall include their respective successors or assigns. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (excluding public holidays)) at the principal place of business for the time being of the Trustee located as of the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, following prior written request and proof of holding and identity to the satisfaction of the Trustee. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") which shall be numbered serially and, save as provided in Condition 2.1, each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register of Noteholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it (other than the endorsed form of transfer) or the theft or loss of such Certificate, and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" (in relation to a Note) mean the person in whose name a Note is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Notes will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions relating to the Notes While in Global Form" in the Offering Memorandum.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

2 Transfers of Notes and Issue of Certificates

2.1 Transfer

A Note may, subject to the Agency Agreement and Condition 2.4, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. No transfer of title to a Note will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon prior written request and proof of holding and identity satisfactory to the Registrar (free of charge to the Noteholder at the Issuer's expense) at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday) at the specified office of the Registrar.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

2.2 Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2.1 shall be available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent, of a duly completed and signed form of transfer and surrender of the existing Certificate(s). The form of transfer is available at the specified office of each Transfer Agent. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.2, "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

2.3 Transfer Free of Charge

Certificates, on transfer of Notes, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the Regulations concerning transfer of the Notes have been complied with.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note; (ii) during the period of seven days ending on (and including) any Record Date; and (iii) after the exercise of the put option in Condition 7.4.

3 Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Guarantee

4.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Notes and the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the "**Guarantee**") in the Trust Deed.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.

5 Negative Pledge and Other Covenants

5.1 Negative Pledge

So long as any of the Notes remains outstanding:

(a) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Notes and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast; a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes; or consent given by way of electronic consents through the relevant Clearing System(s) by or on behalf of the Noteholders of not less than 90 per cent. in principal amount of the Notes, in accordance with the Trust Deed) of the Noteholders; and

(b) the Guarantor will not, and the Guarantor will ensure that none of its Non-Listed Principal Subsidiaries (as defined below) will, create or have outstanding any Security Interest upon, or with respect to, any of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Guarantor, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

(i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Noteholders.

unless, for each of Condition 5.1(a) and Condition 5.1(b), after giving effect to the issuance thereof, the aggregate outstanding principal amount of all such secured Relevant Indebtedness entered into after the Issue Date does not exceed 10 per cent. of the Guarantor's Adjusted Consolidated Net Worth.

The foregoing restriction in Condition 5.1(a) or Condition 5.1(b) will not apply to:

A. any Security Interest which is in existence prior to the Issue Date and any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Relevant Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased);

B. any Security Interest arising or having already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

C. any Security Interest either over any asset acquired after the Issue Date, which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary or which merges with and into the Guarantor after the Issue Date which is in existence at the date on which it becomes the Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Relevant Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased); provided that any such Security Interest was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;

D. any Security Interest created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the Issue Date; provided, however, that (a) any such Security Interest shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired); and any such Security Interest shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

E. any Security Interest created or outstanding in favour of the Guarantor or any of the Guarantor's Subsidiaries;

F. any Security Interest on any property or asset to secure all or part of the cost of development, production, gathering, processing or marketing of such property or asset or to secure Relevant Indebtedness incurred to provide funds for any such purpose;

G. any Security Interest arising in connection with industrial revenue, development or similar bonds or other Relevant Indebtedness or means of project financing (not to exceed the value of the project financed and limited to the project financed);

H. any Security Interest in respect of Relevant Indebtedness of the Guarantor or any of the Guarantor's Subsidiaries with respect to which the Guarantor or such Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and the Guarantor's Subsidiary in respect thereof; or

I. any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security Interest permitted by any of the foregoing clauses; provided that such Relevant Indebtedness is not increased and is not secured by any additional property or assets.

5.2 Ratings

Each of the Issuer and the Guarantor undertakes, that so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer will, and the Guarantor will procure the Issuer to, use best efforts to maintain a rating on the Notes by any of the Rating Agencies.

5.3 Provision of Information by the Guarantor

So long as any Note remains outstanding, the Guarantor shall file with the Trustee:

(a) as soon as they are available, but in any event within 180 calendar days after the end of each Relevant Period (and in the case of the Compliance Certificate, within 14 days of a written request of the Trustee), copies of the relevant Guarantor Audited Financial Reports in the English language, together with a Compliance Certificate of the Guarantor (on which the Trustee may conclusively rely as to such compliance); and

(b) as soon as they are available, but in any event within 120 calendar days after the end of each Relevant Period, copies of the relevant Guarantor Semi-Annual Unaudited Financial Reports in the English language, together with a certificate signed by the person then authorised to sign financial statements on behalf of the Guarantor, to the effect that the relevant Guarantor Semi-Annual Unaudited Financial Reports are true in all material respects and present fairly the financial position of the Guarantor, as at the end of, and the results of its operations for, the Relevant Period;

provided that, if at any time the Capital Stock of the Guarantor are listed for trading on a recognised stock exchange, the Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 PRC Business Days after any financial or other reports of the Guarantor are filed with any recognised exchange on which the Guarantor's shares are at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in Conditions 5.3(a) and 5.3(b) above, if such financial or other report is in English language.

5.4 Notification to NDRC

The Issuer undertakes that it will (i) within the prescribed time period after the Issue Date (or with respect to any further issue pursuant to Condition 16, within the prescribed time period after the issue date of such further issue) file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC on 14 September 2015 which came into effect on the same day (the "**NDRC Post-Issue Filing**") and (ii) comply with all applicable PRC laws, rules and regulations in connection with the NDRC Post-Issue Filing.

The Trustee shall have no obligation or duty to monitor, assist with or ensure the NDRC Post-Issue Filing is made on or before the relevant deadline set out in Condition 5.4 or to verify the accuracy, validity and/or genuineness of any documents, certificates, confirmations or information in relation to or in connection with the NDRC Post-Issue Filing or to translate into English any documents or information in relation to or in connection with the NDRC Post-Issue Filing or to give notice to the Noteholders confirming the completion of the NDRC Post-Issue Filing, and the Trustee shall not be liable to Noteholders or any other person for not doing so.

5.5 Interpretation

In these Conditions:

(i) "**Adjusted Consolidated Net Worth**" means the sum of the Guarantor's (a) shareholders' equity as determined under The Hong Kong Financial Reporting Standards or other accounting principal generally adopted by the Guarantor and (b) Subordinated Indebtedness;

(ii) "**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

(iii) "**Compliance Certificate of the Guarantor**" means a certificate of the Guarantor signed by any of its authorised signatories (as previously notified to the Trustee in writing in accordance with the Agency Agreement) that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Guarantor as at the Certification Date not more than five days before the date of the certificate:

(A) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(B) each of the Issuer and the Guarantor has complied with all its obligations under the Trust Deed and the Notes;

(iv) "**Guarantor Audited Financial Reports**" means annual consolidated financial statements of the Guarantor, which include a statement of income, balance sheet and cash flow statement of the Guarantor, audited by a member firm of independent accountants, together with the auditors' report and notes to the financial statements;

(v) "**Guarantor Semi-Annual Unaudited Financial Reports**" means semi-annual unaudited consolidated financial statements of the Guarantor, which include a statement of income, balance sheet and cash flow statement of the Guarantor prepared on a basis consistent with the Guarantor Audited Financial Reports;

(vi) "**Indebtedness**" of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

(vii) "**Listed Subsidiary**" shall mean any Subsidiary of the Guarantor whose shares are at the relevant time listed on any stock exchange and each of its Subsidiaries;

(viii) "**NDRC**" means National Development and Reform Commission of the PRC or its local counterparts;

(ix) "**Non-Listed Principal Subsidiary**" at any time shall mean a Principal Subsidiary (as defined in Condition 10) which is not a Listed Subsidiary;

(x) "**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity;

(xi) "**PRC**" means the People's Republic of China excluding, for the purposes of these Conditions, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and the region of Taiwan;

(xii) "**Rating Agencies**" means (1) Moody's Investors Service, Inc. ("**Moody's**"), S&P Global Ratings ("**S&P**") and Fitch Ratings Inc. ("**Fitch**") and their respective successors; or (2) if none of Moody's, S&P and Fitch shall make a rating of the Notes publicly available, the Issuer shall select any other reputable credit rating agency of international standing;

(xiii) "**Relevant Indebtedness**" of any Person means, at any date, Indebtedness (1) that has a final maturity date of one year or more from the date of incurrence or issuance of such Indebtedness and (2) is in the form of, or is represented or embodied by, bonds, notes, debentures or other securities which are, or are intended to be, commonly quoted, listed or dealt in or traded on any stock exchange or over-the-counter securities market;

(xiv) "**Relevant Period**" means, in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year) and in relation to the Guarantor Semi-Annual Unaudited Financial Reports, each period of six months ending on the last day of the first half financial year (being 30 June of that financial year);

(xv) "**Subordinated Indebtedness**" means the Guarantor's indebtedness (including perpetual debt, which the Guarantor is not required to repay) which (i) has a final maturity and a weighted average life to maturity longer than the remaining life to maturity of the Notes and (ii) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the Notes including (a) a provision that in the event of the Guarantor's bankruptcy, insolvency or other similar proceeding, the holders of the Notes shall be entitled to receive payment in full in cash of all principal, additional tax amounts and interest on such Notes (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (b) a provision that, if an Event of Default has occurred and is continuing under the Notes, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (c) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any Note is outstanding;

(xvi) "**Subsidiary**" means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person; and

(xvii) "**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

6 Interest

The Notes bear interest on their outstanding principal amount from and including 7 April 2022 at the rate of 3.25 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$16.25 per Calculation Amount (as defined below) on 7 April and 7 October in each year (each an "**Interest Payment Date**") commencing on 7 October 2022. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 Redemption and Purchase

7.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 7 April 2027. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

7.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with interest accrued up to but excluding the date fixed for redemption but unpaid, if:

(a) (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2022 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) (i) the Guarantor has or (if a demand was made under the Guarantee) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 or the Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2022 and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due or, as the case may be, a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Trustee:

(x) a certificate in English signed by any Authorised Signatory of the Issuer or, as the case may be, the Guarantor stating that the obligation referred to in Conditions 7.2(a)(i) or 7.2(b)(i) above, as the case may be, cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it; and

(y) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective).

The Trustee shall be entitled (but shall not be obliged) to, and without liability to any person for doing so, accept and rely upon any such certificate and opinion (without further investigation or inquiry) as conclusive evidence of the satisfaction of the conditions precedent set out in Conditions 7.2(a)(ii) or 7.2(b)(ii) above, as the case may be, in which event it shall be conclusive and binding on the Noteholders.

7.3 Optional Redemption

The Issuer may, at the Issuer's option, at any time upon giving not less than 30 nor more than 60 days' notice to Noteholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem the Notes, in whole or in part, at the Optional Redemption Amount. The Optional Redemption Amount shall be equal to: (A) (in the case of a date of redemption prior to 7 March 2027 (the "**Par Call Commencement Date**")) the greater of (1) 100 per cent. of the principal amount of the Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed through the Par Call Commencement Date (excluding interest accrued to the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 15 basis points; or (B) (in the case of a date of redemption on or after the Par Call Commencement Date) 100 per cent. of the principal amount of the Notes to be redeemed, plus, in each case, accrued and unpaid interest on the applicable Notes to be redeemed, if any, up to but excluding the date of redemption.

In this Condition 7.3:

"**Comparable Treasury Issue**" means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Guarantor.

"**Comparable Treasury Price**" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three such Reference Treasury Dealer Quotations, the average of all quotations obtained.

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Guarantor in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Guarantor, of the bid and-asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Guarantor by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

"**Treasury Rate**" means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third Business Day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such date of redemption.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City.

7.4 Redemption upon a Change of Control Triggering Event

At any time following the occurrence of a Change of Control Triggering Event (as defined below), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined herein) at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of the Principal Paying Agent or any Transfer Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any Transfer Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to the Noteholders by the Issuer in accordance with Condition 17.

The "**Put Settlement Date**" shall be the fourteenth day or, if such day is not a business day, the next following business day after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 17 and to the Trustee, the Transfer Agent and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 7.4.

The Trustee and the Agents shall not be required to monitor or take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer and/or the Guarantor, as the case may be, and none of them shall be responsible or liable to the Noteholders, the Issuer, the Guarantor or any other person for any loss arising from not doing so. Neither the Agents nor the Trustee shall have the obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with any Change of Control Triggering Event and shall not be liable to the Noteholders, the Issuer, the Guarantor or any other person for not doing so.

In this Condition 7.4:

a "**business day**" means a day other than a Saturday, a Sunday or a public holiday on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and in New York City;

a "**Change of Control**" occurs when: (i) the government of the PRC (including SASAC and any other subdivision or any authority of the government of the PRC) and together with any person or entity controlled by the government of the PRC (such person, entity and the government of the PRC are collectively referred to as "**PRC Government Persons**", each a "**PRC Government Person**") ceases to Control, directly or indirectly, or in combination (through Controlled entities), SGCC; (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are Controlled, directly or indirectly, by a PRC Government Person; (iii) SGCC at any time and for any reason ceases to, directly or indirectly, own or control 51 per cent. or more of the Voting Rights of the issued share capital of the Issuer or the Guarantor, and Control the Issuer or the Guarantor; or (iv) the Guarantor at any time and for any reason ceases to, directly or indirectly, own or control 100 per cent. of the Voting Rights of the issued share capital of the Issuer;

"**Change of Control Triggering Event**" means a Change of Control, provided that, in the event that the Notes are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline (as defined below). No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

"**Control**" means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the possession, directly or indirectly, of the power to nominate or designate no less than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing;

"**Investment Grade**" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any reputable credit rating agency or agencies of international standing, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity) but does not include:

(a) the board of directors or any other governing board of SGCC; and

(b) the wholly-owned direct or indirect Subsidiaries (as defined in Condition 4) of SGCC;

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Guarantor or any other Person or Persons to effect a Change of Control;

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Guarantor or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below: (i) in the event the Notes are (a) on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by at least two of such Rating Agencies; or (ii) in the event the Notes are (a) on the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by both such Rating Agencies;

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor;

"**SGCC**" means State Grid Corporation of China 國家電網有限公司; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer or, as the case may be, the Guarantor (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

7.5 Notices of redemption

If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 7.2 or Condition 7.3 and any Put Exercise Notice given by a Noteholder pursuant to Condition 7.4), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

7.6 Notice of redemption

All Notes in respect of which any notice of redemption is given under Condition 7.2 or Condition 7.3 shall be redeemed on the date specified in such notice in accordance with this Condition 7.

7.7 Purchase

The Issuer, the Guarantor and each of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 13.1 or 14.

7.8 Cancellation

All Certificates representing Notes redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7.9 Calculations

Neither the Trustee nor any Agent shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so.

So long as the Notes are represented by the Global Certificate, a right of a Holder to redeem the Notes following the occurrence of a Change of Control Triggering Event will be effected in accordance with the rules of the relevant clearing systems.

8 Payments

8.1 Method of Payment

(a) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in a manner provided in Condition 8.1(b) below.

(b) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made by transfer to an U.S. dollars account maintained by the payee by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date.

*So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(c) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

8.2 Payments subject to Applicable Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 9 and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

8.3 Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

8.4 Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office of any Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 17.

8.5 Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day, or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

8.6 Non-Payment Business Days

If any date for payment in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment until the following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in New York City, and the place in which the specified office of the Principal Paying Agent is located and, if surrender of the relevant Certificate is required, in the place in which the Certificate is surrendered.

9 Taxation

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom, Hong Kong or the PRC, or any political subdivision or authority therein or thereof in each case above having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or the Guarantor as a result of the Issuer or the Guarantor being deemed to be a PRC tax resident up to and including the aggregate rate applicable on 30 March 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required ("**PRC Taxes**"), so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any United Kingdom or Hong Kong deduction or withholding is required, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**", which for the avoidance of doubt shall include the PRC Taxes) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note:

(a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the United Kingdom, Hong Kong or the PRC other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding, Additional Tax Amounts or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any other person to pay such tax, duty, charges, withholding, Additional Tax Amounts or other payment or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, withholding, Additional Tax Amounts or other payment imposed by or in any jurisdiction.

10 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (provided that in either such case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

An **Event of Default** occurs if:

(a) **Non-Payment under the Notes:** there is failure to pay the principal of or interest on any of the Notes when due and in the case of interest, such failure continues for a period of 15 Payment Business Days; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Notes and the Trust Deed which default in the opinion of the Trustee is incapable of remedy or, if in the opinion of the Trustee is capable of remedy, is not remedied within 60 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Issuer or the Guarantor as provided in the Trust Deed, or (ii) any such indebtedness of the Issuer, or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice as provided in the Trust Deed; provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$100,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollars as quoted by any leading bank on the day on which this Condition 10(c) operates); or

(d) **Enforcement Proceedings:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries over all or a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and proceedings are initiated against the Issuer, the Guarantor or any of the Principal Subsidiaries to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 30 days, or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 30 days; or

(e) **Insolvency:** the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be deemed by law or a competent court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all of or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Principal Subsidiaries, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or a material part of its business or operations, or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the holders of the Notes; or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of their respective Subsidiaries, or (ii) a disposal on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal are vested in the Issuer, the Guarantor or another of their respective Subsidiaries; or

(g) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise its rights and perform and comply with their respective obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(h) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor (as applicable) to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(i) **Unenforceability of the Guarantee:** if the enforceability of the Guarantee is contested by the Issuer or the Guarantor, or the Issuer or the Guarantor denies any one or more of its obligations under the Guarantee; or

(j) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(a) to 10(f) (both inclusive).

In this Condition 10:

"**Principal Subsidiary**" of the Guarantor at any time shall mean one of the Guarantor's Subsidiaries

(i) as to which one or more of the following conditions is/are satisfied:

(a) its net profit or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10 per cent. of the Guarantor's consolidated net profit (before taxation and exceptional items); or

(b) its net assets or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Guarantor's consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Guarantor's Subsidiary and the Guarantor's then latest consolidated financial statements, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the reference to the then latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the financial statements adjusted to consolidate the latest audited financial statements of the Subsidiary in the financial statements; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of *pro forma* consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of the Guarantor's Subsidiary which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Guarantor's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the Guarantor's auditors as to whether or not the Guarantor's Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether an Event of Default or Potential Event of Default has occurred and shall not be responsible or liable to the Noteholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

11 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer and/or the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Meetings of Noteholders, Modification and Waiver

13.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation, the sanctioning by Extraordinary Resolution of the Noteholders of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee, and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution of the Noteholders will be one or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution of the Noteholders, in which case the necessary quorum will be one or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a resolution in writing signed by or on behalf of the Noteholders holding not less than 90 per cent. in principal amount of the Notes for the time being outstanding or (b) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A resolution passed in writing will be binding on all Noteholders whether or not they participated in such written resolution.

13.2 Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, or (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Guarantor, to the Noteholders as soon as practicable.

13.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, and the Trustee shall not be entitled to require on behalf of any Noteholder, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13.4 Certificates and Reports

The Trustee and the Agents may rely conclusively and without liability to the Issuer, the Guarantor, the Noteholders or to any other person on any information, report, advice, opinion, confirmation or certificate obtained from a Rating Agency and any lawyers, valuers, accountants (including the auditors), surveyors, auditors, auctioneers, valuers, brokers, financial advisers, financial institutions or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such information, report, confirmation, certificate, advice or opinion and, in such event, such information, report, confirmation, certificate, advice or opinion shall be binding on the Issuer, the Guarantor and the Noteholders. The Trustee shall not be responsible or liable for the Issuer, the Guarantor, the Noteholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

14 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, take any steps and/or actions and/or institute such proceedings against the Issuer or the Guarantor (as applicable) as it may think fit to enforce the terms of the Trust Deed or the Notes, but it need not take any such steps and/or actions and/or institute such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings or other action unless indemnified and/or secured and/or pre-funded of its satisfaction. The Trustee's compensation and reimbursement of liabilities (if any) shall be paid in priority to the claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, and any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and/or the Guarantor and/or any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer and/or the Guarantor, as the case may be, to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the resolution, instructions, direction or request of the Noteholders. The Trustee shall be entitled to conclusively rely on any instructions, direction, request or resolution of the Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of the Noteholders convened and held in accordance with or otherwise passed in accordance with the Trust Deed (by way of a written resolution or Electronic Consent).

None of the Trustee or any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, and none of them shall be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

16 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, first payment of interest on them and the timing for complying with the requirements set out in these Conditions in relation to the NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding notes of any series (including the Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and consolidated and forming a single series with the Notes. Any further notes forming a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

17 Notices

Notices to the holders of Notes shall be mailed at the expense of the Issuer or, as the case may be, the Guarantor to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly published at the Issuer's or, as the case may be, the Guarantor's expense in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System (as defined in the Global Certificate), notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions.

18 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer and the Guarantor (as applicable) under or in connection with the Notes and the Guarantee, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor will only constitute a discharge to the Issuer or the Guarantor to the extent of the U.S. dollars amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollars amount is less than the U.S. dollars amount expressed to be due to the recipient under any Note, the Issuer and the Guarantor will indemnify such recipient and the Trustee against any loss sustained by it as a result. In any event, the Issuer and the Guarantor will indemnify the recipient and the Trustee against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

19 Governing Law and Jurisdiction

19.1 Governing Law

The Trust Deed, the Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

19.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy which may arise out of or in connection with the Trust Deed, the Agency Agreement or the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

19.3 Agent for Service of Process

The Issuer has irrevocably appointed the Guarantor as its agent for service of process in Hong Kong based on the Trust Deed, the Agency Agreement or any of the Notes. If for any reason the Guarantor shall cease to be such agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days of the Guarantor ceasing to be such agent for service of process. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

19.4 Waiver of Immunity

To the fullest extent permitted by law, each of the Issuer and the Guarantor has irrevocably and unconditionally:

(a) submitted to the jurisdiction of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf;

(b) submitted to the jurisdiction of the Hong Kong courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agreed to ensure that no claim is made on its behalf;

(c) consented to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the Hong Kong courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:

    (i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

    (ii) attachment of its assets; and

    (iii) enforcement or execution against and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property, revenues or other assets whatsoever (irrespective of its their use or intended use); and

(d) waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf.

20 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

TERMS AND CONDITIONS OF THE SERIES B NOTES

The following are the Terms and Conditions of the Series B Notes substantially in the form in which they (other than the text in italics) will be endorsed on the definitive notes and referred to in the Global Certificate representing the Series B Notes.

The issue of the Series B U.S.$650,000,000 3.125 per cent. guaranteed notes due 2025 (the "**Notes**", which expression includes, unless the context requires otherwise, any further notes issued pursuant to Condition 16 and consolidated and forming a single series therewith) was authorised by written resolutions of the board of directors of State Grid Europe Development (2014) Public Limited Company (the "**Issuer**") dated 11 March 2022. The Notes are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 7 April 2022 (the "**Issue Date**") between the Issuer, State Grid International Development Limited 國家電網國際發展有限公司 (the "**Guarantor**") as guarantor and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being as the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for itself and the holders of the Notes. The Notes are the subject of an agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated 7 April 2022 relating to the Notes between the Issuer, the Guarantor, the Trustee, Citicorp International Limited as registrar (the "**Registrar**"), Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**") and as initial principal paying agent (the "**Principal Paying Agent**"), and any other agents named therein. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Notes and shall include their respective successors or assigns. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (excluding public holidays)) at the principal place of business for the time being of the Trustee located as of the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, following prior written request and proof of holding and identity to the satisfaction of the Trustee. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") which shall be numbered serially and, save as provided in Condition 2.1, each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register of Noteholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it (other than the endorsed form of transfer) or the theft or loss of such Certificate, and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" (in relation to a Note) mean the person in whose name a Note is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Notes will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions relating to the Notes While in Global Form" in the Offering Memorandum.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

2 Transfers of Notes and Issue of Certificates

2.1 Transfer

A Note may, subject to the Agency Agreement and Condition 2.4, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. No transfer of title to a Note will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon prior written request and proof of holding and identity satisfactory to the Registrar (free of charge to the Noteholder at the Issuer's expense) at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday) at the specified office of the Registrar.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

2.2 Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2.1 shall be available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent, of a duly completed and signed form of transfer and surrender of the existing Certificate(s). The form of transfer is available at the specified office of each Transfer Agent. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.2, "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

2.3 Transfer Free of Charge

Certificates, on transfer of Notes, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the Regulations concerning transfer of the Notes have been complied with.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note; (ii) during the period of seven days ending on (and including) any Record Date; and (iii) after the exercise of the put option in Condition 7.4.

3 Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Guarantee

4.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Notes and the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the "**Guarantee**") in the Trust Deed.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.

5 Negative Pledge and Other Covenants

5.1 Negative Pledge

So long as any of the Notes remains outstanding:

(a) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Notes and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast; a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes; or consent given by way of electronic consents through the relevant Clearing System(s) by or on behalf of the Noteholders of not less than 90 per cent. in principal amount of the Notes, in accordance with the Trust Deed) of the Noteholders; and

(b) the Guarantor will not, and the Guarantor will ensure that none of its Non-Listed Principal Subsidiaries (as defined below) will, create or have outstanding any Security Interest upon, or with respect to, any of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Guarantor, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

(i) all amounts payable by it under the Guarantee are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution of the Noteholders.

unless, for each of Condition 5.1(a) and Condition 5.1(b), after giving effect to the issuance thereof, the aggregate outstanding principal amount of all such secured Relevant Indebtedness entered into after the Issue Date does not exceed 10 per cent. of the Guarantor's Adjusted Consolidated Net Worth.

The foregoing restriction in Condition 5.1(a) or Condition 5.1(b) will not apply to:

A. any Security Interest which is in existence prior to the Issue Date and any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Relevant Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased);

B. any Security Interest arising or having already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

C. any Security Interest either over any asset acquired after the Issue Date, which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary or which merges with and into the Guarantor after the Issue Date which is in existence at the date on which it becomes the Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Relevant Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased); provided that any such Security Interest was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;

D. any Security Interest created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the Issue Date; provided, however, that (a) any such Security Interest shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired); and any such Security Interest shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

E. any Security Interest created or outstanding in favour of the Guarantor or any of the Guarantor's Subsidiaries;

F. any Security Interest on any property or asset to secure all or part of the cost of development, production, gathering, processing or marketing of such property or asset or to secure Relevant Indebtedness incurred to provide funds for any such purpose;

G. any Security Interest arising in connection with industrial revenue, development or similar bonds or other Relevant Indebtedness or means of project financing (not to exceed the value of the project financed and limited to the project financed);

H. any Security Interest in respect of Relevant Indebtedness of the Guarantor or any of the Guarantor's Subsidiaries with respect to which the Guarantor or such Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and the Guarantor's Subsidiary in respect thereof; or

I. any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security Interest permitted by any of the foregoing clauses; provided that such Relevant Indebtedness is not increased and is not secured by any additional property or assets.

5.2 Ratings

Each of the Issuer and the Guarantor undertakes, that so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer will, and the Guarantor will procure the Issuer to, use best efforts to maintain a rating on the Notes by any of the Rating Agencies.

5.3 Provision of Information by the Guarantor

So long as any Note remains outstanding, the Guarantor shall file with the Trustee:

(a) as soon as they are available, but in any event within 180 calendar days after the end of each Relevant Period (and in the case of the Compliance Certificate, within 14 days of a written request of the Trustee), copies of the relevant Guarantor Audited Financial Reports in the English language, together with a Compliance Certificate of the Guarantor (on which the Trustee may conclusively rely as to such compliance); and

(b) as soon as they are available, but in any event within 120 calendar days after the end of each Relevant Period, copies of the relevant Guarantor Semi-Annual Unaudited Financial Reports in the English language, together with a certificate signed by the person then authorised to sign financial statements on behalf of the Guarantor, to the effect that the relevant Guarantor Semi-Annual Unaudited Financial Reports are true in all material respects and present fairly the financial position of the Guarantor, as at the end of, and the results of its operations for, the Relevant Period;

provided that, if at any time the Capital Stock of the Guarantor are listed for trading on a recognised stock exchange, the Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 PRC Business Days after any financial or other reports of the Guarantor are filed with any recognised exchange on which the Guarantor's shares are at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in Conditions 5.3(a) and 5.3(b) above, if such financial or other report is in English language.

5.4 Notification to NDRC

The Issuer undertakes that it will (i) within the prescribed time period after the Issue Date (or with respect to any further issue pursuant to Condition 16, within the prescribed time period after the issue date of such further issue) file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC on 14 September 2015 which came into effect on the same day (the "**NDRC Post-Issue Filing**") and (ii) comply with all applicable PRC laws, rules and regulations in connection with the NDRC Post-Issue Filing.

The Trustee shall have no obligation or duty to monitor, assist with or ensure the NDRC Post-Issue Filing is made on or before the relevant deadline set out in Condition 5.4 or to verify the accuracy, validity and/or genuineness of any documents, certificates, confirmations or information in relation to or in connection with the NDRC Post-Issue Filing or to translate into English any documents or information in relation to or in connection with the NDRC Post-Issue Filing or to give notice to the Noteholders confirming the completion of the NDRC Post-Issue Filing, and the Trustee shall not be liable to Noteholders or any other person for not doing so.

5.5 Interpretation

In these Conditions:

(i) "**Adjusted Consolidated Net Worth**" means the sum of the Guarantor's (a) shareholders' equity as determined under The Hong Kong Financial Reporting Standards or other accounting principal generally adopted by the Guarantor and (b) Subordinated Indebtedness;

(ii) "**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

(iii) "**Compliance Certificate of the Guarantor**" means a certificate of the Guarantor signed by any of its authorised signatories (as previously notified to the Trustee in writing in accordance with the Agency Agreement) that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Guarantor as at the Certification Date not more than five days before the date of the certificate:

(A) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(B) each of the Issuer and the Guarantor has complied with all its obligations under the Trust Deed and the Notes;

(iv) "**Guarantor Audited Financial Reports**" means annual consolidated financial statements of the Guarantor, which include a statement of income, balance sheet and cash flow statement of the Guarantor, audited by a member firm of independent accountants, together with the auditors' report and notes to the financial statements;

(v) "**Guarantor Semi-Annual Unaudited Financial Reports**" means semi-annual unaudited consolidated financial statements of the Guarantor, which include a statement of income, balance sheet and cash flow statement of the Guarantor prepared on a basis consistent with the Guarantor Audited Financial Reports;

(vi) "**Indebtedness**" of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

(vii) "**Listed Subsidiary**" shall mean any Subsidiary of the Guarantor whose shares are at the relevant time listed on any stock exchange and each of its Subsidiaries;

(viii) "**NDRC**" means National Development and Reform Commission of the PRC or its local counterparts;

(ix) "**Non-Listed Principal Subsidiary**" at any time shall mean a Principal Subsidiary (as defined in Condition 10) which is not a Listed Subsidiary;

(x) "**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity;

(xi) "**PRC**" means the People's Republic of China excluding, for the purposes of these Conditions, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and the region of Taiwan;

(xii) "**Rating Agencies**" means (1) Moody's Investors Service, Inc. ("**Moody's**"), S&P Global Ratings ("**S&P**") and Fitch Ratings Inc. ("**Fitch**") and their respective successors; or (2) if none of Moody's, S&P and Fitch shall make a rating of the Notes publicly available, the Issuer shall select any other reputable credit rating agency of international standing;

(xiii) "**Relevant Indebtedness**" of any Person means, at any date, Indebtedness (1) that has a final maturity date of one year or more from the date of incurrence or issuance of such Indebtedness and (2) is in the form of, or is represented or embodied by, bonds, notes, debentures or other securities which are, or are intended to be, commonly quoted, listed or dealt in or traded on any stock exchange or over-the-counter securities market;

(xiv) "**Relevant Period**" means, in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year) and in relation to the Guarantor Semi-Annual Unaudited Financial Reports, each period of six months ending on the last day of the first half financial year (being 30 June of that financial year);

(xv) "**Subordinated Indebtedness**" means the Guarantor's indebtedness (including perpetual debt, which the Guarantor is not required to repay) which (i) has a final maturity and a weighted average life to maturity longer than the remaining life to maturity of the Notes and (ii) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the Notes including (a) a provision that in the event of the Guarantor's bankruptcy, insolvency or other similar proceeding, the holders of the Notes shall be entitled to receive payment in full in cash of all principal, additional tax amounts and interest on such Notes (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (b) a provision that, if an Event of Default has occurred and is continuing under the Notes, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (c) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any Note is outstanding;

(xvi) "**Subsidiary**" means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person; and

(xvii) "**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

6 Interest

The Notes bear interest on their outstanding principal amount from and including 7 April 2022 at the rate of 3.125 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$15.625 per Calculation Amount (as defined below) on 7 April and 7 October in each year (each an "**Interest Payment Date**") commencing on 7 October 2022. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 Redemption and Purchase

7.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 7 April 2025. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

7.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with interest accrued up to but excluding the date fixed for redemption but unpaid, if:

(a) (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2022 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) (i) the Guarantor has or (if a demand was made under the Guarantee) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 or the Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 30 March 2022 and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due or, as the case may be, a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Trustee:

(x) a certificate in English signed by any Authorised Signatory of the Issuer or, as the case may be, the Guarantor stating that the obligation referred to in Conditions 7.2(a)(i) or 7.2(b)(i) above, as the case may be, cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it; and

(y) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective).

The Trustee shall be entitled (but shall not be obliged) to, and without liability to any person for doing so, accept and rely upon any such certificate and opinion (without further investigation or inquiry) as conclusive evidence of the satisfaction of the conditions precedent set out in Conditions 7.2(a)(ii) or 7.2(b)(ii) above, as the case may be, in which event it shall be conclusive and binding on the Noteholders.

7.3 Optional Redemption

The Issuer may, at the Issuer's option, at any time upon giving not less than 30 nor more than 60 days' notice to Noteholders in accordance with Condition 17 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), redeem the Notes, in whole or in part, at the Optional Redemption Amount. The Optional Redemption Amount shall be equal to: (A) (in the case of a date of redemption prior to 7 March 2025 (the "**Par Call Commencement Date**")) the greater of (1) 100 per cent. of the principal amount of the Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed through the Par Call Commencement Date (excluding interest accrued to the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 15 basis points; or (B) (in the case of a date of redemption on or after the Par Call Commencement Date) 100 per cent. of the principal amount of the Notes to be redeemed, plus, in each case, accrued and unpaid interest on the applicable Notes to be redeemed, if any, up to but excluding the date of redemption.

In this Condition 7.3:

"**Comparable Treasury Issue**" means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Guarantor.

"**Comparable Treasury Price**" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the Guarantor obtains fewer than three such Reference Treasury Dealer Quotations, the average of all quotations obtained.

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by the Guarantor in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Guarantor, of the bid and-asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Guarantor by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third Business Day preceding such date of redemption.

"**Treasury Rate**" means, with respect to any date of redemption, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third Business Day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such date of redemption.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City.

7.4 Redemption upon a Change of Control Triggering Event

At any time following the occurrence of a Change of Control Triggering Event (as defined below), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined herein) at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of the Principal Paying Agent or any Transfer Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any Transfer Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Notes to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to the Noteholders by the Issuer in accordance with Condition 17.

The "**Put Settlement Date**" shall be the fourteenth day or, if such day is not a business day, the next following business day after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 17 and to the Trustee, the Transfer Agent and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 7.4.

The Trustee and the Agents shall not be required to monitor or take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer and/or the Guarantor, as the case may be, and none of them shall be responsible or liable to the Noteholders, the Issuer, the Guarantor or any other person for any loss arising from not doing so. Neither the Agents nor the Trustee shall have the obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with any Change of Control Triggering Event and shall not be liable to the Noteholders, the Issuer, the Guarantor or any other person for not doing so.

In this Condition 7.4:

a "**business day**" means a day other than a Saturday, a Sunday or a public holiday on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and in New York City;

a "**Change of Control**" occurs when: (i) the government of the PRC (including SASAC and any other subdivision or any authority of the government of the PRC) and together with any person or entity controlled by the government of the PRC (such person, entity and the government of the PRC are collectively referred to as "**PRC Government Persons**", each a "**PRC Government Person**") ceases to Control, directly or indirectly, or in combination (through Controlled entities), SGCC; (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are Controlled, directly or indirectly, by a PRC Government Person; (iii) SGCC at any time and for any reason ceases to, directly or indirectly, own or control 51 per cent. or more of the Voting Rights of the issued share capital of the Issuer or the Guarantor, and Control the Issuer or the Guarantor; or (iv) the Guarantor at any time and for any reason ceases to, directly or indirectly, own or control 100 per cent. of the Voting Rights of the issued share capital of the Issuer;

"**Change of Control Triggering Event**" means a Change of Control, provided that, in the event that the Notes are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline (as defined below). No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

"**Control**" means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the possession, directly or indirectly, of the power to nominate or designate no less than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements and the terms "**Controlling**" and "**Controlled**" have meanings correlative to the foregoing;

"**Investment Grade**" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any reputable credit rating agency or agencies of international standing, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity) but does not include:

(a) the board of directors or any other governing board of SGCC; and

(b) the wholly-owned direct or indirect Subsidiaries (as defined in Condition 4) of SGCC;

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Guarantor or any other Person or Persons to effect a Change of Control;

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Guarantor or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below: (i) in the event the Notes are (a) on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by at least two of such Rating Agencies; or (ii) in the event the Notes are (a) on the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by both such Rating Agencies;

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor;

"**SGCC**" means State Grid Corporation of China 國家電網有限公司; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer or, as the case may be, the Guarantor (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

7.5 Notices of redemption

If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 7.2 or Condition 7.3 and any Put Exercise Notice given by a Noteholder pursuant to Condition 7.4), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

7.6 Notice of redemption

All Notes in respect of which any notice of redemption is given under Condition 7.2 or Condition 7.3 shall be redeemed on the date specified in such notice in accordance with this Condition 7.

7.7 Purchase

The Issuer, the Guarantor and each of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 13.1 or 14.

7.8 Cancellation

All Certificates representing Notes redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7.9 Calculations

Neither the Trustee nor any Agent shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so.

So long as the Notes are represented by the Global Certificate, a right of a Holder to redeem the Notes following the occurrence of a Change of Control Triggering Event will be effected in accordance with the rules of the relevant clearing systems.

8 Payments

8.1 Method of Payment

(a) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in a manner provided in Condition 8.1(b) below.

(b) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made by transfer to an U.S. dollars account maintained by the payee by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date.

*So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(c) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

8.2 Payments subject to Applicable Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 9 and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

8.3 Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

8.4 Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office of any Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 17.

8.5 Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day, or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

8.6 Non-Payment Business Days

If any date for payment in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment until the following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in New York City, and the place in which the specified office of the Principal Paying Agent is located and, if surrender of the relevant Certificate is required, in the place in which the Certificate is surrendered.

9 Taxation

All payments of principal, premium and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom, Hong Kong or the PRC, or any political subdivision or authority therein or thereof in each case above having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or the Guarantor as a result of the Issuer or the Guarantor being deemed to be a PRC tax resident up to and including the aggregate rate applicable on 30 March 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required ("**PRC Taxes**"), so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any United Kingdom or Hong Kong deduction or withholding is required, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**", which for the avoidance of doubt shall include the PRC Taxes) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note:

(a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the United Kingdom, Hong Kong or the PRC other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding, Additional Tax Amounts or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any other person to pay such tax, duty, charges, withholding, Additional Tax Amounts or other payment or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, withholding, Additional Tax Amounts or other payment imposed by or in any jurisdiction.

10 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (provided that in either such case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

An **Event of Default** occurs if:

(a) **Non-Payment under the Notes:** there is failure to pay the principal of or interest on any of the Notes when due and in the case of interest, such failure continues for a period of 15 Payment Business Days; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Notes and the Trust Deed which default in the opinion of the Trustee is incapable of remedy or, if in the opinion of the Trustee is capable of remedy, is not remedied within 60 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Issuer or the Guarantor as provided in the Trust Deed, or (ii) any such indebtedness of the Issuer, or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice as provided in the Trust Deed; provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$100,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollars as quoted by any leading bank on the day on which this Condition 10(c) operates); or

(d) **Enforcement Proceedings:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries over all or a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and proceedings are initiated against the Issuer, the Guarantor or any of the Principal Subsidiaries to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 30 days, or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 30 days; or

(e) **Insolvency:** the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be deemed by law or a competent court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all of or any material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Principal Subsidiaries, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or a material part of its business or operations, or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the holders of the Notes; or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of their respective Subsidiaries, or (ii) a disposal on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal are vested in the Issuer, the Guarantor or another of their respective Subsidiaries; or

(g) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise its rights and perform and comply with their respective obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(h) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor (as applicable) to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(i) **Unenforceability of the Guarantee:** if the enforceability of the Guarantee is contested by the Issuer or the Guarantor, or the Issuer or the Guarantor denies any one or more of its obligations under the Guarantee; or

(j) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(a) to 10(f) (both inclusive).

In this Condition 10:

"**Principal Subsidiary**" of the Guarantor at any time shall mean one of the Guarantor's Subsidiaries

(i) as to which one or more of the following conditions is/are satisfied:

(a) its net profit or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10 per cent. of the Guarantor's consolidated net profit (before taxation and exceptional items); or

(b) its net assets or (in the case of one of the Guarantor's Subsidiaries which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Guarantor's consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Guarantor's Subsidiary and the Guarantor's then latest consolidated financial statements, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the reference to the then latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the financial statements adjusted to consolidate the latest audited financial statements of the Subsidiary in the financial statements; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of *pro forma* consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of the Guarantor's Subsidiary which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Guarantor's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the Guarantor's auditors as to whether or not the Guarantor's Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether an Event of Default or Potential Event of Default has occurred and shall not be responsible or liable to the Noteholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

11 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer and/or the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Meetings of Noteholders, Modification and Waiver

13.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation, the sanctioning by Extraordinary Resolution of the Noteholders of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee, and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution of the Noteholders will be one or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution of the Noteholders, in which case the necessary quorum will be one or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a resolution in writing signed by or on behalf of the Noteholders holding not less than 90 per cent. in principal amount of the Notes for the time being outstanding or (b) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A resolution passed in writing will be binding on all Noteholders whether or not they participated in such written resolution.

13.2 Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, or (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Guarantor, to the Noteholders as soon as practicable.

13.3 Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, and the Trustee shall not be entitled to require on behalf of any Noteholder, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13.4 Certificates and Reports

The Trustee and the Agents may rely conclusively and without liability to the Issuer, the Guarantor, the Noteholders or to any other person on any information, report, advice, opinion, confirmation or certificate obtained from a Rating Agency and any lawyers, valuers, accountants (including the auditors), surveyors, auditors, auctioneers, valuers, brokers, financial advisers, financial institutions or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such information, report, confirmation, certificate, advice or opinion and, in such event, such information, report, confirmation, certificate, advice or opinion shall be binding on the Issuer, the Guarantor and the Noteholders. The Trustee shall not be responsible or liable for the Issuer, the Guarantor, the Noteholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

14 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, take any steps and/or actions and/or institute such proceedings against the Issuer or the Guarantor (as applicable) as it may think fit to enforce the terms of the Trust Deed or the Notes, but it need not take any such steps and/or actions and/or institute such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings or other action unless indemnified and/or secured and/or pre-funded of its satisfaction. The Trustee's compensation and reimbursement of liabilities (if any) shall be paid in priority to the claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, and any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and/or the Guarantor and/or any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer and/or the Guarantor, as the case may be, to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the resolution, instructions, direction or request of the Noteholders. The Trustee shall be entitled to conclusively rely on any instructions, direction, request or resolution of the Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of the Noteholders convened and held in accordance with or otherwise passed in accordance with the Trust Deed (by way of a written resolution or Electronic Consent).

None of the Trustee or any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, and none of them shall be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

16 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, first payment of interest on them and the timing for complying with the requirements set out in these Conditions in relation to the NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding notes of any series (including the Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and consolidated and forming a single series with the Notes. Any further notes forming a single series with the outstanding notes of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other series where the Trustee so decides.

17 Notices

Notices to the holders of Notes shall be mailed at the expense of the Issuer or, as the case may be, the Guarantor to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly published at the Issuer's or, as the case may be, the Guarantor's expense in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System (as defined in the Global Certificate), notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these Conditions.

18 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer and the Guarantor (as applicable) under or in connection with the Notes and the Guarantee, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor will only constitute a discharge to the Issuer or the Guarantor to the extent of the U.S. dollars amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollars amount is less than the U.S. dollars amount expressed to be due to the recipient under any Note, the Issuer and the Guarantor will indemnify such recipient and the Trustee against any loss sustained by it as a result. In any event, the Issuer and the Guarantor will indemnify the recipient and the Trustee against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

19 Governing Law and Jurisdiction

19.1 Governing Law

The Trust Deed, the Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

19.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy which may arise out of or in connection with the Trust Deed, the Agency Agreement or the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

19.3 Agent for Service of Process

The Issuer has irrevocably appointed the Guarantor as its agent for service of process in Hong Kong based on the Trust Deed, the Agency Agreement or any of the Notes. If for any reason the Guarantor shall cease to be such agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days of the Guarantor ceasing to be such agent for service of process. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

19.4 Waiver of Immunity

To the fullest extent permitted by law, each of the Issuer and the Guarantor has irrevocably and unconditionally:

(a) submitted to the jurisdiction of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf;

(b) submitted to the jurisdiction of the Hong Kong courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agreed to ensure that no claim is made on its behalf;

(c) consented to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the Hong Kong courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:

    (i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

    (ii) attachment of its assets; and

    (iii) enforcement or execution against and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property, revenues or other assets whatsoever (irrespective of its their use or intended use); and

(d) waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf.

20 Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*Each Global Certificate contains provisions which apply to the relevant series of Notes in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the relevant series of Notes (the "**Conditions**" or the "**Terms and Conditions of the Notes**") set out in this Offering Memorandum. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

Each series of the Notes will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Under each Global Certificate, the Issuer, for value received, will promise to pay such principal and interest on the relevant series of Notes to the holder of such Notes on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the relevant series of Notes in respect of which a Global Certificate is issued will be entitled to have title to the relevant series of Notes registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, **provided that** the holder of the relevant series of Notes represented by a Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Notes. A person with an interest in the relevant series of Notes in respect of which a Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PAYMENT

So long as a series of Notes is represented by a Global Certificate, each payment in respect of such Global Certificate will be made to, or to the order of, the person shown as the holder of the relevant series of Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

TRUSTEE'S POWERS

In considering the interests of the Noteholders whilst the Global Certificate representing a series of Notes is registered in the name of a nominee for a clearing system, the Trustee may, to the extent that it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the relevant series of Notes and (b) may consider such interests on the basis that such accountholders were the holder(s) of the relevant series of Notes in respect of which such Global Certificate is issued.

CALCULATION OF INTEREST

So long as a series of Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Notes from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by such Global Certificate.

NOTICES

So long as a series of Notes is represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the terms and conditions of the relevant series of Notes.

NOTEHOLDER'S REDEMPTION

The Noteholder's redemption option in Condition 7.4 (*Redemption upon a Change of Control Triggering Event*) may be exercised by the holder of the Global Certificate representing a series of Notes giving notice to the Principal Paying Agent or any Transfer Agent of the principal amount of the relevant series of Notes in respect of which the option is exercised within the time limits specified in the Conditions.

TRANSFERS

Transfers of interests in a series of Notes will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Note by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by reduction in the principal amount of the relevant series of Notes in the relevant register of the Noteholders.

MEETINGS

For the purposes of any meeting of Noteholders, the holder of a series of Notes represented by a Global Certificate shall (unless such Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from this Offering, after deducting underwriting commissions and other estimated expenses payable in connection with the Offering, will be approximately U.S.$995 million. The Issuer intends to use the net proceeds from the Offering of the Series A Notes to finance and/or refinance the Eligible Green Assets in accordance with the Framework. Please see "*Green Finance Framework*" for more details. The Issuer intends to use the net proceeds from the Offering of the Series B Notes for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated indebtedness, equity and total capitalisation of the Guarantor as at 30 June 2021:

- on an actual basis;
- as adjusted to give effect to the issuance of U.S.$1,000,000,000 in aggregate principal amount of Notes in this offering of the Notes, before deducting any fees, commission and expenses in connection with this offering. The translations from U.S.$ to HK$ were made at a rate of HK$7.7658 to U.S.$1.00, the noon buying rate in effect on 30 June 2021 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States

	As at 30 June 2021			
	Actual		**As adjusted**	
	HK$	*U.S.$*	*HK$*	*U.S.$*
	(unaudited)		**(unaudited)**	
	(in millions)			
Borrowings				
Short-term borrowings				
Interest-bearing borrowings due within one year	55,343.2	7,126.5	55,343.2	7,126.5
Long-term borrowings				
Interest-bearing borrowings	69,105.8	8,898.7	69,105.8	8,898.7
Notes to be issued[(1)]	–	–	7,765.8	1,000.0
Total borrowings[(2)]	124,449.0	16,025.2	132,214.8	17,025.2
Equity				
Issued capital	143,878.4	18,527.2	143,878.4	18,527.2
Reserves	(16,101.2)	(2,073.4)	(16,101.2)	(2,073.4)
Exchange fluctuation reserve	(52,266.4)	(6,730.3)	(52,266.4)	(6,730.3)
Non-controlling interests	15,593.3	2,007.9	15,593.3	2,007.9
Total equity	143,370.5	18,461.8	143,370.5	18,461.8
Total capitalisation[(3)]	212,476.3	27,360.5	220,242.1	28,360.5

Notes:

(1) Refers to the aggregate principal amount of Notes to be issued, before deducting any fees, commission and expenses in connection with the offering of the Notes.

(2) Total borrowings equal the sum of short-term borrowings and long-term borrowings.

(3) Total capitalisation equals the sum of long-term borrowings and total equity.

Except as disclosed in this Offering Memorandum, there has been no material adverse change in the Group's capitalisation since 30 June 2021.

THE HISTORY, RECENT DEVELOPMENT AND CORPORATE STRUCTURE OF THE GROUP

HISTORICAL DEVELOPMENT

The Guarantor was established as a wholly-owned subsidiary of SGID Beijing, and is functioned as the key platform for overseas investments and operations of the SGCC Group.

In 2007, a consortium established by the SGCC Group and two Philippine companies acquired the concession to operate the Philippine national power grid. In February 2008, NGCP, established by shareholders from China and the Philippines, took over the operation of the Philippine national power grid in January 2009 for 25 years. The Group is the project's single largest shareholder holding 40 per cent. of its equity interest.

In 2010, in Brazil, the Group acquired 100 per cent. of the equity interest in seven electricity transmission concessionaires, and in 2012, 100 per cent. of the equity interest of another seven electricity transmission concessionaires from Actividades de Construcción y Servicios, S.A..

In 2012, the Group acquired 25 per cent. of the equity interest in REN, the only national power transmission company in Portugal, at a consideration of EUR387 million, becoming its single largest shareholder.

In 2012, in Australia, the Group acquired 41.11 per cent. of the equity interest in ElectraNet from Powerlink and increased its shareholding to 46.56 per cent. by completing its acquisition of an additional 5.45 per cent. of equity interest in ElectraNet from Australian fund Unisuper in 2013.

In 2014, the Group acquired 60 per cent. of the equity interest in SPI (Australia) Assets Pty Ltd. (now known as SGSPAA) and 19.9 per cent. of the equity interest in SP AusNet (now known as AusNet) from Singapore Power.

In 2014, in Hong Kong, the Group subscribed for 18 per cent. of the total issued shares stapled units of HKEI as a cornerstone investor and increased its holding to 21 per cent. in June 2014 and August 2015.

In 2014, in Italy, the Group acquired 35 per cent. of the equity interest in CDP RETI from CDP.

In 2014, SGBH, a wholly-owned subsidiary of the Guarantor in Brazil, and Eletrobras won the bid for the 1st Phase of Brazil's Belo Monte Hydropower ±800 kV UHV DC Transmission Project (the "**Belo Monte Phase I Project**"), which was completed and commenced operation on 12 December 2017.

In 2015, SGBH won the bid for the 2nd Phase of Brazil's Belo Monte Hydropower ±800 kV UHV DC Transmission Project (the "**Belo Monte Phase II Project**", together with Belo Monte Phase I Project, the "**Belo Monte Project**"), which was completed and commenced operation in October 2019.

In 2016, SGBH won the 2nd Phase of Brazil's Teles Pires Transmission Project, which was completed and commenced operation on 5 January 2019.

In 2017, the Group acquired 54.64 per cent. of equity interest in CPFL, and later increased its shareholding from 54.64 per cent. to 94.75 per cent. via a tender offer.

In 2017, the Group acquired 24 per cent. of equity interest in Greece's IPTO.

In 2018, the Group acquired CPFL Renováveis S.A., via a tender offer holding 99.94 per cent. of equity interest in CPFL Renováveis S.A. in aggregate.

In 2019, the Group completed the Re-IPO of CPFL and CPFL issued 134 million new shares priced at BRL27.5 per share and raised BRL3.7 billion. The Group's shareholding was then diluted to 83.71 per cent. and increased the outstanding shares of CPFL from 5.25 per cent. to 16.29 per cent.

In 2020, the Group acquired 49 per cent. of equity interest in Oman Electricity Transmission Company from Nama Holding.

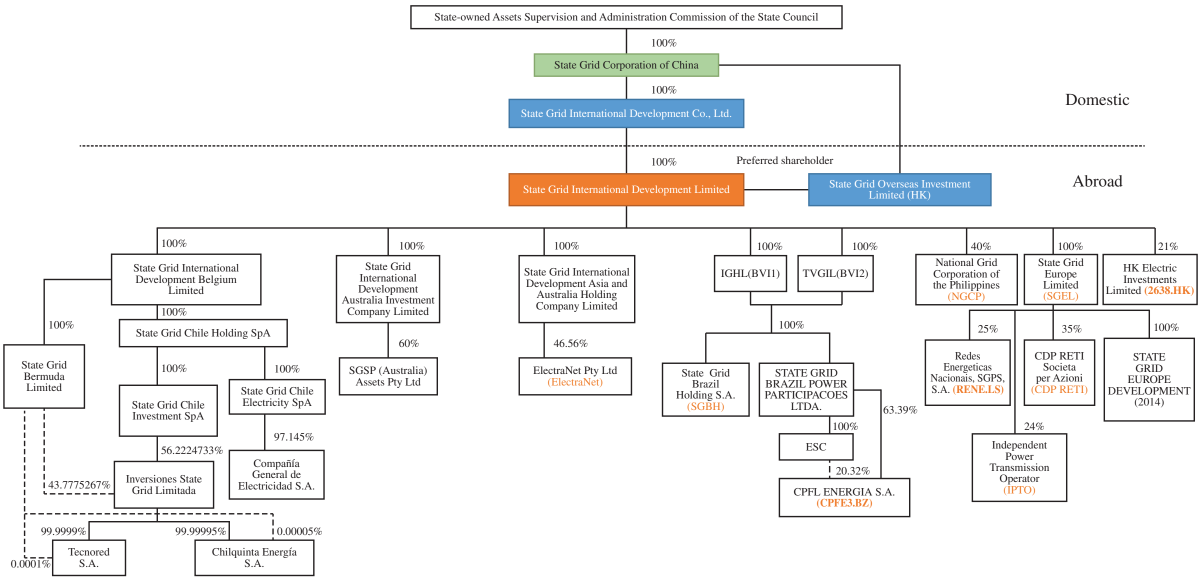
In 2020, the Group acquired 100 per cent. of equity interests in Chile's Chilquinta Energía from Sempra Energy.

In 2021, the Group acquired 97.145 per cent. of equity interest in Compañía General de Electricidad (CGE) in total, including 96.04 per cent. equity interest held by Naturgy Energy Group S.A. and 1.105 per cent. equity from secondary market.

In 2022, the Supreme Court of New South Wales approved the scheme of arrangement (the "**Scheme**") through which Brookfield Asset Management Company Inc. ("**Brookfield**") acquired 100 per cent. of AusNet shares with a consideration of AU$2.65 per share. As a result, the 19.9 per cent. equity interest in AusNet held by the Group were transferred to Australian Energy Holding No 4 Pty Ltd ("**Australian Energy Holding Company**"), a subsidiary of Brookfield.

CORPORATE STRUCTURE

The following chart illustrates a simplified shareholding structure and group structure of SGID and the Group as at the date of this Offering Memorandum:



Notes:

(1) Oman Electricity Transmission Company SAOC is the national power transmission company in Oman, 49 per cent. equity interests of which was held by the Guarantor for the period from March to December 2020, and of which was further transferred to another wholly-owned subsidiary of SGID Beijing subsequently due to the considerations of lowering the Guarantor's investments in non-investment grade countries.

(2) In July 2021, the Group acquired a 97.145 per cent. equity interest in Chile's CGE, including 96.04 per cent. equity interests held by Naturgy Energy Group S.A. and 1.105 per cent. equity interest from secondary market.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer was incorporated as a public limited company under the laws of the United Kingdom with the registration number 9321332. The registered office of the Issuer is at Level 3, 40 Bank Street, London E14 5NR, United Kingdom. As at the date of this Offering Memorandum, the Issuer has a total issued share capital of £50,000 in 50,000 ordinary shares of £1 each.

The rights of State Grid Europe Limited as the sole shareholder of the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles and the laws of England.

BUSINESS ACTIVITIES

The Issuer is a wholly-owned subsidiary of the Group. As at the date of this Offering Memorandum, the Issuer has not engaged, since its incorporation, in any material activities other than an issuance of debt securities in 2015, including EUR700,000,000 1.50 per cent. guaranteed notes due 2022 (which has been fully redeemed upon maturity) and EUR300,000,000 2.45 per cent. guaranteed notes due 2027, both guaranteed by the Guarantor with the benefit of a keepwell deed provided by SGCC. As at the date of this Offering Memorandum, the Issuer has no subsidiaries or employees.

DIRECTORS

The directors of the Issuer as at the date of this Offering Memorandum are Mr. Yu Jun and Ms. Wang Ying. The business address of the two directors is Level 3, 40 Bank Street, London E14 5NR, United Kingdom. There are no potential conflicts of interest between any duties of the Issuer's directors to the Issuer and their private interests and/or other duties.

As at the date of this Offering Memorandum, the telephone number of the Issuer is +852 6219 6101.

FINANCIAL STATEMENTS

As at the date of this Offering Memorandum, the Issuer has no material assets or revenues and has no outstanding borrowings or contingent liabilities other than the issuance of debt securities. As a wholly-owned subsidiary of the Guarantor, the Issuer's financial information will be consolidated into the Guarantor's audited consolidated financial statements.

DESCRIPTION OF THE GUARANTOR

FORMATION

The Guarantor was incorporated as a limited liability company under the laws of Hong Kong with the registration number 1180249. The registered office of the Guarantor is at Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. As at the date of this Offering Memorandum, the Guarantor is authorised to issue 21,429,327,845 ordinary shares of HK$1.00 each and 136,994,116,840 preference shares of HK$1.00 each, and the Guarantor has a total issued share capital of HK$158,423,444,685.

The Guarantor was established as a wholly-owned subsidiary of SGID Beijing, and is functioned as the key platform for overseas investments and operations of the SGCC Group. The Guarantor is under the indirect supervision and management of SGCC via SGID Beijing (collectively with the Guarantor, "**SGID**"). The rights of SGID Beijing as the sole ordinary shareholder of the Guarantor are contained in the memorandum and articles of association of the Guarantor and the Guarantor will be managed in accordance with its memorandum and articles of association and with the provision of the laws of Hong Kong.

DIRECTORS

The directors of the Guarantor as at the date of this Offering Memorandum are Mr. Yu Jun, Mr. Chen Daobiao and Mr. Liu Jiacheng. The business address of the directors is Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. There are no potential conflicts of interest between any duties of the Guarantor's directors to the Guarantor and their private interests and/or other duties.

As at the date of this Offering Memorandum, the telephone number of the Guarantor is +852 6219 6101.

DESCRIPTION OF THE GROUP

OVERVIEW

The Guarantor is a wholly-owned subsidiary of SGID Beijing, which is also a wholly-owned subsidiary of SGCC. The Guarantor is mainly responsible for the overseas investments and operations of energy assets of the SGCC Group. Currently, with various overseas investments and operations in Asia, the Americas, Europe and Oceania, the Group has expanded its businesses into the global market. SGCC is the largest utility corporation and the largest power grid corporation in the world, and the largest power grid construction and operation company in China, each measured by the amount of total assets in 2020. The Group mainly invests in regulated power and electricity assets in emerging and developed markets, and has established a portfolio of long-term infrastructure assets featuring diverse geographical locations, stable regulatory environment and controllable business risks. Since its first successful overseas M&A deal in 2009, the Group has maintained a steady operational growth and recorded profits in all projects, with its net profit from 2018 to the first half of 2021 accounting for approximately 20 per cent. of the SGCC Group.

The Group's consolidated subsidiaries include SGSPAA, SGBH, CPFL, Chilquinta and CGE:

- In Australia, SGSPAA carries out a variety of business across the Australian Capital Territory, New South Wales, Victoria and Queensland, including regulated businesses such as electricity distribution (JEN) and gas distribution (JGN), and non-regulated businesses such as gas transmission and infrastructure services; all of its gas transmission assets are under relevant take-or-pay agreements.

- In Brazil, SGBH invests in and operates backbone transmission networks across 14 states in Brazil and mainly engages in the investment, construction, and operation of power transmission concessionaires. After more than a decade of development, SGBH has become the third largest transmission company in Brazil in terms of regulated revenues.

- CPFL is a comprehensive energy company with a history of over 100 years focusing on electricity distribution, transmission, generation and trade, and also new energy. It and is a leading company in Brazil in terms of power supply reliability, line loss in distribution and power generation reliability.

- Located in Región de Valparaíso, Chile, Chilquinta is the third largest power distribution company in terms of the number of customers and fourth largest power transmission company in Chile in terms of transmission network extension.

- CGE is the largest electricity distribution company and the second largest electricity transmission company in Chile, with electricity distribution and transmission service areas covering 14 out of the 16 regions of Chile.

The Group also derives profits from unconsolidated associates and joint ventures, including NGCP, HKEI, REN, CDP RETI, IPTO and ElectraNet:

- In the Philippines, NGCP is the only national-level electricity transmission company, engaging in the planning, construction, dispatch, operation and maintenance of high voltage electricity transmission facilities (including interconnection projects) and providing power transmission services to the generators, distribution service providers and major users. NGCP's concession right for operation cover most areas of the country.

- In Hong Kong, HKEI's business encompasses electricity generation, transmission, distribution and transaction in Hong Kong Island and Lamma Island.

- In Portugal, REN's core business is the management of energy transmission systems and it has presence in the electricity and natural gas markets.

- In Italy, CDP RETI holds 29.85 per cent. of the equity interest in TERNA, 31.35 per cent. of the equity interest in SNAM and 26.02 per cent. of the equity interest in ITALGAS, and is the largest single shareholder in, and has actual control of these three companies.

- In Greece, IPTO is the only national-level electricity transmission system operator, engaging in the development, operation, maintenance and dispatch of the national power transmission network in Greece, and is responsible for power trade management. IPTO also engages in international interconnections with Italy, North Macedonia, Albania, Bulgaria and Turkey.

- In South Australia, ElectraNet is the only electricity transmission network service provider, and is responsible for the construction, holding, operation and maintenance of power transmission networks in the area.

The Group also derived profits from OETC for the period from March to December 2020. In Oman, OETC is responsible for the construction, operation, maintenance and dispatch of the country's national electricity transmission backbone network, with its services covering approximately two-thirds of the regions in Oman. The Group's equity interest in OETC was transferred to another wholly-owned subsidiary of SGID Beijing in 2021 due to the considerations of lowering the Guarantor's investments in non-investment grade countries.

The Group also derived profit from its investment in AusNet from January 2014 to February 2022. The Group acquired 19.9 per cent. of the equity interest in AusNet from Singapore Power in January 2014. AusNet is the largest energy network operator in Victoria, Australia. It owns and operates the state's transmission networks, the eastern power distribution network and the southwestern gas distribution network. AusNet's non-regulated business includes integration of renewable energy, smart grids and energy services. Since the Group's acquisition of equity interest in AusNet in January 2014, AusNet has seen stable profits and dividends distribution and its stock price has increased steadily. Since August 2021, Brookfield, a Canadian asset management company, and APA Group, an Australian gas company, had proposed to acquire 100 per cent. of the shares of AusNet, respectively, and had made multiple bids. On 28 January 2022, AusNet shareholders approved the Scheme under which Brookfield would acquire all shares in AusNet.

The following table sets forth a breakdown of the Group's revenue by consolidated subsidiaries for the periods specified:

Country	Subsidiary name	Equity interests held by the Guarantor	For the year ended 31 December			For the six months ended 30 June	
			2018	2019	2020	2020	2021
						(unaudited)	
			(HK$ in millions)				
Brazil	SGBH	100.00%	17,274.4	8,488.4	4,433.4	2,220.1	2,110.9
Brazil	CPFL[1]	83.71%	60,596.8	59,505.8	46,924.8	22,139.9	24,601.5
Australia . .	SGSPAA[2]	60.00%	10,118.1	9,725.9	8,965.4	4,283.2	4,645.2
Chile	Chilquinta[3]	100.00%	–	–	2,333.8	–	2,468.3
Chile	CGE[4]	97.145%	–	–	–	–	–
Total			**87,989.3**	**77,720.1**	**62,657.4**	**28,643.2**	**33,825.9**

Notes:

(1) In June 2019, CPFL consummated its Re-IPO to raise fund, pursuant to which shares held by the Guarantor was diluted from 94.75 per cent. to 83.71 per cent.

(2) In January 2014, the Group acquired 60 per cent. of the equity interest in SGSPAA from Singapore Power.

(3) In June 2020, the Group acquired a 100.00 per cent. of equity interest in Chilquinta.

(4) In July 2021, the Group acquired a 97.145 per cent. equity interest in Chile's CGE.

* As result of the above acquisitions, the above figures are not directly comparable in each period.

The following table sets forth a breakdown of the Group's share of profit of its unconsolidated associates and joint ventures for the periods indicated:

Country	Subsidiary name	Equity interests held by the Group	For the year ended 31 December			For the six months ended 30 June	
			2018	2019	2020	First half of 2020	First half of 2021
						(unaudited)	
			(HK$ millions)				
Australia	AusNet[1]	19.90%	298.6	315.1	321.8	229.0	211.6
Australia	ElectraNet[2]	46.56%	29.9	45.4	29.4	14.0	40.4
Oman	OETC[3]	49.00%	–	–	285.9	285.9	–
Portugal	REN[4]	25.00%	267.5	260.7	241.7	98.4	92.5
Italy	CDP RETI[5]	35.00%	1,672.4	1,745.0	1,808.4	868.5	1,325.5
Greece	IPTO[6]	24.00%	190.6	222.3	180.4	80.7	91.8
Hong Kong . .	HKEI[7]	21.00%	640.7	488.7	573.7	170.3	184.8
Philippines . .	NGCP[8]	40.00%	1,248.7	1,213.0	1,469.5	699.2	809.7
Total			**4,348.5**	**4,290.2**	**4,910.9**	**2,446.0**	**2,756.2**

Notes:

(1) In January 2014, the Group acquired 19.9 per cent. of the equity interest in AusNet from Singapore Power. In February 2022, the 19.9 per cent. equity interest in AusNet held by the Group were transferred to Australian Energy Holding Company through the Scheme at the consideration of AU$2.65 per share.

(2) In December 2012, the Group acquired 41.11 per cent. of the equity interest in ElectraNet from Powerlink and increased its shareholding to 46.56 per cent. by completing its acquisition of an additional 5.45 per cent. in shares from Australian fund Unisuper in May 2013.

(3) In March 2020, the Group acquired 49 per cent. of equity interest in Oman Electricity Transmission Company from Nama Holding, which was further transferred to another wholly-owned subsidiary of SGID Beijing in 2021 due to the considerations of lowering the Guarantor's investments in non-investment grade countries.

(4) In May 2012, the Group acquired 25 per cent. of the equity interest in REN.

(5) In November 2014, the Group acquired 35 per cent. of the equity interest in CDP RETI from CDP.

(6) In 2017, the Group acquired 24 per cent. of equity interest in Greece's IPTO.

(7) In January 2014, the Group subscribed for 18 per cent. of the total issued share stapled units of HKEI and increased its holding to 21 per cent. through purchases in secondary markets.

(8) In December 2007, a consortium led by the SGCC and two Philippine shareholders acquired the concession to operate the Philippine national power grid. After one year's preparation, NGCP, established by shareholders from China and the Philippines, took over the operation of the Philippine national power grid in January 2009 for a 25-year concession period. The Group holds 40 per cent. of the equity of NGCP.

* As result of the above acquisitions, the above figures are not directly comparable in each period.

COMPETITIVE STRENGTHS

World's leading utility company with wide international footprint and significant position in multiple key markets

Most of the electricity and gas distribution businesses the Group operates or invested in have acquired long-term concession agreements, regulated assets and extensive operating capabilities in the relevant countries and regions. For example:

- **the Philippines**: NGCP is the sole electricity transmission company in the Philippines, engaging in the planning, construction, dispatch, operation and maintenance of high voltage transmission facilities (including interconnection projects) and providing power transmission services to the generators, distribution service providers and major users. its power grids cover approximately 87 per cent. of the country by area and serve approximately 93.2 per cent. of the Philippines' population. NGCP has an operating concession of 25 years from 2009, which can be extended for another 25 years when it expires in 2034 subject to the regulatory authorities' review of the terms. In 2020 and for the six months ended 30 June 2021, the total revenue of NGCP was PHP48.607 billion and PHP24.183 billion respectively, and revenue from its regulated assets contributed to 96.8 per cent. and 96.8 per cent. of the total revenue of NGCP respectively.

- **Hong Kong**: HKEI's principal operating entity is The Hongkong Electric Company Limited ("**HK Electric**"), a wholly-owned subsidiary of HKEI. HK Electric was established in 1889 and its business encompasses generation, transmission, distribution and transaction of electricity to Hong Kong Island and Lamma Island. HK Electric is the sole electricity provider to Hong Kong Island and Lamma Island. HK Electric's businesses related to electricity generation, transmission, distribution are all regulated businesses, and it is subject to a scheme of control agreement (the "**SCA**") entered into with the Hong Kong government, with the current agreement expiring in December 2033. Under the SCA, the actual profit generally equals the regulated permitted return through the adjustment of the Tariff Stabilisation Fund. In 2020 and for the six months ended 30 June 2021, the total revenue of HKEI was HK$10.389 billion and HK$5.249 billion, respectively, and revenue from its regulated assets contributed to 100 per cent. and 100 per cent. of the total revenue of HKEI, respectively.

- **Brazil**:

  SGBH: SGBH was established in July 2010 as a wholly-owned subsidiary of the Group in Rio De Janeiro, Brazil. SGBH acquired 100 per cent. of the equity interest in 14 Brazilian transmission concession companies, each with a secured 30-year operating concession, mostly located in the most developed southeastern areas in Brazil. Its service area covers Rio De Janeiro, São Paulo, Brasilia and other major load centres; in addition, SGBH actively promotes the development of greenfield transmission projects, and has invested in Belo Monte Project, Teles Pires Transmission Project (Phase I and II) and other major greenfield transmission projects, achieving progressive development in the Brazilian market. To date, with a transmission line of more than 16,000 km, SGBH has become the third largest transmission company in Brazil in terms of regulated revenue, following Eletrobras and ISA CTEEP. In 2020 and for the six months ended 30 June 2021, the total revenue of SGBH was BRL2.919 billion and BRL1.468 billion respectively, and revenue from its regulated assets contributed to 99.85 per cent. and 99.77 per cent. of the total revenue of SGBH respectively.

  CPFL: CPFL is an integrated energy company with a century-old history, whose core business covers electricity distribution, transmission and generation, new energy, electricity trading, as well as electricity engineering projects, and it is listed on the new market board of the São Paulo Stock Exchange of Brazil. CPFL's operating indicators, such as electricity supply reliability, distribution line loss, and electricity generation reliability place it in a leading position in Brazil. CPFL wholly owns four electricity distribution concessionaires, with the main distribution business areas covering the economically developed States of São Paulo State and Rio Grande do Sul. In addition, CPFL holds various electricity generation and transmission assets in 11 states in Brazil. In 2020 and for the six months ended 30 June 2021, the total revenue of CPFL was BRL30.898 billion and BRL17.101 billion respectively, and revenue from its regulated assets contributed to 93.34 per cent. and 95.51 per cent. of the total revenue of CPFL respectively.

- **Chile**:

  Chilquinta: The Group holds 100 per cent. of the equity interest in Chilquinta. Chilquinta mainly engages in power transmission and distribution businesses, and it is the third largest electricity distribution company in Chile. It has about 17,098 km of distribution lines, serving more than two million people, and 1,088 km of transmission lines in central and northern Chile. Chilquinta ranks first among large scale electricity distribution companies in the comprehensive ranking of electricity supply services released by the regulatory authority in Chile. Upon the acquisition of Chilquinta by the Guarantor, Fitch has maintained Chilquinta's credit rating at sovereign level of AA, with a "stable" outlook. In 2020 and for the six months ended 30 June 2021, the total revenue of Chilquinta was CLP452.653 billion and CLP228.797 billion respectively, and revenue from its regulated assets contributed to 81.1 per cent. and 77.5 per cent. of the total revenue of Chilquinta respectively.

  CGE: In July 2021, the Group successfully completed the equity transfer and the takeover of operations of CGE, acquiring a 97.145 per cent. of the equity interest in CGE in total. CGE is the largest electricity distribution company and the second largest electricity transmission company in Chile, with electricity distribution and transmission service areas covering 14 out of the 16 regions of Chile. CGE has 3,639 km electricity transmission lines, 62,800 km electricity distribution lines, and a total number of 3.05 million users. All of CGE's assets are regulated assets, and it enjoys a stable income. In 2020 and for the six months ended 30 June 2021, the total revenue of CGE was CLP1,765.5 billion and CLP740.1 billion respectively, and revenue from its regulated assets contributed to 96 per cent. and 95 per cent. of the total revenue of CGE, respectively.

- **Portugal**: The Guarantor is the largest single shareholder of REN, which is the only national power transmission company in Portugal, with its business focus on electricity and natural gas transmission and dispatch. REN has a 50-year concession for the national power transmission grid, valid from 2007, and a 40-year concession for national natural gas high pressure transmission network, valid from 2006. In 2020 and for the six months ended 30 June 2021, the total revenue of REN was EUR758 million and EUR369 million, respectively, and revenue from its regulated assets contributed to 96.57 per cent. and 95.93 per cent. of the total revenue of REN, respectively.

- **Italy**: CDP RETI holds 29.85 per cent. of the equity interest in TERNA, 31.35 per cent. of the equity interest in SNAM and 26.02 per cent. of the equity interest in ITALGAS; CDP RETI is the single largest shareholder in, and has control of, all three companies. TERNA is Europe's largest and world-leading power transmission operator, owning 99.80 per cent. of the Italian national transmission grid. SNAM is a world leading natural gas infrastructure operator in Europe and one of the largest listed Italian companies in terms of market capitalization, with a market share of over 90 per cent. market share of the Italian gas transmission market. Through its international associates, it also operates in Albania, Austria, China, United Arab Emirates, France, Greece and the United Kingdom. ITALGAS is the largest gas distribution operator in Italy and the third largest gas distribution operator in Europe, with an approximate 35 per cent. market share of the Italian gas distribution market. In 2020 and the six months ended 30 June 2021, respectively, the total revenue of SNAM was EUR2.770 billion and EUR1.527 billion, and its regulated business contributed to 91.99 per cent. and 88.93 per cent. of the total revenue of SNAM; the total revenue of TERNA was EUR2.576 billion and EUR1.259 billion, and its regulated business contributed to 83.42 per cent. and 86.81 per cent. of the total revenue of TERNA; and the total revenue of ITALGAS was EUR1.334 billion and EUR0.665 billion, respectively, and revenue from its regulated assets contributed to 96.40 per cent. and 96.54 per cent. of the total revenue of ITALGAS.

- **Greece**: IPTO is the national transmission system operator ("**TSO**") in Greece. It is mainly responsible for the development, operation, maintenance, dispatch and electricity market trading management of Greece's national transmission grid. As at 30 September 2021, IPTO owned and operated more than 12,000 km of transmission lines and 364 substations, and had a national electricity dispatch centre and four regional dispatch centres. IPTO is also responsible for interconnection with Italy, North Macedonia, Albania, Bulgaria and Turkey. In 2020 and for the six months ended 30 June 2021, the total revenue of IPTO was EUR287 million and EUR138 million, respectively, and revenue from its regulated assets contributed to 95 per cent. and 95 per cent. of the total revenue of IPTO, respectively.

- **Australia**:

  SGSPAA: SGSPAA carries out diversified businesses across the Australian Capital Territory, New South Wales, Victoria and Queensland, including regulated business such as electricity distribution (JEN) and gas distribution (JGN), and non-regulated businesses such as gas transmission, infrastructure service; and its gas transmission business is under relevant take-or-pay agreements. In 2020 and for the six months ended 30 June 2021, the total revenue of SGSPAA was AU$1,706 million and AU$802 million, respectively, and revenue from its regulated assets contributed to 57.7 per cent. and 55.86 per cent. of the total revenue of SGSPAA respectively.

  ElectraNet: ElectraNet is the only electricity transmission network service provider in South Australia. It has a 200-year concession right of its electricity transmission assets. ElectraNet builds, owns, operates and maintains the electricity transmission system in South Australia. As at 30 June 2021, ElectraNet had approximately 5,900 km of transmission lines and 97 substations. ElectraNet has concession rights in its operations in South Australia until September 2200. In financial year of 2020 (from 1 July 2019 to 30 June 2020) and the financial year of 2021 (from 1 July 2020 to 30 June 2021), the total revenue of ElectraNet was AU$385 million and AU$418 million, respectively, and revenue from its regulated assets contributed 80.78 per cent. and 75.60 per cent. of the total revenue of ElectraNet, respectively.

The Group also derived profits from OETC from March to December 2020, a time period during which the Guarantor held 49 per cent. equity interests of OETC, which was further transferred to another wholly-owned subsidiary of SGID Beijing in 2021 due to the considerations of lowering the Guarantor's investments in non-investment grade countries. OETC is the national power transmission company in Oman and it engages in the construction, operation, maintenance and dispatch of the transmission network that forms the region's national backbone, and its service area covers approximately two-thirds of Oman's territory. As at the end of 2021, OETC had 7,882 km commissioned transmission lines and 97 substations. In 2020 and for the six months ended 30 June 2021, the total revenue of OETC was OMR129.207 million and OMR67.988 million respectively, and its regulated business contributed to 98.54 per cent. and 98.93 per cent. of the total revenue of OETC respectively.

The Group also derived profit from its investment in AusNet from January 2014 to February 2022. The Group acquired 19.9 per cent. of the equity interest in AusNet from Singapore Power in January 2014. AusNet is the largest energy network operator in Victoria, Australia. It owns and operates the state's transmission networks, the eastern power distribution network and the southwestern gas distribution network. AusNet's non-regulated business includes integration of renewable energy, smart grids and energy services. Since the Group's acquisition of equity interest in AusNet in January 2014, AusNet has seen stable profits and dividends distribution and its stock price has increased steadily. Since August 2021, Brookfield, a Canadian asset management company, and APA Group, an Australian gas company, had proposed to acquire 100 per cent. of the shares of AusNet, respectively and had made multiple bids. On 28 January 2022, AusNet shareholders approved the Scheme under which Brookfield would acquire all shares in AusNet.

Focus on regulated networks in countries with advanced and mature regulation framework, ensuring stable cash flow

The Group believes that operating in a transparent and robust regulatory environment is essential to its strategic planning and foreseeable profits. The Group has a dominating market share which is lawfully protected as well as transparent and well-established regulatory environments in all countries it has invested in, which has shielded the Group from direct market competitions and ensured stable development potential. The electricity and gas network industry is generally highly regulated in relation to, among others, the generation, transmission, distribution, and trade, lowering operations and electricity tariffs collection risks. Since the allowed revenue is based on capital-expenditure, the impact from the movement in electricity transmission and distribution volume is small. Moreover, the fact that revenue is linked to the operating performance as well as the inflation further reduces its potential fluctuations. Long-term concession agreements, transparent revenue calculation methodologies and robust regulatory structures all help to improve the stability of the Group's business. In particular:

- **the Philippines**: under the Philippine regulatory framework, the electricity transmission companies' allowed revenue shall be reviewed every five years and they are required to submit declarations annually. The annual revenue requirement (ARR) and the annual smoothed maximum allowed revenue (SMAR) are determined through a transparent revenue calculation methodology during each review. The SMAR can be adjusted annually to reflect changes in operating and macroeconomic conditions. This ensures the visibility of significant revenue and cash flow over the regulatory period. In addition, NGCP does not face any direct competition in electricity transmission.

- **Hong Kong**: under the Hong Kong regulatory framework, all of HKEI's business is regulated under the well-established and transparent SCA, which tends to have a longer period and higher rate of return compared with regulatory schemes in other developed areas, allowing HKEI to receive favourable permitted returns.

- **Oman**: under the Oman regulatory framework, the revenue cap mechanism is adopted for electricity transmission system, and the maximum permissible revenue comprises regulatory return, asset depreciation, operating cost and pass-through cost. The current regulatory period is four years from 2019 to 2022 (the fifth regulatory period).

- **Brazil**: under the Brazilian regulatory framework, permitted annual revenue is determined upfront with a transparent revenue adjustment policy, which provides significant revenue and cash flow certainty and visibility over the long term.

- **Chile**: CNE, the National Energy Commission of Chile, is responsible for the economic regulation of the transmission and distribution industry in Chile. In terms of electricity transmission, Chile adopts a regulatory mechanism with an upper limit on revenue, and, in terms of electricity distribution, Chile adopts a regulatory mechanism with an upper limit on price. The regulatory period for the transmission and distribution industry is four years, and all electricity distribution and transmission companies have permanent concessions.

- **Portugal**: under the Portuguese regulatory framework, the permissible revenue for electricity transmission business is calculated by taking into consideration factors such as RAB, RoR, operating costs, deviation in price setting extension of equipment service life and incentives for improved system reliability. The permissible revenue for gas distribution business is calculated on the basis of RAB, RoR, operating costs, deviation in price setting and regulatory incentives, etc.

- **Italy**: under the Italian regulatory framework, the Regulatory Authority for Energy, Networks and Environment ("**ARERA**") provides the update of Real Pre-Tax Weighted Average Cost of Capital (Weighted Average Cost of Capital, "**WACC**") and RAB for electricity transmission, gas transmission, gas storage, regasification, gas distribution and metering services on a rolling basis, and calculates the regulatory revenue by taking into consideration factors such as operating costs and depreciation.

- **Greece**: prior to the commencement of a specific year, the Regulatory Authority for Energy ("**RAE**") calculates and reviews the required income by revenue cap model to determine the permitted returns for electricity transmission system operators, and the operators charge transmission system usage fees on the basis of the required income, and the regulated revenues are not affected by fluctuations in transmission capacity.

- **Australia**: under the Australian regulatory framework, there are upfront revenue or tariff caps and a long-term transparent revenue calculation methodology which ensures the visibility of major income and cash flow over the regulatory period. The regulatory process is also highly structured and visible, with a clear review standard established by the regulatory authority. The strong regulatory framework provides certainty of enforcement of revenue obligations and minimises risks. In addition, as the sole electricity transmission company in South Australia, ElectraNet does not face any direct competition for its regulated power transmission business in the area.

Well-structured investment decision making system and diversified portfolio of quality investments

Focusing on regulated energy and power assets, and concentrating on the control of overseas investment risks, the Group obtained a balance of its acquisitions and greenfield developments and achieved a stable investment return. In relation to the acquisition of existing assets, the Group structures those transactions reasonably based on actual circumstances to ensure investment returns, takes advantage of relevant mature energy regulatory mechanism, actively explores the investment opportunities in countries and regions with stable political environment, sound legal system, developed capital market with free movement of capital, transparent regulatory mechanism, favourable environment for foreign investments and controllable investment risks. In relation to greenfield developments, the Group focuses on large energy and power infrastructure projects with enormous international influence which may have a strong driving force on equipment manufacturing, construction services, power grid operation and maintenance, and technical standards. The Group is dedicated to build up the reasonable complementarity among its existing assets allocation, so as to achieve assets diversification.

The Group gives full support to the re-investments undertaken by its overseas subsidiaries, targeting power companies that features good quality assets, favourable evaluations, and which can provide an evident synergistic advantage to the Group. Through the rigorous desk and on-site due diligence, the Group identifies and responds to risks in various aspects such as finance, tax, regulation, technology, and law, seeking opportunities to increase the value of the investments. By leveraging the funds derived from local operations to support continuous development without relying on the support from shareholders, the Group further expands the benefits of working in such synergistic approach and adjusts its capital structure to improve its overall operational performance. Through comprehensive agreements and capital arrangement, the Group aims to achieve fully controllable risks in transactions. Its excellent management team and efficient post-investment management model also further protects shareholders' interest while maximising shareholders' advantages. The Group has, within the scope of business of its overseas subsidiaries, co-operated with various PRC central enterprises, sovereign funds and major international power companies on the investment in clean energy power generation projects and other relevant projects to diversify its overseas assets and mitigate the risks in its overseas businesses.

To date, SGID has assets in nine countries and regions in four continents, covering emerging markets and developed countries. As at 31 December 2020, the Group had 24 per cent., 60 per cent. (47 per cent. from Brazil and 13 per cent. from Chile), 7 per cent. and 9 per cent. of its assets located in Oceania, South America, Asia and Europe, respectively, with profit before tax derived from these four continents contributing 15 per cent., 54 per cent. (49 per cent. from Brazil and 5 per cent. from Chile), 16 per cent. and 15 per cent., respectively, of its total profit before tax. As at 30 June 2021, the Group had 24 per cent., 61 per cent., 5 per cent. and 10 per cent. of its assets in Oceania, South America, Asia and Europe respectively, and with profit before tax derived from these four continents contributing 12 per cent., 62 per cent., 10 per cent. and 16 per cent., respectively, of its total profit before tax. In the year ended 31 December 2020, dividend from assets located in Oceania, South America, Asia and Europe accounted for 9 per cent., 52 per cent. (all from Brazil), 18 per cent. and 21 per cent., respectively, of the total divided received by the Group for such period. For the six months ended 30 June 2021, dividend from assets located in Oceania, South America, Asia and Europe accounted for 7 per cent., 65 per cent., 11 per cent. and 17 per cent., respectively, of the total dividend received by the Group for such period. In addition, the Group completed the acquisition of 97.145 per cent. of interest in CGE in July 2021. It has established a long-term infrastructure investment portfolio, with geographical diversification, stable regulatory environments and controllable business risks.

Accelerated growth leveraging on continuously strong support from SGCC Group

The SGCC Group is the world's largest utility and the largest power grid corporation, and the largest power grid construction and operation company in China, each measured by total assets in 2020. It ranked the second on 2021 Fortune 500. In the meantime, SGCC was awarded the "World's Most Valuable Public Utilities Brand" in 2020 with a brand value of more than U.S.$57 billion (approximately RMB365.0 billion), and it has ranked the first in China's 500 Most Valuable Brands for six consecutive years and the eighth in "China Brands Development Index", which has manifested its multifaceted achievements for its cutting edge innovation, well rounded capabilities, market recognition, profitability, social responsibility and reputation amongst end users. The SGCC Group has a dominant position in China's power transmission and distribution industry.

The SGCC Group proposed its overall development strategy of (i) enacting integrated business plans with power grid upgrade as its focus, and (ii) strengthening the development of four major businesses including financial business, manufacturing business, overseas business, and emerging business, as well as comprehensive development on innovation, management, data and talents ("one body, four wings"). With the overseas business designed as one of the four wings, the Group's strategic importance within the SGCC Group is further enhanced. The Group expands and operates within the international energy infrastructure industry and ensures the high quality and sustainable development of its international business by leveraging the technologies, capital, human resources, management expertise and brands of the SGCC Group. The SGCC Group's competitive advantages in technology, credit, management and branding act as anchors for the growth of international business, in particular:

- Technical support: the SGCC Group provides comprehensive technical support to the Group, covering the full range of investment, construction and operation of power grids. The SGCC Group integrated the largest amount of renewables with the strongest power transmission capacity in the world, and ranked the first in the world for the proportion of installed new energy capacity. The SGCC Group is one of the international leaders in the research and development of power technologies, has extensive expertise in large power grid control and dispatch technologies, and owns extensive experience in the design, construction and commercial operation of UHV AC/DC power transmission projects, in particular, the core technologies in UHV AC/DC, VSC-HVDC, source-grid-load-storage and other latest core technologies and international power industry standardization. In addition, as a global leading innovative company, the SGCC group has ranked the first with regard to the number of patents among all central enterprises for consecutive ten years.

- Credit support: The Group has received continuous financing support for acquisition from the SGCC Group. For the acquisition of CPFL in 2017, OETC, Chilquinta Energía in 2020 and the acquisition of CGE in 2021, the SGCC Group maintained a capital contribution of approximately 70 per cent. in the form of preferential shares for each project. Since 2013, the SGCC Group has undertaken multiple bond issuance denominated currencies such as in U.S. dollars and euros in international markets, and over 99 per cent. of the proceeds were made available to the Group by capital contribution in the form of preferential shares, enabling the Group to maintain a stable asset-to-liability ratio and providing long-term stable financial support to the business development of the Group. The SGCC Group has received China sovereign credit rating by three major international rating agencies for nine consecutive years, and in 2021, the Guarantor received China sovereign credit ratings for the first time. Excellent credit ratings and low-cost financing have allowed the SGCC Group to grow its overseas businesses in a self-sustainable manner where its offshore investments are supported by its offshore financing.

- Human resources and management support: the Group benefits from the continued human resources support from the SGCC Group, who selected and appointed experienced experts and management professionals to the Group's overseas investment projects in order to meet the increasing demand for talent necessary for the Guarantor's international business, making it possible for domestic talents to apply their abilities on overseas positions. Capitalising on the world-leading expertise of the SGCC Group in the operation and management of power grids, the Group has made great progress in market development, improved the operation and efficiency of its overseas energy and power assets, and achieved a satisfactory investment return. The SGCC Group continues in improving its collaboration between overseas projects and its provincial subsidiaries, by which the overseas projects benefit from the advantages of provincial power companies in power grid construction, operation, safety, technologies and human resources.

- Industry policy support: the 14th Five-year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 considered and approved by the Fourth Meeting of the 13th National People's Congress established the direction for China's energy transition and the development of energy enterprises. The Chinese government has entered into international co-operation agreements on taxation, finance and energy, established mechanism for regional operation and energy co-operation, which created a sound policy environment for project development and operation of the Group.

In the development of international business via the Group, the SGCC Group has received support from the Ministry of Commerce, the National Development and Reform Commission and the State-owned Assets Supervision and Administration Commission, allowing it to obtain all necessary approvals.

The overseas investments of SGCC Group made through the Group also benefit from support from both the Chinese government and governments of local countries. For instance:

- The SGCC Group, through the Guarantor, has actively promoted its UHV technologies with independent intellectual property rights in the international market. In September 2017 and October 2019, as witnessed by the state leaders of the PRC and Brazil, the Group obtained the construction permit and operation permit for the Belo Monte Phase II Project.

- In December 2018, witnessed by PRC President Xi Jinping and Portuguese Prime Minister Antonio Costa, SGCC and Portugal National Energy Grid Corporation signed a cooperation framework agreement in Lisbon to deepen cooperation and development in the energy sector.

- In November 2019, as witnessed by PRC President Xi Jinping and Greek Prime Minister Kyriakos Mitsotakis, the SGCC Group and IPTO entered into the letter of intent of equity investment in relation to the grid connection projects in Crete Island.

- In April 2019, as witnessed by PRC Prime Minister Li Keqiang and then Italian Prime Minister Giuseppe Conte, the SGCC Group entered into the Co-operation Framework Agreement with ITALGAS in Beijing.

Robust financial performance supported by prudent financial risk management policies

The Group has maintained a strong financial position with stable earnings and cash flows from its operations. In 2018, 2019 and 2020, the Guarantor's adjusted EBITDA was HK$26.484 billion, HK$24.628 billion and HK$23.444 billion respectively. In 2018, 2019 and 2020, the Guarantor's total debt/adjusted EBITDA ratio was 4.55x, 4.86x and 5.39x respectively. For more details in relation to the financial ratios, please see "*Selected Financial Information of the Guarantor – Other Financial Data (Non-GAAP)*".

The Group plans to further diversify its funding channels and obtain funding via bank loans from policy banks, regional banks and international banks and by issuance of bonds of various currencies and maturities. The Group fully utilizes its global financing resources, diversifies its financing sources to achieve a lead in maintaining low financing costs within the industry. The Group leverages on the excellent financing capabilities of its overseas assets, of which approximately 78 per cent. of its consolidated liabilities comprised of debt (including bank borrowings and bonds) were independently raised by its offshore subsidiaries. Relying on financing from both PRC and international banks, the Group can utilize their resources on a global scale and receive comprehensive support for its overseas investments and operations. As at 30 June 2021, the Group was granted credit lines in an aggregate amount of U.S.$7.1 billion from more than 20 international banks (including PRC policy banks and major PRC and foreign commercial banks), of which U.S.$4.0 billion has not been utilised. For example, for the purpose of investment in CGE in Chile, the Group entered into a syndicated facility agreement with international lenders for an EUR780 million equivalent amount in CLP. The subsidiaries and the affiliates of the Guarantor maintained close relationships with local policy banks such as BNDES, EIB, CDB, ARENA, etc., and are able to receive preferential loans from these banks. For instance, SGBH and CPFL received long-term preferential loans from BNDES, and IPTO, REN and SNAM received long-term preferential loans from EIB. In 2021, the Guarantor was rated A1 by Moody's, A+ by S&P and A+ by Fitch, with an overall upgrade in credit ratings, which were the same as SGCC's rating and China's sovereign rating. In addition, the Guarantor and its subsidiaries have issued bonds in different currencies with a variety of tenors. The Group's stable cash flow from high quality overseas assets, accompanied with its excellent credit rating equivalent to China's sovereign credit rating, has enabled the Group to achieve low costs in offshore financing and improved ROIs through using financial leverage, while further broadening its funding channels in the international market: for example, on 26 January 2015, the Guarantor issued euro-denominated bonds with an aggregate principal amount of EUR1 billion. TERNA, ITALGAS, ElectraNet, SGSPAA and SNAM also issued the bonds denominated in various currencies such as U.S. dollars, euros and Australian dollars. Below is a selected list of bond issuance of some of the Guarantor's subsidiaries in recent years:

- In April 2019, TERNA issued the EUR500,000,000 1 per cent. green bonds with a term of seven years, with ratings of "Baa2" by Moody's and "BBB+" by S&P, respectively.

- In February 2021, ITALGAS issued bonds with an aggregate a total of EUR1,000,000,000 bonds, including the EUR500,000,000 bonds with a term of seven years and EUR500,000,000 bonds with a term of 12 years, with ratings of "Baa2" by Moody's and "BBB+" by Fitch and interest rates of 0 per cent. and 0.5 per cent., respectively.

- In September 2021, Electranet issued AUD350,000,000 bonds with a term of 7.25 years with rating of "Baa2" by Moody's and interest rate of 2.4737 per cent.

- In December 2021, SGSPAA issued AUD300,000,000 green bonds with a term of eight years with rating of "A-" by S&P and interest rate of 2.6195 per cent.

- In January 2022, SNAM issued a total of EUR1,500,000,000 sustainability-linked bonds, with ratings of "Baa2" by Moody's, "BBB+" by S&P and "BBB+" by Fitch, respectively, including the EUR850,000,000 bonds with a term of 7.4 years and interest rate of 0.75 per cent., and EUR650,000,000 bonds with a term of 12.4 years and interest rate of 1.25 per cent.

In terms of liquidity management, the Group keeps a moderate level of indebtedness with a reasonable composition of long-term and short-term debts, builds new relations with banks to increase competition among banks, thereby obtaining the lowest interest rates in the market whilst maintaining sufficient lines of credit, and continues to hold highly liquid financial assets to maintain financial flexibility. The Group adopts a reasonable dividend pay-out frequency and ratio for investments with good payback period to have a better control over its capital recovery and centralized fund management, and it reasonably controls the amount of investments used for greenfield projects in order to maintain a healthy free cashflow to net-investment ratio.

The Group ensured stable business performance in its international operations by improving its foreign exchange risk management and adhering to the principle of "risk neutral" foreign exchange where its overseas assets and invested companies were concerned. Under the guidance of the Guarantor, its overseas subsidiaries have established a stable foreign exchange hedge strategy, and its investment portfolios have improved their hedge systems. The foreign exchange debts of the Group have been converted into Hong Kong dollars debts by cross-currency swaps, foreign exchange forward transactions and other simple structured financial derivatives, by which the values of foreign exchange receipts and payments were fixed by forward transactions and the effects of foreign exchange fluctuation on the operational results of overseas assets were effectively minimised. In its overseas investment and financing strategy, the Group would make best efforts to find the optimal combination of currencies and raise capital in different currencies to match the operational currencies of its overseas assets as natural and effective hedge against its foreign exchange exposure. The Group used capital denominated in EUR, AUD and USD to hedge against EUR, AUD and USD like investments, and used capital denominated in CLP to hedge against CLP investments in Chile projects. In addition, for the purpose of recovery of its business revenue, the Group made great efforts in the repatriation of dividends derived from its international business, improved its fund efficiency and controlled its foreign exchange exposure in relation to net investments in its international business operations.

Effective implementation of green development concepts and active fulfilling social responsibility

SGID Beijing has been effectively implementing the concept of green, low-carbon and sustainable development, and gives full support to its overseas portfolio companies in clean energy consumption, utilization of renewable energy, application of smart equipment and energy-saving technologies, pollution management and environmental protection. It carries out the research of application of ESG concepts, launches ESG pilot projects in relevant overseas companies, promotes the sustainable development of international business, and assists SGCC and asset host countries to achieve the "Carbon Peak and Carbon Neutrality" Goals (the "**Dual-Carbon Goals**"). SGID Beijing has outstanding performance in its management of sustainable development and the achievement of its overseas subsidiaries in sustainable development.

SGID Beijing has set up a Dual-Carbon working group (the "**Dual-Carbon Working Group**") to review the decision of its decarbonization work, coordinate the resources at all levels, supervise the work progress and make use of the full potential of its international business to assist asset host countries in achieving the Carbon Neutrality Goals. The management board of the Dual-Carbon Working Group (the "**Steering Committee**") consists of the Chairman, President and other executives of SGID Beijing. Members of the Dual-Carbon Working Group are mainly the persons in charge of SGID's relevant departments and subsidiaries, including 14 departments, such as the Strategic Research Office, Department of Business Development & Strategy, Department of Finance, Department Safety Supervision, Department of Legal Affairs, Department of Business Development, Department of Technical Support and Department of Overseas Operations (Operation Monitoring Center). The Dual-Carbon Working Group has set up eight specialty working units, namely, development planning, energy conservation, merger and acquisition, green field project development, quality and efficiency improvement, overseas operation, scientific and technology innovation and marketing and communication. Through sharing monthly energy consumption and the related measures, development of brown field and green field projects, business performance, sustainable development of SGID's subsidiaries, etc., the Dual-Carbon Working Group summarizes work that the company has been endeavoring to achieve Dual-Carbon Goals as well as to print out action plan of the Dual-Carbon Goals to supervise the implementation of the measures for energy conservation and emissions reduction, servicing and promoting various support measures on Dual-Carbon Goals.

The subsidiaries of the SGID have been actively implementing low carbon commitments:

- **CPFL**: CPFL has set a clear 2020-2040 sustainability strategy centred around (i) sustainable energy – renewable energy generation, emissions reduction, material reuse & refurbishment of transformer units; and (ii) smart solutions – installation and servicing of smart meters. CPFL achieved a distinction in the Leadership category of the Carbon Disclosure Project (CDP) Climate Change ranking being in the category A in Climate Change.

- **CGE**: CGE has made long term commitments under its "2030 Actions" which focus on (i) tackling climate change by achieving the Group's carbon footprint; and (ii) innovation and growth promoting a circular model and sustainable cities.

- **SGSPAA**: SGSPAA is a subsidiary of SGID of which SGID holds 60 per cent. of equity interest. Jemena, owned by SGSPAA, publicly announced its ambition to achieve net-zero emissions by 2050 in 2021, and green finance is an important step of this objective. In August 2021, Jemena released its Green Finance Framework and will see the business use funds raised from green instruments such as bonds, loans and promissory notes to finance and/or refinance the projects which will have a positive impact on the environment. Such Green Finance Framework has obtained a second-party opinion issued by Sustainalytics.

- **CDP RETI**: To promote a common goal for the energy transition and decarbonization process, CDP RETI signed a memorandum of understanding on the issue of ocean waste and with ENI/Fincantieri, a memorandum of understanding on energy transition with SAIPEM and a letter of intent with ENI/SNAM. CDP RETI holds 31.35 per cent. equity interests in SNAM. SNAM has proposed to achieve Carbon Neutrality Goal by 2040, and updated its sustainable financing framework in November 2021 in order to achieve this goal. In early January 2022, SNAM successfully priced two sustainability-linked bonds of EUR850 million with a tenor of 7 years and EUR650 million with a tenor of 12 years, which are linked to sustainability performance targets, including the reduction of absolute value of emission of natural gas and/or the reduction of absolute value of emission Scope 1 and 2 greenhouse gas (as classified in the Greenhouse Gas Protocols issued by World Resources Institute and World Business Council for Sustainable Development).

SGID and its subsidiaries have also won a number of awards for their operational projects and social responsibility projects, including:

- "6th China Grand Awards for Industry" and Best Social Environmental Management Project of the Year in Brazil – the Belo Monte Phase II Project

- Silver place for "Sustainable Change for the Good" at the 2021 Edison Awards – SGSPAA Kendall Bay Remediation Project

- "SDG Good Practices", organized by the United Nations Department of Economic and Social Affairs – "CPFL in Hospital" project in Brazil

- "Global Solicitation on Best Poverty Reduction Practices (Second Call)" – "Brighten Up" Project in the Philippines, the Belo Monte Phase II Project and Maré do Amanhã Orchestra Project

- UN Global Compact Award for "Best Practice of Corporate Social Responsibility Management – Maré do Amanhã Orchestra Project"

The sustainability performance of SGID and its affiliates have also been highly recognised in the world. A number of SGID's affiliates, including HKEI, Terna S.p.A, SNAM S.p.A and Italgas S.p.A are listed in the Dow Jones Sustainability World Index, while CPFL and REN are listed in the MSCI ESG Indexes.

Highly skilled talent pool led by seasoned management team with rich industry experience

SGID's management team consists of seasoned executives, each with an average of approximately 30 years of professional experience in the energy infrastructure industry. Throughout years, SGID has built a highly regarded team with finance, legal and technical expertise. There are more than 40 finance talents that hold CPA, ACCA, CFA or other professional qualifications equipped with global perspective to effectively support SGID's overseas investments and operations. The Group also benefits from its strong overseas management teams, which are comprised of experts and management professionals experienced in the energy infrastructure industry of their respective countries, and it also benefits from strong human resources support from the SGCC Group while building the management teams of its oversea investment projects. The capability of the management team has been demonstrated by the Group's strong track record of operational and financial performance.

The management team is supported by highly skilled and experienced employees with strong technical backgrounds and high levels of qualification and training. As at 31 December 2021, the average age of the Group's employees was 37.8 with 99.00 per cent. of them having bachelor's degrees or higher, 73.32 per cent. of them having master's degrees or higher, and 33.67 per cent. of them having studied overseas.

The Group believes that its experienced management team, supported by highly skilled employees, will continue to contribute to its future growth.

BUSINESS STRATEGIES

In 2021, the SGCC Group proposed its overall development strategy and the overseas business is structured as one of the four key businesses of the SGCC Group. As the overseas investment and operation platform of SGCC, the Group makes simultaneous efforts in four aspects including innovative international market development, lean overseas asset operation, excellent global capital operation and comprehensive risk prevention and control. By leveraging support from the SGCC Group, such as in credit, talents, technology, management and brand names for its international business, it is committed to creating a community of shared interests and future for energy co-operation, helping the countries where its assets are located to achieve the "Carbon Peak and Neutrality" targets as scheduled, enhancing competitiveness in the international market, so as to boost the high-quality and sustainable development of international business and become a leading international investor in the global energy network.

In order to achieve these goals, the Group has the following major business strategies.

Innovative market development. In respect of direct investment, the Group studies the macro political, economic and industry situation in the relevant markets and the economic situation of the participants in the energy sector to cultivate new opportunities and break new ground. In mature and developed markets, the Group proactively tracks market information, explore opportunities for energy and power assets M&A and greenfield investment, innovate business development models and achieve new breakthroughs; in emerging markets with sound market environments, the Group balances risks and returns and makes investments in high-quality assets. In respect of indirect investment, while collaborating with top global investors, the Group has flexible investment mandate that prioritizes investments with controlling and non-controlling stake equally, and vigorously supports overseas enterprises to seize development opportunities in the energy sector. With a rigorous screening process to select the best-in-class targets, the Group seizes capital and asset market opportunities and focuses on regulated assets to expand local regulated and non-regulated businesses and multinational businesses, as well as the scale and revenue of the existing assets.

Lean overseas asset operation. Adhering to the concept of operational empowerment, the Group plans to give full play to the comprehensive advantages and the synergistic effect of overseas assets to improve the operational level and comprehensive performance of overseas assets. The Group also plans to take corporate governance as leverage, studying and researching deeply into important operational matters of overseas companies, and making horizontal and vertical references and implementing lean control in order to strengthen its digital control and improve its operational supervision and management system.

Excellent global capital operation. The Group plans to maintain the high credit rating of the Guarantor through leveraging comprehensive advantages and existing overseas assets. Specifically, this can be achieved through innovating financing structure and further reducing financing costs. The Group also plans to control foreign exchange exposure during the investment process and implement whole life-cycle asset management, to promote equity diversification and asset securitisation. It achieves flexible entry and exit through capital reduction, placement, introduction of strategy investors, etc., to ensure high-quality development of international business.

Comprehensive risk management. The Group plans to strengthen compliance management, improve the compliance system and mechanism, and build the "three lines of defence" of risk management. By consolidating the concept of safe development, strengthening red-line awareness and bottom-line thinking, adhering to problem orientation, target orientation and result orientation, the Group plans to build a safety risk prevention and control system that is compatible with the international environment. It also endeavours to strengthen early warning prevention and control, process prevention and control and emergency response capabilities, focuses on eliminating major hidden dangers and safety risks related to overseas personnel and assets, continuously carries out stress tests of business continuity to enhance the essential safety level and support the sustainable and safe development of international business. By 2035, the Group will become a leading international energy internet enterprise in all respects in step with the SGCC Group. With its optimised international business system, strengthened comprehensive capability and improved development quality, the Group will become a leading international investor in the global energy networks.

SUSTAINABLE DEVELOPMENT STRATEGIES

SGID attaches great importance to international cooperation on climate change, striving to maximize synergy for green energy transformation, and focuses on green and low carbon investment in international cooperation projects. SGID is committed to pursue sustainable development by integrating environmentally friendly measurements into its operating model. It builds energy internet to promote clean energy transmission and consumption, invests in the construction and operation of clean power generation assets to promote the clean energy supply and pursues energy transition with the help of technological innovation, international platform mechanism and social responsibility. Through investment, construction and operation of international energy assets, SGID builds an overseas energy internet to serve as a “bridge” and “link” for clean energy production, consumption and efficient utilization. SGID actively carries out energy transition practice to promote the vision of green development.

For the purpose of the above ESG related strategic goal and vision, SGID has formulated the following three strategies of sustainable development:

Adhering to Strategic Leadership. Based on the strategic goal of building a leading global energy company, SGID focuses on integration of sustainability. From its overseas investments and operations perspective, SGID continues to abide by and practice international standards such as ISO 26000:2010 – Guidance on Social Responsibility and ten principles of the UN Global Compact, and introduces ESG investing concept, strengthening ESG performance and continuously improving sustainability of the company.

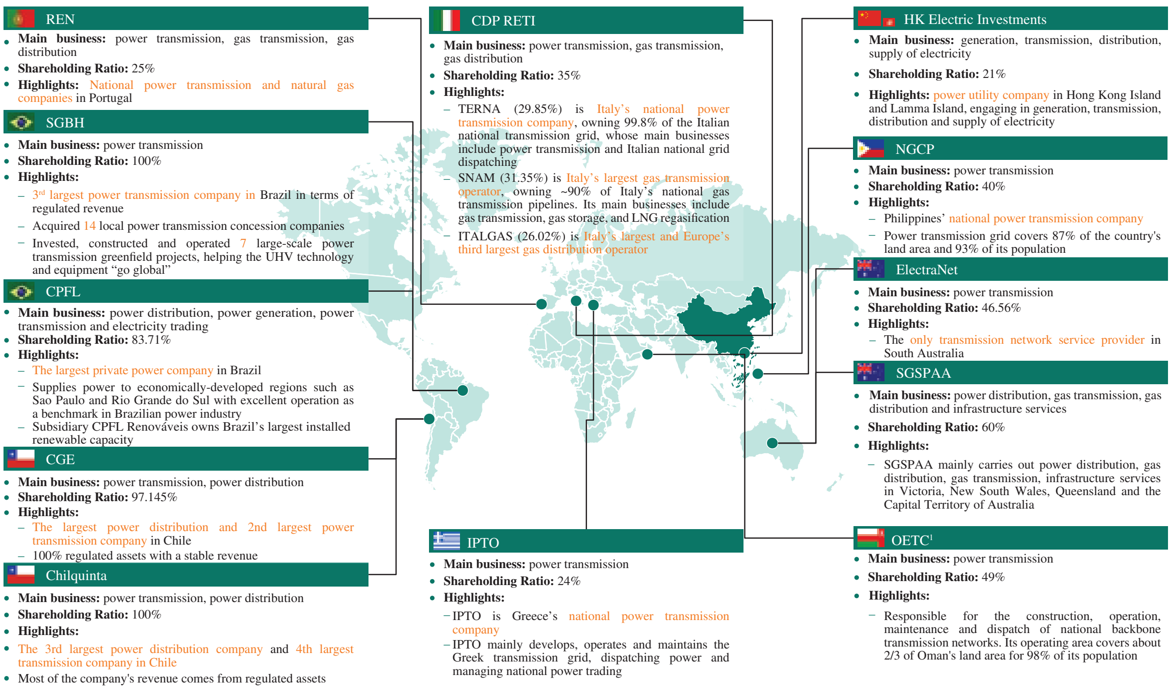
Practicing ESG Philosophy. In its overseas investments and operations, SGID has incorporated ESG factors into the investment decision-making, risk management and asset operation processes. It introduced ESG initiatives in CPFL and SGBH to conduct a comprehensive assessment of ESG-related risk prevention and sustainability in these companies. By embracing the ESG philosophy, SGID maintains global disclosure system and participates in global energy governance to enhance company profile and brand image.

Balancing Shareholder Returns and ESG. In its overseas investments and operations, SGID focuses on balances shareholder returns and environmental and social responsibilities, internal quality & efficiency and external brand building, as well as short-term economic benefits and long-term sustainability. It is committed to achieving positive impact on environment and community while generating attractive financial results, to achieve a higher level of coordinated and balanced development and ensure long-term sustainable growth of the company.

SGID will continue to optimise the investment direction based on the Dual-Carbon Goals in the future. In the screening process of new projects, achieving the Dual-Carbon Goals will be regarded as an important criterion. In the process of project tracking, SGID will terminate the projects that do not meet the Dual-Carbon Goals and will increase the promotion of green new energy projects. At the same time, SGID will carry out in-depth research on the application of the comprehensive ESG index, launch ESG pilot projects in relevant overseas companies, promote the sustainable development of international business, and assist asset host countries to achieve the Dual-Carbon Goals.

Operations

As the overseas investment and operation platform for power and electricity related assets of the SGCC Group, the Group has leveraged the strengths of the SGCC Group in grid operation, management, technology, human resources, capital and brand name, to actively explore the international market for investment opportunities in the international market. SGID has operations or investments in the Philippines, Hong Kong, Oman, Brazil, Chile, Portugal, Italy, Greece and Australia as at the date of this Offering Memorandum.



Source: Company information.

Note: The legend is used for the purpose of the bond roadshow only.

(1) Equity interest in OETC was transferred to SGID Beijing in 2021.

The Group is primarily engaged in electricity transmission and distribution businesses outside the PRC. The Group is also engaged in other businesses including gas transmission and distribution.

Electricity Transmission

Electricity transmission networks transport electricity from generators to distribution networks, which in turn transport electricity to customers. In few cases, large businesses such as aluminium smelters are directly connected to the transmission network. A transmission network consists of towers and the wires that run between them, underground cables, transformers, switching equipment, reactive power devices, and monitoring and telecommunications equipment.

Electricity Distribution

Electricity distribution networks move electricity from the transmission network to residential and business electricity customers. A distribution network consists of low-voltage substations, distribution transformers, switching equipment, monitoring and signalling equipment, poles, wires and underground cables.

Gas Transmission

High-pressure transmission pipelines are used to transport natural gas over long distances. They are mainly placed underground, which helps to prevent damage that could interrupt gas supplies. Some large industrial customers are directly connected to the transmission network.

Gas Distribution

A network of distribution pipelines is used to deliver gas at lower pressure from points along the transmission pipelines to the end customers. Gate stations, which link transmission pipelines with distribution networks, measure the natural gas leaving a transmission system for billing purposes and reduce the pressure of the gas before it enters the distribution network.

ASIA

NGCP

Overview

In December 2007, the SGCC Group participated in and successfully won the bid for the 25-year concession over the Philippine national electricity transmission network. The National Grid Corporation of the Philippines (NGCP) was established in February 2008 and officially took over the operation of the Philippine national electricity transmission network in January 2009. As the technical partner, the Group owns 40 per cent. of the equity interest in the NGCP, which is one of China's largest investments projects in the Philippines.

NGCP is the sole state electricity transmission company in the Philippines engaging in the planning, construction, dispatch, operation and maintenance of national transmission facilities (including grid connection) and providing power transmission services to generators, distribution service providers and major users. Its power grids cover approximately 87 per cent. of the country by area and serves approximately 93.2 per cent. of the Philippines' population. As the sole national power transmission company in the Philippines, NGCP operates a nationwide electricity transmission network covering 87 per cent. of the country by area and serving 93.2 per cent. of the Philippines' population. Its main responsibility is to plan, construct, dispatch, operate, and maintain the high voltage transmission facilities across the country, and to provide transmission services to generators, distributors, and large direct-supply consumers.

The grid operation indicators in the Philippines improved significantly after the takeover by the NGCP. In 2020/2021 regulatory year, NGCP met the awarding standard for 13 out of 16 power grid operation performance evaluation indicators reviewed by the Energy Regulatory Commission (ERC), and had won the operational performance assessment reward of Philippines ERC for twelve consecutive years. In 2019, NGCP completed and handed over the "Brighten Up" Project in the Philippines, bringing light to more than 1,000 people in the remote mountainous areas of the northern Philippines. In October 2020, NGCP was awarded the "2020 Global Excellence Corporate Award" by the International Chamber of Commerce of the Philippines (ICCP). Such award is a recognition of NGCP's commitment to providing reliable, safe, efficient and affordable power transmission services, and its outstanding contribution to the economic and social development of the Philippines for more than a decade, especially during the COVID-19 pandemic.

With the introduction of advanced technologies and experiences, NGCP has made considerable progress and development. Firstly, there has been a leaping development in transmission grids expansion. From 2009 to 2021, NGCP invested PHP281.837 billion in the construction and upgrading of the transmission grid, with 1,682.59 km of new transmission lines and 19,143,000 kVA of new substation capacity installed. As a result, the structure and reliability of power grid were significantly enhanced, which ultimately improved the quality of power supply service. The capital investment of NGCP in 2020 was PHP39.45 billion, which was 5.2 times that of 2009 when NGCP was initially taken over. Secondly, there has been enormous enhancement in the security of grids. NGCP had successfully supported key events such as the

Philippine's presidential election, the APEC Leaders' Week leaders' summit series, and the Southeast Asian Games. Thirdly, there is increasing natural disaster resilience of grids. NGCP has implemented a series of wind, flood and fire prevention projects that have withstood multiple tests from frequent severe natural disasters such as earthquakes, strong typhoons, floods and volcanic eruptions. Fourthly, there has been significant improvement in operational performance indicators. In 2018, for the grid systems in Luzon, Visayas, and Mindanao, the duration of power outages decreased by 21.0760, 196.0860 and 13.2510 minutes, respectively, as compared with 2009, the frequency qualification rates were 100 per cent., 99.9976 per cent. and 99.9747 per cent., respectively, and the voltage qualification rates were 99.8131 per cent., 99.9835 per cent., 99.9977 per cent., respectively.

Major assets

The table below sets forth details of NGCP's major assets as at 31 December 2020:

Name	**Location**	**RAB**		**Start of concession**	**End of concession**
		(PHP in billions)	*(U.S.$ in billions)*		
Luzon	Luzon	–[2]	–[2]	January 2009	January 2034
Visayas	Visayas	–[2]	–[2]		
Mindanao	Mindanao	–[2]	–[2]		
Total	–	300.40	6.25		

Source: Company Material

Notes:

(1) The translations from PHP into U.S.$ were made at the rate of U.S.$1.00 to PHP48.0360, the rate in effect on 31 December 2020 as published on the website of National Central Bank of Philippines.

(2) The sum of RAB of NGCP was PHP300.40 billion as at 31 December 2020.

Economic regulation

NGCP is the sole electricity transmission operator in the Philippines. Its main responsibility is to plan, construct, dispatch, operate, and maintain the nation-wide electricity transmission network (including networking). It owns the concession right for 25 years with an option to extend for a further 25 years subject to the review of regulatory authorities. Under the Rules for Setting Transmission Wheeling Rates (RTWR), which was promulgated by the ERC, NGCP's electricity transmission business is subject to a Performance Based Regulation (PBR) overseen by the ERC.

Under the RTWR, normally every five-year period is a regulatory period. The ERC determines the Annual Revenue Requirement (ARR) of the term prior to commencement of the new regulatory period, taking into consideration operating expenses, taxes, depreciation and capital returns. During the regulatory period, the ERC also requires annual verification of the maximum allowed revenue (MAR) that the regulated entities will be able to recover, considering factors such as inflation rate, exchange rate fluctuation between PHP and U.S.$, the balance of the previous year's revenue and profits, rewards from the operating performance of the grid and other efficiency factors. During the regulatory period, the ERC will evaluate whether the performance of the regulated entity meets the established standard and grant reward or punishment accordingly. Such reward or punishment will not exceed three per cent. of the MAR of the same year. During the third regulatory period, the nominal RoR for NGCP's electricity transmission business is 15.04 per cent.

Under the PBR regime, the annual revenue of NGCP is subject to annual transmission fluctuations, and its difference from the ARR will be compensated or deducted accordingly in the next year. In the event of significant fluctuation in inflation, exchange rates, capital costs or budgets, the established ARR will be re-assessed. In addition, any cost increase from force majeure or changes of tax policy will be correspondingly compensated.

HKEI

Overview

In January 2014, the Group subscribed for 18 per cent. of the share stapled units in HKEI, a trust under the laws of Hong Kong, in its initial public offering on the main board of the Hong Kong Stock Exchange. Through such subscription, the Group became the beneficial owner of its 18 per cent. equity interest in HKEI, which wholly owns HK Electric. The Group later increased its holding in HKEI in June 2014 and August 2015. The Group's total investment is HK$10.07 billion, and the average acquisition price per share is HK$5.427.

Established in 1889, HK Electric is one of Hong Kong's two big vertically integrated companies, engaging in power generation, transmission, distribution and sales businesses and one of the most time-honored power companies in the world. It provides generation, transmission, distribution and transaction services to over 583,000 commercial and residential customers on Hong Kong Island and Lamma Island. In 2020, its generation capacity was approximately 3,617 MW, with a total transmission and distribution network length of 6,638 km and annual electricity sales of 10,134 GWh. Its operations are regulated under the SCA entered into between HK Electric and the Hong Kong government. The current SCA is the fourth agreement between the parties which was entered into in April 2017 for a period of 15 years and will expire on 31 December 2033. With excellent asset quality and high operational management, it has maintained a world-class power supply reliability of over 99.999 per cent. since 1997 and over 99.9999 per cent. in 2020 and 2021. It plays an important role in promoting Hong Kong's economic development and enhancing its people's quality of life.

HK Electric actively promotes to replace coal with gas as power generation fuel. The L10 gas-fired combined-cycle generating unit was put into operation in February 2020, increasing the proportion of gas-fired power generation from 30 per cent. to 50 per cent. The L11 gas-fired unit has been integrated into the grid since November 2021, and the construction of the L12 gas-fired unit is progressing in an orderly manner, which are expected to be put into operation in 2022 and 2023, respectively. The proportion of gas-fired power generation is expected to reach 70 per cent. by 2023, and the absolute carbon emission will be cut by 40 per cent. compared with 2005. HKEI launched Deployment of Smart Meter project in April 2020. By the end of 2021, nearly 130,000 meters have been replaced, and 597 data receiving stations have been constructed. Its users have entered into the era of smart electricity consumption.

Major assets

The table below sets forth details of HK Electric's major assets as at 31 December 2020:

Name	**Location**	**Length**	**Installed capacity (MW)**	**RAB**		**Remaining concession period**
				(HK$ in millions)	*(U.S.$ in millions)*	
Electricity generation			3,617	24,322	3,137.1	
Electricity transmission and distribution	Hong Kong Island and Lamma Island	Total length of transmission and distribution lines of 6,638 km, including 444 km of transmission lines and 6,194 km of distribution lines	–	28,590	3,687.6	Until 31 December 2033 under the current SCA
Customer and business service development			–	3,833	494.4	
Total			3,617	56,745	7,319.1	

Source: Company Material

Note: The translations from HK$ into U.S.$ were made at the rate of U.S.$1.00 to HK$7.7530, the real maximum buying rate in effect on 31 December 2020 as published on the website of the Hong Kong Monetary Authority.

Economic regulation

HK Electric is subject to the current SCA entered into with the Hong Kong government, expiring on 31 December 2033. Under the SCA, the actual profit generally equals the regulated permitted margin based on the power tariff adjustment mechanism. The permitted margin for the regulatory period of 2019-2033 was adjusted downward from 9.99 per cent.[1] in the previous regulatory period to 8 per cent.[2] As at 30 June 2021, its permitted margin was 8 per cent. In order to offset the impact of the reduction in permitted margin on regulated revenue, HK Electric proposed a five-year development plan for the period from 2019 to 2023, which has been approved by the Environment Bureau. According to the plan, HK Electric will invest HK$26.6 billion in the period from 2019 to 2023 to replace old equipment for power generation, and renovate and upgrade transmission and distribution systems. Such investment doubles the HK$13 billion under the 2014-2018 development plan, which will effectively ensure shareholders' returns.

Notes:

(1) During the previous regulatory period (from early 2009 to the end of 2018), HK Electric's permitted profit for each year was 9.99 per cent. of the total average net value of non-renewable fixed assets for that year with 11 per cent. of the total average net value of non-renewable fixed assets for that year. HK Electric's installed renewable energy is less than 2MW, therefore the 11 per cent. permitted profit margin for renewable energy in the previous SCA was rarely considered in practice.

(2) Regardless of whether renewable or not, the permitted margin was uniformly adjusted to 8 per cent.

OETC

Overview

On 15 December 2019, the SGCC Group entered into an agreement with Nama Holding in Muscat, the capital of Oman and in March 2020, the Group and Nama Holding completed the transfer of equity interest in OETC, after which Nama Holding holds 51 per cent. and the Group holds 49 per cent. of OETC's shares. To address the potential sovereign-risk drag on the Group, SGID Beijing set up a new wholly owned, Singapore-incorporated subsidiary to hold higher-risk investments in lower-rated jurisdictions without affecting the Group, and subsequently, the Group's 49 per cent. equity interest in OETC was further transferred to this Singapore-incorporated sister company in 2021 with a view to decrease the Guarantor's investments in non-investment grade countries. The aforementioned Singapore-incorporated company is an ancillary platform to the Group and an integrated part of the overseas investments and operations of SGID Beijing.

OETC is a national power transmission company of Oman headquartered in Muscat, responsible for the construction, operation, maintenance and dispatch of the Main Interconnected System (MIS) and the Dhofar Power System (DPS) of Oman under long-term concession agreements, with transmission voltage levels of 132kV, 220kV, and 400kV. OETC, headquartered in Muscat, is the state transmission company of Oman responsible for construction, operation and maintenance and dispatch of the northern Main Interconnected System (MIS) and the southern Dhofar Power System (DPS), with transmission voltage levels of 132kV, 220kV and 400kV under long-term concession agreements. As at December 2021, OETC's service area covered approximately two-thirds of Oman's territory. As a dominant player in Oman's power industry, it owns a large asset base and transmits approximately 98 per cent. of Oman's total electricity.

As at December 2021, OETC owned transmission lines of 7,882 km (400kV-1,410 km, 220kV-1,823 km, 132kV-4,649 km), 97 substations (nine substations of 400kV-, 15 substations of 220kV, and 73 substations of 132kV) with a total substation capacity of 54.738 million kVA. In 2021, OETC transmitted 32.41 TWh, with a peak load of 7,201 MW. Its transmission system reliability rate reached 99.9974 per cent., and its availability rate reached 99.56 per cent.

OETC is the first privatisation project of a state-owned transmission company in the Middle East, which is large in scale and influence in the Middle East. Meanwhile, OETC is the first investment project of the Group in the Middle East, as well as a new milestone in the going-global process of the SGCC Group. Since the closing of the acquisition in March 2020, the Group has actively participated in the corporate governance of OETC, improved its organisational structure, and promoted system revision, power grid planning and construction and the development and study of the integrated network of six countries in the Gulf region. In October 2020, the first phase of OETC's North-South interconnection project was officially signed, which strongly enhanced the overall development of Oman's electricity industry. The 100 per cent. assets of OETC are transmission assets, and all of which are regulated assets. As at 30 September 2021, OETC's total assets amounted to OMR1.626 billion.

For SGID-OETC technical exchanges and cooperation, SGID signed a strategic partnership framework agreement with State Grid Ningxia Electric Power Co. Ltd. to assign key technical experts and leverage its state-of-the-art technology and excellent management for a solid and comprehensive technical cooperation with OETC. Meanwhile, SGID and OETC jointly establishes a periodic cooperation and exchange mechanism. To find solutions for power grid operation management, renewable energy planning and operation and maintenance (O&M) technology, they plan to conduct comprehensive and multi-level technical exchanges through online training sessions and international forums, among others. SGID and OETC will also jointly formulate work plans, orderly implement cooperation projects, improve their operations, asset management and personnel training for sustainable development.

Major assets

The table below sets forth details of OETC's major assets as at 31 December 2021:

Name	Location	Length (km)	RAB		Start of concession	End of concession
			(OMR in millions)	*(U.S.$ in millions)*		
Transmission.	Oman	7,882	1,160	3,013.0	1 May 2005	Permanent

Source: Company Material

Note: The translations from OMR into U.S.$ were made at the rate of U.S.$1.00 to OMR0.3850, the rate in effect on 31 December 2021 as published on the website of National Central Bank of Oman.

Economic regulation

In Oman, revenue for the transmission system is regulated under a revenue cap regime, with the maximum allowable revenue calculated taking into account items such as regulatory return, asset depreciation, operating costs and costs in lieu of collection. The regulatory return is determined by multiplying RAB by the WACC, of which the RAB is adjusted according to capital expenditures and depreciation, the WACC takes pre-tax actual value, and the depreciable life of assets and equipment is 35 years. The regulatory period is currently four years from 2019 to 2022 (the fifth regulatory period), with the revenue cap to be adjusted annually according to CPI-X. As at 30 June 2021, the RoR for OETC's transmission business was 5.1 per cent.

SOUTH AMERICA

SGBH

Overview

SGBH was established in July 2010 as a wholly-owned subsidiary of the Group in Brazil. At the end of 2010, SGBH acquired 100 per cent. equity interest in seven Brazilian transmission concession companies from four Spanish shareholders, and obtained the first batch of concession for transmission lines and related substation assets in Brazil, with a total investment of US$1.107 billion. The seven Brazilian transmission concession companies all have a secured 30-year concession right. The assets in these companies at the time of acquisition included sixteen transmission lines of 500 kV with a total length of 3,173 km, six 500 kV substations, two 500 kV switching stations and one 345 kV substation.

In May 2012, the Group entered into an equity purchase agreement with three subsidiaries of a Spanish Company, Actividades de Construcción y Servicios, S.A. (ACS) to acquire 100 per cent. stake in seven power transmission concession assets, with a total investment of U.S.$574 million. These assets include transmission lines with a total length of 2,792 km, eleven self-owned substation and twelve shared substation, covering five voltage levels ranging from 138 kV to 500 kV. In December 2012, the Group completed the closing of the acquisition of five assets that had been put into production, and completed the closing of the remaining two assets' acquisition in July 2015.

After more than a decade of development, SGBH has become the third largest transmission company in Brazil in terms of regulated revenues. As at 30 June 2021, SGBH had 20 wholly-owned companies, including 19 transmission asset concessionaires and one O&M service company, and five joint venture concessionaires (each with a 51 per cent. shareholding). SGBH's transmission assets stretch across 14 states, mainly in the central and south-eastern regions of Brazil where the economy is relatively developed, with a total length of 16,144 km, and its total assets and the length of transmission lines are 7.9 times and 4.9 times of those in 2010, respectively, acting as key components of Brazil's backbone transmission network. As at 30 June, 2021, the availability rate of AC equipment is 99.5 per cent. and the availability rate of UHV DC equipment is 99.95 per cent. In September 2019, SGBH was assigned a Baa3 rating and the highest domestic rating in Brazil of Aaa with a stable outlook, by Moody's. SGBH has successfully completed major power supply tasks for the World Cup, the presidential election and the Olympic Games. It was twice awarded the "Best Enterprise in Power Industry of Brazil" and granted the UN Global Compact Award for "Best Practice of Corporate Social Responsibility Management".

The Belo Monte Phase I Project, which was awarded to a consortium comprising the Group and Eletrobras, was put into operation in December 2017 (two months ahead of schedule). It is the first UHV DC transmission line project in Brazil. The project stretches across four states in Brazil with ±800 kV DC transmission lines of 2,076 km and two ±800 kV converter stations. The Group owns a 51 per cent. equity interest in the consortium. The concession term is 30 years. In July 2015, SGBH won the bid for the Belo Monte Phase II Project to build a ±800 kV DC transmission line of 2,518 km from the Amazon rainforest in northern Brazil to Rio de Janeiro, which stretches across five states in Brazil, with a total investment of BRL8.79 billion. The project was completed and commenced operation in October 2019. The project not only brings investment returns to the Group, but also significantly benefits the local community through the timely delivery of hydropower. The project received the "2019 Best Commission's Brazilian Social Environmental Management Practice Award" by Benchmarking Brazil and the "2020 China Grand Awards" for Industry, becoming the first overseas project of a PRC company to win the China Industry Award.

The Belo Monte Project is under good operating conditions with stable power transmission and have achieved favourable revenues. The Belo Monte Phase I Project has operated safely and stably for more than four years and achieved year-on-year improvement in availability level, with a comprehensive availability rate of more than 99 per cent., a transmission power of 16 TWh and *Receita Anual Permitida* (Annual Allowed Revenue, "**RAP**") revenue of BRL610 million in 2020. The Belo Monte Phase II Project has been in operation for more than two years and has delivered 15 TWh of electricity and achieved an annual RAP income of BRL1.23 billion in 2020.

In 2020, SGBH's total assets reached BRL28,779 million and the regulated revenue was BRL2,919 million. In 2020, SGBH's total profit was BRL1,999 million with a year-on-year increase of 13.12 per cent.; the net profit was BRL1,614 million with a year-on-year increase of 22.23 per cent.; and all annual operating targets were exceeded. As at 31 December 2020, SGBH's assets accounted for 14 per cent. of the consolidated assets and 19 per cent. of the share of profits of the Guarantor, and have become a key component of the international business of the SGCC Group.

In recent years, SGBH and relevant projects have won various awards, such as:

- In July 2014, SGBH's local operation was granted the UN Global Compact Award for "Best Practice of Corporate Social Responsibility Management".

- On 25 August 2014, SGBH was awarded as "The 2014 Best Enterprise in Power Industry of Brazil" by the mainstream media *Valor Econômic* among 1,000 large companies in Brazil based on the comparison of seven comprehensive indicators, which is the second time for SGBH to win this award since 2012.

- On 22 June 2019, in the implementation of the Belo Monte Phase II Project, SGBH received the "2019 Best Commission's Brazilian Social Environmental Management Practice Award" by Benchmarking Brazil.

- In December 2020, the Belo Monte Phase II Project won the "2020 China Grand Awards for Industry".

- In March 2021, SGBH, for the first time, was awarded with "The Best Workplaces in Brazil" in a survey review by Great Place to Work, a global authoritative human-resource research and consulting company.

- In September 2021, Brazilian mainstream media *Valor Econômic* published its Valor 1000 yearbook, where SGBH ranked the second in the power and energy industry, and were highly valued for the security, environmental protection and corporate social responsibility aspects of its major projects, as well as SGBH's local efforts to fight against the pandemic since the outbreak of COVID-19 pandemic.

- In October 2021, the Belo Monte Phase II Project was awarded with "The Best Practice Award for Energy International Cooperation".

- In October 2021, SGBH's "Case for the Construction of the Mega Construction Project and Empowering the Neighbouring Community to Alleviate Poverty – the Practice in the 2nd Phase of Brazil's Belo Monte Hydropower ±800 kV UHV Transmission Project" was awarded with "The Best Poverty Alleviation Case" in the 2nd Global Poverty Reduction Case Collection.

Major assets

The table below sets forth details of SGBH's major assets as at 30 June 2021:

Name	Location	Length (km)	RAB		Start of concession	End of concession
			(BRL in millions)	*(U.S.$ in millions)*		
ETEE	MG/DF	584	–[3]	–[3]	December 2000	December 2030
ETIM	MG/DF	214	–[3]	–[3]	December 2002	December 2032
ITE	GO/MT	795	–[3]	–[3]	March 2005	March 2035
PCTE	MG/SP	301	–[3]	–[3]	April 2007	April 2037
RPTE	GO/MG/SP	421.2	–[3]	–[3]	April 2007	April 2037
SMTE	GO/MG/DF	678	–[3]	–[3]	April 2006	April 2036
SPTE	MG	244	–[3]	–[3]	July 2007	July 2037
PPTE	MS	510.8	–[3]	–[3]	March 2006	March 2036
IRACEMA	PI/CE/PE	391.9	–[3]	–[3]	March 2008	March 2038
ITATIM	MS	911.4	–[3]	–[3]	April 2009	April 2039
ARARAQUARA	SP	46	–[3]	–[3]	February 2009	February 2039
CATXERE	GO/MT	609	–[3]	–[3]	February 2009	February 2039
LTMC	MG	151	–[3]	–[3]	July 2010	July 2040
ACTE	PA	72	–[3]	–[3]	December 2010	December 2040
MRTE	MS	–	–[3]	–[3]	January 2014	January 2044
XRTE	PA/TO/GO/MG/RJ	2,616	–[3]	–[3]	October 2015	October 2045
CNTE	MT	262.5	–[3]	–[3]	August 2016	August 2046
PRTE	MT	1,011	–[3]	–[3]	August 2016	August 2046
STE	GO	200	–[3]	–[3]	May 2021	May 2051
Total		10,018.8	21,935	4,382.7		

Source: Company Material

Notes:

(1) The translations from BRL into U.S.$ were made at the rate of U.S.$1.00 to BRL5.0049, the real maximum buying rate in effect on 30 June 2021 as published on the website of the Central Bank of Brazil.

(2) These locations are all located in Brazil. MG refers to Minas Gerais, DF refers to Distrito Federal, GO refers to Goias, MT refers to Mato Grosso, SP refers to Sao Paulo, MS refers to Mato Grosso do Sul, PI refers to Piaui and CE refers to Ceara, PA refers to Para, PE refers to Pernambuco, TO refers to Tocantins, RJ refers to Rio de Janeiro.

(3) The sum of RAB of SGBH was BRL21,935 million as at 30 June 2021.

Economic regulation

The Brazilian transmission sector is regulated under the revenue cap regime overseen by *Agência Nacional de Energia Elétrica* ("**ANEEL**"). The regulatory framework on the electricity transmission and distribution business in Brazil is based on the open bid regime of the 30-year concession agreement with the government. Such concession agreement will grant the electricity-related rights in a specified region to a concessionaire for 30 years, and the regulatory period extends to the end of the concession period. The bidder who provides the lowest allowed yearly revenue, RAP for the first year of concession in the open bid for transmission concessions held by ANEEL generally will win a 30-year transmission project concession. The RAP provided by the bid winner must reflect its operating and financial capacity, efficiency and its required return ratios.

Calculation of RAP: ANEEL considers the RAP provided by the winning bidder when determining the RAP, which is the aggregation of the expected free cash flow (FCF), tax, expenses and capital cost. The tax and expenses include operating and maintenance costs, operating expenses and taxes, amortisation and corporate income tax. FCF is WACC calculated with a net present value of nil. The WACC equals the weighted average amount of debt financing cost and equity financing cost. The RAP will be adjusted on a yearly basis to reflect the aggregate changes in inflation using the methods determined in the concession agreement.

The concessionaire has the right to apply for an extension of the concession period no later than three years before the end of its concession period with ANEEL, which must be decided on the extension application no later than 18 months before the end of the previous concession period. If the application for the extension of the concession period is granted, the economic terms in the original concession agreement, including the RAP, will be adjusted accordingly to ensure the economic and financial balance of the concession right.

Under the open bid regime, the revenue of the bid winner, which is also the regulated entity, is independent from its electricity transmission and distribution capacity, but depends on the agreed revenue between the regulated entity and the federal government in the concession agreement.

The regulator periodically adjusts the operator's RAP in accordance with the principle of economic equilibrium under four circumstances: firstly, annual adjustment, in which the RAP is adjusted in July of each year according to the inflation rate of the previous year by reference to IGP-M or IPCA indices; secondly, annual revenue deduction, in which the allowable annual RAP is deducted according to the concessionaire's equipment downtime, or the concessionaire's revenue generated from other business activities; thirdly, periodic adjustment, pursuant to the rules of ANEEL, the annual RAP will be reduced by 50 per cent. (including annual inflation adjustment) starting from the 16th year of the concession's operating period for the purpose of deducting the revenues received by the concessionaire due to the reduction of the final liabilities (usually provided by the Brazilian Development Bank as a concessionary loan) and eventually adjusting the electricity tariff. The periodic adjustment does not involve O&M costs, investment costs and equity costs; and fourthly, periodic regulated revenue reset where ANEEL will reset the concessionaire's RAP every four or five years from the date of entering into the concession, and the factors that affect the reset value mainly include the cost of liabilities calculated based on TJLP, inflation index and WACC, O&M costs, expansion inputs, and other income such as CCT/CCI. Such adjustment may be either positive or negative.

CPFL

Overview

In 2017, the Group invested in CPFL Energia S.A. (CPFL) and acquired 94.75 per cent. of the equity interest in CPFL. In 2018, the Group completed the tender offer for the shares of CPFL Renováveis S.A., a Brazilian listed company and a controlled subsidiary of CPFL, and acquired a total direct and indirect shareholding of 99.94 per cent. In June 2019, CPFL completed the issuance of additional shares, and as a result the Group's shareholding was then diluted to 83.71 per cent. As at the date of this Offering Memorandum, CPFL is the largest overseas investment of the Group by transaction value.

Listed on Novo Mercado of B3, CPFL is an integrated energy company with a history of over a hundred years. Its mainly engages in electricity distribution, transmission and generation, new energy, electricity trading and electricity engineering. CPFL's operating indicators such as electricity supply reliability, distribution line loss and electricity generation reliability, among others, are in a leading position in Brazil.

As at 30 June 2021, CPFL wholly owned four distribution concessionaires, with the main distribution business areas covering the economically developed São Paulo State and Rio Grande do Sul State, with a service area of 302,000 km^2, serving a population of 23 million. It also owns power generation and distribution assets in 11 states in Brazil. As at 30 June 2021, CPFL's electricity distribution company had 562 substations and 492,900 distribution transformers, with a medium and low voltage distribution lines' length of approximately 330,000 km and a high voltage distribution lines' length of 13,100 km. In 2020, the electricity distribution and sales business of CPFL reached 67.316 TWh with a market share of 14.1 per cent. and its key operating indicators in terms of electricity distribution business hit a record high. The average electricity outage time and the frequency of outages were 7.65 hours and 4.54 times, respectively, which were 27.2 per cent. and 23.8 per cent. lower than the data before being taken over by the Group, superior to assessment requirements of competent regulator and being one of the top three companies with sound operating indicators in Brazil; in addition, its comprehensive line loss rate of the distribution network was 9.03 per cent., a leading position in the industry of Brazil.

In terms of the electricity transmission business, in July 2021, CPFL won the bid for the equity of CEEE-T a power transmission company in Rio Grande do Sul, Brazil acquiring a 66.06 per cent. equity interest in the electricity transmission company of CEEE. The equity transfer transaction was completed in October of the same year. As at the date of this Offering Memorandum, the reliability rate of the backbone network equipment of the electricity transmission company of CEEE-T was 99.89 per cent., and the RAP deduction rate was 0.981 per cent.

CPFL has also completed the delisting the new energy company, CPFL Renováveis, and the integration of electricity generation business, becoming the third largest private electricity generator in Brazil. CPFL achieved conventional electricity generation of 20.375 TWh in 2020, and CPFL Renováveis contributed 6.345 TWh, among which its conventional electricity generation business focuses on clean energy. In 2020, the annual conventional electricity generation reliability indicator hit a record high of 98.93 per cent., and the two major indicators of reliability and unit electricity generation operation and maintenance cost maintained first place in the Brazilian electricity generation market. As at 30 June 2021, as the largest new energy company in South America CPFL Renováveis had a total installed capacity of 2.1523 GW, with a total of 94 electricity stations in 58 cities. The cumulative average availability rate of CPFL's independent operation and maintenance of wind farms has increased significantly from 78 per cent., before being taken over in 2018, to 93.2 per cent., and reached the highest level in history of 100 per cent. in a single day in 2020, and the comprehensive availability rate of new energy electricity generation reached over 96.2 per cent.

CPFL also carries out market-oriented business through its electricity trading company and engineering service company. In 2020, CPFL's electricity trading company's total trading electricity reached 16.105 TWh, ranking fourth in Brazil, and its new energy trading electricity continued to rank first.

CPFL has a board of directors with strong expertise and know-how as well as a strong team comprised of mostly young Brazilian executives to support a sound governance system. With access to the SGCC's state-of-the-art technologies, management and services, CPFL has been expanding and improving its operations and optimizing its electricity distribution reliability, with its regulated indicators kept improving on an annual basis, securing favourable tariff policies as well as a steady increase of the power generation companies' reliability indicators. The cumulative average availability of self-operated wind farms has also been greatly improved. CPFL's net profit has significantly increased from BRL879 million in 2016 to BRL3.037 billion in 2020, which is more than four times of the best level achieved by CPFL prior to the takeover. Meanwhile, CPFL had been awarded with "Top Employers Brazil" for three consecutive years from 2019 to 2021; was successfully selected into Brazil Sao Paulo Exchange's Carbon Efficiency Index (ICO2) and Dividend Index (IDIV); and was awarded with "Best Corporate Governance Award in Brazil" in 2021 by World Finance. Moreover, the "CPFL In Hospitals" project was selected as an outstanding case of the United Nations' Sustainable Development Goals (SDGs), and CPFL Santa Cruz was awarded as the "Best Power Distribution Company" in 2021.

Major assets

The following table lists the major assets of CPFL as at 30 June 2021:

Name	Location	RAB		Start of concession	End of concession
		(BRL in millions)	*(U.S.$ in millions)*		
CPFL PAULISTA.	SP	11,198	2,237.4	20 November 1997	20 November 2027
CPFL PIRATININGA	SP	4,389	876.9	23 October 1998	23 October 2028
CPFL JAGUARI	SP	2,190	437.6	7 July 2015	7 July 2045
RGE SUL	RS	11,315	2,260.8	6 November 1997	6 November 2027
Total		29,092	5,812.7		

Source: Company Material

Notes:

(1) The translations from BRL into U.S.$ were made at the rate of U.S.$1.00 to BRL5.0049, the real maximum buying rate in effect on 30 June 2021 published on the website of the Central Bank of Brazil.

(2) These locations are all located in Brazil. SP refers to São Paulo, RS refers to Rio Grande do Sul.

Economic regulation

In terms of electricity distribution, the power distribution industry in Brazil adopts an incentive-based price cap mechanism, and the regulated revenue is linked to the actual trade of electricity. The price cap is reviewed in each regulatory period and adjusted annually according to the CPI-X model. Distribution regulated revenue is consisted of controllable and uncontrollable costs. The controllable costs include operation and maintenance costs, asset depreciation and capital returns, which are the actual revenue of electricity distribution operators, and the uncontrollable costs include power purchase costs and transmission network usage fees and policy fees, etc., which are collected by electricity distribution operators and directly reflected into the final electricity price. The regulatory period of the power distribution industry in Brazil is four or five years, which may not be uniform, and the current regulatory period is the sixth regulatory period commencing from 2020, with RoR 7.02 per cent. for electricity distribution.

ANEEL has three adjustment mechanisms for electricity distribution prices. The periodic electricity price adjustment is usually conducted every four or five years, mainly to adjust the total amount of regulated assets, WACC and other indicators, and to determine the X factor used in the annual electricity price adjustment. The annual electricity price adjustment compensates the electricity distribution operators' controllable costs based on the inflation index and X factors in the regions where the concession is granted. The special price adjustment is premised on a significant change in the operators' costs, or if the taxes and charges stipulated in the original agreements are adjusted or eliminated, and such changes have an impact on the operators.

In terms of electricity generation, the electricity generation business market in Brazil consists of a contractual market and a short-term spot market, and the contractual market is divided into a regulated market and a free market. In the regulated market, electricity generators can sign a regulated electricity sales agreement based on the guaranteed electricity identified by the regulator, and the remaining guaranteed electricity can be sold on the free market and short-term spot market. The electricity price in the regulated market is mainly determined based on the winning bid price of the ANEEL public auction, and the electricity price in the free market is negotiated and determined by the generator and the user, both of which electricity prices thereunder should be adjusted according to the inflation rate.

Brazilian regulators have adopted the Energy Reallocation Mechanism (MRE) for hydroelectric generators. The income of a hydroelectric generator participating in the MRE is mainly determined by its guaranteed output, and as long as the overall electricity output of all the members' electricity generators under MRE reaches the total guaranteed output, each and every member thereof can obtain the guaranteed output income, and the income of the electricity generators is less affected by the actual electricity generation. However, in the event of a systemic risk, for example, the overall hydrological conditions of Brazil are poor, and all the electricity generators under MRE are in a state of insufficient electricity generation volume, the electricity generators need to purchase the insufficient electricity generation volume from the spot market according to their guaranteed electricity generation volume, leading to the "generation scaling factor" (GSF) related cost. In 2015, ANEEL established the GSF Risk Shifting Policy, which allows electricity generators to shift the GSF related risk under electricity sales agreements in the regulated market to end-users by signing a GSF risk shifting agreement.

Chilquinta

Overview

In June 2020, the Group successfully acquired 100 per cent. of the equity interest of Chilquinta, whose assets are mainly located in Valparaíso Region, adjacent to the capital of Chile. It is the third largest region by GDP and the second largest region by population density in Chile. It is also the home to Chile's National Congress and two largest ports. Chilquinta mainly engages in regulated power transmission and distribution, and is the third-largest electricity distribution company in terms of number of clients in Chile. As at 30 June 2021, Chilquinta owned about 17,098 km of distribution lines serving a population of more than two million people. Chilquinta was also the fourth-largest electricity transmission company in terms of network extension in Chile with 1,088 km of transmission lines in central and northern Chile. Tecnored S.A, a wholly-owned subsidiary of Chilquinta, is mainly engaged in the sales of electrical equipment materials, technical consulting and maintenance, and sales of electricity in the free market. Chilquinta ranks first among large scale electricity distribution companies in the comprehensive ranking of electricity supply services released by the regulatory authority in Chile. After being invested in and taken over by the Guarantor, the quality of electricity supply services of Chilquinta takes the lead among its peers in Chile. In 2020, it achieved the best record performances in major safety indicators since 2016, and Fitch maintained Chilquinta's sovereign credit rating at AA, with the outlook raised from "negative" to "stable". Chilquinta has made concrete efforts on improving employee health and donated generously to support Chile in fighting against COVID-19 pandemic; and was awarded with the "Best Practices in Fighting against COVID-19" by local governments in August 2021. Meanwhile, Chilquinta has proactively adopted SGCC's philosophy of green development, and has continuously improved ecological environment within its service area, receiving high recognition by the regulators, customers, media and the broader public, and was awarded "Outstanding Contributions Toward Sustainable Development" in 2021 that hit the headlines of El Mercurio, a mainstream media in Chile. Relying on the comprehensive advantages of the Group in technology, management and credit, Chilquinta successfully won the bids for four greenfield transmission concession projects, which boosted confidence of local management and accelerated the integration and collaboration between Chinese and local teams.

Major assets

The following table lists the major assets of Chilquinta as at 30 June 2021:

Name	Location	Length	RAB		Remaining concession Period
		(km)	*(CLP in billions)*	*(U.S.$ in billions)*	
Transmission . .	Valparaíso, Metropolitana, Antofagasta, Maule, Ñuble	1,088	319.7	0.43	Permanent
Distribution . . .	Valparaíso, Maule	17,098	532.1	0.72	Permanent
Total		18,186	851.8	1.15	

Source: Company Material

Note: The translations from CLP into U.S.$ were made at the rate of U.S.$1.00 to CLP735.28, the exchange rates as at 30 June 2021 published on the website of the Central Bank of Chile.

Economic regulation

The National Energy Commission of Chile (CNE) is responsible for the economic regulation of the transmission and distribution industry in Chile. The regulatory period for the transmission and distribution industry is four years.

In terms of electricity transmission, Chile adopts a regulatory mechanism with an upper limit on revenue, and electricity transmission enterprises have permanent concessions. For national-level transmission lines (220kV-500kV) put into operation after 2004 and regional-level transmission lines (23kV-220kV) put into operation after 2016, within the first 20 years after the projects put into operation, the annual allowed revenue at the time of bid winning shall be collected at a fixed rate, and adjusted annually based on Chilean inflation, with no regulatory review process during the period. After the expiration of the 20-year period, regulatory review process shall be conducted, and the annual allowed revenue shall be re-assessed. In the new regulatory period (2020-2023), the after-tax RoR for electricity transmission sector is 7 per cent.

In terms of electricity distribution, Chile adopts a regulatory mechanism with an upper limit on price, and electricity distribution enterprises have permanent concessions. CNE determines the return on regulated assets of electricity distribution companies by setting up virtual model companies with most optimal investment and operation in the long term. In the new regulatory period (2020-2024), the after-tax RoR for distribution sector is 6 per cent.

Affected by factors such as regulatory reform and COVID-19 pandemic, the regulatory review process for electricity transmission and distribution for the current new regulatory period is still in progress.

CGE

Overview

In July 2021, the Group successfully completed the equity transfer and the takeover of operations of CGE. This transaction adopted the structure of acquisition by tender offer with the Group, acquiring a 97.145 per cent. of the equity interest in CGE in total, inclusive of 96.04 of the per cent. equity held by Naturgy Energy Group S.A. and around 1.105 per cent. circulating equity in the market. CGE is the largest electricity distribution company in terms of the number of users and the second largest electricity transmission company in terms of length of distribution lines in Chile. All of CGE's assets are regulated assets, and it enjoys a stable income. Following the takeover of operations of CGE, the Group becomes an important stakeholder in the electricity infrastructure industry in Chile by operating both CGE and Chilquinta, which further enhances the Group's leading position and influence in the energy sector in Chile and Latin America.

Founded in 1905, CGE is headquartered in Santiago, the capital of Chile, and was listed on the Santiago Stock Exchange. CGE's business covers electricity generation, transmission, distribution and transformer manufacturing and maintenance, and it also holds Edelmag, a vertically integrated electricity company in the southernmost part of Chile. As at 30 June 2021, CGE was the largest electricity distribution company in Chile, with its service areas covering 14 out of 16 regions of Chile (including parts of Chile's capital region), and has a permanent electricity distribution concession, whose electricity distribution lines are 62,800 km long, and the total number of users is 3.05 million, accounting for 45 per cent. of the total number of users in Chile. In 2020, its electricity sales reached 14.738 TWh. In terms of the electricity transmission business, as at December 2021, CGE was the second largest electricity transmission company in Chile. Its electricity transmission assets are mainly regional-level electricity transmission lines located in the north, central and southernmost parts of Chile, with permanent concession. CGE's electricity transmission lines are 3,639 km long. As at 31 December 2020, the total amount of the regulated assets worth CLP2,321.8 billion.

Since the takeover was completed on 26 July 2021, CGE has been committed to long-term, localized and market-oriented operation, and ensured the smooth operation of the projects. CGE also has increased the technological exchanges, improved the quality of power supply service, worked on the installation of AMI system and smart meters for optimizing the power grid to meet regulatory requirements, and completing the separation of its distribution and transmission segments as scheduled. During the heavy rain in August 2021 that led to a blackout affecting millions of people's use of electricity, CGE effectively carried out emergency repairs which reduced the average repair time by 0.5 hours and improved rate of answered calls by 14 percentage points. CGE also made plans to further improve the quality of power supply service to address the key concerns of the Chilean society. Meanwhile, CGE actively shared the practices on the pandemic prevention and resumption of work in China and within the service area of SGCC, prioritizing the health of employees with the endeavor to facilitate the resumption of life and work in Chile amidst the pandemic, and promote the local socioeconomic sustainable development.

Major assets

The following table lists the major assets of CGE as at 31 December 2020:

Name	**Length**	**RAB**		**Concession Period**
	(km)	*(CLP in billions)*	*(U.S.$ in billions)*	
Electricity transmission	3,639	912.6	1.28	Permanent
Electricity distribution	62,813	1,409.2	1.98	Permanent
Total	66,452	2,321.8	3.26	

Source: Company Material

Note: The translations from CLP into U.S.$ were made at the rate of U.S.$1.00 to CLP711.24, exchange rates as at 30 December 2020 published on the website of the Central Bank of Chile.

EUROPE

REN

Overview

In February 2012, SGCC won the bid for a 25 per cent. stake in Redes Energéticas Nacionais, SGPS, S.A. (REN), and the transfer of the equity interest completed in Lisbon in May 2012, and therefore has become the industry investor and the largest single shareholder in a national energy network in Europe for the first time. Founded in 1994, REN is the only national power transmission company in Portugal, with its business focus on electricity and natural gas transmission and dispatching. In domestic electricity business, REN has a 50-year concession for the national transmission grid and the EU Transmission System Operator (TSO) qualification, responsible for electricity grid planning, investment, construction, operation, dispatching, maintenance and scientific and technological research and development. As at 31 December 2020, REN had 9,036 km of transmission lines and 38,463 MVA capacity. In terms of domestic natural gas business, REN has a 40-year concession for the national natural gas high-pressure transmission grid and the gas distribution grid in the region of Porto in the northern part of Portugal, responsible for natural gas reception, storage, transmission, dispatching and gasification of liquified natural gas. As at 31 December 2020, REN had 1,375 km of gas pipelines, 5,897 km of gas distribution networks and 300 million cubic metres of underground gas storage. In terms of the international business, REN owns 100 per cent. equity of a Chilean electricity transmission company, Transemel, and 42.5 per cent. equity of a Chilean gas transmission operator, Electrogas. As at 31 December 2020, Transemel owned 14 transmission lines with a total length of 92 km and five substations to deliver electricity to the northern part of the country. Electrogas has 165 km of gas pipelines and 20 km of diesel pipelines. As at 30 June 2021, the RoR of REN's electricity transmission business was 4.5 to 9.5 per cent., the RoR of REN's gas transmission business was 4.5 to 8.8 per cent. and the ROR of REN's gas distribution business was 4.7 to 9.0 per cent.

In terms of third-party market cooperation, during the bidding process for Transemel, SGID leveraged on its strengths by delegating manpower to assist REN in the due diligence process, which helped REN to minimize risks and ensure reasonable project ROIs. As for the exchange of cutting-edge grid technology, SGCC set up five specialized technical groups for (i) new energy power generation and grid connection, (ii) substation automation and protection, (iii) system planning, (iv) energy saving, and (v) smart power distribution, relying on the Research and Development Center set up by the joint venture to exchange on cutting-edge grid technology.

Major assets

The following table lists the major assets of REN as at 30 June 2021:

Name	Length	RAB		Start of concession	End of concession
	(km)	*(EUR in millions)*	*(U.S.$ in million)*		
Electricity transmission	9,036	210	249.6	2007	2057
Gas transmission	1,375	90	107.0	2006	2046
Gas distribution	5,897	47	55.9	2006	2046
Total	16,308	347	412.5		

Source: Company Material

Note: The translations from EUR into U.S.$ were made at the rate of U.S.$1.00 to EUR0.8415, the real maximum buying rate in effect on 30 June 2021 as published on the website of the European Central Bank.

Economic regulation

Under the current regulatory framework of Portugal, the concession for electricity transmission assets is 50 years, the concession for gas transmission assets is 40 years, and the regulatory period is four years. The allowable revenue for electricity transmission business shall be calculated based on RAB and RoR and in consideration of factors such as operating expenditure, price deviation, extension of the lasting period of equipment, rewards for improving system reliability and etc.. The allowable revenue for gas transmission and distribution business is calculated based on RAB, RoR, operating expenses, price deviation and regulatory incentives.

CDP RETI

Overview

In November 2014, the Group acquired a 35 per cent. equity interest in CDP RETI, the largest single investment ever made by Chinese SOEs in Italy as of 2014. The aforementioned is of significant importance for promoting China-Italy co-operation on production capacity. CDP RETI holds 29.85 per cent. equity interest in TERNA, 31.35 per cent. equity interest in SNAM and 26.02 per cent. equity interest in ITALGAS, being the single largest shareholder of all three listed companies with actual control of them. As at 30 June 2021, TERNA is Europe's largest and world-leading as well as the only independent power transmission operator in Italy, owning 99.80 per cent. of the Italian national transmission grid assets, and has grid interconnection with France, Switzerland, Austria, Slovenia, Montenegro and Greece through 26 cross-border interconnection lines. SNAM is a world leading natural gas infrastructure operator and one of the largest listed Italian companies in terms of market capitalization, having a market share of over 90 per cent. market share of the Italian gas transmission market. Through its international associates, it also operates in Albania, Austria, China, United Arab Emirates, France, Greece and the United Kingdom, whose business operations cover gas transmission, gas storage and regasification of liquefied natural gas. ITALGAS, spun-off from SNAMl, is the largest gas distribution operator in Italy and the third largest gas distribution operator in Europe, with an approximate 35 per cent. market share of the Italian gas distribution market. In 2020 and the six months ended 30 June 2021, SNAM's revenue from regulated assets accounted for 91.99 per cent. and 88.93 per cent. of its total revenue, respectively; TERNA's revenue from regulated assets accounted for 83.42 per cent. and 86.81 per cent. of its total revenue, respectively; and ITALGAS' revenue from regulated assets accounted for 96.40 per cent. and 96.54 per cent. of its total revenue, respectively. As at 30 June 2021, the RoR for TERNA's electricity transmission business was 5.6 per cent. and the RoR for SNAM's gas transmission business, gas storage business and gas regasification business was 5.7 per cent., 6.7 per cent. and 6.8 per cent., respectively. The RoR for ITALGAS's gas distribution and metering service business was both 6.3 per cent.

In terms of operating performance, in 2020, as regards the "*Average Service Availability indicator*", TERNA's average system availability rate was 99.99908 per cent., and the transmission line failed to supply around 275 MWh of electricity on time, which was better than ARERA's anticipated regulatory requirements. In 2020, SNAM's gas transmission business and gas storage business 100 per cent. met the regulatory requirements pre-set by ARERA in terms of "*execution times for services subject to specific commercial quality standards*" and also 100 per cent. met the regulatory requirement in terms of the regasification business pre-set by ARERA, namely "*maximum terminal capacity interruption*". In 2020, ITALGAS RETI and TOSCANA ENERGIA, the subsidiaries of ITALGAS, both achieved 98 per cent. or above of the required index of "*respect for maximum time set for the performance of services subject to specific standards*", performing better than the regulatory requirements pre-set by ARERA.

Since the investment of the project, the Group and Cassa depositi e prestiti Spa ("**CDP Group**") have always adhered to the principles of mutual respect and mutual trust, conscientiously performing the relevant provisions of the shareholders' agreement and keeping friendly consultation and full communication on the optimisation of corporate governance structure, change of internal officers and other important matters. In the meantime, in terms of project operation, the Group actively plays its role as a shareholder to create values for the projects through various channels such as supporting the refinancing of the project as well as promoting the horizontal exchanges of the offshore assets. In 2020, the Group and CDP Group conducted in-depth analysis on optimizing CDP RETI's refinancing strategy. The Group contributed to its fullest extent as CDP RETI's shareholder, by helping the company to obtain loans from three Chinese banks, which significantly lowered CDP RETI's financing costs and extended the average debt maturity. In March 2021, SGSPAA and ITALGAS executed a cooperation agreement on the transmission of renewable energy via its distribution and transmission network, smart metering solutions, and asset security enhancement. Moreover, the Group, through supporting its three subsidiaries TERNA, SNAM and ITALGAS, has fully communicated with the Italian regulator, ARERA, so as to strive for favourable regulatory policies and safeguard the interests of shareholders.

Major assets

The following table lists the major assets of CDP RETI as at 30 June 2021:

Name	**Location**	**Length**	**RAB**		**Start of concession**	**Concession Period**
		(km)	*(EUR in millions)*	*(U.S.$ in millions)*		
TERNA electricity transmission	–	74,723	16,700	19,845.5	November 2005	September 2030[3]
SNAM gas transmission	–	32,647	16,800	19,964.3	–	N/A[4]
SNAM regasification	–	–	129	153.3	–	N/A[4]
SNAM gas storage	–	–	3,950	4,694.0	–	10 years[5]
ITALGAS gas distribution	–	72,667.1	7,800	9,269.2	–	12 years[6]
Total		**180,037**	**45,379**	**53,926.3**		

Source: Company Material

Notes:

(1) The numbers of the RAB are those approved by ARERA in 2020.

(2) The translations from EUR into U.S.$ were made at the rate of U.S.$1.00 to EUR0.8415, the real maximum buying rate in effect on 30 June 2021 as published on the website of the European Central Bank.

(3) The concession period for TERNA electricity transmission business can be extended for a further 25 years on expiration.

(4) The gas transmission and regasification business of SNAM does not operate under a concession agreement.

(5) The concession period for SNAM gas storage business is 10 years, and can be extended for a further 10 years on expiration.

(6) The concession period for ITALGAS gas distribution business is usually 12 years.

Economic regulation

Under the Italian regulatory framework, the ARERA provides the update of Real Pre-Tax WACC and RAB for electricity transmission, gas transmission, gas storage, regasification, gas distribution and metering services on a rolling basis, and calculates the regulated revenue for the electricity and natural gas industry by taking into consideration factors such as operating costs and depreciation.

IPTO

Overview

In November 2016, the Group won the bid for acquiring a 24 per cent. stake in IPTO, the national-level electricity transmission grid company of Greece, becoming the third-largest shareholder of IPTO. In June 2017, SGCC successfully closed the transaction at the price of EUR327.6 million (about RMB2,524 million) and became IPTO's key partner. IPTO is the sole national transmission system operator (TSO) in Greece, and the Greek government indirectly holds about 51.07 per cent. stake of IPTO through Greek Ministry of the Environment and Energy. Headquartered in Athens, IPTO was established as an independent transmission operator on 1 February 2012. It is mainly responsible for the development, operation, maintenance, dispatching and electricity market trading management of Greece's national transmission grid. As at 30 September 2021, IPTO owned and operated more than 12,000 km of transmission lines with voltage levels covering DC 400 kV, AC 400 kV, AC 150 kV and AC 66 kV, and 364 substations. In the meantime, IPTO has a national electricity dispatching centre and four regional dispatching centres. IPTO is also responsible for interconnection services in five countries: Italy, North Macedonia, Albania, Bulgaria and Turkey. During the period from 2017 to 2021, the average reliability of Greece's transmission system remained above 99.98 per cent., with good operating conditions.

With the strong support from the Group, Attica-Peloponnese interconnection project, also know as the "Crete I" project, was completed and put into operation in May 2021, which is the longest submarine/underground AC cable interconnection in the world, achieving the first electricity interconnection between the largest island in Greece and Continental Europe. It is expected to reduce Greek electricity costs by EUR150-200 million per year and reduce carbon dioxide emissions by 100 kilotons per year, facilitating Greece's transition to clean energy. This project was awarded as the "Project of the Year 2020". The Group also actively assisted IPTO to expand its financing channels by facilitating IPTO's partnerships with Bank of China and Industrial and Commercial Bank of China, and provided support to IPTO in replacing its high-cost loans with low-cost ones, thereby optimising IPTO's operating conditions.

Major assets

The following table lists the major assets of IPTO as at 31 December 2020:

Name	**Location**	**Length/ Installed capacity**	**RAB**		**Remaining concession period**
		(km)	*(EUR in millions)*	*(U.S.$ in millions)*	
National Transmission Grid . . .	Greece	12,393	1,941	2,381.9	Permanent

Source: Company Material

Note: The translations from EUR into U.S.$ were made at the rate of U.S.$1.00 to EUR0.8149, the real maximum buying rate in effect on 31 December 2020 as published on the website of the European Central Bank.

Economic regulation

The regulated revenue of transmission system operator will be verified and determined by RAE after calculating the required revenue by adopting the revenue cap mode before the specific regulatory year, and the operator will charge transmission system use fees in accordance with the required revenue. The regulated revenue of transmission system operator will not be affected by the fluctuation of electricity transmission. As at 30 June 2021, the WACC for IPTO's electricity transmission business was 6.3 per cent.

OCEANIA

ElectraNet

Overview

In December 2012 and May 2013, the Group successfully acquired a total of 46.56 per cent. equity interest in ElectraNet in two transactions, becoming its major shareholder. ElectraNet operates the regulated electricity transmission business, which accounts for about 80 per cent. of its revenue, and is the sole electricity transmission network service provider in South Australia. Located in Adelaide, ElectraNet has obtained a 200-year lease of existing transmission assets from the Government South Australian. As at 30 June 2021, ElectraNet had around 5,900 km of electricity transmission lines and 97 substations, mainly serving clients including distribution network operators, power generators as well as industrial clients from mining, manufacturing, renewable energy and telecommunication sectors in South Australia. In light of the rapid development of renewable energy electricity generation within the state, ElectraNet has installed four synchronous condensors which effectively enhanced the overall stability of the grid systems. In June 2021, ElectraNet's largest regulated project, Project Energy Connect, an interstate interconnection project, was approved by Australian Energy Regulator. It connects South Australia and New South Wales ("**NSW**") with a line length of approximately 210 km and a capital expenditure of AU$457.4 million. Such project is scheduled for completion in 2023, which will further expand the RAB of ElectraNet, helping to maintain stability of its regulated revenue in the long term. As at 30 June 2021, the nominal RoR of ElectraNet's electricity transmission business was 5.69 per cent.

Since becoming a shareholder, the Group actively provided the Shareholder Letter of Intent leveraging the Group's excellent credit rating to the fullest extent in 2020, and formed a solid support for ElectraNet's credit rating exercise, leading to a revised rating from "Baa1" to "no less than Baa2" by Moody's while maintaining the recognition of 100 per cent. of shareholder loans as equity. As a result, ElectraNet not only can effectively control its financing costs, but has secured sufficient financings required for its future development. In the meantime, the Group actively communicated with Chinese banks to seek financing support for ElectraNet, completing AU$875 million financings at Baa1 rating margin while ensuring ElectraNet's safe use of funds at interest rates in line with its peers with higher rating in the same period.

Major assets

The following table lists the major assets of ElectraNet as at 30 June 2021:

Name	Location	Length	RAB		Start of concession	End of concession
		(km)	*(AU$ in millions)*	*(U.S.$ in millions)*		
ElectraNet	South Australia	5,900	2,897.3	2,178.3	September 2000	September 2200

Source: Company Material

Note: The translations from AU$ into U.S.$ were made at the rate of U.S.$1.00 to AU$1.3301, the real maximum buying rate in effect on 30 June 2021 as published on the website of the Reserve Bank of Australia.

SGSPAA

Overview

In January 2014, the Group acquired 60 per cent. equity interest in SGSPAA, with its the remaining 40 per cent. equity interest being held by Singapore Power International ("**SPI**"). Business and operation of SGSPAA cover three largest states in Australia in terms of gross domestic product (Victoria, Queensland and New South Wales), and two largest cities in Australia in terms of gross domestic product (Sydney and Melbourne). SGSPAA has a diversified businesses, including regulated businesses such as electricity distribution and gas distribution, as well as non-regulated businesses such as gas transmission and infrastructure services. It is the largest gas distribution company and the second largest gas transmission company in Australia.

In 2020, SGSPAA restructured its operations by consolidating the original five business sectors into four, incorporating the electricity distribution and gas distribution business into the network business, with the remaining three business sectors being natural gas business, electricity business and infrastructure services business.

Jemena, a subsidiary of SGSPAA, is an investor with a diversified portfolio of assets, whose assets can be classified geographically and by market. JEN, a wholly-owned subsidiary of Jemena, is one of the 13 electricity distributors in the National Electricity Market (NEM), serving 360,000 customers in North West Melbourne with a service area of 950 km^2 and a line length of 6,789 km. JGN, another wholly-owned subsidiary of Jemena, is the largest gas distribution company in Australia which provides gas distribution services to 1.4 million customers in New South Wales with a line length of 24,066 km. In terms of gas transmission, Jemena's gas transmission assets include EGP, QGP, VicHub, Colongra, DDP and NGP, etc., and is the second largest gas transmission company in Australia with the length of the gas transmission pipeline reaching 3,045 km, each of which is subject to a take-or-pay gas contract.

In terms of infrastructure services business, SGSPAA, through its wholly-owned subsidiary, Zinfra, provides services to its subsidiaries and third parties, which mainly provides services of engineering, design and construction, as well as on-site maintenance and operation services for electricity distribution, gas distribution and water assets.

In terms of new energy services business, SGSPAA is active in the development of new energy business such as micro-grid, industrial and commercial solar. SGSPAA owns a 50 per cent. equity interest in ActewAGL (operating under Evoenergy since January 2018), an electricity distribution and gas distribution company in the Australian Capital Territory, and a 34 per cent. equity in UED, an electricity distribution company in Victoria.

Since becoming the shareholder, the SGCC performed cost-saving and efficiency improvement measures on SPSGAA to deepen potential achievements, carrying out the "Symphony" program in 2 phases, with a focus on optimising expenditure efficiency and ROAs. As a result, SGSPAA's operating expenses have been cut by AU$50 million per annum since 2020, and its operating costs have been further lowered by AU$60 million per annum since 2021, allowing SGSPAA to achieve the industry leading efficiency.

In addition, the Group has performed stringent safety measures on SGSPAA to build a strong safety defence line. In 2020, total recordable injury frequency rate (TRIFR) was kept stable below 3.0, a leading level within the industry. Moreover, emergency response works were also properly executed by SGSPAA in a timely manner, and it received the "Emergency Recovery Award" by the Edison Electric Institute (EEI) in 2020. In line with the low-carbon trend, the Group promoted the technological innovation by supporting SGSPAA to roll out renewable gas pilot projects. Its Western Sydney Green Gas Project has started to provide users in NSW with green hydrogen for the first time, which is conducive to tapping the potential value of gas distribution assets amidst the backdrop of the low-carbon trend, while promoting SGSPAA's sustainable development.

Major assets

The following table lists the major assets of SGSPAA as at 30 June 2021:

Name	**Location**	**Length**	**RAB**		**Concession Period**
		(km)	*(AU$ in millions)*	*(U.S.$ in millions)*	
Jemena Electricity Network (JEN) . . .	Victoria	6,789	1,518	1,141.3	Permanent
Jemena Gas Network (JGN).	NSW	24,066	3,440	2,586.3	Permanent
Total		30,855	4,958	3,727.6	

Source: Company Material

Note: The translations from AU$ into U.S.$ were made at the rate of U.S.$1.00 to AU$1.3301, the real maximum buying rate in effect on 30 June 2021 published on the website of the Reserve Bank of Australia.

Economic regulation

As at 30 June 2021, nominal RoR for Jemena's electricity distribution business was 4.91 per cent. and the nominal RoR for Jemena's gas distribution business was 4.36 per cent.

The building blocks of the power distribution and gas distribution business of Australian companies are similar to each other, and the regulated revenue includes investment return (RAB times WACC), regulated depreciation, operation and maintenance costs, tax subsidies, efficiency carry-over and performance incentives, etc. Electricity distribution is subject to a regulated revenue cap mechanism, i.e. operators' actual revenue of electricity transmission is not linked to the actual electricity transmission and distribution. Gas distribution is subject to a price cap mechanism, i.e. operators' actual revenue of gas distribution is linked to the actual gas distribution volume. If the actual gas distribution volume is higher than the expected volume, the actual revenue will be higher than the agreed income, or *vice versa*.

INTELLECTUAL PROPERTY

The Group maintains a variety of trademarks and other intellectual property. In addition, the Group relies on a variety of patents, copyrights, trade secrets and trademarks of SGCC Group to maintain and enhance its competitive position. In order to achieve the goal of "Carbon Peak and Neutrality", the Group is constructing a new electricity system based on renewable energy, leveraging upon its core technologies in the sectors of ultra-high voltage projects, big data centre, 5G and artificial intelligence as well as its management advantages, actively developing the international market and expanding business layout, and facilitating the strategic technology upgrading of the major and key technologies requested in overseas investments, construction and operation and early deployment of cutting edge technologies. As at 30 June 2021, the Group owned 57 international patents, including 12 invention patents, nine utility model patents, five design patents and 31 software patents. The Group won the "6th China Grand Awards" for its Belo Monte Phase II Project in 2020. The Group receives support from SGCC Group in technology and intellectual property. Please see "*Description of the Group – Competitive Strengths – Accelerated growth leveraging on continuously strong support from SGCC Group*" for more details.

COMPETITION

In connection with the Group's electricity distribution and transmission business, the Group does not face direct competition in the areas it provides services in accordance with local laws and regulations, except in certain areas where it faces normal market competition.

EMPLOYEES

As at the end of December 2021, SGID had approximately 401 employees (including 160 staff working in the overseas offices on a long-term basis), with an average age of 37.8 years old, of whom approximately 99.00 per cent. had a bachelor's degree or above, 73.32 per cent. had a master's degree or above, and 33.67 per cent. had overseas education experience. The Group has 21,453 employees of foreign nationalities in countries where it has assets in, including 752 in SGBH, 14,538 in CPFL, 2,818 in SGSPAA, 1,855 in Chilquinta and 1,490 in CGE.

In order to attract high-level professionals, the Group has actively studied a market-oriented recruitment mechanism. On the one hand, the Group recruits graduates and enlarges its talent pool through conducting campus recruitment and actively participating in job fairs organised by the SGCC Talent Center and the Ministry of Education's Overseas Study Service Center. On the other hand, the Group conducts lateral recruitment to introduce mature and high-level talent as required. At the same time, the Group also receives human resources support from SGCC Group, which also has a dynamic and high-calibre workforce.

The Group provides its employees with welfare and benefits in line with the local standards of the countries and regions where it operates or invests. The Group emphasises respecting the local working habits of the employees in the countries and regions where it operates or invests. The Group has participated in local medical, personal and other social insurance in accordance with law and arranged enterprise pension plans, physical examinations and various subsidies. The Group also offers its employees comprehensive training programmes, ranging from professional skills and qualification training to personal development.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Social responsibility: conscientiously conducting international operation and effectively assuming the social responsibility on global basis

Attaching great importance to corporate social responsibility (the "**CSR**"), the Group integrates the concept of CSR into its strategy and daily operation and achieves the organic integration of CSR with its production and operation. The Group adheres to the concept of sustainable development and market-oriented, long-term and localized development in its overseas investments and operations, and is committed to becoming a long-term strategic investor and achieving a win-win situation with its international partners. The Group duly performs its CSR to realize an integrated economic, social and environmental value, and is committed to promoting the sustainable development of local community. During the outbreak of COVID-19 pandemic, the Group had continued to cooperate with its partners to fight against the pandemic. The Group's CSR operations include:

- **Ensuring proper management of overseas assets and promoting local economic development**

In the past years, the Group has been consistently adhering to the development concept of openness, inclusiveness and win-win cooperation. In the process of asset operation and management, the Group has duly performed its responsibilities as a shareholder, utilized its advantages in technology, management, brand and credit to ensure a proper management of its overseas assets, and assisted its overseas portfolio companies in improving their operation and management level. It has helped improved the local business environment, further promoted local economic and social development, and achieved a win-win situation with its overseas assets and local communities.

In Asia, as a technical partner, the Group has been providing support to NGCP by way of technical exchange, personnel training and experience sharing. Through joint efforts of the Group and NGCP, NGCP has continuously improved its operation and management abilities, power quality and power supply reliability, and ensured a safe, stable and reliable power supply for the economic and social development of the Philippines. NGCP was awarded 2018 "Employer of the year" in the Philippines and "2020 Global Excellence Corporate Award".

In South America, the Belo Monte Project ensured a major leap in development of Brazil's power industry, significantly improved the proportion of clean energy and economic and social development in Brazil and produced a number of high-caliber talents in power industry, by which, the project has become a known brand of China in its "Go global" strategy. More than 60 per cent. of the equipment, materials and construction services used for the project was procured locally in Brazil, which greatly promoted the development of the upstream and downstream industry chain of electrical equipment in Brazil, created approximately 16,000 direct jobs, increased the tax revenue in Brazil, and effectively promoted the economic and social development of Brazil. The project was awarded "6th China Grand Awards for Industry", "Best Practice Award for Social Environmental Management" in Brazil and "PMI (China) Project Management Award". In 2020, SGBH was certified as "Best Workplace in Brazil".

With joint efforts of SGID and CPFL, CPFL continuously improved its quality and efficiency, and has won various awards, including "Best Power Distribution Company in Brazil", the "Most Prestigious Energy Company", "Gold Award of Safety Production" and "Best Customer Service Award". In 2020, CPFL was listed in IBOVESPA Index for its standardized corporate governance, outstanding business performance, sound investor relations and continuous market activity. CPFL's Re-IPO was awarded "Equity Deal of 2020 – Americas" by the *Financial Times*. In 2020 and 2021, CPFL was awarded the "Outstanding Employer in Brazil" consecutively.

In Europe, REN was awarded the "Most Attractive Employer" in Portugal in 2016 and won the gold and silver medals of 27th edition of "The Communicator Awards" in 2021. TERNA was awarded the "Sustainability Influence Award 2020", becoming one of the 50 companies with the most sustainable influence in the world in 2020. CDP RETI also entered into a memorandum of understanding with SNAM.

In Oceania, SGSPAA was awarded the "Outstanding Project for Local Economic Development", the "Customer Innovation Award", the "Major Investment" of Commonwealth of Australia in 2019 and the "2020 Emergency Recovery Award" by Edison Electric Institute, and was nominated for "International Edison Award".

- **Carrying out overseas public welfare activities and actively fulfilling its social responsibilities**

Attaching great importance to the fulfilment of its social responsibility, the Group has been actively developing the public welfare projects to deliver the humanistic care and fulfil its social responsibility, which has been widely recognized by the local communities.

Over 6,000 young people have benefited from Maré do Amanhã Orchestra Project sponsored by CPFL, which has helped the youth living in slums receive formal music education, stay away from violence, crime and drugs, and live a healthy life. The orchestra was awarded the UN Global Compact Award for "Best Practice of Corporate Social Responsibility Management" and "Global Solicitation on Best Poverty Reduction Practices (Second Call)".

Under the CPFL Youth Development Program, CPFL has been sponsoring the sports school ORCAMPI to provide sports and cultural education for young people aged seven to 16 since 2010. Over the past ten years, about 6,000 young people have benefited from this project. Among them, 750 young people have become professional athletes through training at ORCAMPI. A total of over 50 young athletes have been selected for Brazilian national and even world-class games.

The "Brighten up" Project in Philippines includes construction of PV facilities for two ethnic minority villages in Zambales Province, which were handed over to local cooperatives after the construction was finished, benefiting over 1,000 people, including two schools and 108 students. The Project was awarded the "Global Solicitation on Best Poverty Reduction Practices (Second Call)".

In addition, CPFL, in cooperation with the Brazilian Cultural Heritage Agency, sponsored the Rio de Janeiro World Historical and Cultural Heritage Project and cooperated with Brazilian Cultural Heritage Agency in the publicity, protection and education. REN is dedicated to the environmental protection, and launched an afforestation initiative in cooperation with the local municipal hall. By the end of 2020, more than 45,000 trees have been planted, covering an area equivalent to 250 football fields. IPTO made various contributions to local culture and education, entered into an agreement with the University of Crete, Heraklion Branch to provide ten scholarships to the university's researchers in the faculty of science for basic research of energy and the environment during the academic years of 2019 and 2020, and also sponsored the projects for monument restoration, theological and ecological research.

- **Working together with global partners to fight against COVID-19 pandemic and deliver humanistic care**

After the outbreak of the COVID-19 pandemic, adhering to the concept of a community of shared future for mankind, the Group made its best efforts to provide assistance in other jurisdictions. The Group held video conferences with TERNA, ENEL, Tokyo Electric Power Company, Inc., Korea Electric Power Corporation and other companies to exchange the information in respect of the measures for safe and reliable power supply during the epidemic prevention and control period. The Group established its working mechanism for overseas epidemic prevention and control, and set up a special working group and implemented the principle of "one policy for one country, one policy for one place, and one policy for one project". The Group coordinated its overseas personnel to provide assistance to urgent projects and cooperated with its global partners to fight against the epidemic.

The Group also provided full support to its invested companies in their procurement of epidemic prevention materials in China. In 2020, the Group donated 1.24 million masks to Greece, the Philippines, Brazil, Portugal and other countries, and assisted its invested companies in donating various materials and funds such as medical electric beds, medical equipment, epidemic prevention materials and food baskets in Brazil, the Philippines, Chile, Portugal and other countries where their assets are located; and the Group also agreed to have CPFL and NGCP donate BRL6 million and PHP1 billion, respectively, to support the local governments in fighting against the pandemic.

- **Attaching great importance to information disclosure and carrying out the business operations in transparent manner**

Adhering to the concept of transparent operation, the Group keeps on improving its information disclosure, has consciously accepted the government regulation and social supervision, and ensured that major decisions are made in an open and transparent manner. By regular communication with its stakeholders, the Group has maintained close cooperation with its stakeholders, built the partnership for sustainable development under the principle of mutual benefit and win-win cooperation, and formed the synergy for sustainable development with its partners by establishing the trust, gaining mutual understanding and promoting the cooperation.

Since 2019, the Group has issued the CSR Country Report for Brazil for three consecutive years, which, under the Global Environmental, Social and Corporate Governance Disclosure Framework, disclosed to its stakeholders and social public its willingness, actions and results of its performance of social responsibilities from the perspective of business development, environmental protection, technological innovation, employee care, prevention against COVID-19 pandemic, community service and operating results in Brazil, which has demonstrated the positive actions taken by the Group to make contribution to Brazil's economic and social development, assume social responsibility, benefit local community and maximize the overall economic, social and environmental comprehensive value.

Environmental protection: vigorously promoting low-carbon transformation, emphasizing environmental protection responsibilities, and actively implementing green development concepts

The Group implements the concept of green, low-carbon and sustainable development, implements the core values of environmental protection throughout its development and operation, and strives to create a first-class, comprehensive environmental protection management system that not only strictly complies with the law but also operates efficiently with green development concepts as its core guidance.

As a specialized multinational enterprise in the energy and power industry, the Group attaches great importance to environmental protection and actively supports overseas asset companies in promoting clean energy consumption, renewable energy utilization, intelligent equipment and energy-saving technology application, pollution control and environmental protection, and is committed to working with local people to build a harmonious and beautiful home planet. Meanwhile, the Group promotes the construction of new power networks by continuously exploring investment opportunities in high-quality overseas projects and improving the operational efficiency of overseas projects, and steadily contributes to the implementation of the "Carbon Peak and Neutrality" action plan. The actions that the Group has enacted to implement the plan includes:

- **Vigorously promoting renewable energy and energy-saving technologies, and facilitating low-carbon transformation of the global energy system**

Through investment, construction and operation of overseas power and energy assets, the Group builds energy networks outside of China, acting as a "bridge" and "link" for clean energy production, consumption and efficient utilization. The Group also invests in and efficiently operates grid assets through its overseas affiliates, promotes and implements the concept of energy transformation by leveraging technological innovation, international platforms and mechanisms. The Group actively supports overseas asset companies to promote clean energy consumption and renewable energy utilization, and vigorously promotes the application of intelligent equipment and energy-saving technologies, including utilizing the advantages of extra-high voltage transmission technology in terms of large transmission capacity, long distance, high efficiency and low losses in power transmission projects. The Group's efforts in promoting low-carbon energy transition are reflected in a number of concession greenfield investment projects, such as the Belo Monte Project. Since the operation of the Belo Monte Phase II Project, it has transmitted a total of 40 billion kWh of clean hydropower, equivalent to a saving of 14.40 million tons of standard coal consumption and a reduction of 39.98 million tons of greenhouse gas emissions, which has strongly supported the green and low-carbon sustainable development of economy and society of Brazil, and made positive contributions in addressing global climate change.

- **Focusing on environmental responsibility, adhering to the concept of ecological and environmental protection to promote the grid construction**

The Group strictly complies with the environmental laws and regulations of the countries and regions where it invests and operates, including national or local standards related to emission control, surface water and groundwater discharge and treatment, solid waste generation, treatment, storage, transportation, treatment and disposal, and conducts the environmental impact assessment and approval procedures according to the requirements of local environmental regulations. In the design and construction of power transmission projects, the Group aims to enhance the eco-friendly design of power grids, optimize project site selection, ensure biodiversity protection by actively monitoring natural habitats and protect water and soil near the grid, commit to building environmentally friendly power grids and protect the ecological environment of the countries and regions where it operates and invests. The Belo Monte Phase II Project stretches across five states and 81 cities in Brazil, covering more than 20 nature reserves and 863 rivers. The Group has strictly complied with the Brazilian environment impact assessment ("**EIA**") standards in the project implementation, invested over BRL30 million in environmental protection, hired more than 400 experts to set up an excellent EIA land acquisition team, proposed 19 plans for geo-environmental protection, plant and animal protection and malaria prevention and control, and held 12 public hearings and implemented the concept of "prudent, controlled, transparent and open". The Belo Monte Phase II Project is the first large-scale power project in Brazil which has been subject to zero environmental penalties in the past decade and was granted the UN Global Compact Award for "Best Practice of Corporate Social Responsibility Management" in Brazil in 2019, becoming a model of international projects of the Group in terms of environmental protection and legal operation.

- **Actively practicing the innovative combination of clean energy technology and social responsibility projects**

Taking the "CPFL in Hospital" project in Brazil as an example, from 2019 to 2021, CPFL used the energy-saving funds for electricity bills to implement energy-saving renovations for about 300 public hospitals. The project has benefited 1.5 million patients and reduced carbon dioxide emissions by 5,000 tons each year. It also effectively improved the infrastructure conditions of local public hospitals through electricity reimbursement and tax relief policies. Meanwhile, the project has significantly improved the reliability of power supply of public hospitals, substantially reduced hospital operating costs and helped fight against the COVID-19 pandemic. This practical case of CPFL was included by the UN Department of Economic and Social Affairs as an excellent case in terms of sustainable development. In addition, the public welfare "Brighten up" project in the Philippines was constructed to meet the basic electricity needs of more than 1,000 residents of two residential areas and two elementary schools, bringing brightened, hopeful and better living conditions to more than 1,000 residents of a remote village in northern part of Philippines.

- **Exploring technological innovation and actively participating in local pollution control projects**

The Kendall Bay Remediation Project implemented by SGSPAA which treats and remediates coal tar pollution in former gasworks sites is located on the south bank of the Parramatta River, approximately 10 km west of Sydney's central business district. Through active and effective project management, careful planning and elaborate design of the underwater sediment treatment plan, SGSPAA successfully has adopted comprehensive in-situ stabilization technology to treat underwater pollution for the first time in the world and completed the project two months ahead of schedule. The innovative technology and treatment results were highly recognized by the industry and the local community, and won the silver place for "Sustainable Change for the Good" at the 2021 Edison Awards.

- **Actively using green financing instruments to support investment and development of green projects**

The companies invested and operated by the Group have issued a number of green bonds in the international market. SGSPAA issued the first AU$300 million green bond in the Australian energy sector in November 2021, raising funds for renewable energy, energy efficiency, clean transport and climate change adaptation. In early January 2022, SNAM successfully priced two sustainability-linked bonds of EUR850 million (seven-year term) and EUR650 million (12-year term), which are linked to sustainability performance target(s) related to reduction of absolute natural gas emissions and/or reduction of absolute Scope 1 and 2 greenhouse gas emissions.

- **Offshore affiliates invested and operated by the Group are widely recognized internationally for their sustainable development performance**

Companies that the Group have stake in, for instance, HKEI, TERNA, SNAM and ITALGAS are listed in the Dow Jones Sustainability World Index, while CPFL and REN are listed in the MSCI ESG Indexes. CPFL was selected as a sample stock in the ICO2 Index of the São Paulo Stock Exchange for its excellent environmental performance and was recognized by the CDP as a Supplier Engagement Leader for its work in engaging suppliers to combat climate change with an A score.

HEALTH AND SAFETY

The Group attaches great importance to the safety and health of its employees. It has implemented a number of measures to ensure compliance with the legal and regulatory requirements of the countries and regions where it operates and invests, and to improve the health and safety standards of the Group.

INSURANCE

Following the same strategy of the SGCC Group, the Group pursues a robust insurance strategy, which is determined based on its business and the regulatory requirements of the country or region where it operates or invests. The Group seeks advice from global professional insurance consulting agencies when necessary. It maintains insurance policies including property insurance, civil liability insurance, natural disaster insurance, directors' and executives' liability insurance, etc.

PROPERTIES

The Group holds or holds legal rights to use certain land and buildings for its business operations in the countries and regions where it operates or invests. The land the Group holds is mainly used for power transmission towers and poles along the grid line corridors, substations and office buildings of the Group.

LEGAL PROCEEDINGS

The Group is involved in certain legal proceedings concerning matters arising in its ordinary course of business and for its business operations in the countries and regions where it operates or its assets are located. The Group believes, based on currently available information, that these proceedings, individually or in the aggregate, will not have a material adverse effect on its business, financial condition or results of operations.

MANAGEMENT

SENIOR MANAGEMENT

The table below sets forth information regarding SGID's senior management and their positions.

Name	Age	Title
Hu Yuhai	58	Chairman
Yu Jun	53	Director, President
Duan Guangming	56	Director, Senior Vice President
Jiang Xiaojun	57	Senior Vice President
Li Hong	51	Senior Vice President
He Yunpeng	57	Senior Vice President
Zheng Aimin	58	Chief Compliance Officer
Liu Yanli	46	Senior Vice President, Chief Financial Officer
Wang Zijian	54	Employee Director, Senior Vice President, Chairman of the Labor Union

***Mr. Hu Yuhai* (胡玉海)**, aged 58, currently serves as the Chairman of SGID. Mr. Hu has a bachelor's degree and a master's degree and holds the professional title of senior engineer with over 39 years of industry experience. He started his career in July 1983. He has previously served as the Vice President of State Grid Tianjin Electric Power Company, the Deputy Director of the Infrastructure Construction Department (Tendering and Bidding Management Center) of SGCC, the Vice President of State Grid Henan Electric Power Co., Ltd. and the Vice President of State Grid Jiangsu Electric Power Co., Ltd.

***Mr. Yu Jun* (于軍)**, aged 53, currently serves as the Director and President of SGID. Mr. Yu has a doctor's degree and holds the professional title of senior engineer (professor level) with over 28 years of industry experience. He started his career in July 1994. He has previously served as the Deputy Director of the National Electricity Allocation Centre of SGCC, the Vice President of SGID, the Deputy Director of the International Co-operation Department of SGCC and the Vice President of International Business Service Company of SGCC.

***Mr. Duan Guangming* (段光明)**, aged 56, currently serves as the Director and Senior Vice President of SGID. Mr. Duan has a master's degree and holds the professional title of senior engineer with over 35 years of industry experience. He started his career in July 1987. He has previously served as the Deputy Director of the General Office of SGCC, the Director of the Hong Kong Office of SGCC, the Director of the India Office of SGCC, the Executive Director of State Grid Overseas Investment Limited and the Board Member and President of State Grid Overseas Investment Limited.

***Mr. Jiang Xiaojun* (蔣曉軍)**, aged 57, currently serves as the Senior Vice President of SGID. Mr. Jiang has a doctor's degree and holds the professional title of senior accountant (professor level) with over 36 years of industry experience. He started his career in August 1986. He has previously served as the Chief Accountant of State Grid Shenzhen Technology Development Co., Ltd., the Chief Accountant of State Grid Shenzhen Energy Development Group Co., Ltd., the Vice President and the Chief Accountant of SGID.

***Mr. Li Hong* (李宏)**, aged 51, currently serves as the Senior Vice President SGID. Mr. Li has a bachelor's degree and a master's degree and holds the professional title of senior accountant (professor level) with over 30 years of industry experience. He started his career in July 1992. He has previously served as the Director of the Finance Department of China Electric Power Technology Import & Export Corporation, the Director of Department of Finance and the Chief Financial Officer of SGID.

***Mr. He Yunpeng* (何雲鵬)**, aged 57, currently serves as the Senior Vice President of SGID. Mr. He has a master's degree and holds the professional title of senior engineer with over 33 years of industry experience. He started his career in March 1989. He has previously served as the Deputy Chief Engineer and Director of the Economic and Legal Department of State Grid Tianjin Electric Power Company, the Vice President of State Grid Tianjin Electric Power Company Binhai Power Supply Branch, the Deputy Director of SGCC Europe Office and the Board Member of CDP RETI.

***Mr. Zheng Aimin* (鄭愛民)**, aged 58, currently serves as the Chief Compliance Officer of SGID. Mr. Zheng has a master's degree and holds the professional title of senior engineer with over 38 years of industry experience. He started his career in August 1984. He has previously served as the Director of the Human Resources Department of State Grid Qinghai Electric Power Co., Ltd., the Assistant General Manager of State Grid Xinyuan Holding Co., Ltd., the Employee Director and the Chief Compliance Officer of State Grid Xinyuan Holding Co., Ltd.

***Ms. Liu Yanli* (劉彥麗)**, aged 46, current serves as the Senior Vice President and the Chief Financial Officer of SGID. Ms. Liu has a master's degree and holds the professional title of senior economist with over 24 years of industry experience. She started her career in July 1998. She has previously served as the Deputy Director of the Department of Finance, the Deputy Director (in charge) of the Department of Investment and Financing, and the Director of the Department of Investment and Financing of SGID.

***Mr. Wang Zijian* (王子建)**, aged 54, currently serves as the Employee Director, Senior Vice President and Chairman of the Labour Union of SGID. Mr. Wang has a bachelor's degree and holds the professional title of senior economist with over 33 years of industry experience. He started his career in July 1989. He has previously served as the Deputy Director and person in charge of the Statistics Division of the Planning, Investment and Financing Department of SGCC, the Director of the Statistics Division of the Development and Planning Department of SGCC, and the Director and Chief Expert and first-level staff of the Comprehensive Planning Division of the Development and Planning Department of SGCC.

GREEN FINANCE FRAMEWORK

The Green Finance Framework (the "**Framework**") sets out how SGID Beijing intends to issue green financing instruments ("**GFI**" or **GFIs**"), including green bonds (public or private), green loans or any other debt-like green instruments. The proceeds of GFIs will be allocated exclusively to Eligible Green Projects/Assets (as defined below) that will deliver clear environmental benefits to support SGID's development strategy and green mission. The Framework shall apply to the activities of SGID Beijing and any of its subsidiary entities (the "**Subsidiary Entities**") including the Guarantor and its subsidiaries. The Subsidiary Entities may also choose to develop their own Green Finance Framework, specific for their own business, if and when appropriate, and this should be clearly communicated to avoid any risk of double counting of eligible green projects or assets (the "**Eligible Green Projects/Assets**") within the balance sheet of SGID Beijing and the Subsidiary Entities. Please see "*Green Finance Framework – Process for Project Evaluation and Selection*" for more details.

The Framework is developed in alignment with well-accepted market standards and voluntary guidelines for green bond and green loan issuance (the "**Principles**"), namely:

- Green Bond Principles (June 2021) ("**GBP**") by International Capital Market Association ("**ICMA**") or as they may be subsequently amended.

- Green Loan Principles (February 2021) ("**GLP**") by the Loan Syndications and Trading Association ("**LSTA**"), the Loan Market Association ("**LMA**") and the Asia Pacific Loan Market Association ("**APLMA**"), or as they may be subsequently amended.

In alignment with the Principles, the Framework is structured according to the Principles' four core components and key recommendation for external review:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

Use of Proceeds

The net proceeds raised under the Framework or an amount equal to these net proceeds will be exclusively used to finance or refinance, in whole or in part, new or existing Eligible Green Projects/Assets that meet the eligibility criteria of one or more of the following Eligible Green Categories. Please see "*Green Finance Framework – Use of Proceeds – Eligible Green Categories and Eligibility Criteria*" for more details.

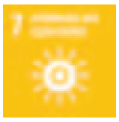
The Eligible Green Projects/Assets are expected to fall under six eligible Green Project Categories ("**Green Categories**"), namely Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management and Climate Change Adaptation. They are expected to contribute to the following environmental objectives, namely: climate change mitigation, natural resource conservation, pollution prevention and control, and climate change adaptation.

SGID Beijing will endeavour to disclose to the market the expected split between new financing versus refinancing at the time of the GFI transaction in the relevant communications made to the market, such as any investor presentation, net roadshows and global investor calls.

In case of refinancing of Eligible Green Projects/Assets, SGID Beijing will commit to a look-back period of no longer than 36 months from the time of the relevant debt issuance and will on best efforts select Eligible Green Projects/Assets from the previous 24 months prior to the time of the relevant GFI transaction. The average look-back timeframe will be disclosed in the annual reporting. Please see "*Green Finance Framework – Reporting*" for more details.

SGID Beijing will allocate the proceeds of each GFI to Eligible Green Projects/Assets as soon as possible after the issuance and disclose the allocation status in the annual reporting. Please see "*Green Finance Framework – Reporting*" for more details.

Eligible Green Categories and Eligibility Criteria

Eligible Green Categories	Description and Selection Criteria	Environmental Benefits	Sustainable Development Goals Mapping[1]
Renewable Energy	Investments and expenditures (including acquisition, construction, operation, development and upgrade) in projects or assets that increase the share of renewable energy in the power system, such as: (1) Renewable energy generation, including: i. Offshore and onshore wind; ii. Solar photovoltaic (PV) or concentrated solar power (CSP) technology, with at least 85 per cent. of electricity generated from solar power; iii. Hydropower[2], including pump storage facilities, which will not be powered by fossil fuel energy, or which is contributing to a grid that has at least 20 per cent. share of intermittent renewable energy; and iv. Bioenergy (biomass, biogas and biofuels)[3], including upgrades to biomethane for injection into the natural gas; (2) Connection, transmission and distribution infrastructure and equipment that are wholly dedicated to renewable energy generation or located on a system of which at least 67 per cent. of the added generation capacity in the last five years falls below the low carbon power threshold.[4]	Generate renewable energy and reduce GHG emissions.	  

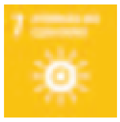
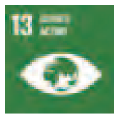
Notes:

1 Referring to the "Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals" by ICMA.

2 Excludes large hydropower projects, which are subject to the definitions of different regions in which they are situated. Indicative carbon dioxide emissions meet one of the following criteria: (i) Life-cycle carbon emissions less than 100g carbon dioxide equivalent per kWh, (ii) Power density is greater than 5W/m^2.

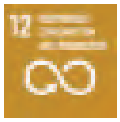
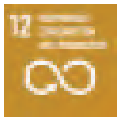
3 Biomass/fuel that is derived from sources of high biodiversity, that competes with food sources with intensive indirect land use, or that depletes carbon pools, is excluded.

4 Referring to the Climate Bonds Taxonomy of CBI.

Eligible Green Categories	Description and Selection Criteria	Environmental Benefits	Sustainable Development Goals Mapping[1]
Energy Efficiency[5]	Investments and expenditures (including acquisition, construction, operation, development and upgrade) in projects or assets that reduce energy consumption, improve energy efficiency and/or reduce electricity grid losses, such as: (1) Electricity storage equipment or assets; (2) Investments into technically superior, more reliable, enhanced capacity transmission infrastructure to reduce the technical line losses from generation assets into the grid and out to end-consumers, for example, high-voltage power connection of the grid, high-voltage power transmission; (3) Centralised district heating and/or cooling systems; (4) Smart grid components including smart meters, smart stations, Advanced Metering Infrastructure, IT-enabled infrastructure, etc; (5) Other energy efficiency improvement measures such as installation or replacement of LED lighting; and (6) Activities to improve electrical systems for more efficient electricity including distributed generation, eco-designed transformers and peak demand management.	Improve energy efficiency and reduce energy consumption, which is reflected through energy-efficient design and technology, development and management, as well as improved infrastructure to reduce technical losses and energy leaks.	 
Clean Transportation. .	Investments and expenditures in projects that would reduce greenhouse gas emissions from transport, including: (1) Design, development and manufacturing of Electric Vehicles and associated charging infrastructure; (2) Manufacturing facilities, including new facilities and upgrading or modifying of current manufacturing facilities to produce electric vehicles or related components such as EV batteries and powertrains, as well as remanufacturing and/or recycling of batteries; and (3) Research and development of an internet platform for smart vehicles.	Prevent pollution and reduce GHG emissions.	  

Note:

5 Building-related projects will achieve a minimum improvement of 30 per cent. measured at building level.

Eligible Green Categories	Description and Selection Criteria	Environmental Benefits	Sustainable Development Goals Mapping[1]
Pollution Prevention and Control.	Investments and expenditures for developing and operating infrastructure and equipment for pollution prevention and control: (1) Sewage and sludge treatment facilities; and (2) Non-hazardous waste prevention, reduction and recycling, such as solid construction waste reduction and prevention during grid construction phase.	• Reduce wastewater and solid waste; and • Prevent pollution.	
Sustainable Water and Wastewater Management . . .	Investments and expenditures in projects and infrastructure dedicated to reducing water consumption, sustainably managing water resources, and reducing water pollution, including developing and improving water supply and management infrastructure, urban drainage, and other flood control activities including construction of weirs.	Prevent pollution and conserve natural resources.	
Climate Change Adaptation	Investments and expenditures in the construction and operation of systems that aim to improve the safety and reliability of grid systems against the impact of climate change, including information support systems such as climate observation and early warning systems.	Reduce GHG emissions and improve resilience to climate change.	

Exclusion Criteria

Eligible Projects/Assets exclude the following categories:

- Nuclear power generation;
- Fossil fuel power generation;
- Power generation from biofuel using primary generation feedstock; and
- Other activities listed in the latest International Finance Corporation Exclusion List (2007).

Process for Project Evaluation and Selection

Governance Structure

The Dual-Carbon Working Group comprised of ESG specialists will be in charge of process for project evaluation and selection. Their specific responsibilities include:

- Establishing at the time of contemplating a GFI, an "Eligible Assets Register" (i.e., protected data file), that lists all of the potential "Eligible Green Projects/Assets" within the consolidated balance sheet of SGID Beijing and identify and confirm those that align with the eligibility criteria of the Framework;
- Reviewing and allocating of Eligible Green Projects/Assets to any issued GFI, to match the amount outstanding for the life of the GFI, which requires:
    - Semi-annual review of the allocated Eligible Green Projects/Assets to GFI outstanding to ensure that they remain in line with the eligibility criteria of the Framework;
    - Semi-annual review of the allocated Eligible Green Projects/Assets to ensure the value remains at least equal to the amount of issued outstanding GFI;
    - Semi-annual selection of potential new Eligible Green Projects/Assets as reference in deciding the amount of issuance of the next potential GFI;
    - Creating an annual report on the allocation and impact of the Eligible Green Projects/Assets allocated to any outstanding GFI; and
- Publicising the Framework and managing the daily activities, especially implementing and monitoring the processes it puts in place to issue GFIs.

The Dual-Carbon Working Group may be supplemented or expanded from time to time to include representatives from other relevant teams, in particular internal technical experts related to the evaluation of the proposed projects or assets and the identification of potential environmental and/or social risks associated with the projects.

Evaluation and Selection Process

To identify and select Eligible Green Projects/Assets, there will be a preliminary screening process and final approval from SGID Beijing.

Based on the information on the project's impact to the environment, the project company will undertake the preliminary screening, classify projects into eligible green categories and submit to SGID Beijing for approval.

The Dual-Carbon Working Group will coordinate, compile and review the identified or proposed projects or assets. The proposed projects' environmental credentials are obtained and confirmed from relevant business partners and internal departments. The members of the Dual-Carbon Working Group will assess the eligibility of the identified or proposed projects or assets against the Eligibility Criteria. Please see "*Green Finance Framework – Use of Proceeds*" for more details,

The Dual-Carbon Working Group will consider all proposed projects holistically and aim to identify environmental and social risks to ensure that all approved Eligible Green Projects/Assets allocated under the Framework have net-positive environmental and social impacts for stakeholders and wider society. The potential Eligible Projects/Assets defined in the Framework comply with applicable environmental and social laws and regulations as well as relevant internal policies and standards to mitigate the ethical, environmental and social risks. Where available, the environmental or social assessments of the projects and their compliance with relevant policy requirements and market standards will be reviewed as part of the assessment process.

To prevent the risk of double counting of any Eligible Green Projects/Assets within the balance sheet of SGID Beijing and the Subsidiary Entities, the Dual-Carbon Working Group will communicate with the Subsidiary Entities regularly to ensure that any Eligible Green Projects/Assets allocated to any GFI issued under the Framework from a Subsidiary Entity will not be allocated to any other GFI that may be issued by the same or any other Subsidiary Entity at the same time.

The Steering Committee will approve those that qualify as Eligible Green Projects/Assets.

If an Eligible Green Project/Asset considered by the Dual-Carbon Working Group is reviewed and deemed to be no longer meeting the eligibility criteria detailed above, or is subject to postponement, cancellation or divestment, SGID Beijing is committed to reallocate the proceeds as soon as possible within 24 months of notification to ensure the full amount of proceeds of any GFI are allocated to other Eligible Green Projects/Assets for the life of the GFI. Such monitoring will be undertaken throughout the life of the GFI.

In addition, if any material and critical controversies emerge in relation to a specific project, SGID Beijing commits to substitute that project with alternative Eligible Green Projects/Assets.

The Dual-Carbon Working Group will ensure the traceability of the decisions made on the selection of Eligible Green Projects/Assets. Minutes will be kept of all Dual-Carbon Working Group meetings which will, among other things, note the discussions upon each project proposed for eligibility and final decision taken to confirm its status as an Eligible Green Project/Asset.

Management of Proceeds

SGID Beijing will use the earmarking method, where the net proceeds of any green GFIs will be managed by the Department of Finance of SGID Beijing and deposited in general funding accounts of SGID Beijing. The net proceeds allocated to Eligible Green Projects/Assets will be recorded via an internal eligible assets register ("**Green Register**").

For each green GFI issued, the Green Register will contain information including the date of issuance, principal amount of proceeds, the international securities identification number (where applicable) and date of maturity.

SGID Beijing will monitor the net proceeds of all outstanding GFI transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to Eligible Green Projects/Assets.

Any remaining balance of net proceeds raised under the Framework or an amount equal to the remaining balance which have yet to be allocated to Eligible Green Projects/Assets will be held in accordance with the treasury policy of SGID Beijing before allocation to Eligible Green Projects/Assets. SGID Beijing will disclose to investors the types of temporary placement they use for unallocated proceeds. SGID Beijing commits to not invest unallocated proceeds to any high pollution activities or any projects that are in conflict with the eligibility criteria under the Framework. Please also see "*Green Financing Framework – Use of Proceeds – Exclusion Criteria*", which also applies to the management of proceeds.

Reporting

For GFIs issued under the Framework, SGID Beijing will make and keep readily available reports on the allocation of the net proceeds raised under the Framework or an amount equal to these net proceeds, on an annual basis starting one year from the first GFI issuance until the full allocation of the net proceeds to the Eligible Green Projects/Assets, and thereafter in the event of any material changes.

SGID Beijing will also report on the associated impact metrics of the Eligible Green Projects/Assets on an annual basis starting one year from the first GFI issuance until the full allocation of the net proceeds to the Eligible Green Projects/Assets, and thereafter in the event of any material changes.

In the case of green loans, subject to the availability of information on the Eligible Green Projects/Assets, the borrower may adjust the disclosure of relevant information based on the lender's(s') consent. Please also see "*Green Finance Framework – External Review*", which is also subject to such adjustment.

The reports will be made available to investors on the on the website of SGID Beijing.

Allocation Reporting

The allocation report will include the following information at GFI and Eligible Category levels where applicable:

- The net proceeds of each GFI outstanding;
- List of Eligible Green Projects/Assets with descriptions and the amount that has been allocated and earmarked;
- Information about the share of green bond proceeds between new Eligible Green Projects/Assets and refinancing and the average look-back period;
- Percentage of co-financing for projects financed by GFI proceeds and other financing sources, if any;
- The remaining balance of proceeds yet to be allocated at the end of the reporting period (if any); and
- Types of temporary unallocated funds placements and uses.

Where confidentiality limits the amount of detail that can be made available, SGID Beijing may choose to present the information in generic terms.

Impact Reporting

SGID Beijing will, subject to the availability of information, report on both expected and achieved impacts arising from the implementation of the Eligible Green Projects, including any material developments and/or ESG controversies.

In case of co-financing, SGID Beijing will report on the pro rata share of the impact or provide the share of financing from the green bond proceeds as a percentage of total project financing if total project impact is being reported.

SGID Beijing intends to align the reporting with the portfolio approach described in ICMA's "Handbook-Harmonised Framework for Impact Reporting (June 2021)" subject to the availability of the information. In the Impact Reporting, SGID Beijing will provide the methodology and assumptions used for calculation of the impact indicators.

External Review

Pre-Issuance External Review

SGID Beijing has engaged S&P Global Ratings to provide a Second Party Opinion to review and confirm that the Framework is in line with the Principles. The external review together with the Framework is published on the website of SGID Beijing.

Post-Issuance External Verification

In order to provide timely and transparent information about the reporting on the use of proceeds for any GFI issued under the Framework, SGID Beijing will engage a qualified, independent third party to conduct a post-issuance audit on the allocation of proceeds to Eligible Green Projects/Assets and the calculated beneficial impact of the allocated Eligible Green Projects/Assets until the full allocation of the GFI proceeds, and thereafter in case of material changes. The post-issuance verification report/statement will be available on the website of SGID Beijing.

EXCHANGE RATE INFORMATION

HONG KONG

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The central element in the arrangements which gave effect to the peg is that, by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote issuing banks, certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars at the fixed exchange rate of HK$7.80 to U.S.$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to U.S.$1.00 since the peg was first established However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK$7.75 to HK$7.85 per U.S. dollar, or at all.

The following tables sets forth, for the periods indicated, certain information concerning the exchange rates between HK dollars and U.S. dollars. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8351	7.8499	7.7850
2020	7.7534	7.7559	7.7951	7.7498
2021	7.7996	7.7727	7.8034	7.7515
2022				
January	7.7971	7.7917	7.8001	7.7850
February	7.8137	7.7992	7.8137	7.7894
March (through 18 March 2022)	7.8228	7.8201	7.8297	7.8129

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

TAXATION

The following summary of certain tax consequences relating to the Notes is based upon applicable laws, rules and regulations in effect as at the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including any possible consequences under the laws of their country of citizenship, residence or domicile.

PRC

Taxation on Interest

Pursuant to the EIT Law, enterprises that are established under laws of foreign countries and regions whose "***de facto* management bodies**" are within the territory of the PRC may be deemed by the relevant PRC tax authorities to be PRC tax resident enterprises for the purpose of the EIT Law and required to pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "***de facto* management body**" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. on its income sourced from both within and outside PRC.

The EIT Law and its implementation regulations impose withholding tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on PRC-source income paid to a "**non-resident enterprise**" that does not have an establishment or a place of business in China or that has an establishment or a place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event that the Issuer is considered a PRC resident enterprise by the PRC tax authorities, interest payable to non-resident enterprise holders of the Notes may be treated as income derived from sources within China and be subject to such PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC, which were revised on 31 August 2018 and took effect on 1 January 2019, and its implementation regulations, which was revised on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Notes may be treated as income derived from sources within China and be subject to a 20 per cent. individual income tax; accordingly, if the Issuer is treated as a PRC tax resident enterprise, the Issuer would be obliged to withhold such individual income tax on payments of interest to non-resident individual holders of the Notes. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Notes.

As confirmed by the Issuer, as at the date of this Offering Memorandum, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, nor has it sought clarification from the PRC tax authorities in this regard. On that basis, non-resident holders of the Notes would not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding or transfer of the Notes or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note to the extent that the register of holders of the Notes is maintained outside mainland China. The Issuer intends to maintain the register of holders of the Notes outside mainland China.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, other than a financial institution, carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sum will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

UNITED KINGDOM

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes may affect the tax treatment of that and other series of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on Interest Payments by the Issuer

The Notes will constitute "**quoted Eurobonds**", provided that they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**") for the purposes of section 987 of the Act) or admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes constitute quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "**listed on a recognised stock exchange**" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Hong Kong Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main board of the Hong Kong Stock Exchange may be regarded as "**listed on a recognised stock exchange**" for these purposes.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

If the Issuer makes any payments in respect of interest on the Notes (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) and such payments have a United Kingdom source, such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction by HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the exemption described above.

OTHER RULES RELATING TO UNITED KINGDOM WITHHOLDING TAX

Notes Issued at a Discount or Premium

The Notes are issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on the Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above. The Notes may be redeemed at a premium. Any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above in.

References to "interest"

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "*interest*" in this "*Other Rules Relating to United Kingdom Withholding Tax*" section mean "**interest**" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "**interest**" or "**principal**" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

OTHER TAX CONSIDERATIONS

Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Whilst the Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Clearing Systems, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the Clearing Systems (as registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding tax. However, definitive Notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement ("**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Noteholders should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 30 March 2022 in respect of the Notes (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to subscribe and pay for, severally but not jointly or to procure subscribers to subscribe and pay for, the aggregate principal amount of each series of Notes indicated in the following table.

	Principal amount of the Series A Notes to be subscribed	**Principal amount of the Series B Notes to be subscribed**
	(U.S.$)	*(U.S.$)*
Bank of China Limited	23,712,000	44,038,000
BOCI Asia Limited	23,713,000	44,037,000
Industrial and Commercial Bank of China (Asia) Limited	47,425,000	88,075,000
Citigroup Global Markets Limited	47,425,000	88,075,000
Mizuho Securities Asia Limited	47,425,000	88,075,000
DBS Bank Ltd.	47,425,000	88,075,000
Banco Santander, S.A.	47,425,000	88,075,000
Merrill Lynch (Asia Pacific) Limited	5,950,000	11,050,000
Banco Bilbao Vizcaya Argentaria, S.A.	5,950,000	11,050,000
Crédit Agricole Corporate and Investment Bank	5,950,000	11,050,000
Natixis	5,950,000	11,050,000
MUFG Securities Asia Limited	5,950,000	11,050,000
Société Générale	5,950,000	11,050,000
BNP Paribas	5,950,000	11,050,000
Agricultural Bank of China Limited Hong Kong Branch	2,975,000	5,525,000
ABCI Capital Limited	2,975,000	5,525,000
CLSA Limited	5,950,000	11,050,000
Goldman Sachs (Asia) L.L.C.	5,950,000	11,050,000
Deutsche Bank AG, Hong Kong Branch	5,950,000	11,050,000
Total:	350,000,000	650,000,000

The Subscription Agreement provide that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provide that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitle the Joint Lead Managers to terminate them in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Notes, any Joint Lead Manager appointed and acting in its capacity as a stabilisation manager (the "**Stabilisation Manager**") or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have performed, from time to time, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Notes for their own account and such orders, allocations or trading of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Notes, and could adversely affect the trading price and liquidity of the Notes. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Guarantor.

GENERAL

The distribution of this Offering Memorandum or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

EUROPEAN ECONOMIC AREA

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

   (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(b) the expression "retail investor" means a person who is one (or more) of the following:

   (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

   (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

ITALY

The Notes have not been registered with the Italian Securities and Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the "**CONSOB**") pursuant to Italian securities legislation and, accordingly, the Notes may not be offered, sold or distributed, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed, in the Republic of Italy ("**Italy**"), except:

(i) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Consolidated Financial Services Act**") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**CONSOB Regulation**"), all as amended; or

(ii) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

(i) made by an investment firm, a bank or a financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**"), CONSOB Regulation No. 16190 of 29 October 2007, all as amended;

(ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance the SFO.

THE PEOPLE'S REPUBLIC OF CHINA

Each of the Joint Lead Managers has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and the region of Taiwan), except as permitted by applicable laws of the PRC.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities based Derivatives Contracts) Regulations 2018.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. **Clearing Systems**: The Series A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 243516153 and ISIN XS2435161539. The Series B Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 246025428 and ISIN XS2460254282.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by written resolutions of the directors of the Issuer dated 11 March 2022. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and the execution of the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by written resolutions of the directors of the Guarantor dated 11 March 2022.

3. **No Material Adverse Change**: Except as disclosed otherwise in this Offering Memorandum, there has been no material adverse change in the prospects of the Guarantor and the Group since the date of its last published audited consolidated financial statements, being 31 December 2020 and no significant change in the financial or trading position of the Guarantor and the Group since 30 June 2021.

4. **Litigation**: There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Offering Memorandum which may have or have in such period had a significant effect upon the financial position or profitability of the Issuer, the Guarantor or the Group.

5. **Available Documents**: Copies of the Guarantor's audited consolidated financial statements for the years ended 31 December 2019 and 2020, the Guarantor's unaudited but reviewed consolidated interim financial statements for the six months ended 30 June 2021, the Framework, and the Articles of Association of each of the Issuer and the Guarantor will be available for inspection from the Issue Date at the Guarantor's principal place of business in Hong Kong at Suite 1304, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, during normal business hours, while the Notes remain outstanding and listed on the Hong Kong Stock Exchange. The Guarantor prepares its annual financial statements each year. Copies of the Trust Deed (which contains the Guarantee) and the Agency Agreement will be available for inspection from the Issue Date upon prior written request and proof of holding and identity to the satisfaction of the Trustee being at the date of this Offering Memorandum at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), from Monday to Friday (excluding public holidays)).

6. **Financial Statements**: The consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 have been audited by EY as stated in its audit report and are included elsewhere in this Offering Memorandum. The consolidated financial statements of the Guarantor as at and for the years ended 31 December 2020 have been audited by KPMG as stated in its audit report and are included elsewhere in this Offering Memorandum. The interim consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2021, which are included elsewhere in this Offering Memorandum, have not been audited but have been reviewed by KPMG. The consolidated financial statements of the Guarantor are prepared under the HKFRS. These consolidated financial statements of the Guarantor are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

7. **Hong Kong Stock Exchange Listing**: Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors only as described in this Offering Memorandum, and such permission is expected to become effective on or about 8 April 2022. The Hong Kong Stock Exchange takes no responsibility for the correctness of any statements made on opinions or reports contained in this Offering Memorandum. Admission of the Notes to the official list of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Notes, the Issuer, the Guarantor or the Group.

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The consolidated financial statements have not been specifically prepared for the inclusion in this Offering Memorandum. The consolidated financial statements have been reproduced from the Guarantor's consolidated financial statements for the years ended 31 December 2019 and 2020, and the interim consolidated financial statements for the six months ended 30 June 2021, including the page numbers and page references set forth in such financial statements.

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED

Audited Financial Statements

31 December 2019

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED

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Independent auditor's report
To the members of State Grid International Development Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of State Grid International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 126, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of goodwill	
Included in the consolidated statement of financial position is a goodwill balance of HK$ 13,517 million as of 31 December 2019. The Group is required to, at least annually, perform impairment assessments of goodwill. For the purpose of performing impairment assessments, goodwill has been allocated to cash generating unit ("CGU"). The impairment testing was performed by comparing the recoverable amount of the CGU and the carrying amount of the CGU. The determination of the recoverable amount of the underlying CGUs involved estimates and judgments, including future revenue, production costs, operating expenses, and the growth rate used to estimate future cash flows and discount rate applied to these forecasted future cash flows of the underlying CGUs. These estimates and judgments may be affected by unexpected changes in future market or economic conditions or discount rates applied. The Group's accounting policies and estimation of goodwill impairment are disclosed in Notes 2.5 and 3, and details of the Group's impairment testing of goodwill are disclosed in Note 15 to the consolidated financial statements.	We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's key controls over the impairment assessment process. We also assessed the reasonableness of key assumptions used in the calculations, comprising future revenue, production costs, operating expenses and growth rate. When assessing these key assumptions, we discussed them with management to understand and evaluate management's basis for determining the assumptions. We also involved our valuation experts to assist us in assessing the reasonableness of the discount rate used by management. We evaluated management's sensitivity analysis around the key assumptions, to ascertain that selected adverse changes to key assumptions, both individually and in aggregate, would not cause the carrying amount of the CGU to exceed the recoverable amount of CGU. We also assessed the adequacy of the Group's disclosures included in Note 2.5, Note 3 and Note 15 to the consolidated financial statements.

Independent auditor's report (Continued)
To the members of State Grid International Development Limited
(Incorporated in Hong Kong with limited liability)

Key audit matters (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition in the regulatory environment	
The Group mainly operates in the regulatory industry of Brazil and Australia related to electricity distribution and transmission. (1) In the electricity distribution industry of Brazil, unbilled revenue recognized by the Group corresponds to the electricity distributed, but not billed to the consumers, and its billing is measured based on the reading cycles that, in some cases, exceed the period of accounting closing. The recognition of the unbilled revenue takes into consideration all of the historical data, the systems configuration, as well as Group´s judgments in order to estimate the consumption by consumers. (2) In the electricity transmission industry of Brazil, the recognition of construction revenue requires the exercise of significant judgment about when the customer obtains control over the asset. In addition, measuring the Group's progress in satisfying the performance obligation over time also requires the use of significant estimates and judgments by management to estimate the efforts or inputs required to meet the performance obligation, such as materials and labour, expected profit margins, or lack of expected profit margins, on each performance obligation identified, and expected revenue projections. The identification of the discount rate that represents the financial component embedded in future cash inflows also requires the use of judgment by management.	(1) We evaluated the design, implementation, and effectiveness of key internal controls related to the determination of the amount of the revenue recognised from energy distributed, but unbilled. We involved component auditor's technology specialists to evaluate the systems and the technology environment used in the determination of the balances recorded. We analysed the key assumptions used by the Group in the development of such estimates, such as the technical and commercial losses index. In addition, we tested the integrity and accuracy of the data used in the calculation and performed a valuation test, by comparing the amounts recognized by the Group with assumptions resulting from component auditor's independent auditing tests. (2) We assessed the design of key internal controls related to the costs incurred to perform the contract. We analysed whether or not there is contractual margin. We analysed the service concession arrangement and its amendments to identify contractual performance obligations, as well as aspects related to the variable components applicable to the contract price. We also reviewed the projected cash flows, significant assumptions used in costs projections and in defining the discount rate used in the model with the support of subject matter experts in company valuation.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition in the regulatory environment (Continued)	
(3) In the electricity distribution industry of Australia, estimates are required for the consumptions and the tariffs used for revenue accrual model; these estimates include tariff determined by the government with routine revision, weather conditions and consumption patterns. In the infrastructure industry of Australia, estimate are required for the forecast revenue and costs to complete, stage of project completion, and recoverability of unapproved variations and claims. The Group's accounting policies and estimation of revenue recognition are disclosed in Notes 2.5 and 3, and details of the Group's revenue are disclosed in Note 5 to the consolidated financial statements.	(3) We assessed the controls relating to infrastructure service revenue and compared the forecast revenue and cost assumptions against source documents including approved project budgets and bid documents. We reviewed the assessment of the relevant regulatory determinations by the Group, in conjunction with the Component auditor's regulatory specialists. We compared the system tariffs charged to customers to regulator approved tariffs. We analyse the revenue against historical performance, regulatory determinations, and energy consumption data. We involved component auditor's information technology specialists to test the key controls in the revenue process and assessed the reasonableness of the unbilled revenue methodology and assumptions applied against industry standards and practice. We compared a sample of accrued revenue balances to subsequent customer billings. We also assessed the adequacy of the Group's disclosures included in Notes 2.5 and 3 and Note 5 to the consolidated financial statements.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets	
As at 31 December 2019, the Group recognised deferred tax assets of HK$ 3,174 million. The Group recognised these deferred tax assets to the extent that it is probable that future taxable profits will be available to utilise the deferred tax assets. The recognition of the deferred tax assets was significant to our audit because the amounts are material, and the estimation of future taxable profits is complex and judgmental and is based on assumptions that are affected by unexpected changes in future market or economic conditions. The Group's accounting policies and estimations on deferred tax assets are disclosed in Notes 2.5 and 3, and details of deferred tax assets are disclosed in Note 22 to the consolidated financial statements.	We obtained an understanding, evaluated the design and the operating effectiveness of management's key controls over the recognition and recoverability assessment of deferred tax assets. We compared the key assumptions used in the forecast with the legal framework (in particular tax rates and the possible utilisation of loss carry forwards). We involved component auditor's corporate finance specialists to help us in analysing the reasonableness and consistency of the data and assumptions and of the methodologies used by the Group for the projection of future taxable income, particularly those related to the projected economic growth, volume, and price of sales of energy, and the discount rates, and we compared with the data obtained from external sources. We also involved component auditor's tax specialists to evaluate the calculation in which the current tax rates are applied. We also assessed the adequacy of the Group's disclosures included in Notes 2.5 and 3 and Note 22 to the consolidated financial statements.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the management in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (Continued)
To the members of State Grid International Development Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)
As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tong Ka Yan, Augustine.

Ernst & Young
Certified Public Accountants
Hong Kong
12 June 2020

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 Restated
REVENUE	5	77,720,061	87,989,304
Cost of sales		(58,203,270)	(69,542,632)
Gross profit		**19,516,791**	**18,446,672**
Other income and gains	6	3,206,005	3,038,700
Selling expenses		(981,446)	(976,760)
Administrative expenses		(2,641,401)	(2,544,211)
Impairment losses on financial and contract assets		(461,407)	(366,425)
Finance costs	7	(5,926,554)	(6,046,355)
Foreign exchange differences, net		(482,529)	(723,752)
Share of profit of associates		4,418,199	4,479,534
Share of profit of joint ventures		1,300,372	1,701,221
Other expenses		(3,054,981)	(1,177,447)
Profit before tax	8	**14,893,049**	**15,831,177**
Income tax expenses	10	(3,784,766)	(3,251,782)
Profit for the year		**11,108,283**	**12,579,395**
Attributable to:			
Owners of the parent		10,157,780	11,759,294
Non-controlling interests		950,503	820,101
		11,108,283	**12,579,395**

Details of dividends payable and proposed for the year are disclosed in Note 11 to the consolidated financial statements.

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 Restated
Profit for the year	11,108,283	12,579,395
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Net gain on hedge of a net investment, net of tax	408,376	864,176
Net loss on cashflow hedge, net of tax	(857,811)	(189,925)
Exchange differences on translation of foreign operations, net of tax	(5,028,814)	(19,035,514)
Other comprehensive income from associates	37,937	(245,815)
Other comprehensive income from joint ventures	(98,646)	(1,956)
Credit risk in mark to market of financial liabilities	(2,180)	38,680
	(5,541,138)	(18,570,354)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investments designated at fair value through other comprehensive income	239,309	(1,441,668)
Other comprehensive income from associates	16,939	17,982
Other comprehensive income from joint ventures	76,837	106,596
Actuarial reserve on defined benefit plans	(1,743,869)	(509,665)
	(1,410,784)	(1,826,755)
Other comprehensive income for the year, net of tax	(6,951,922)	(20,397,109)
Total comprehensive income for the year, net of tax	4,156,361	(7,817,714)
Attributable to:		
Owners of the parent	4,414,754	(6,311,262)
Non-controlling interests	(258,393)	(1,506,452)
	4,156,361	(7,817,714)

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	31 December 2019 HK$'000	31 December 2018 HK$'000 Restated	1 January 2018 HK$'000 Restated
Non-current assets				
Property, plant and equipment	12	67,195,958	68,802,706	76,763,417
Investment properties	13	164,183	175,798	210,613
Right-of-use assets	14	588,691	-	-
Goodwill	15	13,516,609	13,980,150	15,984,804
Other intangible assets	16	43,288,824	47,130,797	57,264,536
Investment in associates	17	48,277,900	48,321,508	49,938,655
Investment in joint ventures	18	20,622,048	20,941,018	23,186,621
Equity investments designated at fair value through other comprehensive income	19	10,171,299	9,762,744	11,204,413
Other equity instrument investments	19	244,031	249,592	284,059
Financial assets – concession rights	20	16,983,494	15,070,775	14,987,164
Derivative financial assets	21	3,719,590	3,193,760	2,363,778
Deferred tax assets	22	3,173,866	3,289,486	4,077,924
Sector financial assets	23	5,311	452,573	837,736
Contract assets	24	38,979,486	37,280,871	27,071,697
Other non-current assets	25	8,088,918	7,637,128	7,881,792
Total non-current assets		275,020,208	276,288,906	292,057,209
Current assets				
Inventories	26	326,991	336,520	321,317
Trade receivables	27	10,692,714	9,977,067	10,822,200
Contract assets	24	5,851,833	4,582,525	3,223,692
Sector financial assets	23	2,113,249	2,690,578	497,526
Prepayments, other receivables and other assets	28	3,003,400	3,315,457	3,916,790
Derivative financial assets	21	556,662	628,113	1,297,335
Financial assets at fair value through profit or loss	29	1,644,481	-	-
Cash and cash equivalents	30	16,613,927	8,503,198	14,487,713
Total current assets		40,803,257	30,033,458	34,566,573
Current liabilities				
Trade payables	31	6,874,728	6,353,441	9,311,165
Other payables and accruals	32	7,538,634	5,942,380	6,769,520
Derivative financial liabilities	21	85,912	57,348	190,387
Interest-bearing bank and other borrowings	34	32,034,531	30,042,479	36,892,384
Lease liabilities	14	153,135	6,656	6,073
Contract liabilities	35	689,115	673,184	996,059
Sector financial liabilities	23	-	-	94,654
Private pension plan	36	434,501	175,108	143,478
Tax payable		705,297	430,684	421,859
Provision	37	1,018,511	1,047,413	1,027,579
Total current liabilities		49,534,364	44,728,693	55,853,158
NET CURRENT LIABILITIES		(8,731,107)	(14,695,235)	(21,286,585)
TOTAL ASSETS LESS CURRENT LIABILITIES		266,289,101	261,593,671	270,770,624

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2019

	Notes	31 December 2019 HK$'000	31 December 2018 HK$'000 Restated	1 January 2018 HK$'000 Restated
Non-current liabilities				
Derivative financial liabilities	21	1,431,482	604,304	1,083,879
Interest-bearing bank and other borrowings	34	86,879,810	90,296,959	75,167,798
Lease liabilities	14	620,678	261,694	303,271
Contract liabilities	35	83,602	98,496	52,517
Sector financial liabilities	23	198,190	94,410	19,787
Private pension plan	36	4,161,089	2,338,146	2,077,474
Deferred tax liabilities	22	24,887,233	25,605,131	28,017,152
Provision	37	6,637,268	6,678,108	8,300,898
Other non-current liabilities		2,264,176	1,804,141	1,581,756
Total non-current liabilities		127,163,528	127,781,389	116,604,532
Net assets		139,125,573	133,812,282	154,166,092
EQUITY				
Equity attributable to owners of the parent				
Share capital	38	130,516,988	130,516,988	129,597,769
Reserves	39	(7,122,905)	(7,861,353)	6,295,396
		123,394,083	122,655,635	135,893,165
Non-controlling interests		15,731,490	11,156,647	18,272,927
Total equity		139,125,573	133,812,282	154,166,092

李海翔

Li Haixiang
Director

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Attributable to owners of the parent											
	Share capital HK$'000	Capital reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Retained profits HK$'000	Hedging reserve HK$'000	Exchange fluctuation reserve HK$'000	Credit risk in mark to market HK$'000	Actuarial reserve on defined benefit plans HK$'000	Other reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018 (restated)	130,516,988	529,234	(756,831)	23,929,650	1,297,249	(32,530,698)	112,996	(274,137)	(168,816)	122,655,635	11,156,647	133,812,282
Effects of adoption of HKFRS 16 (Note 2.3)	-	-	-	16,314	-	-	-	-	-	16,314	10,876	27,190
At 1 January 2019 (restated)	130,516,988	529,234	(756,831)	23,945,964	1,297,249	(32,530,698)	112,996	(274,137)	(168,816)	122,671,949	11,167,523	133,839,472
Profit for the year	-	-	-	10,157,780	-	-	-	-	-	10,157,780	950,503	11,108,283
Other comprehensive income for the year:												
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	239,309	-	-	-	-	-	-	239,309	-	239,309
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,450,782)	-	-	-	(4,450,782)	(578,032)	(5,028,814)
Hedges of net investments	-	-	-	-	408,376	-	-	-	-	408,376	-	408,376
Cashflow hedges	-	-	-	-	(514,687)	-	-	-	-	(514,687)	(343,124)	(857,811)
Actuarial reserve on defined benefit plans	-	-	-	-	-	-	-	(1,455,984)	-	(1,455,984)	(287,885)	(1,743,869)
Credit risk in mark to market of financial liabilities	-	-	-	-	-	-	(2,325)	-	-	(2,325)	145	(2,180)
Other comprehensive income from associates	-	-	-	-	-	-	-	-	54,876	54,876	-	54,876
Other comprehensive income from joint ventures	-	-	-	-	-	-	-	-	(21,809)	(21,809)	-	(21,809)
Total comprehensive income for the year	-	-	239,309	10,157,780	(106,311)	(4,450,782)	(2,325)	(1,455,984)	33,067	4,414,754	(258,393)	4,156,361
Increase in non-controlling capital*	-	-	-	-	-	-	-	-	-	-	7,447,939	7,447,939
Distribution to shareholders (Note 11)	-	-	-	(5,659,179)	-	-	-	-	-	(5,659,179)	(660,541)	(6,319,720)
Transactions within equity*	-	-	-	1,965,038	-	-	-	-	-	1,965,038	(1,965,038)	-
Other changes**	-	-	-	1,521	-	-	-	-	-	1,521	-	1,521
At 31 December 2019	130,516,988	529,234	(517,522)	30,411,124	1,190,938	(36,981,480)	110,671	(1,730,121)	(135,749)	123,394,083	15,731,490	139,125,573

* On 28 June 2019, the subsidiary of the Company, CPFL Energia S.A. ("CPFL"), completed Follow-on Offering. As a result, CPFL sold 17,522,568 additional common shares and received net proceeds of approximately BRL3,639 million (equivalent to approximately HK$ 7,448 million). More detailed information disclosed in Note 1.

** This refers to reversal of unclaimed dividends over 3 years.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
Year ended 31 December 2019

	Attributable to owners of the parent											
	Share capital HK$'000	Capital reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Retained profits HK$'000	Hedging reserve HK$'000	Exchange fluctuation reserve HK$'000	Credit risk in mark to market HK$'000	Actuarial reserve on defined benefit plans HK$'000	Other reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	129,597,769	529,234	684,837	17,840,554	547,028	(15,722,604)	76,347	210,334	(45,623)	133,717,876	18,272,927	151,990,803
Restatement of comparative financial statements (Note 2.2)	-	-	-	2,175,289	-	-	-	-	-	2,175,289	-	2,175,289
At 1 January 2018 (restated)	129,597,769	529,234	684,837	20,015,843	547,028	(15,722,604)	76,347	210,334	(45,623)	135,893,165	18,272,927	154,166,092
Profit for the year (restated)	-	-	-	11,759,294	-	-	-	-	-	11,759,294	820,101	12,579,395
Other comprehensive income for the year (restated):												
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	(1,441,668)	-	-	-	-	-	-	(1,441,668)	-	(1,441,668)
Exchange differences on translation of foreign operations (restated)	-	-	-	-	-	(16,808,094)	-	-	-	(16,808,094)	(2,227,420)	(19,035,514)
Hedges of net investments	-	-	-	-	864,176	-	-	-	-	864,176	-	864,176
Cashflow hedges	-	-	-	-	(113,955)	-	-	-	-	(113,955)	(75,970)	(189,925)
Actuarial reserve on defined benefit plans	-	-	-	-	-	-	-	(484,471)	-	(484,471)	(25,194)	(509,665)
Credit risk in mark to market of financial liabilities	-	-	-	-	-	-	36,649	-	-	36,649	2,031	38,680
Other comprehensive income from associates	-	-	-	-	-	-	-	-	(227,833)	(227,833)	-	(227,833)
Other comprehensive income from joint ventures	-	-	-	-	-	-	-	-	104,640	104,640	-	104,640
Total comprehensive income for the year (restated):	-	-	(1,441,668)	11,759,294	750,221	(16,808,094)	36,649	(484,471)	(123,193)	(6,311,262)	(1,506,452)	(7,817,714)
Issued of preference shares (Note 38)	919,219	-	-	-	-	-	-	-	-	919,219	-	919,219
Acquisition of non-controlling interest	-	-	-	(3,413,197)	-	-	-	-	-	(3,413,197)	(5,035,202)	(8,448,399)
Distribution to shareholders (Note 11)	-	-	-	(4,432,290)	-	-	-	-	-	(4,432,290)	(589,086)	(5,021,376)
Other changes	-	-	-	-	-	-	-	-	-	-	14,460	14,460
At 31 December 2018 (restated)	130,516,988	529,234	(756,831)	23,929,650	1,297,249	(32,530,698)	112,996	(274,137)	(168,816)	122,655,635	11,156,647	133,812,282

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		14,893,049	15,831,177
Adjustments for:			
Finance costs	7	5,900,595	6,007,979
Interest income	6	(2,321,431)	(1,625,888)
Foreign exchange differences, net		482,529	723,752
Dividend income and gain on equity investments designated at fair value through other comprehensive income	6	(504,464)	(503,225)
Share of profit of associates and joint ventures		(5,718,571)	(6,180,755)
Provision of impairment of trade receivables and contract assets	8	460,919	362,427
Provision of impairment of prepayments, other receivables and other assets	8	488	3,998
Depreciation of property, plant and equipment	12	3,129,277	3,198,132
Depreciation of right-of-use assets	14	136,844	–
Depreciation of investment properties	13	3,978	4,922
Amortisation of intangible assets	16	3,419,124	3,893,460
Decrease /(increase) in inventories		9,529	(15,203)
(Increase) /decrease in trade receivables		(715,647)	845,133
Decrease /(increase) in contract assets		1,116,037	(7,757,585)
Decrease in prepayments, other receivables and other assets		68,630	496,237
Increase in other non-current assets		(333,309)	(583,915)
Increase /(decrease) in trade payables		521,287	(2,957,724)
Increase/(decrease) in other payables and accruals		1,169,722	(1,075,357)
Private pension plan		(38,018)	(8,983)
Decrease /(increase) in sector financial assets/liabilities		1,197,692	(1,960,746)
Fair value change recognised in profit and loss		25,234	38,376
Others operating items		266,145	(1,317,524)
Cash generated from operations		23,169,639	7,418,688
Income taxes paid		(2,850,524)	(2,675,634)
Net cash flow from operating activities		20,319,115	4,743,054
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and addition of concession assets		(11,248,708)	(17,296,727)
Purchases of equity investments designated at fair value through other comprehensive income		(169,248)	-
Purchases of equity investments at fair value through profit or loss		(1,691,796)	-
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets		61,197	23,971
Acquisition of subsidiaries		(272,327)	-
Interest received		2,411,942	1,542,312
Dividend received from equity investments designated at fair value through other comprehensive income		504,464	503,225
Dividend received from associates and joint ventures		4,595,356	5,136,139
Capital reduce/(increase) in subsidiaries and joint ventures		454,406	(57,269)
Other investing activities		(28,021)	475,449
Net cash flows used in investing activities		(5,382,735)	(9,672,900)

STATE GRID INTERNATIONAL DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 Restated
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in capital from shareholders		-	919,219
Increase in capital from non-controlling shareholder		7,447,939	14,460
Acquisition of non-controlling interests		-	(8,448,399)
Proceeds from bank loans		12,614,312	48,584,271
Proceeds from issue of bonds		7,550,354	10,161,235
Cash repayments of borrowings and derivatives		(14,833,250)	(27,255,139)
Cash repayments of bonds		(6,756,513)	(12,892,368)
Dividends paid		(5,893,188)	(4,751,878)
Interest paid		(4,282,880)	(5,597,953)
Payment of lease liabilities		(202,190)	(42,006)
Net cash flows (used in) /from financing activities		(4,355,416)	691,442
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,580,964	(4,238,404)
Cash and cash equivalents at beginning of year		8,503,198	14,487,713
Effect of foreign exchange rate changes, net		(2,470,235)	(1,746,111)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	16,613,927	8,503,198

1. CORPORATE INFORMATION

State Grid International Development Limited ("the Company") is a limited liability company incorporated in Hong Kong. In August 2012, the shareholder of the Company changed from State Grid Corporation of China to State Grid International Development Co., Ltd. The registered office is located at Suite 1304, 13F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company commenced its operations as an investment holding company in June 2008. The principal activities include providing resources and logistics services; acting as agent for tenders and purchase; manufacturing electricity devices; research and development of electricity technology products; investment, exploitation and management of electricity; operation and maintenance of electricity networks; other business include the provision of work design, construction, management, consultancy and technical services.

In the opinion of directors, the ultimate holding company is State Grid Corporation of China. Its registered office is located at 86 West Chang An Avenue, Xicheng District, Beijing, China.

1. CORPORATE INFORMATION (CONTINUED)

Particulars of the principal subsidiaries as at the end of the year are as follows:

	Place of incorporation	Principal activities	Nominal value of issued and fully paid-up capital	Percentage of equity interest attributable to the Company
Expansion Transmissora Itumbiara Marimbondo S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 88,108,634	100%
Expansion Transmissora de Energia Eletrica S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 101,747,039	100%
Itumbiara Transmissora de Energia S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 373,710,000	100%
Pocos de Caldas Transmissorade Energia Eletrica S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 208,350,900	100%
Ribeirao Preto Transmissora de Energia Eletrica S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 203,800,617	100%
Serra Paracatu Transmissora de Energia S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 175,300,000	100%
Serra da Mesa Transmissora de Energia Eletrica S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 274,500,000	100%
Araraquara Transmissora De Energia S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 167,191,128	100%
Catxere Transmissora De Energia S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 316,948,233	100%
Iracema Transmissora De Energia S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 237,062,000	100%
Linhas De Transmissao Do Itatim S.A.	Rio de Janeiro, Brazil	Grid operating	BRL 261,360,000	100%
Linhas de Transmissão De Montes Claros S.A (LTMC)	Rio de Janeiro, Brazil	Grid operating	BRL 211,025,069	100%
Atlântico Concessionária de Transmissão de Energia do Brasil S.A. (ACTE)	Rio de Janeiro, Brazil	Grid operating	BRL 74,643,446	100%
Xingu Rio Transmissora de Energia S.A. (XRTE)	Rio de Janeiro, Brazil	Grid operating	BRL 1,971,001, 000	100%
Porto Primavera Transmissora De Energia S.A.(PPTE)	Brazil Rio de Janeiro	Grid operating	BRL 194,035,000	100%
Marechal Rondon Transmissora de Energia S.A.(MRTE)	Rio de Janeiro, Brazil	Electricity production and supply	BRL 78,618,000	100%
Paranaita Ribeirozinho Transmissora de Energia S.A.(PRTE)	Brazil	Grid operating	BRL 537,001,000	100%
Canarana Transmissora de Energia S.A.(CNTE)	Brazil	Grid operating	BRL 144,001,000	100%
International Grid Holdings Limited	Virgin Islands, British	Project investment and financing	US$ 1	100%
Top View Grid Investment Limited	Virgin Islands, British	Project investment and financing	US$ 1	100%
State Grid Brazil Holding S.A. (SGBH)	Rio de Janeiro, Brazil	Project investment and financing	BRL 5,803,484,360	100%

1. CORPORATE INFORMATION (CONTINUED)

Particulars of the principal subsidiaries as at the end of the year are as follows (Continued):

	Place of incorporation	Principal activities	Nominal value of issued and fully paid-up capital	Percentage of equity interest attributable to the Company
State Grid Europe Limited*	Britain	Project investment and financing	GBP 10,000,000 EUR 885,000,000	100%
State Grid Europe Development(2014) Public Limited Company	Britain	Project investment and financing	GBP 50,000	100%
State Grid International development Asia and Australia Holdings Company Limited	Hong Kong	Project investment and financing	HK$ 5,338,010,416	100%
State Grid International Australia Investment Limited	Hong Kong	Project investment and financing	HK$ 10,000	100%
State Grid International Australia Development Limited	Hong Kong	Project investment and financing	HK$ 10,000	100%
SGSP (Australia) Assets Pty Ltd. (SGSPAA) **	Melbourne, Australia	Grid operating	AU$ 3,200,000,100	60%
Jemena Gas Trust	Australia	Project investment and financing	AU$ 357,929,002	60%
Jemena Group Holdings Pty Ltd.	Australia	Project investment and financing	AU$ 969,372,110	60%
Jemena Holdings Pty Ltd.	Australia	Project investment and financing	AU$ 4	60%
Jemena Limited	Australia	Project investment and financing	AU$ 5,617,459,334	60%
Jemena Gas Pipeline Holdings Pty Ltd.	Australia	Project investment and financing	AU$ 2,666,800	60%
Zinfra Pty Ltd.	Australia	Project investment and financing	AU$ 2	60%
Jemena Management Holding Pty Ltd.	Australia	Project investment and financing	AU$ 2	60%
Jemena Roma North Pipeline Pty Ltd.***	Australia	Project investment and financing	AU$ 2	60%
State Grid Brazil Power Participações Ltda. (SGBP)	Brazil	Project investment and financing	BRL 1,149,557,020	100%
CPFL Energia S.A. (CPFL) ****	Brazil	Grid operating	BRL 9,388,081,342	83.71%
CPFL Energias Renováveis S.A. (CPFL Renováveis) *****	Brazil	Grid operating	BRL 3,698,060,000	83.66%

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* On 17 October 2019, with the approval of the Company's board of directors, its long-term receivables from State Grid Europe Limited were converted into capital injections in the amount of EUR 885,000,000.

** On 30 September 2019, the Company's subsidiary SGSPAA disposed of its subsidiaries AquaNet Sydney Pty Ltd. and Rosehill Network Pty Ltd. for a consideration of AU$12 million (equivalent to approximately HK$66 million) and AU$ 58 million (equivalent to approximately HK$317 million).

1. CORPORATE INFORMATION (CONTINUED)

Particulars of the principal subsidiaries as at the end of the year are as follows (Continued):

*** On 12 September 2019, SGSPAA acquired 100% equity interest in Jemena Roma North Pipeline Pty Ltd. at an estimated value of AUD 50 million (equivalent to approximately HK$272 million) in cash.

**** On 30 May 2019, CPFL announced the launch of the Follow-on Offering, which closed on 14 June 2019. Pursuant to the Follow-on Offering, CPFL offered 116,817,126 of its common shares in a global offering consisting of (i) a public offering of common shares with restricted selling efforts in Brazil, and (ii) a concurrent international offering of common shares, including in the form of ADSs, in the United States and elsewhere outside of Brazil. Also pursuant to the Follow-on Offering, CPFL sold 17,522,568 additional common shares under an over-allotment option that closed on 28 June 2019. As a result of the Follow-on Offering, CPFL received net proceeds of approximately BRL3,164.3 million before expenses, after deducting underwriting commissions. CPFL received net proceeds of approximately BRL 474.7 million before expenses, after deducting underwriting commissions, as a result of the over-allotment option. Following the closing of the Follow-on Offering, The Company's direct and indirect equity interest in CPFL's capital stock decreased to 83.71%.

***** On 4 June 2019, with the approval of the board of directors of CPFL Renováveis, CPFL Renováveis issued 17,503,602 shares. Together with a subsidiary of CPFL, Parcela Geração's prepaid capital of BRL300 million in CPFL Renováveis approved by the board of directors in 2016, CPFL's interest in CPFL Renováveis increased by 17,502,918 shares, and its minority shareholders increased by 684 shares. At the end of September 2019, SGBP transferred its directly held CPFL Renováveis shares to CPFL at a consideration of approximately BRL 4.108 billion, accounting for 46.76% of CPFL Renováveis's total shares. In summary, the Group's shareholding in CPFL Renováveis decreased from 99.94% in 2018 to 83.66% in 2019.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern

As of 31 December 2019, the Group had net current liabilities of HK$8,731 million (31 December 2018: at net current liabilities of HK$14,695 million). The directors of the Company have considered the Group's available sources of funds as follow: based on a review of the forecasted cash flows, the Group's expected net cash inflows from operating activities in 2020 and the Group has access to unused committed facilities of HK$13,877,357,000 (31 December 2018: HK$24,346,156,000), all of which are available for more than 12 months from the end of the reporting period. Therefore, the financial statements have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

2.2 CORRECTION OF PRIOR PERIOD ERRORS

Upon initial application of HKFRS15 on 1 January 2018, an inappropriate discount rate was used to measure the contract assets in the preparation of the financial statements for the year ended 31 December 2018, which were issued on 13 June 2019. According to HKFRS15, the management corrected the inappropriate discount rate in the preparation of the financial statements for the year ended 31 December 2019 to the rate that reflects characteristics in the financing transaction between the Company and its customer at contract inception. Based on the requirement of HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the management retrospectively restated the financial statements for the year ended 31 December 2018.

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the restatement of adopting HKFRS 15.

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2018:

	As reported HK$'000	Adjustments HK$'000	As adjusted HK$'000
Revenue	87,876,660	112,644	87,989,304
Profit before tax	15,718,533	112,644	15,831,177
Income tax expense	(3,942,909)	691,127	(3,251,782)
Profit for the year	11,775,624	803,771	12,579,395
Attributable to:			
Owners of the parent	10,955,523	803,771	11,759,294
Non-controlling interests	820,101	-	820,101
	11,775,624	803,771	12,579,395
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations, net of tax	(18,674,469)	(361,045)	(19,035,514)
Other comprehensive income for the year, net of tax	(20,036,064)	(361,045)	(20,397,109)
Total comprehensive income for the year, net of tax	(8,260,440)	442,726	(7,817,714)
Attributable to:			
Owners of the parent	(6,753,988)	442,726	(6,311,262)
Non-controlling interests	(1,506,452)	-	(1,506,452)
	(8,260,440)	442,726	(7,817,714)

2.2 CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

Consolidated statement of financial position as of 31 December 2018:

	As reported HK$'000	Adjustments HK$'000	As adjusted HK$'000
Contract assets	38,010,068	3,853,328	41,863,396
Prepayments, other receivables and other assets	3,307,595	7,862	3,315,457
Deferred tax assets	3,224,532	64,954	3,289,486
Total assets	302,396,220	3,926,144	306,322,364
Tax payable	358,244	72,440	430,684
Deferred tax liabilities	24,369,442	1,235,689	25,605,131
Total liabilities	171,201,953	1,308,129	172,510,082
Reserves			
Retained earnings	20,950,590	2,979,060	23,929,650
Exchange fluctuation reserve	(32,169,653)	(361,045)	(32,530,698)
Total equity	131,194,267	2,618,015	133,812,282

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the restatement of adopting HKFRS 15.

Consolidated statement of financial position as of 1 January 2018:

	As reported HK$'000	Adjustments HK$'000	As adjusted HK$'000
Contract assets	25,922,872	4,372,517	30,295,389
Deferred tax assets	4,018,273	59,651	4,077,924
Total assets	322,191,614	4,432,168	326,623,782
Deferred tax liabilities	25,760,273	2,256,879	28,017,152
Total liabilities	170,200,811	2,256,879	172,457,690
Reserves			
Retained earnings	17,840,554	2,175,289	20,015,843
Total equity	151,990,803	2,175,289	154,166,092

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements, which are applicable to the Group.

HKFRS 16	*Leases*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) The adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

<u>New definition of a lease</u>

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(a) The adoption of HKFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of land and buildings, plant and equipment and transport equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities measured under HKAS 17.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(a) The adoption of HKFRS 16 (Continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) HK$'000
Assets	
Increase in right-of-use assets	725,123
Increase in total assets	725,123
Liabilities	
Increase in lease liabilities	894,068
Decrease in other payables and accruals	(17,891)
Decrease in other non-current liabilities	(189,897)
Increase in deferred tax liabilities	11,653
Increase in total liabilities	697,933
Increase in retained profits	16,314
Increase in non-controlling interests	10,876

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	**1,200,136**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(9,291)
Commitments relating to leases of low-value assets	(92,358)
Other adjustments	(19,525)
Add: Payments for optional extension periods not recognised as at 31 December 2018	-
	1,078,962
Weighted average incremental borrowing rate as at 1 January 2019	4.2%
Discounted operating lease commitments as at 1 January 2019	894,068
Add: Finance lease liabilities recognised as at 31 December 2018	268,350
Lease liabilities as at 1 January 2019	**1,162,418**

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures
An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies: (Continued)

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (Or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.90% - 9.50%
Plant and equipment	*
Office equipment	13.57%-19.00%
Transport equipment	4.75%-33.33%

*The useful life of plant and equipment in the foreign operations depends on local regulations and practices.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)
Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plants and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties
Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. After initial recognition, the Group uses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to investment property's residual value over its estimated useful life. The principal annual rates used for this purpose is 2%.

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)
Software
Computer software includes the cost of software licences purchased by the Group and other additional software development costs.

Contract intangibles
Contract intangibles represent the value attributed to the material customer contracts that the Group acquired in business combinations. The value of these contracts are based on independent valuations, predicated on estimates and judgements. The value of these contracts is determined with reference to the separately identifiable net cash flows generated under each contract, discounted back to present value. Their useful lives reflect both the contract terms and, where applicable, assumed renewal periods.

Distribution licences
Distribution licences represents the concessionaires' right to charge the consumers for electric energy distribution services. Since the exploration term is defined in the agreement, intangible assets with defined useful lives are amortized over the concession period in proportion to a curve that reflects the consumption pattern in relation to the expected economic benefits.

Amortisation is charged to the income statement on a straight line basis over the estimated useful life of each intangible asset with a finite life, which depends on local regulations and practices.

Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets
The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach (continued)
For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting
Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges or hedges of a net investment in a foreign operation, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:
- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (Continued)
Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges
The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (Continued)
Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Leases (applicable from 1 January 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings	5 to 15 years
Plant and equipment	3 to 5 years
Transport equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (continued)

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor (continued)

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before 1 January 2019)
Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of raw materials.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Transmission and distribution concessions

The Group's subsidiaries in Brazil entered into electricity transmission concession and distribution concession agreements with the local government. These concession contracts regulate the activities of electricity distribution by the these subsidiaries, where:

a) The contract establishes which services the operator shall render;
b) The contract establishes performance standards related to maintaining and improving service quality to the consumers;
c) Assets are revertible at the end of the concession and are entitled to indemnification (cash) from the Federal Government on investments not yet amortised, determined by the new replacement value;
d) The price (tariff) is regulated and denominated Annual Allowed Revenue ("RAP").

Distribution companies

The HK(IFRIC)-Int 12 *Service Concession Arrangements* establish general guidelines for the recognition and measurement of obligations and rights related to concession agreements and apply to situations in which the granting authority controls or regulates which services the concessionaire should provide with the infrastructure, to whom the services should be provided and at what price, and controls any significant residual interest in the infrastructure at the end of the concession period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transmission and distribution concessions (Continued)

Distribution companies (continued)
When these criteria are met, the infrastructure of distribution concessionaires is segregated as contract assets at the time of construction, up to the completion of construction, in accordance with the HKFRS requirements, so that, when operational, the following are reclassified in the financial statements from contract assets to (i) intangible asset corresponding to the right to operate the concession and collect from the users of public utilities, and (ii) financial asset corresponding to the unconditional contractual right to receive cash (indemnity) by transferring control of the assets at the end of the concession.

The concession financial asset of distribution companies is measured based on its fair value, determined in accordance with the remuneration base for the concession assets, pursuant to the legislation in force established by the Brazilian Electricity Regulatory Agency ("ANEEL"), and takes into consideration changes in the fair value, mainly based on factors such as new replacement value, and adjustment for Extended Comprehensive Consumer Price Index ("IPCA") for the distribution subsidiaries. The financial asset of distribution companies is classified as fair value through profit or loss, with the corresponding fair value changes entry in the revenue in the statement of profit or loss for the year.

The remaining amount is recognized as intangible asset and relates to the right to charge consumers for electric energy distribution services, and is amortized in accordance with the consumption pattern that reflects the estimated economic benefit to the end of the concession.

Considering that (i) the tariff model that does not provide for a profit margin for the infrastructure construction services from distribution, (ii) the way in which the subsidiaries manage the constructions by using a high level of outsourcing, and (iii) the fact that there is no provision for profit margin on construction in the Group's business plans, Management is of the opinion that the margins on this operation are irrelevant, and therefore no mark-up to the cost is considered in revenue. The construction revenue and costs are therefore presented in the statement of profit or loss for the year in the same amounts.

Transmission companies
The Group's transmission companies are responsible for constructing and operating the transmission infrastructure in order to carry the energy from the generation centres to the distribution points, according to their concession arrangements.

The energy transmission company has the obligation to maintain its transmission infrastructure available to its users to guarantee the receipt of the RAP during the concession agreement term. Potential unamortized investments generate the right to indemnity at the end of the concession arrangement.

The transmission infrastructure is classified as a contract asset. The right to consideration for goods and services is subject to the satisfaction of performance obligations and not only to the passage of time.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Rendering of services

Revenue from services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is recognized on a straight-line basis because the entity's inputs are expended evenly throughout the performance period.

Distribution revenue is earned from the distribution of gas and electricity and related services. Revenue is recognised as the services are rendered i.e. on delivery, and incorporate usage estimation where necessary.

(b) Revenue from the sales (including sales of scrap and other materials)

Revenue from the sale of industrial products or scrap and other materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

The revenue from energy generation sales is recognized based on the assured energy and at tariffs specified in the terms of the supply contracts or the current market price, as appropriate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (continued)

(c) Concession revenues

Concession revenue is mainly derived from provision of infrastructure construction services, which is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

To estimate Construction Revenue, the Company used a model that calculates the cost to finance the customer (i.e., the Granting Authority). The rate defined for the net present value of the construction (and operation) margin is defined in the beginning of the project and is not subject to subsequent changes, and is calculated according to the customer's credit risk and the financing term. As a remuneration of the concession related contract assets, Interest is recognized using the straight-line method based on the rate that best represents the remuneration of the transmission infrastructure investments, considering the specific business-related risks and rewards.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities
A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)
The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Dividends
Interim dividends and final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position. Dividends are recognised as a liability when they are approved by the shareholders. Proposed final dividends are disclosed in the notes to the financial statements.

Employee benefits
(a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Non-vesting sick leave is recognised in profit or loss when the leave is taken and measured at the rates paid or payable.

Annual leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to employee wage increases as well as the experience of employee departures and periods of services. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match the expected timing of cash outflows.

The provision for annual leave is classified as a current liability as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (a) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employee up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yield at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) Retirement benefit surplus/obligations

Defined benefit superannuation plans:
The Group's net surplus/obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit (liability)/asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit (liability)/asset, taking into account any changes in the net defined benefit (liability)/asset during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss in the periods during which the services are rendered by the employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(d) Profit sharing and bonus plans

A liability for employee benefits in the form of bonus plans is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the financial report; or
- Past practice gives clear evidence of the amount of the obligation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(e) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors or provisions as applicable.

(f) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, workers' compensation and superannuation guarantee contribution, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities or costs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of installation services

The Group concluded that revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the services.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered annually to take into account all changes in tax legislation.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Going Concern

The ability of the Group to continue operations is dependent upon obtaining the necessary borrowings and generating cash inflows from operating activities in order to generate sufficient cash flows to meet its liabilities as they fall due. In the event that the Group are unable to obtain adequate funding, there is uncertainty as to whether the Group will be able to continue as a going concern. These financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Group be unable to continue as a going concern.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use require the Group make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Future details on goodwill are given in Note 15.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)
The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 27 and Note 24 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)
Estimation in the revenue recognition

(1) Energy distribution in Brazil and Australia
In Brazil, the difference in the timing for reading and invoice of energy consumption resulted that part of the energy distributed during the year is not billed at the end of year; consequently, an estimate is developed by Management and recorded as "Unbilled". This unbilled revenue estimate is calculated using as a base the total volume of energy of each distributor made available during the year and the annualized rate of technical and commercial losses.

In Australia, estimates are made where required to account for the period between the meter reading date and the end of the accounting period. The estimates are made based on factors including historical consumption patterns, base usage and weather conditions.

(2) Construction for Energy transmission in Brazil
Estimate and judgment is required about the time that the customer obtains control over the asset; the progress in satisfying the performance obligation over time or inputs required to meet the performance obligation, such as materials and labour, expected profit margins, or lack of expected profit margins, on each performance obligation identified, and expected revenue projections. Due to the term of the energy transmission contract is long, the identification of the discount rate that represents the financial component embedded in future cash inflows also requires the use of judgment by management.

(3) Infrastructure construction in Australia
Reliably measuring the outcome and the stage of completion of contracts involves a level of estimation of a range of factors that are subject to risk and uncertainty. The estimates and judgements relate to forecast revenue and costs to complete, stage of project completion, and the recoverability of unapproved variations, claims and disputes.

Environmental provisions
These provisions have been reviewed through the year to assess the Group's obligations, probability and estimate of outflow of resources. For impacted sites, assumptions have been made on the most probable course of action in remediating, to arrive at a best estimate of the outflow of resources. It is also assumed that such course of action will requirements, within the expected timeframe.

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the availability of particular remediation methods and technologies, the extent to which contaminated material may be treated on site or alternatively treated off site and then disposed to landfill, the possibility that applicable laws and standards may change with time, as well as the information available about conditions at the individual sites.

Significant factors relevant to the estimation of these costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and market conditions and new developments affecting costs, management's interpretation of current environmental laws and regulations, and management's assessment of site conditions and the remediation methods which are likely to be deployed as a result of those conditions.

Environment costs are generally estimated based on the advice from external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Environmental provisions (continued)

Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, the Group believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

This environmental provision will periodically be re-assessed by management, having regard to matters including future regulatory assessments, internal risk assessments and advancements in appropriate technologies. The discount rate used for determining the present value of the provision is the appropriate government bond rate and this may vary from year to year. The methodology to determine the discount rate is consistent with last year. The carrying amount of such provisions are set out in Note 37.

Decommissioning provisions

The Group estimated the amount of decommissioning provision at each balance date. The exercise involves considerable judgement regarding the likely future costs of decommissioning.

Expected decommissioning costs are based on the estimated current cost of detailed plans prepared. Where there is a change in the expected decommissioning costs, an adjustment is recorded against the carrying value of the provision and any plant and equipment. The carrying amount of such provisions are set out in Note 37.

4. OPERATING SEGMENT INFORMATION

The Group's business mainly consists of investment holding, operation and maintenance of electricity networks. For management purposes, the Group's business are mainly monitored in 3 segments as follows:

the Brazil segment comprises the Group's subsidiaries and joint ventures engaged in the operation and maintenance of electricity networks in Brazil;

the Australia segment comprises the Group's subsidiaries engaged in electricity and gas transmission and distribution in Australia and the joint ventures and associates held by these subsidiaries;

the "Corporate" segment comprises, principally, the Group's investments in other associates and joint-ventures.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from continuing operations.

Segment assets and liabilities are also reviewed by the management for decision making.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Brazil HK$'000	Australia HK$'000	Corporate HK$'000	Consolidated HK$'000
Segment revenue:				
Operating revenue	67,994,174	9,725,887	-	77,720,061
Revenue from continuing operations				77,720,061
Segment results	8,327,090	1,787,209	4,531,885	14,646,184
Reconciliation				
Elimination of other income				(552,584)
Elimination of finance costs				552,584
Exchange losses				246,865
Profit before tax				14,893,049
Segment assets	190,035,779	63,686,968	186,780,437	440,503,184
Reconciliation				
Elimination of other receivables				(16,403)
Elimination of long-term receivables				(124,663,316)
Total assets				315,823,465
Segment liabilities	102,972,415	54,691,438	143,713,758	301,377,611
Reconciliation				
Elimination of short-term loans				(434,771)
Elimination of long-term loans				(7,592,795)
Elimination of long-term payables				(116,652,153)
Total liabilities				176,697,892
Other segment information:				
Share of profits and losses of:				
Associates	-	173,402	4,244,797	4,418,199
Joint ventures	933,648	321,293	45,431	1,300,372
Impairment losses recognised in the statement of profit or loss	(461,527)	-	-	(461,527)
Impairment losses reversed in the statement of profit or loss	-	120	-	120
Other non-cash expenses	(461,661)	22,785	(26,485)	(465,361)
Depreciation and amortisation	(4,911,298)	(1,777,242)	(683)	(6,689,223)
Investments in associates	-	1,576,854	46,701,046	48,277,900
Investments in joint ventures	11,823,897	5,236,862	3,561,289	20,622,048
Capital expenditure*	656,133	2,842,965	1,878	3,500,976

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018	Brazil HK$'000	Australia HK$'000	Corporate HK$'000	Consolidated HK$'000
Segment revenue (restated):				
Operating revenue (restated)	77,871,218	10,118,086	-	87,989,304
Revenue from continuing operations (restated)				87,989,304
Segment results (restated)	7,750,162	2,089,745	4,707,004	14,546,911
Reconciliation				
Elimination of other income				(482,166)
Elimination of finance costs				482,166
Exchange losses				1,284,266
Profit before tax (restated)				15,831,177
Segment assets (restated)	182,220,982	62,469,776	195,927,698	440,618,456
Reconciliation				
Elimination of other receivables				(18,720)
Elimination of long-term receivables				(134,277,372)
Total assets (restated)				306,322,364
Segment liabilities (restated)	102,098,099	52,260,866	152,447,209	306,806,174
Reconciliation				
Elimination of short-term loans				(445,378)
Elimination of long-term loans				(7,629,632)
Elimination of long-term payables				(126,221,082)
Total liabilities (restated)				172,510,082
Other segment information:				
Share of profits and losses of:				
Associates	-	160,926	4,318,608	4,479,534
Joint ventures	1,348,466	322,877	29,878	1,701,221
Impairment losses recognised in the statement of profit or loss	(364,465)	(1,960)	-	(366,425)
Other non-cash expenses	(641,573)	1,760	(76,284)	(716,097)
Depreciation and amortisation	(5,431,317)	(1,664,803)	(394)	(7,096,514)
Investments in associates	-	1,762,024	46,559,484	48,321,508
Investments in joint ventures	12,220,155	5,148,123	3,572,740	20,941,018
Capital expenditure*	4,309,330	3,794,012	3,083	8,106,425

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

The Group's operation revenue from external customers is derived from its Brazil subsidiaries, which are engaged in the exploitation of public service concessions for transmission and distribution of electricity, the generation of electricity of conventional and renewable sources, and Australian subsidiaries, which are engaged in gas transmission and distribution, electricity distribution and water distribution.

5. REVENUE

	2019 HK$'000	2018 HK$'000 Restated
Revenue from contracts with customers	**77,131,537**	**87,445,981**
Service revenues	13,564,425	14,922,906
Concession revenues	26,679,017	37,357,966
Revenue from network usage charge	32,327,939	29,808,227
Revenue from electricity generation	4,249,107	4,586,710
Others	311,049	770,172
Revenue from other sources	**588,524**	**543,323**
Rental income	588,524	543,323
	77,720,061	87,989,304

Service revenue includes revenue earned from the distribution and transmission of gas, distribution of electricity and water and rendering of asset management services.

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2019

	Brazil HK$'000	Australia HK$'000	Total HK$'000
Type of goods or services			
Service revenues	6,359,710	7,204,715	13,564,425
Concession revenues	24,395,000	2,284,017	26,679,017
Revenue from network usage charge	32,327,939	-	32,327,939
Revenue from electricity generation	4,249,107	-	4,249,107
Others	73,894	237,155	311,049
Total revenue from contracts with customers	67,405,650	9,725,887	77,131,537
Timing of revenue recognition			
Goods/services transferred at a point in time	10,608,817	6,842,510	17,451,327
Goods/services transferred over time	56,796,833	2,883,377	59,680,210
Total revenue from contracts with customers	67,405,650	9,725,887	77,131,537

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

For the year ended 31 December 2018 (Restated):

	Brazil HK$'000 Restated	Australia HK$'000	Total HK$'000 Restated
Type of goods or services			
Service revenues	5,039,841	9,883,065	14,922,906
Concession revenues	37,357,966	-	37,357,966
Revenue from network usage charge	29,808,227	-	29,808,227
Revenue from electricity generation	4,586,710	-	4,586,710
Others	535,151	235,021	770,172
Total revenue from contracts with customers	77,327,895	10,118,086	87,445,981
Timing of revenue recognition			
Goods/services transferred at a point in time	12,104,526	7,114,523	19,219,049
Goods/services transferred over time	65,223,369	3,003,563	68,226,932
Total revenue from contracts with customers	77,327,895	10,118,086	87,445,981

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Types of goods and service*	772,717	771,680

6. OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Bank interest income	2,321,431	1,625,888
Dividend income from equity investments designated at fair value through other comprehensive income	504,464	503,225
Ineffectiveness of hedges	17,167	7,654
Others	362,943	901,933
	3,206,005	3,038,700

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank loans and other borrowings	5,935,227	6,205,120
Changes in fair value recognized in profit or loss	25,234	38,376
Interest on lease liabilities	56,261	21,508
Others	725	1,897
Less: Interest capitalised (a)	90,893	220,546
	5,926,554	6,046,355

(a) Interest capitalised

The CPFL's interests were capitalized at an average rate of 8.09% p.a. in 2019 (8.27% p.a. in 2018) on qualifying assets, in accordance with HKAS 23.

The SGSPAA 's capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the weighted average interest rate of 4.28% for the year applicable to the Group's outstanding borrowings (year ended 31 December 2018: 4.22%).

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2019 HK$'000	2018 HK$'000
Cost of electricity sales and supplies		39,724,698	41,887,994
Depreciation of property, plant and equipment and investment properties	12&13	3,133,255	3,203,054
Depreciation of right-of-use assets	14	136,844	-
Amortisation of other intangible assets*	16	3,419,124	3,893,460
Research and development costs		7,277,065	8,669,692
Third party services		2,023,394	2,197,032
Minimum lease payments under operating leases		150,554	297,244
Staff costs (excluding directors' remuneration (Note 9))			
Wages and salaries		3,575,439	3,924,443
Pension scheme contributions		179,275	217,059
		3,754,714	4,141,502
Fair value losses/(gains), net:			
Derivative financial instruments at fair value through profit or loss		42,400	46,031
Accrue impairment of contract assets, net	24	3,655	-
Accrue impairment of trade receivables, net	27	457,264	362,427
Accrue impairment of financial assets included in prepayments, other receivables and other assets, net		488	3,998
Foreign exchange loss, net		482,529	723,752

*The amortisation of intangible assets and non- current assets costs is included in "Cost of sales" in the consolidated statement of profit or loss.

9. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Group during the year (2018: Nil).

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Brazil profits tax has been provided at the rate of 34% (2018: 34%) on the estimated assessable profits arising in Brazil during the year. Australia profits tax has been provided at the rate of 30% (2018: 30%) on the estimated assessable profits arising in Australia during the year. The Philippines profits tax has been provided at the rate of 15% (2018: 15%) on the expected dividend distribution arising in the Philippines during the year.

	2019 HK$'000	2018 HK$'000 Restated
Provision for the year	3,125,137	2,612,019
Deferred tax (Note 22)	659,629	639,763
Tax charge for the year	3,784,766	3,251,782

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2019 HK$'000	2018 HK$'000 Restated
Profit before tax	14,893,049	15,831,177
Tax at the Hong Kong statutory tax rate of 16.5%	2,457,353	2,612,144
Income or expense taxed at a different rates in other countries	1,087,466	1,475,540
Non-deductible expenses	1,813,531	695,617
Income not subject to tax	(2,067,090)	(1,956,869)
Effect of withholding tax on the dividend income	157,891	153,335
Effect of withholding tax profits attributable to the Group	332,653	268,855
Tax losses not recognized	2,962	3,160
Tax charge at the Group's effective rate of 25.4% (2018: 20.5%)	3,784,766	3,251,782

11. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends – ordinary share	519,101	482,518
Dividends – preference share	5,140,078	3,949,772
	5,659,179	4,432,290

The dividends for the year were approved in March 2019, November 2019, and December 2019, and paid partially during the year. At year end, total outstanding amount to be paid is HK$ 1,324,675,000.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Office equipment HK$'000	Plant and equipment HK$'000	Transport equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2019						
At 1 January 2019:						
Cost	11,970,704	690,304	71,796,031	580,804	5,889,573	90,927,416
Accumulated depreciation	(3,490,878)	(506,740)	(17,749,236)	(377,856)	-	(22,124,710)
Net carrying amount	8,479,826	183,564	54,046,795	202,948	5,889,573	68,802,706
At 1 January 2019,net of accumulated depreciation	8,479,826	183,564	54,046,795	202,948	5,889,573	68,802,706
Additions	16,546	5,246	913,239	16,179	2,167,582	3,118,792
Transfer	63,279	17,959	5,008,218	51,117	(4,180,304)	960,269
Depreciation provided during the year	(470,393)	(39,547)	(2,558,412)	(60,925)	-	(3,129,277)
Disposals	(81,371)	(1,061)	(521,086)	(25,390)	(16)	(628,924)
Exchange realignment	(321,631)	(2,892)	(1,143,041)	(5,821)	(454,223)	(1,927,608)
At 31 December 2019, net of accumulated depreciation	7,686,256	163,269	55,745,713	178,108	3,422,612	67,195,958
At 31 December 2019						
Cost	11,467,395	699,541	74,748,203	521,563	3,422,612	90,859,314
Accumulated depreciation	(3,781,139)	(536,272)	(19,002,490)	(343,455)	-	(23,663,356)
Net carrying amount	7,686,256	163,269	55,745,713	178,108	3,422,612	67,195,958

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2018	Land and buildings HK$'000	Office equipment HK$'000	Plant and equipment HK$'000	Transport equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2018:						
Cost	13,064,051	1,015,840	79,557,034	632,152	4,239,233	98,508,310
Accumulated depreciation	(3,519,821)	(457,006)	(17,416,610)	(351,456)	-	(21,744,893)
Net carrying amount	9,544,230	558,834	62,140,424	280,696	4,239,233	76,763,417
At 1 January 2018, net of accumulated depreciation	9,544,230	558,834	62,140,424	280,696	4,239,233	76,763,417
Additions	10,386	5,010	1,184,671	19,935	3,115,839	4,335,841
Transfer	689,003	(277,694)	441,215	28,219	(880,743)	-
Depreciation provided during the year	(425,257)	(47,495)	(2,641,932)	(83,448)	-	(3,198,132)
Disposals	(18,321)	(67)	(103,034)	(10,040)	(18,256)	(149,718)
Exchange realignment	(1,320,215)	(55,024)	(6,974,549)	(32,414)	(566,500)	(8,948,702)
At 31 December 2018, net of accumulated depreciation	8,479,826	183,564	54,046,795	202,948	5,889,573	68,802,706
At 31 December 2018						
Cost	11,970,704	690,304	71,796,031	580,804	5,889,573	90,927,416
Accumulated depreciation	(3,490,878)	(506,740)	(17,749,236)	(377,856)	-	(22,124,710)
Net carrying amount	8,479,826	183,564	54,046,795	202,948	5,889,573	68,802,706

13. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January	175,798	210,613
Depreciation	(3,978)	(4,922)
Exchange realignment	(7,637)	(29,893)
Carrying amount at 31 December	164,183	175,798

The Group's investment properties are measured at cost and consist of several floors of an office building in Downtown of Rio de Janeiro, given that approximately 36% of the property is for rent, and 64% is for the Group use.

The amounts of investment properties are maintained at historical cost, less depreciation and impairment, where applicable. The property has been depreciated at the annual rate of 2%, based on the useful life assessment.

As of 31 December 2019, through internal analysis, the Company identified a new average amount of square meter for the central region of the city of Rio de Janeiro of BRL12,252/square meters. Considering the lease percentage of 36%, the property fair value at 31 December 2019 was HK$170,711,000.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Leases of plant and equipment generally have lease terms between 3 and 5 years, while transport equipment generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

14. LEASES (CONTINUED)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land and buildings HK$'000	Plant and equipment HK$'000	Transport equipment HK$'000	Total HK$'000
As at 1 January 2019	577,223	21,008	126,892	725,123
Additions	741	147	15,968	16,856
Depreciation charge	(79,208)	(4,390)	(53,719)	(137,317)
Disposal of subsidiaries	(8,704)	-	-	(8,704)
Exchange realignment	(5,769)	(211)	(1,287)	(7,267)
	484,283	16,554	87,854	588,691

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities HK$'000	2018 Lease liabilities HK$'000
Carrying amount at 1 January	1,162,418	309,344
New leases	16,853	6,936
Accretion of interest recognised during the year	57,902	23,113
Disposal of subsidiaries	(249,328)	-
Payments	(202,190)	(42,006)
Exchange realignment	(11,842)	(29,037)
Carrying amount at 31 December	773,813	268,350
Analysed into:		
Current portion	153,135	6,656
Non-current portion	620,678	261,694

The maturity analysis of lease liabilities is disclosed in Note 41 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	56,261
Depreciation charge of right-of-use assets	136,844
Expense relating to short-term leases and low-value leases	150,554
Total amount recognised in profit or loss	343,659

14. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties (Note 13) under operating lease arrangements.

15. GOODWILL

The goodwill breakdown and additions and write-offs in the year ended 31 December 2019 and 31 December 2018 are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January		
Cost	14,094,872	16,118,725
Accumulated Impairment*	(114,722)	(133,921)
Net carrying amount	13,980,150	15,984,804
Cost at 1 January, net of accumulated impairment	13,980,150	15,984,804
Utilize for deferred tax assets*	(26,098)	(27,816)
Disposal of a subsidiary	(26,597)	-
Exchange realignment	(410,846)	(1,976,838)
Cost and net carrying amount at 31 December	13,516,609	13,980,150
At 31 December		
Cost	13,626,275	14,094,872
Accumulated Impairment*	(109,666)	(114,722)
Net carrying amount	13,516,609	13,980,150

* On 1 January 2018, SGBH identified the need to record goodwill impairment amounting to HK$ 133,921,000 arising from the transition to HKFRS 15 on retained earnings. In addition, using deferred tax assets for the year ended 31 December 2018 in subsidiaries ETEE and ETIM, goodwill decrease in amounts of HK$21,989,000 and HK$5,827,000 respectively.

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

	Brazilian Concession and infrastructure		Australian Concession and infrastructure		Total	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount of goodwill	7,609,439	7,986,836	5,907,170	5,993,314	13,516,609	13,980,150

1) Brazilian concession cash-generating unit

Recoverable amounts were determined by discounting future cash flows of the CGU and were based on following assumptions:

(a) The nominal cash flows are discounted to the present value using post-tax discount rates around 7.39% to 11.19%.

(b) Cash flow time horizons used in the valuing the CGU were 5 to 39 years due to the long term nature of the CGU's activities for SGBP.

2) Australian infrastructure cash-generating unit

Recoverable amounts were determined by discounting future cash flows of the CGU and were based on following assumptions:

(a) All nominal cash flows are discounted to the present value using post-tax discount rates ranging from 3.72% to 8.89%.

(b) Cash flow time horizons used in the valuing the CGU were 5 to 20 years due to the long term nature of the CGU's activities.

(c) The growth rate assumptions is primarily driven by the assumptions in the regulatory building block model with growth being a function of the regulated asset base and the allowable return from the regulator. For non-regulated assets, Australian Consumer Price Index was applied.

The perpetual growth assumption used to calculate the terminal value in non-regulated assets range from 0% to 1.0% (2018: 1.5% to 3.0%). For regulated assets, the terminal values are calculated by applying a multiple to the regulated assets base in the terminal year.

(d) CGU impairment testing was carried out at 31 December 2019 resulting in no impairments being recognised (2018: nil).

16. OTHER INTANGIBLE ASSETS

	Software HK$'000	Contract intangibles HK$'000	Distribution licence HK$'000	Other intangible assets HK$'000	Total HK$'000
31 December 2019					
At 1 January 2019:					
Cost	3,498,000	1,306,285	65,655,480	1,969,496	72,429,261
Accumulated depreciation	(2,605,314)	(241,887)	(22,165,073)	(286,190)	(25,298,464)
Net carrying amount	892,686	1,064,398	43,490,407	1,683,306	47,130,797
Cost at 1 January 2019, net of accumulated amortisation	892,686	1,064,398	43,490,407	1,683,306	47,130,797
Additions	180,724	-	-	38,065	218,789
Disposals	(1,618)	(10,779)	(93,958)	-	(106,355)
Transfer	6,930	-	2,892,680	(1,476,853)	1,422,757
Amortisation for the year	(202,874)	(46,609)	(3,135,514)	(34,127)	(3,419,124)
Exchange realignment	(9,033)	(10,521)	(1,905,492)	(32,994)	(1,958,040)
At 31 December 2019	866,815	996,489	41,248,123	177,397	43,288,824
At 31 December 2019:					
Cost	3,647,444	1,245,673	65,905,148	484,145	71,282,410
Accumulated amortisation	(2,780,629)	(249,184)	(24,657,025)	(306,748)	(27,993,586)
Net carrying amount	866,815	996,489	41,248,123	177,397	43,288,824

16. OTHER INTANGIBLE ASSETS (CONTINUED)

	Software HK$'000	Contract intangibles HK$'000	Distribution licence HK$'000	Other intangible assets HK$'000	Total HK$'000
31 December 2018					
At 1 January 2018:					
Cost	3,468,019	1,629,323	75,687,544	2,197,194	82,982,080
Accumulated depreciation	(2,401,454)	(404,774)	(22,643,085)	(268,231)	(25,717,544)
Net carrying amount	1,066,565	1,224,549	53,044,459	1,928,963	57,264,536
Cost at 1 January 2018, net of accumulated amortisation	1,066,565	1,224,549	53,044,459	1,928,963	57,264,536
Additions	211,988	-	-	40,202	252,190
Disposals	-	-	(229,555)	-	(229,555)
Transfer	4,684	3,139	1,683,336	11,953	1,703,112
Amortisation for the year	(292,245)	(48,213)	(3,533,637)	(19,365)	(3,893,460)
Exchange realignment	(98,306)	(115,077)	(7,474,196)	(278,447)	(7,966,026)
At 31 December 2018	892,686	1,064,398	43,490,407	1,683,306	47,130,797
At 31 December 2018:					
Cost	3,498,000	1,306,285	65,655,480	1,969,496	72,429,261
Accumulated amortisation	(2,605,314)	(241,887)	(22,165,073)	(286,190)	(25,298,464)
Net carrying amount	892,686	1,064,398	43,490,407	1,683,306	47,130,797

17. INVESTMENT IN ASSOCIATES

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Listed shares			
Redes Energeticas Nacionais, SGPS, S.A. (REN)	4,138,030	4,288,020	4,465,111
AusNet Services (Ausnet)	4,609,131	4,961,896	5,627,475
HK Electric Investments (HKEI)	10,307,915	10,365,315	10,570,488
	19,055,076	19,615,231	20,663,074
Unlisted shares			
United Energy Distribution Holdings Pty Ltd.(UEDH)	1,576,853	1,762,024	2,046,973
Cassa Depositi e Prestiti Reti S.p.a. (CDP Reti)	19,664,143	19,799,927	20,298,693
National Grid Corporation of the Philippines (NGCP)	4,298,826	4,006,863	3,818,394
Independent Power Transmission Operator S.A. (IPTO)	3,683,002	3,137,463	3,111,521
	29,222,824	28,706,277	29,275,581
	48,277,900	48,321,508	49,938,655

17. INVESTMENT IN ASSOCIATES (CONTINUED)

Particulars of the associates as at the end of the year are as follows:

Name	Particulars of registered capital/paid in capital	Place of registration and business	Percentage of ownership interest attributable to the company	Principal activities
National Grid Corporation of the Philippines (NGCP)	PHP2,000,000,000	Manila, The Philippines	40%	Operate electric transmission grid
Redes Energeticas Nacionais, SGPS, S.A. (REN)	EUR667,191,000	Lisbon, Portugal	25%	Operate electric/gas transmission grid
AusNet Services (Ausnet)	AU$5,162,500,000	Victoria, Australia	19.9%	Operate electric transmission/ distribution grid
HK Electric Investments (HKEI)	HK$8,000,000	Hong Kong, China	21%	Generate electric/Operate electric/gas transmission/ distribution grid
United Energy Distribution Holdings Pty Ltd. (UEDH)	AU$306,112,000	Victoria, Australia	34%	Operate electric distribution grid
Cassa Depositi e Prestiti Reti S.p.a. (CDP RETI)	EUR161,514	Italy	35%	Holding company
Independent Power Transmission Operator S.A. (IPTO)	EUR38,444,000	Athens Greece	24%	Transmission of electricity

17. INVESTMENT IN ASSOCIATES (CONTINUED)

NGCP and HK Electric Investments are directly held by the Company. REN, CDP RETI and IPTO are held by State Grid Europe Limited. AusNet Services is held by State Grid International Australia Development Limited. UEDH is an associate of SGSPAA.

All above associates are considered individually material associates of the Group, and are accounted for using the equity method.

The following table illustrates the summarised financial information of NGCP and HK Electric Investments, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	NGCP		HK Electric Investments	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	8,794,098	7,320,783	2,178,000	2,051,000
Non-current assets, excluding goodwill	36,736,132	32,043,208	107,539,000	105,843,000
Goodwill on acquisition of the associate	-	-	613,310	615,645
Current liabilities	7,959,534	6,561,022	10,247,000	3,879,000
Non-current liabilities	26,823,632	22,785,812	50,998,000	55,272,000
Net assets	10,747,064	10,017,157	49,085,310	49,358,645
Net assets, excluding goodwill	10,747,064	10,017,157	48,472,000	48,743,000
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	40%	40%	21%	21%
Group's share of net assets of the associates, excluding goodwill	4,298,826	4,006,863	10,179,120	10,236,030
Goodwill on acquisition	-	-	128,795	129,285
Carrying amount of the investment	4,298,826	4,006,863	10,307,915	10,365,315
Revenue	6,873,036	6,755,818	10,739,000	11,612,000
Profit for the year	3,032,596	3,121,862	2,327,000	3,051,000
Other comprehensive income	(29,960)	32,111	586,000	(490,000)
Total comprehensive income for the year	3,002,636	3,153,973	2,913,000	2,561,000
Dividend received by the Group	772,616	1,073,120	669,130	742,983

17. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of REN and IPTO, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	REN		IPTO	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	3,449,271	4,480,979	7,011,075	12,863,745
Non-current assets, excluding goodwill	42,838,454	42,015,277	18,571,793	15,012,976
Goodwill on acquisition of the associate	3,934,793	4,041,809	3,742,677	3,865,828
Current liabilities	9,840,623	7,624,498	4,502,468	8,548,875
Non-current liabilities	23,829,776	25,761,487	9,477,235	10,120,912
Net assets	16,552,119	17,152,080	15,345,842	13,072,762
Net assets, excluding goodwill	12,617,326	13,110,271	11,603,165	9,206,934
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	25%	25%	24%	24%
Group's share of net assets of the associates, excluding goodwill	3,154,332	3,277,568	2,784,760	2,209,664
Goodwill on acquisition	983,698	1,010,452	898,242	927,799
Carrying amount of the investment	4,138,030	4,288,020	3,683,002	3,137,463
Revenue	6,576,182	6,373,753	2,190,903	2,304,735
Profit for the year	1,042,911	1,070,040	926,198	794,039
Other comprehensive income	(200,014)	-	2,073,848	77,177
Total comprehensive income for the year	842,897	1,070,040	3,000,046	871,216
Dividend received by the Group	250,182	263,753	90,098	52,272

17. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of CDP RETI, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	CDP RETI	
	2019	2018
	HK$'000	HK$'000
Current assets	73,536,340	64,805,148
Non-current assets	428,144,930	418,836,996
Goodwill on acquisition of the associate	18,995,070	19,549,363
Current liabilities	95,767,950	93,235,589
Non-current liabilities	271,449,267	257,732,233
Net assets	153,459,123	152,223,685
Net assets, excluding goodwill	134,464,053	132,674,322
Net asset attributable to the parent company, excluding goodwill	37,188,195	37,021,857
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	35%	35%
Group's share of net assets of the associates, excluding goodwill	13,015,868	12,957,650
Goodwill on acquisition	6,648,275	6,842,277
Carrying amount of the investment	19,664,143	19,799,927
Attributable to the parent company		
Revenue	17,996,635	18,575,941
Profit for the year	4,985,708	4,778,407
Other comprehensive income	(410,423)	(164,378)
Total comprehensive income for the year	4,575,285	4,614,029
Dividend received by the Group	1,223,776	1,281,570

17. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information of Ausnet and UEDH, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Ausnet		UEDH	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	4,872,443	5,072,772	1,206,769	466,021
Non-current assets, excluding goodwill	73,016,857	63,104,007	17,913,547	17,314,711
Goodwill on acquisition of the associate	6,773,130	6,104,564	3,874,319	3,965,993
Current liabilities	7,469,519	5,068,917	778,310	2,646,041
Non-current liabilities	54,031,449	44,278,273	17,578,517	13,918,261
Net assets	23,161,462	24,934,153	4,637,808	5,182,423
Net assets, excluding goodwill	16,388,332	18,829,589	763,489	1,216,430
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	19.9%	19.9%	34%	34%
Group's share of net assets of the associates, excluding goodwill	3,261,278	3,747,088	259,586	413,586
Goodwill on acquisition	1,347,853	1,214,808	1,317,267	1,348,438
Carrying amount of the investment	4,609,131	4,961,896	1,576,853	1,762,024
Revenue	10,770,998	10,732,865	3,724,791	3,800,779
Profit for the year	1,583,298	1,500,658	530,146	458,485
Other comprehensive income	(1,810,417)	-	(276,858)	(100,604)
Total comprehensive income for the year	(227,119)	1,500,658	253,288	357,881
Dividend received by the Group	396,365	399,075	246,941	220,391

18. INVESTMENT IN JOINT VENTURES

	31 December 2019	31 December 2018	1 January 2018
	HK$'000	HK$'000	HK$'000
ElectraNet Pty Ltd. (ElectraNet)	3,561,288	3,572,740	3,905,965
ActewAGL Distribution Partnership (ActewAGL)	5,236,862	5,148,123	5,551,039
Energética Barra Grande S.A. (BAESA)	40,302	78,401	108,773
Campos Novos Energia S.A. (ENERCAN)	2,086,416	2,126,071	2,632,010
Foz do Chapecó Energia S.A. (chapecoense)	2,075,513	2,373,336	2,975,406
Centrais Elétricas da Paraíba S.A. (EPASA)	787,787	822,946	942,377
Other joint ventures in Brazil (defined below)	6,833,880	6,819,401	7,071,051
	20,622,048	20,941,018	23,186,621

18. INVESTMENT IN JOINT VENTURES (CONTINUED)

Particulars of the joint ventures as at the end of the year are as follows:

Name	Particulars of registered capital/paid in capital	Place of incorporation and business	Percentage of ownership interest attributable to the Company	Principal activities
ElectraNet Pty Ltd. (ElectraNet)	AU$10,000	Canberra Australia	46.56%	Operate electric transmission grid
ActewAGL Distribution Partnership(ActewAGL)	AU$1,187,968,000	Canberra Australia	50%	Operate electric transmission grid gas transmission and distribution
Matrincha Transmissora de Energia (TP North) S.A.*	BRL1,508,073	Rio de Janeiro Brazil	51%	Operate electric transmission grid
Guaraciaba Transmissora de Energia (TP Sul) S.A.*	BRL803,832	Rio de Janeiro Brazil	51%	Operate electric transmission grid
Luziania-Niquelandia Transmissora S.A.*	BRL33,305	Rio de Janeiro Brazil	51%	Operate electric transmission grid
Paranaiba Transmissora de Energia S.A.*	BRL534,761	Rio de Janeiro Brazil	51%	Operate electric transmission grid
Belo Monte Transmissora De Energia S.A. *	BRL3,011,000,000	Rio de Janeiro Brazil	51%	Operate electric transmission grid
Energética Barra Grande S.A. (BAESA)	BRL398,381,000	Santa Catarina and Rio Grande do Sul Brazil	25.01%	Energy generation
Campos Novos Energia S.A. (ENERCAN)	BRL200,787,000	Santa Catarina Brazil	48.72%	Energy generation
Foz do Chapecó Energia S.A.(chapecoense)	BRL714,509,000	Santa Catarina and Rio Grande do Sul Brazil	51.00%	Energy generation
Centrais Elétricas da Paraíba S.A.(EPASA)	BRL221,413,000	Paraiba Brazil	53.34%	Energy generation

* Collectively referred as "Joint ventures in Brazil".

18. INVESTMENT IN JOINT VENTURES (CONTINUED)

ActewAGL and ElectraNet are considered as material joint ventures of the Group, and are accounted for using the equity method. ActewAGL is a joint venture of SGSPAA.

The following table illustrates the summarised financial information of ActewAGL and ElectraNet, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	ActewAGL		ElectraNet	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	845,726	757,452	252,455	252,206
Non-current assets	7,739,720	7,409,623	18,571,010	17,244,231
Goodwill on acquisition of the joint venture	2,704,604	2,719,263	3,820,545	3,742,178
Current liabilities	618,532	485,818	2,240,473	419,611
Non-current liabilities	197,793	104,275	12,754,722	13,145,594
Net assets	10,473,725	10,296,245	7,648,815	7,673,410
Net assets, excluding goodwill	7,769,121	7,576,982	3,828,270	3,931,232
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	50%	50%	46.56%	46.56%
Group's share of net assets of the joint ventures, excluding goodwill	3,884,560	3,788,491	1,782,443	1,830,382
Goodwill on acquisition	1,352,302	1,359,632	1,778,845	1,742,358
Carrying amount of the investment	5,236,862	5,148,123	3,561,288	3,572,740
Revenue	2,215,658	1,829,907	2,205,255	2,160,848
Profit for the year	642,586	627,660	97,574	64,170
Other comprehensive income	-	-	(46,840)	224,742
Total comprehensive income for the year	642,586	627,660	50,734	288,912
Dividend received by the Group	182,132	183,834	-	89,518

18. INVESTMENT IN JOINT VENTURES (CONTINUED)

BAESA and ENERCAN are considered as material joint ventures of the Group, and are accounted for using the equity method.

The following table illustrates the summarised financial information for Joint ventures of BAESA and ENERCA, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	BAESA		ENERCAN	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	129,206	139,395	423,422	421,131
Non-current assets	1,768,878	1,954,111	1,897,679	2,088,856
Current liabilities	139,873	102,367	755,215	778,826
Non-current liabilities	551,254	574,897	741,460	1,004,590
Net assets	1,206,957	1,416,242	824,426	726,571
Consolidation adjustments	(1,045,814)	(1,102,763)	3,458,036	3,637,286
Net assets, including adjustment	161,143	313,479	4,282,462	4,363,857
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	25.01%	25.01%	48.72%	48.72%
Group's share of net assets of the joint ventures, excluding adjustment	301,860	354,202	401,660	353,985
Consolidation adjustments	(261,558)	(275,801)	1,684,756	1,772,086
Carrying amount of the investment	40,302	78,401	2,086,416	2,126,071
Revenue	569,319	691,515	1,293,989	1,274,484
Profit for the year	14,519	51,194	483,395	175,221
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	14,519	51,194	483,395	175,221
Dividend received by the Group	32,311	28,545	255,878	222,368

18. INVESTMENT IN JOINT VENTURES (CONTINUED)

Chapecoense and EPASA are considered as material joint ventures of the Group, and are accounted for using the equity method.

The following table illustrates the summarised financial information for Joint ventures of Chapecoense and EPASA, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Chapecoense		EPASA	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	733,073	698,908	569,820	661,201
Non-current assets	4,777,057	5,264,313	909,898	1,016,042
Current liabilities	873,064	858,400	180,703	307,608
Non-current liabilities	3,192,619	3,604,321	417,849	454,702
Net assets	1,444,447	1,500,500	881,166	914,933
Consolidation adjustments	2,625,185	3,153,099	595,750	627,898
Net assets, including adjustment	4,069,632	4,653,599	1,476,916	1,542,831
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	51.00%	51.00%	53.34%	53.34%
Group's share of net assets of the joint ventures, excluding adjustment	736,668	765,255	470,014	488,025
Consolidation adjustments	1,338,845	1,608,081	317,773	334,921
Carrying amount of the investment	2,075,513	2,373,336	787,787	822,946
Revenue	1,752,339	1,860,152	1,113,684	1,808,783
Profit for the year	149,297	303,455	315,740	354,899
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	149,297	303,455	315,740	354,899
Dividend received by the Group	268,242	289,752	164,843	224,585

18. INVESTMENT IN JOINT VENTURES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 HK$'000	2018 HK$'000
Share of the joint-ventures' profit for the year	452,377	906,229
Aggregate carrying amount of the Group's investments in joint-ventures*	6,833,880	6,819,401
Dividends received	42,842	57,444

* During the year, SGBH together with the other shareholder disinvested in joint-venture of SGBH, Guaraciaba, based on their previous shareholding ratio (51%:49%), receiving BRL 35.7million (equivalent to approximately HK$ 71 million) in cash. After the completion of the capital decrease, the Company's shareholding ratio in Guaraciaba remains 51%.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ OTHER EQUITY INSTRUMENT INVESTMENTS

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Equity investments designated at fair value through other comprehensive income			
Listed equity investments, at fair value:			
China Construction Bank	8,851,853	8,496,726	9,470,035
China Datang Corporation Renewable Power Co.,Ltd.	131,791	156,815	155,146
Guodian Technology & Environment Group Corporation Ltd.	18,384	21,741	40,431
China Energy Engineering Corporation Ltd.	916,398	965,143	1,364,849
China Datang Environment Industry Group Co., Ltd.	82,980	122,319	173,952
Industrial and Commercial Bank of China	169,893	-	-
	10,171,299	9,762,744	11,204,413

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year, the fair value gain in respect of the Group's listed equity investments was recognised in other comprehensive income amounted to HK$239,309,000 (2018: loss HK$1,441,668,000).

The fair values of listed equity investments are based on market prices at the end of the shares quoted in Hong Kong Stock Exchange at the end of reporting period and fall into the Level 1 fair value hierarchy in HKFRS 13.

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Other equity instrument investments			
Unlisted equity investments, at fair value:			
Investco S.A.	147,104	153,887	179,640
Luneng Brasil Sports Center Ltda.	96,927	95,705	104,419
	244,031	249,592	284,059

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ OTHER EQUITY INSTRUMENT INVESTMENTS (CONTINUED)

As at 31 December 2019, certain unlisted equity investments with a carrying amount of HK$244,031,000 were stated at fair value. Because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the cost is the best estimate of it since there are no observable reliable information of fair value. The Group does not intend to dispose of them in the near future.

5.94% interest of Investco S.A. ("Investco") was held by the indirect subsidiary Paulista Lajeado Energia S.A. in the form of 28,154,140 common shares and 18,593,070 preferred shares. As Investco's shares are not traded on the stock exchange and the main objective of its operations is to generate electric energy for commercialization by the shareholders holding the concession, the Group opted to recognize the investment at fair value in the financial statements, for which cost is the best estimate of it, since there are no available reliable information at fair value, according to HKFRS 9.

On 6 February 2014, the Company acquired the total capital of Luneng Brasil Sports Center Ltda. ("Luneng Brasil"). On 29 August 2014, the Company entered into a custody agreement with Shan Dong Luneng Tai Shan Footbal Club Limited ("Luneng") to transfer all management rights and powers to Luneng Brazil. In consideration thereof, Luneng exempts the Company from any variations in Luneng Brazil's equity. This custody agreement is effective for 3 years from June 2014 and provides for automatic renewal in the absence of express notification of the parties 3 months in advance. At 31 December 2019, management was not aware of the intention to cancel such agreement.

20. FINANCIAL ASSETS – CONCESSION RIGHTS

	31 December 2019	31 December 2018	1 January 2018
	HK$'000	HK$'000	HK$'000
Concession revenue receivables			
Non-current	16,983,494	15,070,775	14,987,164
	16,983,494	15,070,775	14,987,164

The concession revenue receivables are derived from these operational subsidiaries in Brazil, which have entered into the electric power distribution service concession arrangements executed by the Brazil Government and the Company.

The concession revenue receivables balances are amended every year by the deadline of the concession. The realisation of the amounts classified as non-current assets is projected by the end of the concession periods. The fair value of the financial assets- concession fall into the Level 3 of the fair value hierarchy.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets			Liabilities		
	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Cross currency swap contracts - cash flow hedges	595,706	432,134	1,645,653	43,488	(244,223)	516,654
Cross currency swap contracts - fair value hedges	3,429,712	3,246,044	1,798,566	68,283	397,635	349,501
Cross currency swap contracts - hedges of net investments in foreign operations	13,027	-	-	13,320	5,339	156,943
Cross currency swap contracts - non-hedges of net investments in foreign operations	-	-	-	7,825	34,527	4,412
Interest rate swap contracts - cash flow hedges	-	11,039	93,748	1,383,644	468,359	220,422
Interest rate swap contracts - fair value hedges	227,334	97,080	-	-	-	23,271
Zero-cost collar option	10,473	33,085	-	-	-	-
Forward foreign exchange contracts - fair value hedges	-	-	-	427	-	-
Forward foreign exchange contracts - cash flow hedges	-	2,491	123,146	407	15	3,063
	4,276,252	3,821,873	3,661,113	1,517,394	661,652	1,274,266
Portion classified as non-current:						
Cross currency swap contracts - cash flow hedges	595,706	432,134	348,618	43,488	(244,223)	492,512
Cross currency swap contracts - fair value hedges	2,978,607	2,685,500	1,798,566	11,898	381,181	349,501
Interest rate swap contracts - cash flow hedges	-	11,039	93,748	1,376,096	467,346	218,595
Interest rate swap contracts - fair value hedges	145,277	52,354	-	-	-	23,271
Zero-cost collar option	-	12,733	-	-	-	-
Forward foreign exchange contracts - cash flow hedges	-	-	122,846	-	-	-
	3,719,590	3,193,760	2,363,778	1,431,482	604,304	1,083,879
Current portion	556,662	628,113	1,297,335	85,912	57,348	190,387

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group classified the fair value measurements of its financial instruments using Level 1, Level 2 and Level 3 fair value hierarchy that reflect the significance of the inputs used in making the measurements.

Forward contracts and Zero-cost collar option
Forward currency contracts and Zero-cost collar option are designated as hedging instruments in respect of forecast future sales, forecast purchases and investments in Euros and US Dollars. The forward currency contract and Zero-cost collar option balances vary with the levels of expected foreign currency sales, purchases, investments and changes in foreign exchange forward rates.

Cross currency swaps
Besides, the Group held cross currency swaps for its EUR, USD, HKD and GBP denominated borrowings. The maturity of these swaps matches the maturity of the relevant foreign currency denominated borrowings.

Interest rate swap contracts
The Group's subsidiaries in Australia and Brazil utilise Interest Rate Swap ("IRS") to manage its exposure to interest risk. Under the IRS, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts.

22. DEFERRED TAX

Deferred tax liabilities	Opening balance	Charged to profit or loss	Exchange alignment	Closing balance
	HK$'000	HK$'000	HK$'000	HK$'000
	Restated			
2019				
Conversion of contractual asset of SGBH	6,483,333	567,720	166,583	7,217,636
Fair value adjustments arising from acquisition of CPFL Energia S.A.	12,425,443	(545,481)	(547,666)	11,332,296
Allowance for doubtful accounts	(231,517)	(22,319)	10,829	(243,007)
Free energy supply	(70,000)	(3,498)	3,182	(70,316)
Research and development and energy efficiency programs	(210,056)	(43,430)	10,473	(243,013)
Value added derived from determination of deemed cost	188,554	(41,404)	(7,153)	139,997
Withholding taxes – Philippines	114,006	163,172	(136,364)	140,814
Property, plant and equipment	4,820,964	301,938	(57,984)	5,064,918
Hedged items, hedging instruments and interests in equity-accounted investees	490,842	(87,528)	(381,318)	21,996
Concession - financial assets	1,146,174	177,119	(70,589)	1,252,704
Intangible assets	2,119,137	(84,466)	(79,487)	1,955,184
Provision	(1,048,225)	189,561	418,752	(439,912)
Defined benefits	(609,390)	(602,418)	35,578	(1,176,230)
Other items	(14,134)	(98,559)	46,859	(65,834)
Balance at 31 December 2019	25,605,131	(129,593)	(588,305)	24,887,233

Deferred tax liabilities	Opening balance	Charged to profit or loss	Exchange alignment	Closing balance
	HK$'000	HK$'000	HK$'000	HK$'000
	Restated			Restated
2018 (Restated)				
Conversion of contractual asset of SGBH	4,948,046	1,638,344	(103,057)	6,483,333
Fair value adjustments arising from acquisition of CPFL Energia S.A.	15,431,057	(753,748)	(2,251,866)	12,425,443
Allowance for doubtful accounts	(243,859)	(24,091)	36,433	(231,517)
Free energy supply	(74,726)	(6,378)	11,104	(70,000)
Research and development and energy efficiency programs	(194,797)	(46,001)	30,742	(210,056)
Value added derived from determination of deemed cost	555,877	(12,287)	(355,036)	188,554
Withholding taxes – Philippines	138,613	136,361	(160,968)	114,006
Property, plant and equipment	5,275,523	298,663	(753,222)	4,820,964
Hedged items, hedging instruments and interests in equity-accounted investees	615,192	36,489	(160,839)	490,842
Concession - financial assets	1,061,426	252,361	(167,613)	1,146,174
Intangible assets	2,111,249	(193,306)	201,194	2,119,137
Provision	(1,051,620)	(20,991)	24,386	(1,048,225)
Defined benefits	(512,997)	(186,124)	89,731	(609,390)
Other items	(41,832)	49,865	(22,167)	(14,134)
Balance at 31 December 2018 (Restated)	28,017,152	1,169,157	(3,581,178)	25,605,131

22. DEFERRED TAX (CONTINUED)

Deferred tax assets	2019 HK$'000	2018 HK$'000 Restated
Opening balance of gross deferred tax assets	3,289,486	4,077,924
Deferred tax charged to the statement of profit or loss during the year	(789,222)	(161,733)
Deferred tax credited/(charged) to equity during the year	673,602	(626,705)
Closing balance of gross deferred tax assets	3,173,866	3,289,486

23. SECTOR FINANCIAL ASSETS AND LIABILITIES

The breakdown of the balances of sector financial asset and liability and the movement for the year are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Parcel "A" (Note)	**2,684,539**	**3,838,895**	**1,625,963**
CVA (*)			
CDE (**)	230,651	406,081	(1,178,536)
Electric energy cost	917,382	2,467,495	3,793,329
ESS and EER (***)	(1,241,868)	(2,047,840)	(2,692,860)
Proinfa	46,845	6,823	(43,826)
Basic network charges	364,555	120,849	7,608
Pass-through from Itaipu	2,688,614	3,247,414	2,561,275
Transmission from Itaipu	92,829	89,397	36,832
Neutrality of sector charges	(47,707)	(99,322)	341,347
Over contracting	(366,762)	(352,002)	(1,199,206)
Other financial components	**(764,169)**	**(790,154)**	**(405,142)**
Total	**1,920,370**	**3,048,741**	**1,220,821**
Current assets	**2,113,249**	**2,690,578**	**497,526**
Non-current assets	**5,311**	**452,573**	**837,736**
Current liabilities	**-**	**-**	**(94,654)**
Non-current liabilities	**(198,190)**	**(94,410)**	**(19,787)**

23. SECTOR FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Note: In accordance with the regulation in Brazil, Parcel "A" refers to the non-controllable costs incurred in the business operation of utility companies involved in transmission and distribution of electricity. This parcel should be neutral in relation to the entity's performance, i.e., the costs incurred by the distributors, classifiable as Parcel "A", are fully passed through the consumer or borne by the granting authority.

(*) Deferred tariff costs and gains variations from Parcel "A" items

(**) Energy Development Account — CDE

(***) System Service Charge (E88) and Reserve Energy Charge (EER)

All of the sector financial assets and liabilities come from CPFL Energia S.A.

a) CVA

Refers to the variations of the Parcel A account. These amounts are adjusted based on the SELIC rate and are compensated in the subsequent tariff processes.

b) Neutrality of sector charges

This refers to the neutrality of the sector charges contained in the electric energy tariffs, calculating the monthly differences between the amounts billed relating to such charges and the respective amounts considered at the time the distributors' tariff was set.

c) Over contracting

Electric energy distribution concessionaires are required to guarantee 100% of their energy market through contracts approved, registered and ratified by ANEEL. It is also assured to the distribution concessionaires that costs or revenues derived from energy surplus will be passed through the tariffs, limited to 5% of the energy load requirement. These amounts are adjusted based on SELIC rate and are compensated in the subsequent tariff processes.

d) Other financial components

Refers mainly to:

(i) excess demand and excess reactive power that, will be amortized upon the approval of the periodic tariff review cycle;

(ii) recalculations of the tariff processes and;

(iii) tariff effect arising from the bilateral agreement between the parties signatories of the Power Trading Chamber in the Regulated Environment – CCEAR, and

(iv) financial guarantees for energy contracts.

24. CONTRACT ASSETS

	31 December 2019 HK$'000	31 December 2018 HK$'000 Restated	1 January 2018 HK$'000 Restated
Contract assets arising from:			
Sale of goods	972,516	1,181,110	1,135,520
Construction services	43,867,691	40,731,296	29,214,092
Impairment	(8,888)	(49,010)	(54,223)
Total	44,831,319	41,863,396	30,295,389

Contract assets are initially recognised for revenue earned from the sale of goods and construction services as the receipt of consideration is conditional on successful completion of installation of the industrial products and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of the year.

During the year ended 31 December 2019, HK$3,655,000 (2018: Nil) was recognised as an allowance for expected credit losses on contract assets.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000 Restated	1 January 2018 HK$'000 Restated
Within one year	5,851,833	4,582,525	3,223,692
After one year	38,979,486	37,280,871	27,071,697
Total contract assets	44,831,319	41,863,396	30,295,389

24. CONTRACT ASSETS (CONTINUED)

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	(49,010)	(54,223)
Impairment losses, net	(3,655)	-
Amounts utilized	43,251	-
Exchange realignment	526	5,213
At end of year	(8,888)	(49,010)

25. OTHER NON-CURRENT ASSETS

	31 December 2019 HK$'000	31 December 2018 HK$000	1 January 2018 HK$000
Loans due from an associate	496,250	501,173	554,488
Loans due from joint venture	1,644,742	1,562,093	1,655,551
Loans due from non-controlling shareholders of subsidiaries	-	-	20,323
Escrow deposit	1,463,541	1,727,117	1,982,208
Pledges, funds and restricted deposits	1,100,953	1,060,198	1,466,590
Taxes recoverable	716,138	375,443	405,838
Reserve accounts (a)	194,003	94,106	128,659
Others	2,473,291	2,316,998	1,668,135
	8,088,918	7,637,128	7,881,792

(a) Reserve accounts are balances stated as non-current to meet security interest requirements provided in the financing agreement with the National Bank for Economic and Social Development (BNDES). This account may only be transacted upon formal authorization from BNDES.

26. INVENTORIES

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Materials	326,991	336,520	321,317

27. TRADE RECEIVABLES

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Trade receivables	11,347,557	10,602,000	11,581,746
Impairment	(654,843)	(624,933)	(759,546)
	10,692,714	9,977,067	10,822,200

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Neither past due nor impaired	8,669,069	8,198,871
Past due but not Impaired:		
Less than 90 days	2,044,606	1,900,415
Over 90 days	633,882	502,714
	11,347,557	10,602,000

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	(624,933)	(759,546)
Impairment losses	(861,249)	(600,146)
Recovery of revenue	403,985	237,719
Write-off of accrued receivables	398,359	390,262
Exchange realignment	28,995	106,778
	(654,843)	(624,933)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Past due		
	Less than 90 days	Over 90 days	Total
Expected credit loss rate	22%	33%	24%
Gross carrying amount (HK$'000)	2,044,606	633,882	2,678,488
Expected credit losses (HK$'000)	445,662	209,181	654,843

28. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December 2019 HK$'000	31 December 2018 HK$'000 Restated	1 January 2018 HK$'000
Tax recoverable	1,082,229	947,328	1,248,879
Prepayments	308,519	166,296	577,427
Receivables-CDE	284,971	371,371	573,209
Orders in progress	253,056	288,485	394,552
Pledges, funds and restricted deposits	2,765	156,549	375,896
Dividend and interest on capital	386,731	476,374	256,056
Other receivables	741,205	967,067	561,843
	3,059,476	3,373,470	3,987,862
Impairment allowance	(56,076)	(58,013)	(71,072)
	3,003,400	3,315,457	3,916,790

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Receivables – CDE: refer to:

(i) low-income subsidies amounting to HK$ 32,743,000 (31 December 2018: HK$ 25,342,000).

(ii) other tariff discounts granted to consumers amounting to HK$ 252,209,000 (31 December 2018: HK$ 345,389,000).

(iii) tariff discounts – court injunctions amounting to HK$ 19,000 (31 December 2018: HK$ 641,000).

Orders in progress: encompass costs and revenues related to ongoing decommissioning or disposal of intangible assets and the service costs related to expenditure on projects in progress under the Energy Efficiency ("PEE") and Research and Development programs ("P&D"). Upon the closing of the respective projects, the balances are amortized against the respective liability recognized in Other Payables.

Pledges, funds and restricted deposits: refer to guarantees offered for transactions conducted in the CCEE and investments required by the subsidiaries' loans agreements.

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Marketable securities			
Through investment funds (a)	869,167	-	-
Direct investment (b)	775,314	-	-
	1,644,481	-	-

(a) This refers to amounts CPFL invested in government securities, Financial Bills ("LF") and Financial Treasury Bills ("LFT"), through investment fund quotas, yielding on average 99.87% of the CDI and with maturities as from September 2020.

(b) This refers to amounts CPFL invested in government securities and LFT, yielding on average 100% of the CDI, with maturities in September 2020.

30. CASH AND CASH EQUIVALENTS

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Cash and cash equivalents	16,613,927	8,503,198	14,487,713
Denominated in:			
Brazilian Real ("BRL")	15,262,711	7,230,748	14,048,602
AUD	220,898	207,822	194,613
USD	262,846	169,964	161,718
EUR	844,840	873,669	60,891
HKD	16,895	19,844	16,374
CNY	17	48	4,978
Others	5,720	1,103	537
	16,613,927	8,503,198	14,487,713

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their values.

At the end of the reporting period, the cash and bank balances of the Group denominated in Brazilian Real ("BRL") amounted to HK$ 15,262,711,000 (2018: HK$7,230,748,000). The BRL is not freely convertible into other currencies, however, according to the Brazilian regulation, the Group is permitted to exchange BRL for other currencies through financial institutions authorised to conduct foreign exchange business on certain conditions.

31. TRADE PAYABLES

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Trade payables	6,874,728	6,353,441	9,311,165
	6,874,728	6,353,441	9,311,165

The trade payables are unsecured and interest-free.

As of 31 December 2019 and 2018 the carrying values of trade payables approximated to their fair values due to the short-term maturities of these instruments.

32. OTHER PAYABLES AND ACCRUALS

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Amount due to related parties (Note 33 & 42)	314,750	320,508	279,219
Professional fees	379,579	215,405	89,579
Payroll payable	567,447	564,667	616,432
Dividend payable	1,578,895	1,152,363	904,145
Research & Development and Energy Efficiency	626,308	593,755	684,174
Other tax payable and regulatory charges	2,059,543	1,780,143	2,989,752
Other payables	2,012,112	1,315,539	1,206,219
	7,538,634	5,942,380	6,769,520

Research & Development and Energy Efficiency Programs: the subsidiaries in Brazil recognized liabilities relating to amounts already billed in tariffs (1% of net operating revenue), but not yet invested in the research & development and energy efficiency programs. These amounts are subject to adjustment for inflation at the SELIC rate, through the date of their realization. SELIC refers to one of the base interest rate for borrowings in Brazil.

33. AMOUNT DUE TO RELATED PARTIES

Name	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
State Grid International Development Co., Ltd.	155,642	157,604	116,806
State Grid Corporation, Qing Hai subsidiary	159,108	160,030	159,703
CLP International Travel Agency	-	2,874	2,710
	314,750	320,508	279,219

State Grid International Development Co., Ltd. is the Company's parent company. The amount due to related parties are unsecured, interest-free and have no fixed terms of repayment.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018			1 January 2018		
	Effective Interest Rate	Maturity	HK$'000	Effective Interest Rate	Maturity	HK$'000	Effective Interest Rate	Maturity	HK$'000
Current									
Bank Loans	(i)	2020	23,295,802	(i)	2019	22,400,850	(i)	2018	19,878,037
Current portion of long term bank loans	(ii)	2020	6,164,391	(ii)	2019	5,352,954	(ii)	2018	10,702,108
Current portion of debt securities	(iii)	2020	2,574,338	(iii)	2019	2,288,675	(iii)	2018	6,312,239
			32,034,531			30,042,479			36,892,384

	31 December 2019			31 December 2018			1 January 2018		
	Effective Interest Rate	Maturity	HK$'000	Effective Interest Rate	Maturity	HK$'000	Effective Interest Rate	Maturity	HK$'000
Non-current									
Bank Loans	(ii)	2021-2042	30,891,415	(ii)	2020-2042	34,692,471	(ii)	2019-2033	21,613,881
Debt securities	(iii)	2021-2035	51,300,831	(iii)	2020-2035	50,792,653	(iii)	2019-2035	53,553,917
Other Loans	(iv)	2025-2030	4,687,564	(iv)	2025-2030	4,811,835	(iv)		-
			86,879,810			90,296,959			75,167,798

(i) fixed rate of 0-0.01%, 1 month libor +0.39%-0.4%, 6 month libor+2.65%, 1 month euribor +0.01%, 3 month euribor +0.01%, 1 month hibor+0.35%, 1MBSSY+0.65%

(ii) fixed rate of 2.45%-10.14%, 6 month libor + 2.55%-2.65%, TJLP+ 0%-5.5%, libor + 2.55%-2.85%, IPCA+ 5.62%,4.74%-4.80% ,SELIC 2.19%-3.9%, 103.4%-105%CDI,CDI-1.25%-CDI+1.9%, IGPM+8.63%, UMBNDES+1.99%-5%, 3 months libor 0.8%-1.55%

(iii) fixed rate of 2%-5.50%, BBSW+1.6%, 105% DI, TR+9.00%, IPCA+4.42%-8.75%, TJLP+1% ,103.6%-109.75%CDI ,CDI+0.75%-0.83%

(iv) fixed rate of 1.4985%-2.2206%

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Analysed into:			
Bank loans repayable:			
Within one year	29,460,193	27,753,804	30,580,145
In the second year	2,947,638	3,340,164	4,875,336
In the third to fifth years, inclusive	14,326,105	11,085,664	9,750,672
Beyond five years	13,617,672	20,266,643	6,987,873
	60,351,608	62,446,275	52,194,026

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Other borrowings and debt securities repayable:			
Within one year	2,574,338	2,288,675	6,312,239
In the second year	7,300,887	1,721,961	1,815,573
In the third to fifth years, inclusive	20,209,504	27,880,418	29,396,093
Beyond five years	28,478,004	26,002,109	22,342,251
	58,562,733	57,893,163	59,866,156

(a) The bank loans are denominated in following currencies:

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
US$	26,437,812	18,142,688	16,501,053
BRL	21,223,701	19,412,751	15,848,764
EUR	6,081,392	16,350,384	14,625,821
AU$	6,608,703	8,540,452	5,218,388
	60,351,608	62,446,275	52,194,026

As at 31 December 2019, all bank loans of Euro are designated as the hedging instruments to hedge the net investments in CDP Reti and REN.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(b) The carrying amount of interest-bearing bank borrowings approximates their fair value due to that approximately all of the bank borrowings are bearing floating interest rate. The fair value of the interest-bearing bank borrowings fall into the level 2 of the fair value hierarchy.

Certain of the bank borrowings borrowed by some subsidiaries are guaranteed by the company.

(c) The Group's subsidiaries in Australia have following issued debt securities in different currencies. Amounts due within one year have been classified into current liabilities.

Bonds	Maturity	Interest rate
GBP 250 Million	Feb 2021	5.13%
USD 500 Million	Apr 2023	3.30%
AUD 150 Million	Mar 2020	BBSW+1.60%
AUD 350 Million	Mar 2021	5.50%
EUR 500 Million	Jun 2022	2.00%
AUD 350 Million	Jun 2023	3.75%
USD 500 Million	Jul 2026	3.25%
HKD 875 Million	May 2027	3.30%
USD 500 Million	Jul 2027	3.50%
AUD 250 Million	Sep 2024	3.75%
HKD 785 Million	Mar 2029	2.85%
AUD 92 Million	Jul 2029	2.79%
HKD 739 Million	Dec 2029	2.54%

(d) The Group's subsidiaries in Europe have following issued debt securities in different currencies. Amounts due within one year have been classified into current liabilities.

Bonds	Maturity	Interest rate
EUR 700 million	Jan 2022	1.54%
EUR 300 million	Jan 2027	2.53%

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

(e) The Group's subsidiaries in Brazil have following issued debt securities in different currencies. Amounts due within one year have been classified into current liabilities.

Bonds	Maturity	Interest rate
BRL 115 Million	Nov 2035	TR+9%
BRL 57 Million	Apr 2029	IPCA+8.75%
BRL 16 Million	Dec 2025	IPCA+8.0%
BRL 522 Million	Dec 2020	CDI + 0.83%
BRL 217 Million	Sep 2022	IPCA + 4.42%
BRL 361 Million	Sep 2024	IPCA + 4.66%
BRL 133 Million	Sep 2027	IPCA + 5.05%
BRL 243 Million	Feb 2022	CDI + 0.83%
BRL 254 Million	Feb 2022	109.5% of CDI
BRL 62 Million	Feb 2024	IPCA + 5.2901%
BRL 176 Million	Feb 2021	CDI + 0.83%
BRL 258 Million	Feb 2023	111.25% of CDI
BRL 135 Million	Feb 2024	IPCA + 5.3473%
BRL 220 Million	Jan 2021	CDI + 0.48%
BRL 474 Million	Aug 2020	CDI + 0.75%
BRL 52 Million	Oct 2021	IPCA+ 5.4764%
BRL 495 Million	Nov 2028	TJLP + 1%
BRL 132 Million	Jun 2023	CDI + 1.6%
BRL 325 Million	May 2022	CDI + 1.7%
BRL 276 Million	Mar 2021	114% of CDI
BRL 298 Million	May 2020	117.25% of CDI
BRL 110 Million	Dec 2023	129.5% of CDI
BRL 260 Million	Jul 2022	IPCA + 5.62%
BRL 318 Million	Mar 2023	107.75% of CDI
BRL 212 Million	Mar 2023	107.75% of CDI
BRL 153 Million	Nov 2020	110% of CDI
BRL 190 Million	Jan 2021	CDI + 0.48%
BRL 197 Million	Aug 2025	IPCA + 5.80%
BRL 215 Million	Jan 2021	CDI + 0.48%
BRL 220 Million	Aug 2025	IPCA + 5.80%
BRL 220 Million	Jan 2021	CDI + 0.48%
BRL 700 Million	May 2021	105.75% of CDI
BRL 700 Million	May 2023	107.50% of CDI
BRL 1380 Million	Jan 2021	CDI + 0.48%
BRL 138 Million	Feb 2021	105% of CDI
BRL 220 Million	Jan 2025	108.25% of CDI
BRL 1380 Million	May 2025	107% of CDI
BRL 215 Million	May 2025	107% of CDI
BRL 190 Million	May 2023	107% of CDI
BRL 740 Million	May 2025	107% of CDI
BRL 300 Million	Nov 2023	104.75% of CDI
BRL 538 Million	Nov 2025	106% of CDI
BRL 112 Million	Jun 2026	IPCA+4.45%

35. CONTRACT LIABILITIES

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Contract liabilities arising from:			
Sale of goods	772,717	771,680	1,048,576
Total	772,717	771,680	1,048,576

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Within one year	689,115	673,184	996,059
More than one year	83,602	98,496	52,517
Total contract liabilities	772,717	771,680	1,048,576

The contract liabilities primarily relate to the advance from customers and other non-current liabilities for which revenue is recognised when the performance obligation is satisfied.

The amount of revenue recognised in the year ended 31 December 2019 from performance obligations satisfied (or partially satisfied).

36. PRIVATE PENSION PLAN

The subsidiaries sponsor supplementary retirement and pension plans for their employees. The main characteristics of these plans are as follows:

36.1 Characteristics

CPFL Paulista

The plan currently in force for the employees of the subsidiary CPFL Paulista through FUNCESP is a Mixed Benefit Plan, with the following characteristics:

(i) Defined Benefit Plan ("BD") – in force until 31 October 1997 – a defined benefit plan, which grants a Proportional Supplementary Defined Benefit ("BSPS"), in the form of a lifetime income convertible into a pension, to participants enrolled prior to 31 October 1997, the amount being defined in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. The total responsibility for coverage of actuarial deficits of this plan falls to the subsidiary.

(ii) Mixed model, as from 1 November 1997, which covers:

-benefits for risk (disability and death), under a defined benefit plan, in which the subsidiary assumes responsibility for Plan's actuarial deficit, and

-scheduled retirement, under a variable contribution plan, consisting of a benefit plan, which is a defined contribution plan up to the granting of the income, and does not generate any actuarial liability for the subsidiary CPFL Paulista. The benefit plan only becomes a defined benefit plan, consequently generating actuarial responsibility for the subsidiary, after the granting of a lifetime income, convertible or not into a pension.

Additionally, the subsidiary's Managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

CPFL Piratininga

As a result of the spin-off of Bandeirante Energia S.A. (subsidiary's predecessor), the subsidiary CPFL Piratininga assumed the responsibility for the actuarial liabilities of that company's employees retired and terminated until the date of spin-off, as well as for the obligations relating to the active employees transferred to CPFL Piratininga.

On 2 April 1998, the Secretariat of Pension Plans – "SPC" approved the restructuring of the retirement plan previously maintained by Bandeirante, creating a "Proportional Supplementary Defined Benefit Plan – BSPS", and a "Mixed Benefit Plan", with the following characteristics:

(i) Defined Benefit Plan ("BD") - in force until 31 March 1998 – a defined benefit plan, which grants a Proportional Supplementary Defined Benefit (BSPS), in the form of a lifetime income convertible into a pension to participants enrolled until 31 March 1998, in an amount calculated in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. CPFL Piratininga has full responsibility for covering the actuarial deficits of this Plan.

36. PRIVATE PENSION PLAN (CONTINUED)

36.1 Characteristics (Continued)

CPFL Piratininga (Continued)

(ii) Defined Benefit Plan - in force after 31 March 1998 – defined-benefit type plan, which grants a lifetime income convertible into a pension based on the past service time accumulated after 31 March 1998, based on 70% of the average actual monthly salary for the last 36 months of active service. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. The responsibility for covering the actuarial deficits of this Plan is equally divided between the subsidiary and the participants.

(iii) Variable Contribution Plan – implemented together with the Defined Benefit plan effective after 31 March 1998. This is a defined-contribution type pension plan up to the granting of the income, and generates no actuarial liability for CPFL Piratininga. The pension plan only becomes a Defined Benefit type plan after the granting of the lifetime income, convertible (or not) into a pension, and accordingly starts to generate actuarial liabilities for the subsidiary.

Additionally, the subsidiary's Managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

RGE Sul (RGE)

The subsidiary RGE has retirement and pension plans for its employees and former employees managed by Fundação CEEE de Previdência Privada, comprising:

(i) "Plan 1" ("Plano Único RGE"): A "defined benefit" plan with benefit level equal to 100% of the inflation adjusted average of the last salaries, deducting the presumed benefit from the Social Security, with a Segregated Net Asset, that is closed to new participants since 1997. This plan was recorded at the dissolved Rio Grande Energia S.A. until the merger of the distribution companies approved on 31 December 2018; and;

(ii) "Plan 2" ("Plano Único RGE Sul"): A "defined benefit" plan that is closed to new participants since February 2011. The subsidiary's contribution matches the contribution from the benefitted employees, in the proportion of one for one, including as regards the Fundação's administrative funding plan.

For employees hired after the closing of the plans of Fundação CEEE, "defined contribution" private pension plans were implemented, being Bradesco Vida e Previdência for employees hired between 1997 and 2018 by the dissolved Rio Grande Energia S.A., and Itauprev for employees hired by RGE as from 2011, as well as for new employees to be hired after the event of merger of the distribution companies.

CPFL Santa Cruz

With the 2017 merger event, the company's official plan is the CMSPREV, managed by IHPREV Fundo de Pensão. The same plan was maintained for employees that had the benefits plan managed by BB Previdência - Fundo de Pensão from Banco do Brasil.

36 PRIVATE PENSION PLAN (CONTINUED)

36.1 Characteristics (Continued)

CPFL Geração

The employees of the subsidiary CPFL Geração participate in the same pension plan as CPFL Paulista.

In addition, managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

36.2 Balance sheet amounts of the defined benefit plans

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Present value of actuarial obligations	17,845,861	15,355,474	16,196,584
Fair value of plan's assets	(13,423,390)	(12,930,583)	(14,062,449)
Present value of obligations (fair value of assets), net	4,422,471	2,424,891	2,134,135
Effect of asset ceiling	148,609	60,746	50,497
Net actuarial liability recognized in the statement of financial position	4,571,080	2,485,637	2,184,632

The changes in the present value of the actuarial obligations and the fair value of the plan's assets are as follows:

	2019 HK$'000	2018 HK$'000
Opening present value of actuarial obligations	15,355,474	16,196,584
Gross current service cost	17,378	16,663
Interest on actuarial obligations	1,290,606	1,268,673
Participants' contributions transferred during the year	7,040	6,750
Actuarial (gain)/loss: effect of changes in demographic assumptions	(6,074)	697
Actuarial loss: effect of changes in financial assumptions	3,047,723	1,315,565
Benefits paid during the year	(1,189,475)	(1,127,522)
Exchange realignment	(676,811)	(2,321,936)
Closing present value of actuarial obligations	17,845,861	15,355,474

36. PRIVATE PENSION PLAN (CONTINUED)

36.2 Balance sheet amounts of the defined benefit plans (Continued)

	2019 HK$'000	2018 HK$'000
Opening fair value of actuarial assets	(12,930,583)	(14,062,449)
Expected return during the year	(1,095,791)	(1,107,699)
Participants' contributions transferred during the year	(7,044)	(6,750)
Sponsors' contributions	(277,323)	(214,154)
Actuarial gain: return on actuarial assets	(872,054)	(683,040)
Benefits paid during the year	1,189,475	1,127,522
Exchange realignment	569,930	2,015,987
Closing fair value of actuarial assets	(13,423,390)	(12,930,583)

36.3 Movements in recognized assets and liabilities

The changes in net liability are as follows:

	2019 HK$'000	2018 HK$'000
Net actuarial liability at 1 January	2,485,637	2,184,632
Expenses recognized in the statement of profit or loss	217,594	181,751
Sponsors' contributions transferred during the year	(277,323)	(214,154)
Actuarial (gain)/loss: effect of changes in demographic assumptions	(6,074)	697
Actuarial loss: effect of changes in financial assumptions	3,047,723	1,315,563
Actuarial gain: return on actuarial assets	(872,054)	(683,042)
Effect of asset ceiling	85,135	13,378
Exchange realignment	(109,558)	(313,188)
Net actuarial liability at 31 December	4,571,080	2,485,637
Other contributions	24,510	27,617
Total liability	4,595,590	2,513,254
Current	434,501	175,108
Non-current	4,161,089	2,338,146

36. PRIVATE PENSION PLAN (CONTINUED)

36.4 Recognition of private pension plan income and expense

Supported by the opinion of external actuarial estimate, CPFL's management presents the estimate of the expenses (income) to be recognized in 2020 and the expense (income) recognized in 2019 and 2018 are as follows:

	2019 HK$'000	2018 HK$'000
Service cost	17,378	16,663
Interest on actuarial obligations	1,290,606	1,268,673
Expected return on plan assets	(1,095,791)	(1,107,699)
Effect of asset ceiling	5,401	4,114
Total expense	217,594	181,751

36.5 Principal actuarial assumptions

The main assumptions taken into consideration in the actuarial calculation at the end of the reporting period were as follows:

	CPFL Paulista, CPFL Geração and CPFL Piratininga 31 December 2019	RGE(Plans 1 e 2) 31 December 2019
Nominal discount rate for actuarial liabilities:	7.43% p.a.	7.43% p.a.
Nominal return rate on plan assets:	7.43% p.a.	7.43% p.a.
Estimated rate of nominal salary increase:	5.56% p.a. (*)	5.97% p.a. (**)
Estimated rate of nominal benefits increase:	4.00%p.a.	4.00%p.a.
Estimated long-term inflation rate (basis for determining the nominal rates above)	4.00%p.a.	4.00%p.a.
General biometric mortality table:	AT-2000 (-10)	BR-EMS sb v.2015
Biometric table for the onset of disability:	Low Light	Medium Light
Expected turnover rate:	ExpR_2012	Null
Likelihood of reaching retirement age:	After 15 years of membership and 35 years of service time for men and 30 years for women	100% on first eligibility to a full retirement benefit

(*) Estimated rate of nominal salary increase for CPFL Piratininga was 6.39% p.a. at 31 December 2019 and 2018.
(**) Estimated rate of nominal salary increase for RGE (plan 1) was 5.15% p.a. at 31 December 2019 and 2018.

36. PRIVATE PENSION PLAN (CONTINUED)

36.6 Plan Assets

The following tables show the allocation (by asset segment) of the assets of the Group CPFL pension plans, at 31 December 2019 and 2018 managed by FUNCESP and Fundação CEEE. The tables also show the distribution of the guarantee resources established as target for 2020, obtained in light of the macroeconomic scenario in December 2019.

Assets managed by the plans are as follows:

	Assets managed by Fundação CESP		Assets managed by Fundação CEEE	
	CPFL Paulista and CPFL Geração	CPFL Piratininga	RGE	RGE Sul
	2019	2018	2019	2018
Fixed rate	75.0%	76.0%	75.0%	74.0%
Federal government bonds	61.0%	58.0%	66.0%	64.0%
Corporate bonds (financial institutions)	1.0%	2.0%	5.0%	5.0%
Corporate bonds (non-financial institutions)	0.0%	0.0%	2.0%	3.0%
Multimarket funds	4.0%	4.0%	2.0%	2.0%
Other fixed income investments	9.0%	12.0%	0.0%	0.0%
Variable income	17.0%	17.0%	21.0%	21.0%
Investment funds - shares	17.0%	17.0%	21.0%	21.0%
Structured investments	4.0%	4.0%	0.0%	1.0%
Equity funds	0.0%	0.0%	0.0%	0.0%
Real estate funds	0.0%	0.0%	0.0%	1.0%
Multimarket fund	4.0%	4.0%	0.0%	0.0%
Total quoted in an active market	96.0%	97.0%	96.0%	96.0%
Real estate	3.0%	2.0%	2.0%	2.0%
Transactions with participants	1.0%	1.0%	2.0%	2.0%
Other investments	0.0%	0.0%	0.0%	0.0%
Escrow deposits and others	0.0%	0.0%	0.0%	0.0%
Total not quoted in an active market	4.0%	3.0%	4.0%	4.0%

36.7 Sensitivity Analysis

The significant actuarial assumptions for determining the defined benefit obligation are discount rate and mortality. The following sensitivity analyses were based on reasonably possible changes in the assumptions at the end of the reporting period, with the other assumptions remaining constant.

Furthermore, in the presentation of the sensitivity analysis, the present value of the defined benefit obligation was calculated using the projected unit credit method at the end of the reporting period, the same method used to calculate the defined benefit obligation recognized in the statement of financial position, according to HKAS 19.

36. PRIVATE PENSION PLAN (CONTINUED)

36.7 Sensitivity Analysis (Continued)

See below the effects on the defined benefit obligation if the discount rate were 0.25 percentage points lower (higher) and if life expectancy were to decrease (increase) in one year:

	Increase (decrease)	CPFL Paulista	CPFL Piratininga	CPFL Geração	RGE Sul Plan 1	RGE Sul Plan 2	Total
Nominal discount (p.a.)*	-0,25p.p.	310,065	109,067	7,954	25,695	41,639	494,420
	+0,25p.p.	(296,724)	(103,538)	(7,590)	(24,509)	(39,529)	(471,890)
General biometric mortality table**	+1 year	(328,295)	(79,197)	(7,739)	(21,367)	(30,835)	(467,433)
	-1 year	327,007	78,210	7,716	21,096	30,422	464,451

* The Company´s assumption based on the actuarial report for the nominal discount rate was 7.43% p.a.. The projected rates are increased or decreased by 0.25 p.p. to 7.18% p.a. and 7.68% p.a..

** The Company's assumption based on the actuarial report for the mortality table was AT-2000 (-10) for Fundação CESP and BREMS sb v.2015 for Fundação Família Previdência. The projections were performed with 1 year of aggravation or softening on the respective mortality tables.

36.8 Investment risk

The major part of the resources of CPFL's benefit plans is invested in the fixed income segment and, within this segment, the greater part of the funds is invested in federal government bonds, indexed to the IGP-M, IPCA and SELIC, which are the indexes for adjustment of the actuarial liabilities of CPFL's plans (defined benefit plans), representing the matching between assets and liabilities.

Management of CPFL's benefit plans is monitored by the Investment and Pension Plan Management Committee, which includes representatives of active and retired employees, as well as members appointed by CPFL. Among the duties of the Committee are the analysis and approval of investment recommendations made by investment managers of Fundação CESP, which occurs at least quarterly.

Fundações CESP and Família Pervidência use the following tools to control market risks in the fixed income and variable income segments: VaR, Traking Risk, Tracking Error and Stress Test.

Fundação Família Previdência also uses Sharpe, Generalized Sharpe and Drawn Down. In addition, to assess the market risk exposure of the plans' portfolios, the Base EBA Year Exposure is calculated and Stress Simulations are performed. The EBA consists of a metric that expresses the risk exposure of the portfolio as a percentage of equity, considering the sum of the exposures generated by each asset, based on the definition of increase/decrease of the respective risk factors.

Fundações CESP and Família Previdência Investment Policies determine additional restrictions that, along with those already established by law, define the percentages of diversification for investments and establish the strategy of the plans, including the limit of credit risk in assets issued or co-obligation of the same legal entity to be adopted internally.

37. PROVISION

		31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Current provision				
Employee benefits		553,444	643,399	704,597
Environmental and restoration	(a)	310,693	354,558	263,006
Other provision		154,374	49,456	59,976
		1,018,511	1,047,413	1,027,579
Non-current provision				
Environmental and restoration	(a)	520,849	619,982	908,587
Employee benefits		69,968	86,694	97,563
Decommissioning	(b)	291,935	238,040	160,917
Tax proceedings	(c)	4,046,033	2,904,028	3,584,729
Civil proceedings	(c)	963,202	1,503,847	1,889,866
Rights proceedings	(c)	4,182	4,866	2,055
Labour proceedings	(c)	512,849	1,065,680	1,331,119
Environment proceedings	(c)	63,291	57,827	71,890
Other provision	(c)	164,959	197,144	254,172
		6,637,268	6,678,108	8,300,898

(a) The Group's subsidiaries in Brazil and Australia have sites to be rehabilitated where the provision is provided based on the projected cost. The liability is determined based on the present value of each applicable environmental and restoration obligation as appropriate.

(b) The Group's subsidiaries in Australia have legal or constructive obligations as a result of past events. The provision is made on the basis of estimated current cost of detailed plans prepared. For changes in the expected decommissioning costs, an adjustment is recorded against the carrying value of the provision and any plant and equipment.

(c) The Group's subsidiaries in Brazil and Australia are involved in tax, civil, labour, environmental and others proceedings, arising in the normal course of its business and are discussing these issues, both in the administrative and judicial sphere. Provision for possible losses arising from such proceedings are estimated and updated by the Group's management, supported by the opinion of its independent legal advisors.

The Group's subsidiaries in Brazil are operating in accordance with the Brazilian laws, meeting the environment, hygiene, safety and occupational health requirements. In the operation phase of the Group's business, environmental programs are developed in order to mitigate and offset the impacts.

38. SHARE CAPITAL

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Issued and fully paid: 21,429,327,845 (31 December 2018: 21,429,327,845) ordinary shares of HK$1.00 each	21,429,328	21,429,328	21,429,328
Issued and fully paid: 109,087,660,027 (31 December 2018: 109,087,660,027) preference shares of HK$1.00 each	109,087,660	109,087,660	108,168,441
Total	130,516,988	130,516,988	129,597,769

A summary of the transactions during the year with reference to the above movements in the Group's issued ordinary share capital is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	21,429,328	21,429,328
New issues	-	-
At 31 December	21,429,328	21,429,328

A summary of the transactions during the year with reference to the above movements in the Group's issued preference share capital is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	109,087,660	108,168,441
New issues	-	919,219
At 31 December	109,087,660	109,087,660

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

40. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

The Group provided guarantees to certain joint ventures amounted to approximately HK$4,624,413,000 (31 December 2018: HK$5,751,625,000).

(b) The Group's subsidiaries in Brazil and Australia are involved in tax, civil, labour and others proceedings, arising in the normal course of its business. Provision for possible losses arising from such proceedings are estimated and updated by the Group's management, supported by the opinion of its independent legal advisors. Details of probable loss expected can be found in Note 37.(Provision)

(c) In the ordinary course of SGBH's business, they are parties to legal proceedings of civil, tax, labour and environmental natures, and set up provisions for legal proceedings at amounts deemed sufficient by management and legal advisors to cover probable losses. These provisions are presented according to the nature of the corresponding proceedings:

	2019 Consolidated	2018 Consolidated
Tax	165,482,889	162,453,212
Civil	34,967,447	8,699,289
Environmental	8,989,733	13,912,058
Labour	21,941,569	74,342,910
	231,381,638	259,407,469

(d) SGSPAA's joint venture ActewAGL Distribution Partnership(ADP) had contingent liabilities of HK$25.63 million as at 31 December 2019 (as at 31 December 2018: HK$25.88 million) relating to bank guarantees.

(e) CPFL is involved in civil, tax, labour and regulatory proceedings.

The Group is part to other lawsuits in which Management, supported by its external legal counsellors, believes that the chances of a successful outcome are possible due to a solid defensive position in these cases, therefore no provision was recognized. It is not yet possible to predict the outcome of the courts' decisions or any other decisions in similar proceedings considered probable or remote.

	2019 Consolidated	2018 Consolidated
Labour	1,127,262	1,590,720
Civil	3,507,582	3,296,319
Tax	8,407,370	7,727,159
Tax-others	5,129,229	4,805,310
Regulatory	147,643	282,187
	18,319,086	17,701,695

40. CONTINGENT LIABILITIES (CONTINUED)

(f) In 2016, the subsidiary CPFL Renováveis received a tax infringement notice in the amount of BRL 327,547 relating to the collection of Withholding Income Tax - IRRF on the remuneration of capital gain incurred with parties resident and/or domiciled abroad, arising from the sale of Jantus SL in December 2011, for which the Company's management, supported by the opinion of its outside legal counsellors, assessing the chances of loss as not probable;

In 2016 the subsidiary CPFL Geração received a tax infringement notice in the inflation adjusted amount of BRL 482,734 related to the collection of IRPJ and CSLL for the calendar year 2011, calculated on the alleged capital gain identified on the acquisition of ERSA Energias Renováveis S.A. and on the recording of differences in the fair value remeasurement of SMITA Empreendimentos e Participações S.A., company acquired in a downstream merger, for which the Company's management, supported by the opinion of its outside legal counsellors, assessing the chances of loss as not probable.

As regards labour contingencies, there is a discussion about the possibility of changing the inflation adjustment index adopted by the Labour Court. Currently there is a decision from the Supreme Federal Court (STF) that suspends the change ruled by the Superior Labour Court (TST), which intended to replace the index currently adopted by the Labour Court ("TR") by the IPCA-E. The Supreme Court considered that the TST's decision entailed an unlawful interpretation and was not compliant with the determination of the effects of prior court decisions, violating its competence to decide on a constitutional matter. In view of such decision, and until a final decision is issued by the STF, the current index adopted by the Labour Court ("TR") remains valid, which has been acknowledged by the TST in recent decisions. Therefore, the Group's management considers the risk of losses as possible and as the matter still requires definition by the Courts, it is not possible to reasonably estimate the amounts involved. In addition, in accordance with Law No. 13,467 of 11 November 2017, the TR is the inflation adjustment index of the Labour Court since the law came into effect.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk, equity price risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Interest rate risk
The Group's exposure to interest rate risk relates principally to the Group's short term and long term bank loans which are based on the floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has used interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2019, if the interest rates on borrowings had been 100 basis points higher, with all other variables held constant, the profit after tax for the year would have been HK$ 434,522,000 (2018:HK$453,982,000) lower as a result of higher interest expenses on bank borrowings.

Foreign currency risk
The Group has its 92% of cash and cash equivalents at Brazilian Real ("BRL") and 5% at Euro ("EUR"), and its 44% of interest-bearing bank borrowings at United States dollars ("USD"), 35% at BRL, 11% at AUD and 10% at EUR at 31 December 2019. The exchange rate fluctuation would affect the Group's operation. The Group tries to minimize the foreign currency risk by monitoring and analysing the fluctuation of exchange rate on a daily basis.

Besides, the Group has net investments in foreign operation. The functional currencies of the Group's jointly-controlled ventures and associates mainly include Philippines Peso ("PHP"), AU$ and Euro, while the functional currencies of the Group's subsidiaries in Brazil and Australia, are BRL and AUD respectively. The exchange rate fluctuation of those foreign currencies against HKD would significantly affect the Group's other comprehensive income. The Group tries to minimise the foreign currency risk by monitoring and analysing the fluctuation on a quarterly basis based on the management accounts reported. In addition, as at 31 December 2019, the Group designated loans of Euro1.5 billion as the hedging instruments to hedge the net investments in REN, CDP Reti in order to hedge the foreign currency risk.

Credit risk
The carrying amounts of cash and cash equivalents, trade receivables, investments and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. All the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong, Brazil and Australia, which management believes are of high credit quality. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The directors consider that the Group does not have a significant concentration of credit risk.

The Group also exposes to credit risk arises from trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group applies the simplified approach to most of its trade receivables to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. In addition, trade receivables balance is monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified HK$'000	Total HK$'000
Trade receivable*	-	-	-	11,347,557	11,347,557
Contract assets*	-	-	-	44,840,207	44,840,207
Financial assets included in prepayments and other current assets					
– Normal**	1,359,596	-	-	-	1,359,596
– Doubtful**	-	-	56,076	-	56,076
Cash and cash equivalents	16,613,927	-	-	-	16,613,927
Financial assets in other non-current assets	7,372,780	-	-	-	7,372,780
Total	25,346,303	-	56,076	56,187,764	81,590,143

*For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Notes 24 and 27 to the consolidated financial statements.
**The credit quality of the financial assets included in prepayments and other current assets and financial assets included in other non–current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2018
The carrying amounts of cash and cash equivalents, trade receivables, investments and other current assets except for prepayments represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The directors consider that the Group does not have a significant concentration of credit risk.

Equity price risk
The Group's exposure to equity price risk relates principally to the Group's investments in equity securities. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group is exposed to equity price changes arising from equity investments classified as equity investments at fair value through other comprehensive income. Listed investment has been chosen based on its longer term growth potential and is monitored regularly for performance against expectations.

If the prices of the respective equity investments had been 1% higher/lower, with all other variables held constant, the Group's equity investment designated at fair value through other comprehensive income would have increased/decreased by approximately HK$101,713,000 at 31 December 2019 (2018:HK$97,627,000) as a result of the changes in the fair value.

Liquidity risk
The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019/12/31	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	
	Designated as such upon initial recognition		Equity investment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income	-	-	10,171,299	10,171,299
Other equity instrument investments*	-	-	244,031	244,031
Sector financial assets	-	2,118,560	-	2,118,560
Financial assets - concession rights	16,983,494	-	-	16,983,494
Financial assets at fair value through profit or loss	1,644,481	-	-	1,644,481
Trade receivables	-	10,692,714	-	10,692,714
Financial assets included in prepayments, other receivables and other assets	-	1,415,672	-	1,415,672
Derivative financial instruments	4,276,252	-	-	4,276,252
Cash and cash equivalents	-	16,613,927	-	16,613,927
Other non-current assets	-	7,372,780	-	7,372,780
	22,904,227	38,213,653	10,415,330	71,533,210

*As at 31 December 2019, certain unlisted equity investments with a carrying amount of HK$244,031,000 (2018:HK$249,592,000) were stated at fair value. Because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably and cost is the best estimate of it. The Group does not intend to dispose of them in the near future.

2019/12/31	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Financial liabilities at amortized cost	Total
	HK$'000	HK$'000	HK$'000
Sector financial liabilities	-	198,190	198,190
Trade payables	-	6,874,728	6,874,728
Financial liabilities included in other payables and accruals	-	4,911,644	4,911,644
Derivative financial instruments	1,517,394	-	1,517,394
Interest-bearing bank and other borrowings**	9,679,492	109,234,849	118,914,341
Lease liabilities	-	773,813	773,813
	11,196,886	121,993,224	133,190,110

**The amount includes the part of recognising credit risk on financial liabilities designated at fair value through profit or loss in own credit reserve.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

2018/12/31	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	
	Designated as such upon initial recognition		Equity investment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income	-	-	9,762,744	9,762,744
Other equity instrument investments	-	-	249,592	249,592
Sector financial assets	-	3,143,151	-	3,143,151
Financial assets - concession rights	15,070,775	-	-	15,070,775
Trade receivables	-	9,977,067	-	9,977,067
Financial assets included in prepayments, other receivables and other assets	-	1,913,348	-	1,913,348
Derivative financial instruments	3,821,873	-	-	3,821,873
Cash and cash equivalents	-	8,503,198	-	8,503,198
Other non-current assets	-	7,261,685	-	7,261,685
	18,892,648	30,798,449	10,012,336	59,703,433

2018/12/31	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Financial liabilities at amortized cost	Total
	HK$'000	HK$'000	HK$'000
Sector financial liabilities	-	94,410	94,410
Trade payables	-	6,353,441	6,353,441
Financial liabilities included in other payables and accruals	-	3,597,570	3,597,570
Derivative financial instruments	661,652	-	661,652
Interest-bearing bank and other borrowings	11,383,582	108,955,856	120,339,438
Lease liabilities	-	268,350	268,350
	12,045,234	119,269,627	131,314,861

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

2018/1/1	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	
	Designated as such upon initial recognition		Equity investment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income	-	-	11,204,413	11,204,413
Other equity instrument investments*	-	-	284,059	284,059
Sector financial assets	-	1,335,262	-	1,335,262
Financial assets - concession rights	14,987,164	-	-	14,987,164
Trade receivables	-	10,822,200	-	10,822,200
Financial assets included in prepayments, other receivables and other assets	-	1,695,932	-	1,695,932
Derivative financial instruments	3,661,113	-	-	3,661,113
Cash and cash equivalents	-	14,487,713	-	14,487,713
Other non-current assets	-	7,475,954	-	7,475,954
	18,648,277	35,817,061	11,488,472	65,953,810

2018/1/1	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Financial liabilities at amortized cost	Total
	HK$'000	HK$'000	HK$'000
Sector financial liabilities	-	114,441	114,441
Trade payables	-	9,311,165	9,311,165
Financial liabilities included in other payables and accruals	-	3,163,336	3,163,336
Derivative financial instruments	1,274,266	-	1,274,266
Interest-bearing bank and other borrowings**	11,464,961	100,595,221	112,060,182
Lease liabilities	-	309,344	309,344
	12,739,227	113,493,507	126,232,734

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2019/12/31	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	42,697,224	58,523,435	71,663,431	172,884,090
Lease liabilities	153,136	600,642	145,557	899,335
Trade payables	6,874,728	-	-	6,874,728
Financial liabilities included in other payables and accrued liabilities, excluding accrued interest	4,911,644	-	-	4,911,644
Derivative financial liabilities	469,684	932,102	286,485	1,688,271
Sector financial liability	-	198,190	-	198,190
	55,106,416	60,254,369	72,095,473	187,456,258

2018/12/31	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	35,227,177	59,767,955	74,263,465	169,258,597
Lease liabilities	37,824	157,005	351,676	546,505
Trade payables	6,353,441	-	-	6,353,441
Financial liabilities included in other payables and accrued liabilities, excluding accrued interest	3,597,570	-	-	3,597,570
Derivative financial liabilities	204,021	178,641	-	382,662
Sector financial liability	-	94,410	-	94,410
	45,420,033	60,198,011	74,615,141	180,233,185

2018/1/1	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	40,550,298	50,818,560	48,249,072	139,617,930
Lease liabilities	43,726	180,216	451,996	675,938
Trade payables	9,311,165	-	-	9,311,165
Derivative financial liabilities	367,630	802,967	818,936	1,989,533
Financial liabilities included in other payables and accrued liabilities, excluding accrued interest	3,172,592	-	-	3,172,592
Sector financial liability	94,654	19,787	-	114,441
	53,540,065	51,821,530	49,520,004	154,881,599

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt.Net debt is calculated as the total of interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	31 December 2019 HK$'000	31 December 2018 HK$'000 Restated	1 January 2018 HK$'000 Restated
Interest-bearing bank borrowings	65,039,172	67,258,110	52,194,026
Debt securities	53,875,169	53,081,328	59,866,156
Lease liabilities	773,813	268,350	309,344
Trade payables	6,874,728	6,353,441	9,311,165
Other payables and accruals	7,538,634	5,942,380	6,769,520
Less: Cash and cash equivalents	(16,613,927)	(8,503,198)	(14,487,713)
Net debt	117,487,589	124,400,411	113,962,498
Equity	139,125,573	133,812,282	154,166,092
Net debt and equity	256,613,162	258,212,693	268,128,590
Gearing ratio	46%	48%	43%

42. RELATED PARTY TRANSACTIONS

In addition to the transaction disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2019 HK$'000	2018 HK$'000
Assets			
Intercompany loans receivable		3,970,589	5,517,169
Dividends and interests receivable		385,819	388,927
Energy purchases and sales, and charges	(i)	11,347	1,906
Intangible assets, property, plant and equipment, materials and services rendered	(ii)	408	1,117
Other		402,036	407,672
Liabilities			
Intercompany loans payable		12,773,776	12,887,036
Dividends payable		1,578,895	296,991
Energy purchases and sales, and charges	(i)	238,880	276,733
Advances	(iii)	-	6,388
Other payables and accruals		314,750	326,505
P&L			
Energy purchases and sales, and charges	(i)	(714,581)	(803,746)
Loan interest expense		(182,929)	(152,432)
Intangible assets, property, plant and equipment, materials and services rendered	(ii)	13,462	13,508
Other		(10,960)	(15,662)
Guarantee	(iv)	4,624,413	5,751,625

Notes:

(i) Purchase and sale of energy and charges - refer basically to energy purchased or sold by distribution, commercialization and generation subsidiaries through short or long-term agreements and tariffs for the use of the distribution system (TUSD). Such transactions, when conducted in the free market, are carried out under conditions considered by the Company as similar to market conditions at the time of the trading, according to internal policies previously established by the Company's management. When conducted in the regulated market, the prices charged are set through mechanisms established by the regulatory authority.
(ii) Intangible assets, Property, plant and equipment, Materials and Service – refers mainly to rendered services in advisory and management of energy plants, consulting and engineering.
(iii) Advances – refer to advances for investments in research and development.
(iv) The amount represented the counter-guarantees provided by the Group to certain joint ventures for their bank loans and performance guarantee.

43. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2019	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income	10,171,299	-	-	10,171,299
Other equity instrument investments	-	-	244,031	244,031
Derivative financial assets	13,027	4,252,753	10,472	4,276,252
Financial assets-concession rights	-	-	16,983,494	16,983,494
Financial assets at fair value through profit or loss	1,644,481	-	-	1,644,481
	11,828,807	4,252,753	17,237,997	33,319,557

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2018	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income	9,762,744	-	-	9,762,744
Other equity instrument investments	-	-	249,592	249,592
Derivative financial assets	-	3,788,788	33,085	3,821,873
Financial assets-concession rights	-	-	15,070,775	15,070,775
	9,762,744	3,788,788	15,353,452	28,904,984

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 1 January 2018	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments designated at fair value through other comprehensive income	11,204,413	-	-	11,204,413
Other equity instrument investments	-	-	284,059	284,059
Derivative financial assets	1,798,866	1,739,402	122,845	3,661,113
Financial assets-concession rights	-	-	14,987,164	14,987,164
	13,003,279	1,739,402	15,394,068	30,136,749

43. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2019	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank borrowings	-	9,679,492	-	9,679,492
Derivative financial liabilities	21,146	1,496,248	-	1,517,394
	21,146	11,175,740	-	11,196,886

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2018	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank borrowings	-	11,383,582	-	11,383,582
Derivative financial liabilities	39,865	621,787	-	661,652
	39,865	12,005,369	-	12,045,234

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 1 January 2018	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank borrowings	-	11,464,961	-	11,464,961
Derivative financial liabilities	537,190	737,076	-	1,274,266
	537,190	12,202,037	-	12,739,227

43. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Financial assets						
Equity investments designated at fair value through other comprehensive income	10,171,299	9,762,744	11,204,413	10,171,299	9,762,744	11,204,413
Other equity instrument investments	244,031	249,592	284,059	244,031	249,592	284,059
Financial assets-concession rights	16,983,494	15,070,775	14,987,164	16,983,494	15,070,775	14,987,164
Financial assets at fair value through profit or loss	1,644,481	-	-	1,644,481	-	-
Derivative financial assets	4,276,252	3,821,873	3,661,113	4,276,252	3,821,873	3,661,113
	33,319,557	28,904,984	30,136,749	33,319,557	28,904,984	30,136,749
Financial liabilities						
Interest-bearing bank borrowings	118,914,341	120,339,438	112,060,182	118,914,341	120,339,438	112,060,182
Derivative financial liabilities	1,517,394	661,652	1,274,266	1,517,394	661,652	1,274,266
	120,431,735	121,001,090	113,334,448	120,431,735	121,001,090	113,334,448

Management has assessed that the fair values of cash and short-term deposits, trade receivables, amounts due from a director/a related company/fellow subsidiaries, trade payables, bank overdrafts and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Long-term loans are evaluated by management based on parameters such as interest rates and individual creditworthiness of the counterparties.

The fair values of the Group's interest-bearing borrowings and obligations under finance leases are determined by using the DCF method using the discount rate that reflects the Group's borrowing rates as at the end of the reporting period. Changes in the own non-performance risk as at 31 December 2019 and 2018 were assessed to be insignificant.

44. COMMITMENTS

The Group had the following commitments at the end of the reporting period:

Capital commitments

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Plant and machinery	5,405,382	380,650

45. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000	Other payables and accruals HK$'000	Total HK$'000
At 1 January 2019	120,339,438	1,162,418	5,942,380	127,444,236
Changes from financing cash flows	(5,707,977)	(202,190)	(5,893,188)	(11,803,355)
New finance lease	-	16,853	-	16,853
Foreign exchange movement	(1,652,347)	(11,842)	-	(1,664,189)
Dividend proposed	-	-	6,319,720	6,319,720
Interest expense	5,935,227	56,261	-	5,991,488
Capitalized interest	-	1,641	-	1,641
Decrease arising from disposal of subsidiaries	-	(249,328)	-	(249,328)
Reclassified as operating cash flows	-	-	1,169,722	1,169,722
At 31 December 2019	118,914,341	773,813	7,538,634	127,226,788

46. EVENTS AFTER THE REPORTING PERIOD

Significant events after the reporting period comprise the following:

(1) Events after the reporting period related to the COVID-19

Since the outbreak of novel coronavirus (COVID-19) continues to spread throughout China and the other countries across the world in January 2020, the epidemic preventive measures have been going on through the country. Up to the date of the report, COVID-19 has no material impact on the Group's operations. The Group will implement the relevant measures and strengthen the support for the prevention and control of the epidemic. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

46. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Significant events after the reporting period comprise the following (continued):

(2) Events after the reporting period related to SGSPAA

On 17 February 2020, SGSPAA successfully completed a Bond issuance of AU$99 million at a coupon of 2.68% with a maturity date of 27 February 2035. The transaction delivers good value as well as supports the Group's funding strategy achieving further diversification of maturity and funding sources with new investors.

(3) Events after the reporting period related to the Company

On 15 December 2019, the Company signed an share purchase agreement with Nama Electric Holding Company, stipulating that the Company will pay a cash consideration of US$ 1 billion through the wholly-owned subsidiary State Grid International Development Singapore Private Limited established in Singapore, acquiring 49% equity of Oman Electricity Transmission Company from Nama Electric Holding Company. On 11 March 2020, the deal was settled at the stipulated terms. Oman Electricity transmission Company is Oman's national transmission company. It is responsible for the construction, operation and maintenance of Oman's transmission grid. It has 7,240 kilometres of transmission lines and 89 substations.

On 12 October 2019, the Company and Sempra Energy signed an equity purchase agreement, and the Company will acquire 100% equity of Chilquinta Energía S.A. held by Sempra Energy, through the wholly-owned subsidiaries State Grid International Development Belgium Limited and State Grid Chile Investment SpA established in Belgium and Chile separately. As of the date of approval of this report, the equity transaction has not been settled. Chilquinta Energía S.A. is the third largest distribution company in Chile, with 16,911 kilometres of distribution lines, serving a population of more than 2 million, and the quality of distribution services is in a leading position among similar companies in Chile. Chilquinta Energía S.A. is also engaged in power transmission business and owns a wholly-owned 880-kilometer transmission line.

On 2 March 2020, the board of directors of the Company approved the issue and allotment of 13,362 million preference shares of HK$ 1 par value to State Grid Overseas Investment (Europe) Limited, a related party commonly controlled by State Grid Corporation of China. Among that, 8,752 million shares amounted to EUR 1,020 million (equivalent to HK$ 8,752 million) were received in cash, 4,610 million shares amounted to EUR 537 million (equivalent to HK$ 4,610 million) were converting from the remaining principal of loans due to State Grid Overseas Investment (Europe) Limited.

On 3 March 2020, the board of directors of State Grid International Development Singapore Private Limited approved the issue and allotment of 596 million preference shares of EUR1 par value to State Grid Overseas Investment (Europe) Limited. 596 million shares amounted to EUR 596 million were received in cash.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current assets		
Property, plant and equipment	1,621	2,025
Investment in associates	14,606,741	14,372,178
Investment in subsidiaries	13,245,312	5,522,714
Equity investments designated at fair value through other comprehensive income	10,001,407	9,762,744
Due from subsidiaries	123,394,622	133,519,330
Other non-current assets	-	-
Total non-current assets	161,249,703	163,178,991
Current assets		
Prepayments, other receivables and other assets	2,254,802	108,808
Derivative financial assets	13,027	-
Cash and cash equivalents	298,869	265,364
Total current assets	2,566,698	374,172
Current liabilities		
Other payables and accruals	1,704,599	1,228,272
Tax payable	2,578	29,103
Amount due to related parties	314,750	320,508
Derivative financial liabilities	21,145	39,866
Interest-bearing bank and other borrowings	23,472,460	22,638,144
Total current liabilities	25,515,532	24,255,893
NET CURRENT LIABILITIES	(22,948,834)	(23,881,721)
TOTAL ASSETS LESS CURRENT LIABILITIES	138,300,869	139,297,270
Non-current liabilities		
Interest-bearing bank and other borrowings	4,687,564	4,989,054
Long-term payables to subsidiaries	782,482	759,023
Deferred tax liabilities	140,814	114,006
Total non-current liabilities	5,610,860	5,862,083
Net assets	132,690,009	133,435,187
Equity		
Share capital	130,516,988	130,516,988
Reserves (Note)	2,173,021	2,918,199
Total equity	132,690,009	133,435,187

Li Haixiang
Director

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK$'000	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Exchange fluctuation reserve HK$'000	Total HK$'000
At 1 January 2018	529,234	684,837	(238,391)	(531,356)	5,413,896	1,358,431	7,216,651
Total comprehensive income for the year	-	(1,441,668)	864,177	(90,056)	2,011,753	(1,210,368)	133,838
Distribution to shareholders	-	-	-	-	(4,432,290)	-	(4,432,290)
At 31 December 2018	529,234	(756,831)	625,786	(621,412)	2,993,359	148,063	2,918,199
Total comprehensive income for the year	-	238,663	408,376	111,076	5,521,715	(1,365,829)	4,914,001
Distribution to shareholders	-	-	-	-	(5,659,179)	-	(5,659,179)
At 31 December 2019	529,234	(518,168)	1,034,162	(510,336)	2,855,895	(1,217,766)	2,173,021

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorised for issue by the board of directors on 12 June 2020.

State Grid International Development Limited

31 December 2020

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Independent auditor's report to the members of State Grid International Development Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of State Grid International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 128, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Independent auditor's report to the members of State Grid International Development Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the management in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

KPMG

Independent auditor's report to the members of State Grid International Development Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

KPMG

Independent auditor's report to the members of State Grid International Development Limited (continued)

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Kwok Keung.

KPMG

Certified Public Accountants

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

25 June 2021

Consolidated statement of profit or loss for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000 Restated
Revenue	5	62,657,387	77,720,061
Cost of sales		(45,778,626)	(58,203,270)
Gross profit		16,878,761	19,516,791
Other income and gains	6	2,709,010	3,206,005
Selling expenses		(696,530)	(981,446)
Administrative expenses		(2,012,731)	(2,641,401)
Impairment losses on financial and contract assets		(390,352)	(461,407)
Finance costs	7	(4,613,704)	(5,926,554)
Other expenses		(1,322,239)	(3,054,981)
Profit from operations		10,552,215	9,657,007
Foreign exchange gains/(losses), net		398,491	(482,529)
Share of profit of associates		5,017,577	4,418,199
Share of profit of joint ventures		1,129,192	1,319,412
Profit before tax	8	17,097,475	14,912,089
Income tax expenses	10	(3,807,605)	(3,767,497)
Profit for the year		13,289,870	11,144,592
Attributable to:			
Owners of the Company		12,058,386	10,194,089
Non-controlling interests		1,231,484	950,503
Profit for the year		13,289,870	11,144,592

The notes on pages 16 to 128 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	2020 HK$'000	*2019* HK$'000 Restated
Profit for the year	13,289,870	11,144,592
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss		
- Net (loss)/gain on hedge of a net investment	(1,679,701)	408,376
- Loss on cashflow hedge	(577,846)	(1,225,444)
- Income tax relating to loss on cashflow hedge	169,409	367,633
- Exchange differences on translation of foreign operations	(15,953,410)	(5,049,934)
- Other comprehensive income from associates	48,915	37,937
- Other comprehensive income from joint ventures	(16,753)	(98,646)
- Credit risk in mark to market of financial liabilities	(6,250)	(3,303)
- Income tax relating to credit risk in mark to market of financial liabilities	2,125	1,123
	(18,013,511)	(5,562,258)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	2020 HK$'000	*2019* HK$'000 Restated
Other comprehensive income for the year (continued)		
Items that will not be reclassified to profit or loss:		
- Change in fair value of equity investments designated at fair value through other comprehensive income	(1,263,350)	239,309
- Other comprehensive income from associates	15,238	16,939
- Other comprehensive income from joint ventures	76,649	76,837
- Actuarial reserve on defined benefit plans	(977,720)	(2,642,226)
- Income tax relating to actuarial reserve on defined benefit plans	281,740	898,357
	(1,867,443)	(1,410,784)
Other comprehensive income for the year	(19,880,954)	(6,973,042)
Total comprehensive income for the year	(6,591,084)	4,171,550
Attributable to:		
Owners of the Company	(5,238,911)	4,429,943
Non-controlling interests	(1,352,173)	(258,393)
Total comprehensive income for the year	(6,591,084)	4,171,550

The notes on pages 16 to 128 form part of these financial statements.

Consolidated statement of financial position

(Expressed in Hong Kong dollars)

	Note	*31 December 2020* HK$'000	*31 December 2019* HK$'000 Restated	*1 January 2019* HK$'000 Restated
Non-current assets				
Property, plant and equipment	12	74,876,397	67,195,958	68,802,706
Investment properties	13	146,590	164,183	175,798
Right-of-use assets	14	561,110	588,691	725,123
Goodwill	15	14,272,071	14,410,186	14,914,911
Other intangible assets	16	52,947,635	43,288,824	47,130,797
Investment in associates	17	60,563,475	48,277,900	48,321,508
Investment in joint ventures	18	18,880,660	20,361,749	20,652,555
Equity investments designated at fair value through other comprehensive income	19	8,923,086	10,171,299	9,762,744
Other equity instrument investments	19	113,984	244,031	249,592
Financial assets-concession rights	20	15,506,421	16,983,494	15,070,775
Derivative financial assets	21	4,116,315	3,719,590	3,193,760
Deferred tax assets	22	1,631,513	3,173,866	3,289,486
Sector financial assets	23	163,070	5,311	452,573
Contract assets	24	31,288,775	38,979,486	37,280,871
Other non-current assets	25	5,850,475	8,088,918	7,637,128
Total non-current assets		289,841,577	275,653,486	277,660,327
Current assets				
Inventories	26	660,112	326,991	336,520
Trade receivables	27	10,018,556	10,692,714	9,977,067
Contract assets	24	4,666,434	5,851,833	4,582,525
Sector financial assets	23	836,825	2,113,249	2,690,578
Prepayments, other receivables and other assets	28	3,262,759	3,006,453	3,315,457
Derivative financial assets	21	1,390,452	556,662	628,113
Financial assets at fair value through profit or loss	29	2,952,848	1,644,481	-
Cash and cash equivalents	30	13,637,340	16,613,927	8,503,198
Total current assets		37,425,326	40,806,310	30,033,458

Consolidated statement of financial position (continued)

(Expressed in Hong Kong dollars)

	Note	*31 December 2020* HK$'000	*31 December 2019* HK$'000 Restated	*1 January 2019* HK$'000 Restated
Current liabilities				
Trade payables	31	7,495,556	7,768,543	6,378,705
Other payables and accruals	32	7,157,009	6,644,819	5,899,225
Derivative financial liabilities	21	302,978	85,912	57,348
Interest-bearing bank and other borrowings	34	49,467,881	32,034,531	30,042,479
Lease liabilities	14	113,864	153,135	900,724
Contract liabilities	35	1,195,662	689,115	673,184
Sector financial liabilities	23	62,160	-	-
Private pension plan	36	299,168	434,501	175,108
Tax payable		542,192	705,297	430,684
Provision	37	1,031,401	1,018,511	1,047,413
Total current liabilities		67,667,871	49,534,364	45,604,870
Net current liabilities		(30,242,545)	(8,728,054)	(15,571,412)
Total assets less current liabilities		259,599,032	266,925,432	262,088,915
Non-current liabilities				
Derivative financial liabilities	21	2,127,420	1,431,482	604,304
Interest-bearing bank and other borrowings	34	76,177,961	86,879,810	90,296,959
Lease liabilities	14	646,225	620,678	261,694
Contract liabilities	35	25,741	83,602	98,496
Sector financial liabilities	23	277,890	198,190	94,410
Private pension plan	36	4,132,328	4,161,089	2,338,146
Deferred tax liabilities	22	26,839,733	25,052,022	25,806,729
Provision	37	5,277,158	6,637,268	6,678,108
Other non-current liabilities		1,936,078	2,264,176	1,614,244
Total non-current liabilities		117,440,534	127,328,317	127,793,090
Net assets		142,158,498	139,597,115	134,295,825

Consolidated statement of financial position (continued)
(Expressed in Hong Kong dollars)

	Note	*31 December* 2020 HK$'000	*31 December* 2019 HK$'000 Restated	*1 January* 2019 HK$'000 Restated
Capital and reserves				
Share capital	38	143,878,356	130,516,988	130,516,988
Reserves	39	(20,812,860)	(6,651,363)	(7,388,686)
Total equity attributable to owners of the Company		123,065,496	123,865,625	123,128,302
Non-controlling interests		19,093,002	15,731,490	11,167,523
Total equity		142,158,498	139,597,115	134,295,825

Yu Jun
Director

Chen Daobiao
Director

The notes on pages 16 to 128 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital HK$'000	*Capital reserve* HK$'000	*Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	*Retained profits* HK$'000	*Hedging reserve* HK$'000	*Exchange fluctuation reserve* HK$'000	*Credit risk in mark to market* HK$'000	*Actuarial reserve on defined benefit plans* HK$'000	*Other reserves* HK$'000	*Total* HK$'000	*Non-controlling interests* HK$'000	*Total equity* HK$'000
At 1 January 2020 (restated)	130,516,988	529,234	(517,522)	31,772,493	1,190,938	(37,871,307)	110,671	(1,730,121)	(135,749)	123,865,625	15,731,490	139,597,115
Profit for the year	-	-	-	12,058,386	-	-	-	-	-	12,058,386	1,231,484	13,289,870
Other comprehensive income for the year:												
Changes in fair value of equity investments designated at fair value through other comprehensive income (Note 19)	-	-	(1,263,350)	-	-	-	-	-	-	(1,263,350)	-	(1,263,350)
Exchange differences on translation of foreign operations	-	-	-	-	-	(13,563,902)	-	-	-	(13,563,902)	(2,389,508)	(15,953,410)
Hedges of net investments	-	-	-	-	(1,679,701)	-	-	-	-	(1,679,701)	-	(1,679,701)
Cashflow hedges	-	-	-	-	(313,567)	-	-	-	-	(313,567)	(94,870)	(408,437)
Actuarial reserve on defined benefit plans	-	-	-	-	-	-	-	(597,505)	-	(597,505)	(98,475)	(695,980)
Credit risk in mark to market of financial liabilities	-	-	-	-	-	-	(3,321)	-	-	(3,321)	(804)	(4,125)
Other comprehensive income from associates	-	-	-	-	-	-	-	-	64,153	64,153	-	64,153
Other comprehensive income from joint ventures	-	-	-	-	-	-	-	-	59,896	59,896	-	59,896
Total comprehensive income for the year	-	-	(1,263,350)	12,058,386	(1,993,268)	(13,563,902)	(3,321)	(597,505)	124,049	(5,238,911)	(1,352,173)	(6,591,084)
Issue of preference shares (Note 38)	13,361,368	-	-	-	-	-	-	-	-	13,361,368	-	13,361,368
Increase in non-controlling capital	-	-	-	-	-	-	-	-	-	-	5,132,769	5,132,769
Distribution to shareholders (Note 11)	-	-	-	(9,065,579)	-	-	-	-	-	(9,065,579)	(1,142,353)	(10,207,932)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	723,269	723,269
Other changes*	-	-	-	142,993	-	-	-	-	-	142,993	-	142,993
At 31 December 2020	143,878,356	529,234	(1,780,872)	34,908,293	(802,330)	(51,435,209)	107,350	(2,327,626)	(11,700)	123,065,496	19,093,002	142,158,498

* This refers to the transfer of an equity instrument investment to a fellow subsidiary with no consideration under the instruction of the ultimate holding company.

The notes on pages 16 to 128 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital HK$'000	*Capital reserve* HK$'000	*Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	*Retained profits* HK$'000	*Hedging reserve* HK$'000	*Exchange fluctuation reserve* HK$'000	*Credit risk in mark to market* HK$'000	*Actuarial reserve on defined benefit plans* HK$'000	*Other reserves* HK$'000	*Total* HK$'000	*Non-controlling interests* HK$'000	*Total equity* HK$'000
1 January 2019, as previously reported	130,516,988	529,234	(756,831)	23,945,964	1,297,249	(32,530,698)	112,996	(274,137)	(168,816)	122,671,949	11,167,523	133,839,472
Impact of correction of errors (Note 2.2)	-	-	-	1,325,060	-	(868,707)	-	-	-	456,353	-	456,353
At 1 January 2019 (restated)	130,516,988	529,234	(756,831)	25,271,024	1,297,249	(33,399,405)	112,996	(274,137)	(168,816)	123,128,302	11,167,523	134,295,825
Profit for the year (restated)	-	-	-	10,194,089	-	-	-	-	-	10,194,089	950,503	11,144,592
Other comprehensive income for the year (restated):												
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	239,309	-	-	-	-	-	-	239,309	-	239,309
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,471,902)	-	-	-	(4,471,902)	(578,032)	(5,049,934)
Hedges of net investments	-	-	-	-	408,376	-	-	-	-	408,376	-	408,376
Cashflow hedges					(514,687)					(514,687)	(343,124)	(857,811)
Actuarial reserve on defined benefit plans	-	-	-	-	-	-	-	(1,455,984)	-	(1,455,984)	(287,885)	(1,743,869)
Credit risk in mark to market of financial liabilities	-	-	-	-	-	-	(2,325)	-	-	(2,325)	145	(2,180)
Other comprehensive income from associates	-	-	-	-	-	-	-	-	54,876	54,876	-	54,876
Other comprehensive income from joint ventures	-	-	-	-	-	-	-	-	(21,809)	(21,809)	-	(21,809)
Total comprehensive income for the year (restated)	-	-	239,309	10,194,089	(106,311)	(4,471,902)	(2,325)	(1,455,984)	33,067	4,429,943	(258,393)	4,171,550
Increase in non-controlling capital	-	-	-	-	-	-	-	-	-	-	7,447,939	7,447,939
Distribution to shareholders (Note 11)	-	-	-	(5,659,179)	-	-	-	-	-	(5,659,179)	(660,541)	(6,319,720)
Transactions within equity	-	-	-	1,965,038	-	-	-	-	-	1,965,038	(1,965,038)	-
Other changes	-	-	-	1,521	-	-	-	-	-	1,521	-	1,521
At 31 December 2019	130,516,988	529,234	(517,522)	31,772,493	1,190,938	(37,871,307)	110,671	(1,730,121)	(135,749)	123,865,625	15,731,490	139,597,115

The notes on pages 16 to 128 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000 Restated
Cash flows from operating activities			
Profit before tax		17,097,475	14,912,089
Adjustments for:			
Finance costs	7	4,613,704	5,926,554
Interest income	6	(2,080,573)	(2,321,431)
Foreign exchange (gains)/losses, net		(398,491)	463,489
Dividend income and gain on equity investments designated at fair value through other comprehensive income	6	(500,448)	(504,464)
Share of profit of associates and joint ventures		(6,146,769)	(5,718,571)
Provision of impairment of trade receivables and contract assets	8	390,890	460,919
Provision of impairment of prepayments, other receivables and other assets	8	(538)	488
Depreciation of property, plant and equipment	12	2,677,511	3,129,277
Depreciation of right-of-use assets	14	134,715	137,317
Depreciation of investment properties	13	5,980	3,978
Amortisation of intangible assets	16	2,843,799	3,419,124
(Increase)/decrease in inventories		(333,121)	9,529
Increase in trade receivables		(2,018,012)	(715,647)
(Increase)/decrease in contract assets		(4,339,366)	1,116,037
(Increase)/decrease in prepayments, other receivables and other assets		(255,768)	68,630
Decrease/(increase) in other non-current assets		163,660	(333,309)
(Decrease)/Increase in trade payables		(1,780,597)	521,287
Increase in other payables and accruals		1,317,089	1,169,722
Private pension plan		261,082	217,594
Decrease in sector financial assets/liabilities		1,300,882	1,197,692
Fair value change recognised in profit and loss		10,749	25,234
Other operating items		(261,771)	(15,899)
Cash generated from operations		12,702,082	23,169,639
Income taxes paid		(2,409,369)	(2,850,524)
Net cash flow from operating activities		10,292,713	20,319,115

Consolidated statement of cash flows for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000 Restated
Cash flows from investing activities			
Purchase of property, plant and equipment and addition of concession assets		(3,850,986)	(11,248,708)
Purchases of equity investments designated at fair value through other comprehensive income		-	(169,248)
Purchases of equity investments at fair value through profit or loss		(1,702,597)	(1,691,796)
Purchase of interest in an associate	17	(7,466,942)	-
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets		359,232	61,197
Net cash received from disposal of other equity instrument investments		96,927	-
Acquisition of subsidiaries, net of cash acquired	40	(18,357,021)	(272,327)
Interest received		2,080,573	2,411,942
Dividend received from equity investments designated at fair value through other comprehensive income	6	500,448	504,464
Dividend received from associates and joint ventures		4,434,049	4,595,356
Capital reduction in subsidiaries and joint ventures		-	454,406
Other investing activities		488,919	(28,021)
Net cash flows used in investing activities		(23,417,398)	(5,382,735)

Consolidated statement of cash flows for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020* HK$'000	*2019* HK$'000 Restated
Cash flows from financing activities			
Increase in capital from redeemable preference shareholders		8,751,600	-
Increase in capital from non-controlling shareholder		5,132,769	7,447,939
Proceeds from bank loans and issue of bonds	30(b)	61,506,147	20,164,666
Cash repayments of borrowings and derivatives and bonds	30(b)	(47,410,689)	(21,589,763)
Dividends paid	30(b)	(9,835,448)	(5,893,188)
Interest paid	30(b)	(4,570,594)	(4,282,880)
Payment of lease liabilities	30(b)	(157,710)	(202,190)
Net cash flows generated from/(used in) financing activities		13,416,075	(4,355,416)
Net increase in cash and cash equivalents		291,390	10,580,964
Cash and cash equivalents at beginning of year		16,613,927	8,503,198
Effect of foreign exchange rate changes, net		(3,267,977)	(2,470,235)
Cash and cash equivalents at end of year	30	13,637,340	16,613,927

The notes on pages 16 to 128 form part of these financial statements.

Notes to the financial statements
(Expressed in Hong Kong dollars, unless otherwise indicated)

1. Corporate information

State Grid International Development Limited ("the Company") is a limited liability company incorporated in Hong Kong. In August 2012, the shareholder of the Company changed from State Grid Corporation of China to State Grid International Development Co., Ltd. The registered office is located at Suite 1304, 13F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company commenced its operations as an investment holding company in June 2008. The principal activities include providing resources and logistics services; acting as agent for tenders and purchase; manufacturing electricity devices; research and development of electricity technology products; investment, exploitation and management of electricity; operation and maintenance of electricity networks; other business include the provision of work design, construction, management, consultancy and technical services.

In the opinion of directors, the ultimate holding company is State Grid Corporation of China. Its registered office is located at 86 West Chang An Avenue, Xicheng District, Beijing, China.

Particulars of the principal subsidiaries as at the end of the year are as follows:

Name of company	*Place of incorporation*	*Principal activities*	*Nominal value of issued and fully paid-up capital*	*Percentage of equity interest attributable to the Company*
Expansion Transmissora Itumbiara Marimbondo S. A.	Rio de Janeiro, Brazil	Grid operating	Brazil Real (BRL) 88,108,634	100%
Expansion Transmissora de Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 101,747,039	100%
Itumbiara Transmissora de Energia S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 373,710,000	100%
Pocos de Caldas Transmissorade Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 208,350,900	100%
Ribeirao Preto Transmissora de Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 203,800,617	100%
Serra Paracatu Transmissora de Energia S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 175,300,000	100%
Serra da Mesa Transmissora de Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 274,500,000	100%
Araraquara Transmissora De Energia S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 167,191,128	100%
Catxere Transmissora De Energia S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 316,948,233	100%
Iracema Transmissora De Energia S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 237,062,000	100%

1. Corporate information (continued)

Name of company	*Place of incorporation*	*Principal activities*	*Nominal value of issued and fully paid-up capital*	*Percentage of equity interest attributable to the Company*
Linhas De Transmissao Do Itatim S. A.	Rio de Janeiro, Brazil	Grid operating	BRL 261,360,000	100%
Linhas de Transmissão De Montes Claros S. A (LTMC)	Rio de Janeiro, Brazil	Grid operating	BRL 211,025,069	100%
Atlântico Concessionária de Transmissão de Energia do Brasil S. A. (ACTE)	Rio de Janeiro, Brazil	Grid operating	BRL 74,643,446	100%
Xingu Rio Transmissora de Energia S. A. (XRTE)	Rio de Janeiro, Brazil	Grid operating	BRL 1,971,001,000	100%
Porto Primavera Transmissora De Energia S. A. (PPTE)	Brazil Rio de Janeiro	Grid operating	BRL 194,035,000	100%
Marechal Rondon Transmissora de Energia S. A. (MRTE)	Rio de Janeiro, Brazil	Electricity production and supply	BRL 78,618,000	100%
Paranaita Ribeirozinho Transmissora de Energia S. A. (PRTE)	Brazil	Grid operating	BRL 537,001,000	100%
Canarana Transmissora de Energia S. A. (CNTE)	Brazil	Grid operating	BRL 144,001,000	100%
International Grid Holdings Limited	Virgin Islands, British	Project investment and financing	United States Dollar (US$) 1	100%
Top View Grid Investment Limited	Virgin Islands, British	Project investment and financing	US$ 1	100%
State Grid Brazil Holding S. A. (SGBH)	Rio de Janeiro, Brazil	Project investment and financing	BRL 5,803,484,360	100%
State Grid Europe Limited	Britain	Project investment and financing	Great Britain Pound (GBP) 10,000,000 European Dollar (EUR) 885,000,000	100%
State Grid Europe Development (2014) Public Limited Company	Britain	Project investment and financing	GBP 50,000	100%
State Grid International Development Asia and Australia Holdings Company Limited	Hong Kong	Project investment and financing	Hong Kong Dollar (HK$) 5,338,010,416	100%
State Grid International Australia Investment Limited	Hong Kong	Project investment and financing	HK$10,000	100%
State Grid International Australia Development Limited	Hong Kong	Project investment and financing	HK$10,000	100%
SGSP (Australia) Assets Pty Ltd. (SGSPAA)	Melbourne, Australia	Grid operating	Australian Dollor (AU$) 3,200,000,100	60%
Jemena Gas Trust	Australia	Project investment and financing	AU$ 357,929,002	60%
Jemena Group Holdings Pty Ltd.	Australia	Project investment and financing	AU$ 969,372,110	60%
Jemena Holdings Pty Ltd.	Australia	Project investment and financing	AU$ 4	60%

1. Corporate information (continued)

Name of company	*Place of incorporation*	*Principal activities*	*Nominal value of issued and fully paid-up capital*	*Percentage of equity interest attributable to the Company*
Jemena Limited	Australia	Project investment and financing	AU$ 5,617,459,334	60%
Jemena Gas Pipeline Holdings Pty Ltd.	Australia	Project investment and financing	AU$ 2,666,800	60%
Zinfra Pty Ltd.	Australia	Project investment and financing	AU$ 2	60%
Jemena Management Holding Pty Ltd.	Australia	Project investment and financing	AU$ 2	60%
Jemena Roma North Pipeline Pty Ltd.	Australia	Project investment and financing	AU$ 2	60%
State Grid Brazil Power Participações Ltda. (SGBP)	Brazil	Project investment and financing	BRL 1,149,557,020	100%
CPFL Energia S. A. (CPFL)	Brazil	Grid operating	BRL 9,388,081,342	83. 71%
CPFL Energias Renováveis S. A. (CPFL Renováveis)	Brazil	Grid operating	BRL 3,698,060,000	83. 66%
State Sgid International Development Singapore Private Limitid	Singapore	Project investment and financing	US$ 1,427,149.57	100%
SGID Singapore Oman Asset Private Limited	Singapore	Project investment and financing	US$ 716,852.54	100%
State Grid International Development Belgium Limited (Note(i))	Belgium	Project investment and financing	US$ 1,123,635,560	100%
State Grid Chile Holding SPA (Note(ii))	Chile	Project investment and financing	Chilean Peso (CLP) 377,070,620,000	100%
State Grid Chile Investment SPA (Note(iii))	Chile	Project investment and financing	CLP 377,070,620,000	100%
State Grid Bermuda Limited	Chile	Project investment and financing	US$ 10,000	100%
Inversiones State Grid Limitada (ISL) (formerly Inversiones Sempra Ltda) (Note(iv))	Chile	Grid operating	US$ 750,050,644.25	100%
Chilquinta Energía S.A. (Note(v))	Chile	Grid operating	CLP 383,109,128,484	100%
Tecnored S.A (Note(v))	Chile	Grid operating	CLP 36,140,189,318	100%

1. Corporate information (continued)

Notes:

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(i) On 22 January 2020, with the approval of the Company's board of directors, State Grid International Development Belgium Limited was registered with a registered capital of US$1,123,635,560. The parent company is State Grid International Development Limited.

(ii) On 10 February 2020, with the approval of the Company's board of directors, State Grid Chile Holding SPA was registered with a registered capital of CLP377,070,620,000. The parent company is State Grid International Development Belgium Limited.

(iii) On 10 February 2020, with the approval of the Company's board of directors, State Grid Chile Investment SPA was registered with a registered capital of CLP377,070,620,000. The parent company is State Grid Chile Holding SPA.

(iv) On 24 June 2020, State Grid International Development Belgium Limited paid equivalent HK$17,403,352,000 to acquire 100% equity of Inversiones State Grid Limitada. Upon completion of the acquisition, the Company indirectly holds 100% equity of Inversiones State Grid Limitada.

(v) Chilquinta Energía S.A. and Tecnored S.A. are wholly owned subsidiaries of Inversiones State Grid Limitada.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the company are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

2.1 Basis of preparation (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- Investments and other financial assets (see Note 2.4(l))

- Financial liabilities (see Note 2.4(o))

- Derivative financial instruments (see Note 2.4(r))

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Going concern

As of 31 December 2020, the Group had net current liabilities of HK$30,242,545,000 (31 December 2019: net current liabilities of HK$8,728,054,000). The directors of the Company have considered the Group's available sources of fund including the forecasted cash flows of the Group for the 12 months to 31 December 2021 and the available banking facilities and concluded that the Group will have sufficient financial resources for its operations for the 12 months to 31 December 2021. As such, the financial statements have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

2.2 Correction of prior period errors

In 2020, a subsidiary of the Company, SGBH discovered several issues regarding the recognition of goodwill arising from acquisition of subsidiaries in 2010, deferred tax accounting by a subsidiary and revenue recognition of certain joint ventures. SGBH's management, after reassessing these issues considering the requirements of HKAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, made adjustments to the consolidated financial statements for the year ended 31 December2019 and the opening consolidated statement of financial position as of 1 January 2019.

(i) Impact of adjusting goodwill arising from acquisition of subsidiaries in 2010

In 2010, SGBH acquired the majority equity interests in seven separate targets in Brazil. SGBH accounted for the acquisitions as one transaction and netted off positive goodwill with negative goodwill (i.e. bargain purchase) arising from each of the acquisition. During the year ended 31 December 2020, SGBH reassessed the above accounting treatment by recognising goodwill arising from acquisition of each target.

(ii) Impact of adjusting deferred tax effect on a subsidiary

During the year ended 31 December 2020, the subsidiary of SGBH, Xingu Rio Transmissora de Energia S.A. ("XRTE") identified the temporary tax differences related to the contract assets, which were remeasured upon the adoption of HK(IFRIC)-12, *Service Concession Arrangements*, and HKFRS 15, *Revenue from Contracts with Customers*, that were not correctly accounted for in prior periods. Accordingly, SGBH restated the above accounting treatment by reducing the relevant amount of deferred tax liabilities related to such temporary differences.

(iii) Impact of adjusting revenue recognition on certain joint ventures

During the year ended 31 December 2020, two joint ventures of SGBH, Belo Monte Transmissora de Energia S.A. and Paranaíba Transmissora de Energia S.A., identified and corrected accounting errors arising from revenue recognition related to the profit margin parameters used in the contract asset calculation model to reflect appropriate adoption of HKFRS 15, together with the deferred tax effect related to such temporary tax difference. Accordingly, SGBH corrected the above accounting treatment by adjusting the investments and share of profits of joint ventures.

(iv) Reclassification of amounts due to third parties

SGBH management corrected the classification of certain amounts due to third parties as of 31 December 2019 from other payables and accruals to trade payables.

2.2 Correction of prior period errors (continued)

The impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 is summarised as followed:

	Note	*As previously reported* HK$'000	*Adjustments* HK$'000	*As restated* HK$'000
Share of profit of joint ventures	(iii)	1,300,372	19,040	1,319,412
Profit before tax		14,893,049	19,040	14,912,089
Income tax expense	(ii)	(3,784,766)	17,269	(3,767,497)
Profit for the year		11,108,283	36,309	11,144,592
Attributable to:				
Owners of the Company	(ii),(iii)	10,157,780	36,309	10,194,089
Non-controlling interests		950,503	-	950,503
		11,108,283	36,309	11,144,592
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Other comprehensive income for the year	(i),(ii),(iii)	(6,951,922)	(21,120)	(6,973,042)
Total comprehensive income for the year		4,156,361	15,189	4,171,550
Attributable to:				
Owners of the Company		4,414,754	15,189	4,429,943
Non-controlling interests		(258,393)	-	(258,393)
		4,156,361	15,189	4,171,550

2.2 Correction of prior period errors (continued)

The impact on the consolidated statement of financial position as of 31 December 2019 is summarised as followed:

	Note	*As previously reported* HK$'000	*Adjustments* HK$'000	*As restated* HK$'000
Goodwill	(i)	13,516,609	893,577	14,410,186
Investment in joint ventures	(iii)	20,622,048	(260,299)	20,361,749
Total non-current assets		275,020,208	633,278	275,653,486
Prepayments, other receivables and other assets	(iii)	3,003,400	3,053	3,006,453
Total current assets		40,803,257	3,053	40,806,310
Trade payables	(iv)	6,874,728	893,815	7,768,543
Other payables and accruals	(iv)	7,538,634	(893,815)	6,644,819
Total current liabilities		49,534,364	-	49,534,364
Deferred tax liabilities	(i), (ii)	24,887,233	164,789	25,052,022
Total non-current liabilities		127,163,528	164,789	127,328,317
Net assets		139,125,573	471,542	139,597,115
Reserves				
Retained profits	(i),(ii),(iii)	30,411,124	1,361,369	31,772,493
Exchange fluctuation reserve	(i),(ii),(iii)	(36,981,480)	(889,827)	(37,871,307)
Total equity		139,125,573	471,542	139,597,115

2.2 Correction of prior period errors (continued)

The impact on the consolidated statement of financial position as of 1 January 2019 is summarized as followed:

	Note	*As previously reported* HK$'000	*Adjustments* HK$'000	*As Restated* HK$'000
Goodwill	(i)	13,980,150	934,761	14,914,911
Investment in joint ventures	(iii)	20,941,018	(288,463)	20,652,555
Total non-current assets		277,014,029	646,298	277,660,327
Total current assets		30,033,458	-	30,033,458
Trade payables	(iv)	6,353,441	25,264	6,378,705
Other payables and accruals	(iv)	5,924,489	(25,264)	5,899,225
Total current liabilities		45,604,870	-	45,604,870
Deferred tax liabilities	(i),(ii)	25,616,784	189,945	25,806,729
Total non-current liabilities		127,603,145	189,945	127,793,090
Net assets		133,839,472	456,353	134,295,825
Reserves				
Retained profits	(i),(ii),(iii)	23,945,964	1,325,060	25,271,024
Exchange fluctuation reserve	(i)	(32,530,698)	(868,707)	(33,399,405)
Total equity		133,839,472	456,353	134,295,825

2.3 Changes in accounting policies

The group has applied the followings amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, *Definition of Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assts acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The group has applied the amendments prospectively to transaction for which the acquisition date is on or after 1 January 2020.

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

2.4 Summary of significant accounting policies

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 23 depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in associate or joint venture (see note 2.4(b)).

In the Group's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 2.4(k)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

2.4 Summary of significant accounting policies (continued)

(b) Joint venture and associates

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

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

An investment in a joint venture or an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2.4(c) and note 2.4(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss , whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the Group's consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2.4(n)).

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.4(l)).

In the Group's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2.4(k)), unless classified as held for sale (or included in a disposal Group that is classified as held for sale).

2.4 Summary of significant accounting policies (continued)

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(d) Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of significant accounting policies (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

2.4 Summary of significant accounting policies (continued)

(f) Property plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (Or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.90%-9.50%
Plant and equipment	2.00%-20.00%*
Office equipment	13.57%-19.00%
Transport equipment	4.75%-33.33%

* The useful life of plant and equipment in the foreign operations depends on local regulations and practices.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 Summary of significant accounting policies (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plants and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. After initial recognition, the Group uses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to investment property's residual value over its estimated useful life. The principal annual rates used for this purpose is 2%.

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

(h) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of significant accounting policies (continued)

(i) Contract intangibles

Contract intangibles represent the value attributed to the material customer contracts that the Group acquired in business combinations. The value of these contracts are based on independent valuations, predicated on estimates and judgements. The value of these contracts is determined with reference to the separately identifiable net cash flows generated under each contract, discounted back to present value. Their useful lives reflect both the contract terms and, where applicable, assumed renewal periods.

(j) Distribution licences

Distribution licences represents the concessionaires' right to charge the consumers for electric energy distribution services. Since the exploration term is defined in the agreement, intangible assets with defined useful lives are amortized over the concession period in proportion to a curve that reflects the consumption pattern in relation to the expected economic benefits.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of each intangible asset with a finite life, which depends on local regulations and practices.

(k) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of significant accounting policies (continued)

(l) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 Summary of significant accounting policies (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

2.4 Summary of significant accounting policies (continued)

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(m) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i. e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(n) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since

2.4 Summary of significant accounting policies (continued)

initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 Summary of significant accounting policies (continued)

(o) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2.4 Summary of significant accounting policies (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(p) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(q) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(r) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges or hedges of a net investment in a foreign operation, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2.4 Summary of significant accounting policies (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 Summary of significant accounting policies (continued)

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i. e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 Summary of significant accounting policies (continued)

(s) Leases

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

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.4 (k), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair; and

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

2.4 Summary of significant accounting policies (continued)

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2.4 (s), then the Group classifies the sub-lease as an operating lease.

(t) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 Summary of significant accounting policies (continued)

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

(u) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of significant accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(v) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 Summary of significant accounting policies (continued)

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(x) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Transmission and distribution concessions

The Group's subsidiaries in Brazil entered into electricity transmission concession and distribution concession agreements with the local government. These concession contracts regulate the activities of electricity distribution by the these subsidiaries, where:

a) The contract establishes which services the operator shall render;

b) The contract establishes performance standards related to maintaining and improving service quality to the consumers;

c) Assets are revertible at the end of the concession and are entitled to indemnification (cash) from the Federal Government on investments not yet amortized, determined by the new replacement value;

d) The price (tariff) is regulated and denominated Annual Allowed Revenue ("RAP").

(y) Distribution companies

The HK (IFRIC)-Int 12 Service Concession Arrangements establish general guidelines for the recognition and measurement of obligations and rights related to concession agreements and apply to situations in which the granting authority controls or regulates which services the concessionaire should provide with the infrastructure, to whom the services should be provided and at what price, and controls any significant residual interest in the infrastructure at the end of the concession period.

When these criteria are met, the infrastructure of distribution concessionaires is segregated as contract assets at the time of construction, up to the completion of construction, in accordance with the HKFRS requirements, so that, when operational, the following are reclassified in the financial statements from contract assets to (i) intangible asset corresponding to the right to operate the concession and collect from the users of public utilities, and (ii) financial asset corresponding to the unconditional contractual right to receive cash (indemnity) by transferring control of the assets at the end of the concession.

2.4 Summary of significant accounting policies (continued)

The concession financial asset of distribution companies is measured based on its fair value, determined in accordance with the remuneration base for the concession assets, pursuant to the legislation in force established by the Brazilian Electricity Regulatory Agency ("ANEEL"), and takes into consideration changes in the fair value, mainly based on factors such as new replacement value, and adjustment for Extended Comprehensive Consumer Price Index ("IPCA") for the distribution subsidiaries. The financial asset of distribution companies is classified as fair value through profit or loss, with the corresponding fair value changes entry in the revenue in the statement of profit or loss for the year.

The remaining amount is recognized as intangible asset and relates to the right to charge consumers for electric energy distribution services, and is amortized in accordance with the consumption pattern that reflects the estimated economic benefit to the end of the concession.

Considering that (i) the tariff model that does not provide for a profit margin for the infrastructure construction services from distribution, (ii) the way in which the subsidiaries manage the constructions by using a high level of outsourcing, and (iii) the fact that there is no provision for profit margin on construction in the Group's business plans, Management is of the opinion that the margins on this operation are irrelevant, and therefore no mark-up to the cost is considered in revenue. The construction revenue and costs are therefore presented in the statement of profit or loss for the year in the same amounts.

Transmission companies

The Group's transmission companies are responsible for constructing and operating the transmission infrastructure in order to carry the energy from the generation centres to the distribution points, according to their concession arrangements.

The energy transmission company has the obligation to maintain its transmission infrastructure available to its users to guarantee the receipt of the RAP during the concession agreement term. Potential unamortized investments generate the right to indemnity at the end of the concession arrangement.

The transmission infrastructure is classified as a contract asset. The right to consideration for goods and services is subject to the satisfaction of performance obligations and not only to the passage of time.

(z) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 Summary of significant accounting policies (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Rendering of services

Revenue from services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue is recognized on a straight-line basis because the entity's inputs are expended evenly throughout the performance period.

Distribution revenue is earned from the distribution of gas and electricity and related services. Revenue is recognized as the services are rendered i.e. on delivery, and incorporate usage estimation where necessary.

(b) Revenue from the sales (including sales of scrap and other materials)

Revenue from the sale of industrial products or scrap and other materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

The revenue from energy generation sales is recognized based on the assured energy and at tariffs specified in the terms of the supply contracts or the current market price, as appropriate.

(c) Concession revenues

Concession revenue is mainly derived from provision of infrastructure construction services, which is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

To estimate Construction Revenue, the Company used a model that calculates the cost to finance the customer (i.e., the Granting Authority). The rate defined for the net present value of the construction (and operation) margin is defined in the beginning of the project and is not subject to subsequent changes, and is calculated according to the customer's credit risk and the financing term. As a remuneration of the concession related contract assets, Interest is recognized using the straight-line method based on the rate that best represents the remuneration of the transmission infrastructure investments, considering the specific business-related risks and rewards.

2.4 Summary of significant accounting policies (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(aa) Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 Summary of significant accounting policies (continued)

(bb) Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

(cc) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 Summary of significant accounting policies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(dd) Dividends

Interim dividends and final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position. Dividends are recognised as a liability when they are approved by the shareholders. Proposed final dividends are disclosed in the notes to the financial statements.

(ee) Employee benefits

(a) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Non-vesting sick leave is recognised in profit or loss when the leave is taken and measured at the rates paid or payable.

Annual leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to employee wage increases as well as the experience of employee departures and periods of services. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match the expected timing of cash outflows.

The provision for annual leave is classified as a current liability as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.4 Summary of significant accounting policies (continued)

(b) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (a) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employee up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yield at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) Retirement benefit surplus/obligations

Defined benefit superannuation plans:

The Group's net surplus/obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense/(income) on the net defined benefit (liability)/asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit (liability)/asset, taking into account any changes in the net defined benefit (liability)/asset during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss in the periods during which the services are rendered by the employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.4 Summary of significant accounting policies (continued)

(d) Profit sharing and bonus plans

A liability for employee benefits in the form of bonus plans is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;

- The amounts to be paid are determined before the time of completion of the financial report; or

- Past practice gives clear evidence of the amount of the obligation.

(e) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors or provisions as applicable.

(f) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, workers' compensation and superannuation guarantee contribution, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities or costs.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. Significant accounting judgements and estimates (continued)

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of installation services

The Group concluded that revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the installation that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the installation services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the services.

(ii) Property lease classification-Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(iii) Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(iv) Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered annually to take into account all changes in tax legislation.

3. Significant accounting judgements and estimates (continued)

(v) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(b) Sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(i) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 27 and Note 24 to the financial statements, respectively.

3. Significant accounting judgements and estimates (continued)

(ii) Estimation in the revenue recognition

(1) Energy distribution in Brazil and Australia

In Brazil, the difference in the timing for reading and invoice of energy consumption resulted that part of the energy distributed during the year is not billed at the end of year; consequently, an estimate is developed by Management and recorded as "Unbilled". This unbilled revenue estimate is calculated using as a base the total volume of energy of each distributor made available during the year and the annualized rate of technical and commercial losses.

In Australia, estimates are made where required to account for the period between the meter reading date and the end of the accounting period. The estimates are made based on factors including historical consumption patterns, base usage and weather conditions.

(2) Construction for Energy transmission in Brazil

Estimate and judgment is required about the time that the customer obtains control over the asset; the progress in satisfying the performance obligation over time or inputs required to meet the performance obligation, such as materials and labour, expected profit margins, or lack of expected profit margins, on each performance obligation identified, and expected revenue projections. Due to the term of the energy transmission contract is long, the identification of the discount rate that represents the financial component embedded in future cash inflows also requires the use of judgment by management.

(3) Infrastructure construction in Australia

Reliably measuring the outcome and the stage of completion of contracts involves a level of estimation of a range of factors that are subject to risk and uncertainty. The estimates and judgements relate to forecast revenue and costs to complete, stage of project completion, and the recoverability of unapproved variations, claims and disputes.

3. Significant accounting judgements and estimates (continued)

(iii) Environmental provisions

These provisions have been reviewed through the year to assess the Group's obligations, probability and estimate of outflow of resources. For impacted sites, assumptions have been made on the most probable course of action in remediating, to arrive at a best estimate of the outflow of resources. It is also assumed that such course of action will requirements, within the expected timeframe.

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the availability of particular remediation methods and technologies, the extent to which contaminated material may be treated on site or alternatively treated off site and then disposed to landfill, the possibility that applicable laws and standards may change with time, as well as the information available about conditions at the individual sites.

Significant factors relevant to the estimation of these costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and market conditions and new developments affecting costs, management's interpretation of current environmental laws and regulations, and management's assessment of site conditions and the remediation methods which are likely to be deployed as a result of those conditions.

Environment costs are generally estimated based on the advice from external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results.

Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, the Group believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

This environmental provision will periodically be re-assessed by management, having regard to matters including future regulatory assessments, internal risk assessments and advancements in appropriate technologies. The discount rate used for determining the present value of the provision is the appropriate government bond rate and this may vary from year to year. The methodology to determine the discount rate is consistent with last year. The carrying amount of such provisions are set out in Note 37.

(iv) Decommissioning provisions

The Group estimated the amount of decommissioning provision at each balance date. The exercise involves considerable judgement regarding the likely future costs of decommissioning.

Expected decommissioning costs are based on the estimated current cost of detailed plans prepared. Where there is a change in the expected decommissioning costs, an adjustment is recorded against the carrying value of the provision and any plant and equipment. The carrying amount of such provisions are set out in Note 37.

4 Operating segment information

The Group's business mainly consists of investment holding, operation and maintenance of electricity networks. For management purposes, the Group's business are mainly monitored in 4 segments as follows:

- The Brazil segment comprises the Group's subsidiaries and joint ventures engaged in the operation and maintenance of electricity networks in Brazil;
- The Australia segment comprises the Group's subsidiaries engaged in electricity and gas transmission and distribution in Australia and the joint ventures and associates held by these subsidiaries;
- The Chile segment comprised the Group's subsidiaries engaged in the distribution, transmission, generation, supply and sale of electricity, which was acquired in 2020 (see note 1).
- The "Corporate" segment comprises, principally, the Group's investments in other associates and joint-ventures.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from continuing operations.

Segment assets and liabilities are also reviewed by the management for decision making.

4 Operating segment information (continued)

Year ended 31 December 2020	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000	*Corporate* HK$'000	*Consolidated* HK$'000
Segment revenue:					
Operating revenue	51,358,172	8,965,412	2,333,803	-	62,657,387
Revenue from continuing operations					62,657,387
Segment results	7,336,043	1,876,637	692,708	5,254,698	15,160,086
Reconciliation					
Exchange losses					1,937,389
Profit before tax					17,097,475
Segment assets	150,367,611	68,826,757	40,272,230	193,501,772	452,968,370
Reconciliation					
Elimination of other receivables					(15,505)
Elimination of long-term receivables					(125,685,962)
Total assets					327,266,903
Segment liabilities	83,587,540	58,584,664	15,419,501	154,391,003	311,982,708
Reconciliation					
Elimination of short-term loans					(426,477)
Elimination of long-term loans					(7,576,711)
Elimination of long-term payables					(118,871,115)
Total liabilities					185,108,405
Other segment information:					
Share of profits of:					
Associates	-	174,763	-	4,842,814	5,017,577
Joint ventures	902,161	154,595	-	72,436	1,129,192
Impairment losses recognised in the statement of profit or loss	(348,210)	(5,108)	(37,034)	-	(390,352)
Other non-cash (losses)/gains	(153,042)	(19,681)	705,564	(153,390)	379,451
Depreciation and amortisation	(3,684,829)	(1,868,116)	(108,178)	(882)	(5,662,005)
Investment in associates	-	1,692,753	-	58,870,722	60,563,475
Investment in joint ventures	9,159,864	5,773,896	-	3,946,900	18,880,660
Capital expenditure*	895,921	2,213,682	702,986	301	3,812,890

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

4 Operating segment information (continued)

Year ended 31 December 2019 (restated)

	Brazil HK$'000	*Australia* HK$'000	*Corporate* HK$'000	*Consolidated* HK$'000
Segment revenue:				
Operating revenue	67,994,174	9,725,887	-	77,720,061
Revenue from continuing operations				77,720,061
Segment results	8,346,131	1,787,209	4,531,884	14,665,224
Reconciliation				
Exchange losses				246,865
Profit before tax				14,912,089
Segment assets	190,672,110	63,686,968	186,780,437	441,139,515
Reconciliation				
Elimination of other receivables				(16,403)
Elimination of long-term receivables				(124,663,316)
Total assets				316,459,796
Segment liabilities	103,137,204	54,691,438	143,713,758	301,542,400
Reconciliation				
Elimination of short-term loans				(434,771)
Elimination of long-term loans				(7,592,795)
Elimination of long-term payables				(116,652,153)
Total liabilities				176,862,681
Other segment information:				
Share of profits and losses of:				
Associates	-	173,402	4,244,797	4,418,199
Joint ventures	952,689	321,293	45,430	1,319,412
Impairment losses recognised in the statement of profit or loss	(461,527)	-	-	(461,527)
Impairment losses reversed in the statement of profit or loss	-	120	-	120
Other non-cash expenses	(461,661)	22,785	(26,485)	(465,361)
Depreciation and amortisation	(4,911,298)	(1,777,242)	(683)	(6,689,223)
Investments in associates	-	1,576,854	46,701,046	48,277,900
Investments in joint ventures (restated)	11,563,598	5,236,862	3,561,289	20,361,749
Capital expenditure*	656,133	2,842,965	1,878	3,500,976

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

The Group's revenue from external customers is derived from its Brazil subsidiaries, which are engaged in the exploitation of public service concessions for transmission and distribution of electricity, the generation of electricity of conventional and renewable sources, and Australian subsidiaries, which are engaged in gas transmission and distribution, electricity distribution and water distribution, and Chile subsidiaries, which are engaged in the distribution, transmission, generation, supply and sale of electricity.

5 Revenue

	2020 HK$'000	*2019* HK$'000
Distribution and transmission revenue (Note)	31,419,058	37,948,487
Electricity sales revenue	17,831,264	24,395,000
Service and construction revenue	12,610,556	14,597,169
Others	256,816	190,881
Revenue from contracts with customers	62,117,694	77,131,537
Rental income	539,693	588,524
Revenue from other sources	539,693	588,524
	62,657,387	77,720,061

Note: Distribution and transmission revenue includes revenue earned from the distribution and transmission of gas, distribution of electricity and water.

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 December 2020	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000	*Total* HK$'000
Type of goods or services				
Distribution and transmission revenue	26,445,707	4,835,320	138,031	31,419,058
Electricity sales revenue	16,131,078	-	1,700,186	17,831,264
Service and construction revenue	8,200,933	3,954,958	454,665	12,610,556
Others	42,905	175,134	38,777	256,816
Total revenue from contracts with customers	50,820,623	8,965,412	2,331,659	62,117,694
Timing of revenue recognition				
Goods/services transferred at a point in time	42,619,690	5,010,454	1,876,994	49,507,138
Goods/services transferred over time	8,200,933	3,954,958	454,665	12,610,556
Total revenue from contracts with customers	50,820,623	8,965,412	2,331,659	62,117,694

5 Revenue (continued)

For the year ended 31 December 2019

	Brazil HK$'000	*Australia* HK$'000	*Total* HK$'000
Type of goods or services			
Distribution and transmission revenue	32,327,939	5,620,548	37,948,487
Electricity sales revenue	24,395,000	-	24,395,000
Service and construction revenue	10,608,817	3,988,352	14,597,169
Others	73,894	116,987	190,881
Total revenue from contracts with customers	67,405,650	9,725,887	77,131,537
Timing of revenue recognition			
Goods/services transferred at a point in time	56,796,833	5,737,535	62,534,368
Goods/services transferred over time	10,608,817	3,988,352	14,597,169
Total revenue from contracts with customers	67,405,650	9,725,887	77,131,537

	2020 HK$'000	*2019* HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Types of goods and service	689,115	673,184

6 Other income and gains

	2020 HK$'000	*2019* HK$'000
Bank interest income	2,080,573	2,321,431
Dividend income from equity investments designated at fair value through other comprehensive income	500,448	504,464
Ineffectiveness of hedges	(19,040)	17,167
Others	147,029	362,943
	2,709,010	3,206,005

7 Finance costs

	2020 HK$'000	*2019* HK$'000
Interest on bank loans and other borrowings	4,637,187	5,935,227
Changes in fair value recognized in profit or loss	10,749	25,234
Interest on lease liabilities	31,648	56,261
Others	713	725
Less: Interest capitalised (Note)	66,593	90,893
	4,613,704	5,926,554

Note: The borrowing costs have been capitalised at an average rate of 8.09% (CPFL) and 4.00% (SGSPAA) per annum (2019: 8.09% (CPFL) and 4.28% (SGSPAA)).

8 Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Note	*2020* *HK$'000*	*2019* *HK$'000*
(a) Staff costs			
Wages and salaries		5,448,191	6,374,949
Pension scheme contributions		290,299	224,391
		5,738,490	6,599,340
(b) Other items			
Cost of electricity sales and supplies		31,589,584	39,724,698
Depreciation of property, plant and equipment and investment properties	12&13	2,683,491	3,133,255
Depreciation of right-of-use assets	14	134,715	137,317
Amortisation of other intangible assets	16	2,843,799	3,419,124
Research and development costs		5,319,591	7,277,065
Third party services		1,432,716	2,023,394
Minimum lease payments under operating leases		155,119	150,554
Fair value gains, net:			
Derivative financial instruments at fair value through profit or loss		(29,789)	(8,067)
Impairment of contract assets, net	24	6,606	3,655
Impairment of trade receivables, net	27	384,284	457,264
Impairment of financial assets included in prepayments, other receivables and other assets, net		(538)	488
Foreign exchange (gains)/losses, net		(398,491)	482,529

9 Directors' remuneration

No director received any fees or emoluments in respect of their services rendered to the Group during the year 2020 (2019: Nil).

10 Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The income tax rates of the subsidiaries are listed as follows:

Company	Rate
State Grid Brazil Holding S.A.	34%
State Grid Brazil Power Participações S.A.	34%
SGSP (Australia) Assets Pty Ltd	30%
State Grid Chile Holding SPA	27%

	2020	*2019*
	HK$'000	HK$'000
		Restated
Provision for the year	2,246,264	3,125,137
Deferred tax (Note 22)	1,561,341	642,360
Tax charge for the year	3,807,605	3,767,497

10 Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2020 HK$'000	*2019* HK$'000 Restated
Profit before tax	17,097,475	14,912,089
Tax at the Hong Kong statutory tax rate of 16.5%	2,821,083	2,460,495
Income or expense taxed at a different rates in other countries	1,601,536	1,078,578
Non-deductible expenses	1,437,276	1,805,150
Income not subject to tax	(2,509,124)	(2,070,232)
Effect of withholding tax on the dividend income	85,548	157,891
Effect of withholding tax profits attributable to the Group	368,509	332,653
Tax losses not recognized	2,777	2,962
Tax charge at the Group's effective rate of 22.3% (2019: 25.3%)	3,807,605	3,767,497

11 Dividends

	2020 HK$'000	*2019* HK$'000
Dividends-ordinary share	559,622	519,101
Dividends-preference share	8,505,957	5,140,078
	9,065,579	5,659,179

The dividends for the year were approved in April 2020, October 2020 and December 2020, and paid partially during the year. At year end, total outstanding amount to be paid is HK$1,725,812,000 (At 31 December 2019: HK$1,324,675,000).

12 Property, plant and equipment

	Land and buildings HK$'000	*Office equipment* HK$'000	*Plant and equipment* HK$'000	*Transport equipment* HK$'000	*Construction in progress* HK$'000	*Other* HK$'000	*Total* HK$'000
31 December 2020							
At 1 January 2020:							
Cost	11,467,395	699,541	74,748,203	521,563	3,422,612	-	90,859,314
Accumulated depreciation	(3,781,139)	(536,272)	(19,002,490)	(343,455)	-	-	(23,663,356)
Net carrying amount	7,686,256	163,269	55,745,713	178,108	3,422,612	-	67,195,958
At 1 January 2020, net of accumulated depreciation	7,686,256	163,269	55,745,713	178,108	3,422,612	-	67,195,958
Additions	453,961	5,843	1,571,983	660	1,465,337	-	3,497,784
Business combination	287,490	48	6,828,858	-	2,140,807	43,252	9,300,455
Transfer	186,111	15,598	593,618	40,404	(903,712)	-	(67,981)
Depreciation provided during the year	(306,706)	(69,618)	(2,257,962)	(43,225)	-	-	(2,677,511)
Disposals	(61,446)	(25)	(117,131)	(1,902)	(1,951)	-	(182,455)
Exchange realignment	(1,312,800)	1,856	(427,278)	(27,539)	(408,912)	(15,180)	(2,189,853)
At 31 December 2020, net of accumulated depreciation	6,932,866	116,971	61,937,801	146,506	5,714,181	28,072	74,876,397
At 31 December 2020							
Cost	10,362,191	766,904	84,679,739	505,609	5,714,181	28,102	102,056,726
Accumulated depreciation	(3,429,325)	(649,933)	(22,741,938)	(359,103)	-	(30)	(27,180,329)
Net carrying amount	6,932,866	116,971	61,937,801	146,506	5,714,181	28,072	74,876,397

12 Property, plant and equipment (continued)

	Land and buildings HK$'000	*Office equipment* HK$'000	*Plant and equipment* HK$'000	*Transport equipment* HK$'000	*Construction in progress* HK$'000	*Total* HK$'000
31 December 2019						
At 1 January 2019:						
Cost	11,970,704	690,304	71,796,031	580,804	5,889,573	90,927,416
Accumulated depreciation	(3,490,878)	(506,740)	(17,749,236)	(377,856)	-	(22,124,710)
Net carrying amount	8,479,826	183,564	54,046,795	202,948	5,889,573	68,802,706
At 1 January 2019, net of accumulated depreciation	8,479,826	183,564	54,046,795	202,948	5,889,573	68,802,706
Additions	16,546	5,246	913,239	16,179	2,167,582	3,118,792
Transfer	63,279	17,959	5,008,218	51,117	(4,180,304)	960,269
Depreciation provided during the year	(470,393)	(39,547)	(2,558,412)	(60,925)	-	(3,129,277)
Disposals	(81,371)	(1,061)	(521,086)	(25,390)	(16)	(628,924)
Exchange realignment	(321,631)	(2,892)	(1,143,041)	(5,821)	(454,223)	(1,927,608)
At 31 December 2019, net of accumulated depreciation	7,686,256	163,269	55,745,713	178,108	3,422,612	67,195,958
At 31 December 2019						
Cost	11,467,395	699,541	74,748,203	521,563	3,422,612	90,859,314
Accumulated depreciation	(3,781,139)	(536,272)	(19,002,490)	(343,455)	-	(23,663,356)
Net carrying amount	7,686,256	163,269	55,745,713	178,108	3,422,612	67,195,958

13 Investment properties

	2020	*2019*
	HK$'000	HK$'000
Carrying amount at 1 January	164,183	175,798
Additions	8,156	-
Business combination	23,149	-
Depreciation	(5,980)	(3,978)
Other decreases	(9,453)	-
Exchange realignment	(33,465)	(7,637)
Carrying amount at 31 December	146,590	164,183

The Group's investment properties are measured at cost and consist of several floors of an office building in Downtown of Rio de Janeiro, given that approximately 43% of the property is for rent, and 57% is for the Group use.

The amounts of investment properties are maintained at historical cost, less depreciation and impairment, where applicable. The property has been depreciated at the annual rate of 2%, based on the useful life assessment.

14 Leases

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, motor vehicles and other equipment used in its operations. Leases of plant and equipment generally have lease terms between 3 and 5 years, while transport equipment generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

14 Leases (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land and buildings HK$'000	*Plant and equipment* HK$'000	*Transport equipment* HK$'000	*Other* HK$'000	*Total* HK$'000
As at 1 January 2020	484,283	16,554	87,854	-	588,691
Additions	11,070	931	26,095	-	38,096
Business combination	-	-	-	23,237	23,237
Depreciation charge	(74,464)	(4,807)	(53,336)	(2,108)	(134,715)
Disposal	(123)	(5)	(1,440)	-	(1,568)
Exchange realignment	37,874	1,100	4,922	3,473	47,369
	458,640	13,773	64,095	24,602	561,110

	Land and buildings HK$'000	*Plant and equipment* HK$'000	*Transport equipment* HK$'000	*Total* HK$'000
As at 1 January 2019	577,223	21,008	126,892	725,123
Additions	741	147	15,968	16,856
Depreciation charge	(79,208)	(4,390)	(53,719)	(137,317)
Disposal	(8,704)	-	-	(8,704)
Exchange realignment	(5,769)	(211)	(1,287)	(7,267)
	484,283	16,554	87,854	588,691

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 HK$'000	*2019* HK$'000
Carrying amount at 1 January	773,813	1,162,418
New leases	38,098	16,853
Business combination	27,209	-
Accretion of interest recognised during the year	31,648	57,902
Disposal	(6,237)	(249,328)
Payments	(157,710)	(202,190)
Exchange realignment	53,268	(11,842)
Carrying amount at 31 December	760,089	773,813
Analysed into:		
Current portion	113,864	153,135
Non-current portion	646,225	620,678

The maturity analysis of lease liabilities is disclosed in Note 42 to the financial statements.

14 Leases (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK$'000	*2019* HK$'000
Interest on lease liabilities	31,648	56,261
Depreciation charge of right-of-use assets	134,715	136,844
Expense relating to short-term leases and low-value leases	155,119	150,554
Total amount recognised in profit or loss	321,482	343,659

The Group as a lessor

The Group leases its investment properties (Note 13) under operating lease arrangements.

15 Goodwill

The goodwill breakdown and additions and write-offs in the year ended 31 December 2020 and 31 December 2019 are as follows:

	2020 HK$'000	*2019* HK$'000 Restated
At 1 January		
Cost	14,410,186	14,914,911
Accumulated Impairment	-	-
Net carrying amount	14,410,186	14,914,911
Cost at 1 January, net of accumulated impairment	14,410,186	14,914,911
Utilize for deferred tax assets	(19,298)	(26,098)
Business combination*	1,157,760	-
Disposal of a subsidiary	-	(26,597)
Exchange realignment	(1,276,577)	(452,030)
Cost and net carrying amount at 31 December	14,272,071	14,410,186
At 31 December		
Cost	14,272,071	14,410,186
Accumulated Impairment	-	-
Net carrying amount	14,272,071	14,410,186

* On 24 June 2020, the Group paid equivalent HK$17,403,352,000 to acquire 100% equity of Inversiones State Grid Limitada. The fair value of the net asset on acquisition date was HK$16,245,592,000. The goodwill arised from this business combination amounted to HK$1,157,760,000.

15 Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

	Brazilian		*Australian*		*Chilean*			
	Concession and infrastructure		*Concession and infrastructure*		*Concession and infrastructure*		*Total*	
	31 December 2020	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount of goodwill	6,560,358	8,503,016	6,457,033	5,907,170	1,254,680	-	14,272,071	14,410,186

1) Brazilian concession and infrastructure cash-generating unit

Recoverable amounts were determined by discounting future cash flows of the CGU and were based on following assumptions:

(a) The nominal cash flows are discounted to the present value using post-tax discount rates around 5.05%.

(b) Cash flow time horizons used in the valuing the CGU were 5 to 39 years due to the long term nature of the CGU's activities for SGBP.

(c) CGU impairment testing was carried out at 31 December 2020 resulting in no impairments being recognised (2019: nil).

2) Australian concession and infrastructure cash-generating unit

Recoverable amounts were determined by discounting future cash flows of the CGU and were based on following assumptions:

(a) All nominal cash flows are discounted to the present value using post-tax discount rates ranging from 3.42% to 8.47%.

(b) Cash flow time horizons used in the valuing the CGU were 5 to 10 years due to the long term nature of the CGU's activities.

(c) The growth rate assumptions is primarily driven by the assumptions in the regulatory building block model with growth being a function of the regulated asset base and the allowable return from the regulator. For non-regulated assets, Australian Consumer Price Index was applied.

The perpetual growth assumption used to calculate the terminal value in non-regulated assets range from (0.5%) to 1.0% (2019: 0% to 1.0%). For regulated assets, the terminal values are calculated by applying a multiple to the regulated assets base in the terminal year.

(d) CGU impairment testing was carried out at 31 December 2020 resulting in no impairments being recognised (2019: nil).

3) Chilean concession and infrastructure cash-generating unit

Recoverable amounts were determined by discounting future cash flows of the CGU and were based on following assumptions:

(a) The nominal cash flows are discounted to the present value using post-tax discount rates ranging from 6.10% to 7.20%.

(b) Cash flow time horizons used in the valuing the CGU were 32 years due to the long term nature of the CGU's activities.

(c) CGU impairment testing was carried out at 31 December 2020 resulting in no impairments being recognised (2019: nil).

16 Other intangible assets

	Software HK$'000	*Contract intangibles* HK$'000	*Distribution licence* HK$'000	*Easement* HK$'000	*Other intangible assets* HK$'000	*Total* HK$'000
At 1 January 2020:						
Cost	3,647,444	1,245,673	65,905,148	-	484,145	71,282,410
Accumulated depreciation	(2,780,629)	(249,184)	(24,657,025)	-	(306,748)	(27,993,586)
Net carrying amount	866,815	996,489	41,248,123	-	177,397	43,288,824
Cost at 1 January 2020,						
Net of accumulated amortisation	866,815	996,489	41,248,123	-	177,397	43,288,824
Additions	175,580	-	84,699	-	46,671	306,950
Business combination	-	-	14,188,977	4,438,965	9,814	18,637,756
Disposals	(4,475)	-	(152,449)	-	(2,595)	(159,519)
Transfer	213,757	-	1,159,014	-	10,195	1,382,966
Amortisation for the year	(334,175)	(44,807)	(2,437,345)	-	(27,472)	(2,843,799)
Exchange realignment	84,018	87,513	(7,674,117)	(123,656)	(39,301)	(7,665,543)
At 31 December 2020	1,001,520	1,039,195	46,416,902	4,315,309	174,709	52,947,635
At 31 December 2020:						
Cost	4,246,467	1,503,954	68,085,912	4,315,309	439,373	78,591,015
Accumulated amortisation	(3,244,947)	(464,759)	(21,669,010)	-	(264,664)	(25,643,380)
Net carrying amount	1,001,520	1,039,195	46,416,902	4,315,309	174,709	52,947,635

16 Other intangible assets (continued)

	Software HK$'000	*Contract intangibles* HK$'000	*Distribution licence* HK$'000	*Other intangible assets* HK$'000	*Total* HK$'000
At 1 January 2019:					
Cost	3,498,000	1,306,285	65,655,480	1,969,496	72,429,261
Accumulated depreciation	(2,605,314)	(241,887)	(22,165,073)	(286,190)	(25,298,464)
Net carrying amount	892,686	1,064,398	43,490,407	1,683,306	47,130,797
Cost at 1 January 2019, net of accumulated amortisation	892,686	1,064,398	43,490,407	1,683,306	47,130,797
Additions	180,724	-	-	38,065	218,789
Disposals	(1,618)	(10,779)	(93,958)	-	(106,355)
Transfer	6,930	-	2,892,680	(1,476,853)	1,422,757
Amortisation for the year	(202,874)	(46,609)	(3,135,514)	(34,127)	(3,419,124)
Exchange realignment	(9,033)	(10,521)	(1,905,492)	(32,994)	(1,958,040)
At 31 December 2019	866,815	996,489	41,248,123	177,397	43,288,824
At 31 December 2019:					
Cost	3,647,444	1,245,673	65,905,148	484,145	71,282,410
Accumulated amortisation	(2,780,629)	(249,184)	(24,657,025)	(306,748)	(27,993,586)
Net carrying amount	866,815	996,489	41,248,123	177,397	43,288,824

17 Investment in associates

	31 December 2020 HK$'000	31 December 2019 HK$'000
Listed shares		
Redes Energeticas Nacionais, SGPS, S.A. (REN)	4,430,630	4,138,030
AusNet Services (Ausnet)	5,547,348	4,609,131
HK Electric Investments (HKEI)	10,154,825	10,307,915
	20,132,803	19,055,076
Unlisted shares		
United Energy Distribution Holdings Pty Ltd.(UEDH)	1,692,753	1,576,853
Cassa Depositi e Prestiti Reti.S.p.a. (CDP Reti)	21,918,547	19,664,143
National Grid Corporation of the Philippines (NGCP)	5,171,918	4,298,826
Independent Power Transmission Operator S.A. (IPTO)	4,105,752	3,683,002
Oman Electricity Transmission Company Saoc (OETC)	7,541,702	-
	40,430,672	29,222,824
	60,563,475	48,277,900

Particulars of the associates as at the end of the year are as follows:

Name	*Particulars of registered capital/paid in capital*	*Place of registration and business*	*Percentage of ownership interest attributable to the Group*	*Principal activities*
National Grid Corporation of the Philippines (NGCP)	PHP2,000,000,000	Manila, The Philippines	40.00%	Operate electric transmission grid
HK Electric Investments (HKEI)	HK$8,000,000	Hong Kong, China	21.00%	Generate electric/Operate electric/gas transmission/ distribution grid
Redes Energeticas Nacionais, SGPS, S.A. (REN)	EUR667,191,000	Lisbon, Portugal	25.00%	Operate electric/gas transmission grid
Independent Power Transmission Operator S.A. (IPTO)	EUR38,444,000	Athens Greece	24.00%	Transmission of electricity
Cassa Depositi e Prestiti Reti S.p.a. (CDP RETI)	EUR161,514	Italy	35.00%	Holding company
Oman Electricity Transmission Company Saoc (OETC)*	OMR225,000,000	Oman	49.00%	Electricity transmission and dispatch
AusNet Services (Ausnet)	AU$5,487,800,000	Victoria, Australia	19.90%	Operate electric transmission/ distribution grid
United Energy Distribution Holdings Pty Ltd. (UEDH)	AU$306,112,000	Victoria, Australia	34.00%	Operate electric distribution grid

* In March 2020, the Group paid US$962,942,000 (equivalent to HK$7,466,942,000) in cash to acquire 49% equity of Oman Electricity Transmission Company Saoc.

17. Investment in associates (continued)

NGCP and HKEI are directly held by the Company. REN, CDP Reti and IPTO are held by State Grid Europe Limited. AusNet is held by State Grid International Australia Development Limited. OETC is held by SGID Singapore Oman Asset Private Limited. UEDH is an associate of SGSPAA.

All above associates are considered individually material associates of the Group, and are accounted for using the equity method.

The following table illustrates the summarised financial information of NGCP and HK Electric Investments, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	NGCP		*HKEI*	
	2020 HK$'000	*2019* HK$'000	*2020* HK$'000	*2019* HK$'000
Current assets	9,975,045	8,794,098	1,729,000	2,178,000
Non-current assets, excluding goodwill	44,012,744	36,736,132	109,838,000	107,539,000
Goodwill on acquisition of the associate	-	-	613,310	613,310
Current liabilities	11,764,303	7,959,534	8,341,000	10,247,000
Non-current liabilities	29,293,692	26,823,632	55,483,000	50,998,000
Net assets	12,929,794	10,747,064	48,356,310	49,085,310
Net assets, excluding goodwill	12,929,794	10,747,064	47,743,000	48,472,000
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	40.00%	40.00%	21.00%	21.00%
Group's share of net assets of the associates, excluding goodwill	5,171,918	4,298,826	10,026,030	10,179,120
Goodwill on acquisition	-	-	128,795	128,795
Carrying amount of the investment	5,171,918	4,298,826	10,154,825	10,307,915
Revenue	7,599,733	6,873,036	10,389,000	10,739,000
Profit for the year	3,673,751	3,032,596	2,732,000	2,327,000
Other comprehensive income	(28,915)	(29,960)	(671,000)	586,000
Total comprehensive income for the year	3,644,836	3,002,636	2,061,000	2,913,000
Dividend received by the Group	750,508	772,616	594,300	669,130

17. Investment in associates (continued)

The following table illustrates the summarised financial information of REN and IPTO, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	REN		*IPTO*	
	2020 HK$'000	*2019* HK$'000	*2020* HK$'000	*2019* HK$'000
Current assets	4,882,355	3,449,271	5,649,242	7,011,075
Non-current assets, excluding goodwill	45,163,375	42,838,454	23,737,892	18,571,793
Goodwill on acquisition of the associate	4,300,164	3,934,793	4,090,207	3,742,677
Current liabilities	8,819,824	9,840,623	3,955,281	4,502,468
Non-current liabilities	27,803,549	23,829,776	12,414,760	9,477,235
Net assets	17,722,521	16,552,119	17,107,300	15,345,842
Net assets, excluding goodwill	13,422,357	12,617,326	13,017,093	11,603,165
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	25.00%	25.00%	24.00%	24.00%
Group's share of net assets of the associates, excluding goodwill	3,355,589	3,154,332	3,124,102	2,784,760
Goodwill on acquisition	1,075,041	983,698	981,650	898,242
Carrying amount of the investment	4,430,630	4,138,030	4,105,752	3,683,002
Revenue	6,710,829	6,576,182	2,536,907	2,190,903
Profit for the year	966,793	1,042,911	751,654	926,198
Other comprehensive income	(303,235)	(200,014)	16,026	2,073,848
Total comprehensive income for the year	663,558	842,897	767,680	3,000,046
Dividend received by the Group	250,939	250,182	109,288	90,098

17. Investment in associates (continued)

The following table illustrates the summarised financial information of CDP Reti and OETC, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	CDP Reti		*OETC*
	2020	*2019*	*2020*
	HK$'000	HK$'000	HK$'000
Current assets	107,780,058	73,536,340	1,907,415
Non-current assets, excluding goodwill	486,718,824	428,144,930	26,353,574
Goodwill on acquisition of the associate	20,758,889	18,995,070	5,509,484
Current liabilities	134,862,593	95,767,950	3,331,733
Non-current liabilities	309,369,433	271,449,267	15,047,511
Net assets	171,025,745	153,459,123	15,391,229
Net assets, excluding goodwill	150,266,856	134,464,053	9,881,745
Net asset attributable to the parent company, excluding goodwill	41,865,530	37,188,195	9,881,745
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	35.00%	35.00%	49.00%
Group's share of net assets of the associates, excluding goodwill	14,652,936	13,015,868	4,842,055
Goodwill on acquisition	7,265,611	6,648,275	2,699,647
Carrying amount of the investment	21,918,547	19,664,143	7,541,702
Revenue	19,557,204	17,996,635	1,695,029
Profit for the year	5,166,945	4,985,708	583,447
Other comprehensive income	(156,458)	(410,423)	-
Total comprehensive income for the year	5,010,487	4,575,285	583,447
Dividend received by the Group	1,327,887	1,223,776	116,567

17. Investment in associates (continued)

The following table illustrates the summarised financial information of Ausnet and UEDH, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Ausnet		UEDH	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Current assets	10,972,635	4,872,443	983,901	1,206,769
Non-current assets, excluding goodwill	76,221,964	73,016,857	20,047,790	17,913,547
Goodwill on acquisition of the associate	7,403,603	6,773,130	4,227,486	3,874,319
Current liabilities	4,549,382	7,469,519	805,812	778,310
Non-current liabilities	62,172,701	54,031,449	19,474,680	17,578,517
Net assets	27,876,119	23,161,462	4,978,685	4,637,808
Net assets, excluding goodwill	20,472,516	16,388,332	751,199	763,489
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	19.90%	19.90%	34.00%	34.00%
Group's share of net assets of the associates, excluding goodwill	4,074,031	3,261,278	255,408	259,586
Goodwill on acquisition	1,473,317	1,347,853	1,437,345	1,317,267
Carrying amount of the investment	5,547,348	4,609,131	1,692,753	1,576,853
Revenue	10,301,740	10,770,998	3,837,140	3,724,791
Profit for the year	1,617,124	1,583,298	515,020	530,146
Other comprehensive income	1,934,554	(1,810,417)	(122,425)	(276,858)
Total comprehensive income for the year	3,551,678	(227,119)	392,595	253,288
Dividend received by the Group	389,557	396,365	160,874	246,941

18. Investment in joint ventures

	31 December 2020 HK$'000	31 December 2019 HK$'000 Restated
ElectraNet Pty Ltd. (ElectraNet)	3,946,900	3,561,288
ActewAGL Distribution Partnership (ActewAGL)	5,773,896	5,236,862
Energética Barra Grande S.A. (BAESA)	58,599	40,302
Campos Novos Energia S.A. (ENERCAN)	1,698,841	2,086,416
Foz do Chapecó Energia S.A. (Chapecoense)	1,398,596	2,075,513
Centrais Elétricas da Paraíba S.A. (EPASA)	578,166	787,787
Other joint ventures held by SGBH in Brazil (defined below)	5,425,662	6,573,581
	18,880,660	20,361,749

18. Investment in joint ventures (continued)

Name	*Particulars of registered capital/paid in capital*	*Place of registration and business*	*Percentage of ownership interest attributable to the Company*	*Principal activities*
ElectraNet Pty Ltd. (ElectraNet)	AU$10,000	Canberra Australia	46.56%	Operate electric transmission grid
ActewAGL Distribution Partnership (ActewAGL)	AU$1,187,968,000	Canberra Australia	50.00%	Operate electric transmission grid gas transmission and distribution
Matrincha Transmissora de Energia (TP North) S.A.*	BRL1,508,073	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Guaraciaba Transmissora de Energia (TP Sul) S.A.*	BRL803,832	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Luziania-Niquelandia Transmissora S.A.*	BRL33,305	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Paranaiba Transmissora de Energia S.A.*	BRL534,761	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Belo Monte Transmissora De Energia S.A. *	BRL3,011,000,000	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Energética Barra Grande S.A. (BAESA)	BRL398,381,000	Santa Catarina and Rio Grande do Sul Brazil	25.01%	Energy generation
Campos Novos Energia S.A. (ENERCAN)	BRL200,787,000	Santa Catarina Brazil	48.72%	Energy generation
Foz do Chapecó Energia S.A. (Chapecoense)	BRL714,509,000	Santa Catarina and Rio Grande do Sul Brazil	51.00%	Energy generation
Centrais Elétricas da Paraíba S.A.(EPASA)	BRL221,413,000	Paraiba Brazil	53.34%	Energy generation

* Collectively referred as “joint ventures held by SGBH in Brazil”.

ActewAGL is a joint venture of SGSPAA. ElectraNet is a joint venture of State Grid International Development Asia and Australia Holding Company Limited. BAESA, ENERCAN, Chapecoense and EPASA are joint venture of SGBP.

18. Investment in joint ventures (continued)

All above joint ventures are accounted for using the equity method

The following table illustrates the summarised financial information of ActewAGL and ElectraNet, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	ActewAGL		*ElectraNet*	
	2020 HK$'000	*2019* HK$'000	*2020* HK$'000	*2019* HK$'000
Current assets	866,353	845,726	321,252	252,455
Non-current assets	8,586,225	7,739,720	21,455,345	18,571,010
Goodwill on acquisition of the joint venture	2,970,048	2,704,604	4,176,175	3,820,545
Current liabilities	698,987	618,532	2,614,121	2,240,473
Non-current liabilities	175,847	197,793	14,861,632	12,754,722
Net assets	11,547,792	10,473,725	8,477,019	7,648,815
Net assets, excluding goodwill	8,577,744	7,769,121	4,300,844	3,828,270
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	50.00%	50.00%	46.56%	46.56%
Group's share of net assets of the joint ventures, excluding goodwill	4,288,872	3,884,560	2,002,473	1,782,443
Goodwill on acquisition	1,485,024	1,352,302	1,944,427	1,778,845
Carrying amount of the investment	5,773,896	5,236,862	3,946,900	3,561,288
Revenue	2,188,005	2,215,658	1,648,707	2,205,255
Profit for the year	298,732	642,586	63,165	97,574
Other comprehensive income	-	-	126,329	(46,840)
Total comprehensive income for the year	298,732	642,586	189,494	50,734
Dividend received by the Group	110,078	182,132	-	-

18. Investment in joint ventures (continued)

The following table illustrates the summarised financial information for Joint ventures of BAESA and ENERCA, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	BAESA		*ENERCAN*	
	2020	*2019*	*2020*	*2019*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	132,932	129,206	397,308	423,422
Non-current assets	1,590,701	1,768,878	1,552,570	1,897,679
Current liabilities	111,617	139,873	668,094	755,215
Non-current liabilities	593,085	551,254	424,189	741,460
Net assets	1,018,931	1,206,957	857,595	824,426
Consolidation adjustments	(784,630)	(1,045,814)	2,629,353	3,458,036
Net assets, including adjustment	234,301	161,143	3,486,948	4,282,462
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	25.01%	25.01%	48.72%	48.72%
Group's share of net assets of the joint ventures, excluding adjustment	254,835	301,860	417,820	401,660
Consolidation adjustments	(196,236)	(261,558)	1,281,021	1,684,756
Carrying amount of the investment	58,599	40,302	1,698,841	2,086,416
Revenue	449,645	569,319	1,092,806	1,293,989
Profit for the year	221,862	14,519	624,735	483,395
Total comprehensive income for the year	221,862	14,519	624,735	483,395
Dividend received by the Group	77,156	32,311	169,213	255,878

18. Investment in joint ventures (continued)

The following table illustrates the summarised financial information for Joint ventures of Chapecoense and EPASA, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Chapecoense		*EPASA*	
	2020 HK$'000	*2019* HK$'000	*2020* HK$'000	*2019* HK$'000
Current assets	396,952	733,073	523,217	569,820
Non-current assets	3,487,084	4,777,057	572,088	909,898
Current liabilities	556,124	873,064	135,399	180,703
Non-current liabilities	2,389,232	3,192,619	291,683	417,849
Net assets	938,680	1,444,447	668,223	881,166
Consolidation adjustments	1,803,665	2,625,185	415,703	595,750
Net assets, including adjustment	2,742,345	4,069,632	1,083,926	1,476,916
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	51.00%	51.00%	53.34%	53.34%
Group's share of net assets of the joint ventures, excluding adjustment	478,727	736,668	356,430	470,014
Consolidation adjustments	919,869	1,338,845	221,736	317,773
Carrying amount of the investment	1,398,596	2,075,513	578,166	787,787
Revenue	1,417,531	1,752,339	616,085	1,113,684
Profit for the year	379,962	149,297	129,888	315,740
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	379,962	149,297	129,888	315,740
Dividend received by the Group	343,500	268,242	34,182	164,843

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 HK$'000	*2019* HK$'000 Restated
Share of the joint-ventures' profit for the year	441,504	452,377
Aggregate carrying amount of the Group's investments in joint-ventures	5,425,662	6,573,581

19. Equity investments designated at fair value through other comprehensive income/other equity instrument investments

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value:		
China Construction Bank	7,747,016	8,851,853
China Datang Corporation Renewable Power Co.,Ltd.	203,525	131,791
Guodian Technology & Environment Group Corporation Ltd.	14,799	18,384
China Energy Engineering Corporation Ltd.	731,169	916,398
China Datang Environment Industry Group Co., Ltd.	49,788	82,980
Industrial and Commercial Bank of China	176,789	169,893
	8,923,086	10,171,299

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year, the fair value loss in respect of the Group's listed equity investments was recognised in other comprehensive income amounted to HK$1,263,350,000 (2019: gain HK$239,309,000).

The fair values of listed equity investments are based on market prices at the end of the shares quoted in Hong Kong Stock Exchange at the end of reporting period and fall into the Level 1 fair value hierarchy in HKFRS 13.

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Other equity instrument investments		
Unlisted equity investments, at fair value:		
Investco S.A.	113,984	147,104
Luneng Brasil Sports Center Ltda.	-	96,927
	113,984	244,031

As at 31 December 2020, certain unlisted equity investments with a carrying amount of HK$113,984,000 were stated at fair value (2019: HK$244,031,000). Because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the cost is the best estimate of it since there are no observable reliable information of fair value.

19. Equity investments designated at fair value through other comprehensive income/other equity instrument investments (continued)

5.94% interest of Investco S.A. ("Investco") was held by the indirect subsidiary Paulista Lajeado Energia S.A. in the form of 28,154,140 common shares and 18,593,070 preferred shares. As Investco's shares are not traded on the stock exchange and the main objective of its operations is to generate electric energy for commercialization by the shareholders holding the concession, the Group opted to recognize the investment at fair value in the financial statements, for which cost is the best estimate of it, since there are no available reliable information at fair value, according to HKFRS 9.

On February 6, 2014, the Group acquired the total capital of Luneng Brasil Sports Center Ltda. ("Luneng Brasil"). On August 29, 2014, the Group entered into a custody agreement with Shan Dong Luneng Tai Shan Footbal Club Limited ("Luneng") to transfer all rights and powers to Luneng Brasil's Management. In September 2020, the Group transferred all its shares equity in Luneng Brasil to Luneng at nil consideration.

20. Financial assets-concession rights

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Concession revenue receivables		
Non-current	15,506,421	16,983,494
	15,506,421	16,983,494

The concession revenue receivables are derived from these operational subsidiaries in Brazil, which have entered into the electric power distribution service concession arrangements executed by the Brazil Government and the Company.

The concession revenue receivables are amended every year by the deadline of the concession. The realisation of the amounts classified as non-current assets is projected by the end of the concession periods. The fair value of the financial assets-concession fall into the Level 3 of the fair value hierarchy.

21. Derivative financial instruments

	Assets		*Liabilities*	
	31 December 2020 HK$'000	*31 December 2019* HK$'000	*31 December 2020* HK$'000	*31 December 2019* HK$'000
Cross currency swap contracts - cash flow hedges	(147,501)	595,706	365,943	43,488
Cross currency swap contracts - fair value hedges	5,400,668	3,429,712	(150,137)	68,283
Cross currency swap contracts - hedges of net investments in foreign operations	-	13,027	238,108	13,320
Cross currency swap contracts - non-hedges of net investments in foreign operations	-	-	-	7,825
Interest rate swap contracts - cash flow hedges	-	-	1,970,078	1,383,644
Interest rate swap contracts - fair value hedges	253,529	227,334	2,782	-
Zero-cost collar option	-	10,473	-	-
Forward foreign exchange contracts - fair value hedges	-	-	2,028	427
Forward foreign exchange contracts - cash flow hedges	71	-	1,596	407
	5,506,767	4,276,252	2,430,398	1,517,394
Portion classified as non-current:				
Cross currency swap contracts - cash flow hedges	(147,419)	595,706	365,943	43,488
Cross currency swap contracts - fair value hedges	4,010,205	2,978,607	(198,276)	11,898
Interest rate swap contracts - cash flow hedges	2,070	-	1,956,581	1,376,096
Interest rate swap contracts - fair value hedges	251,459	145,277	2,782	-
Forward foreign exchange contracts - cash flow hedges	-	-	390	-
	4,116,315	3,719,590	2,127,420	1,431,482
Current portion	1,390,452	556,662	302,978	85,912

The Group classified the fair value measurements of its financial instruments using Level 1, Level 2 and Level 3 fair value hierarchy that reflect the significance of the inputs used in making the measurements.

Forward contracts and Zero-cost collar option

Forward currency contracts and Zero-cost collar option are designated as hedging instruments in respect of forecast future sales, forecast purchases and investments in Euros and US Dollars. The forward currency contract and Zero-cost collar option balances vary with the levels of expected foreign currency sales, purchases, investments and changes in foreign exchange forward rates.

21. Derivative financial instruments (continued)

Cross currency swaps

Besides, the Group held cross currency swaps for its EUR, USD, HKD and GBP denominated borrowings. The maturity of these swaps matches the maturity of the relevant foreign currency denominated borrowings.

Interest rate swap contracts

The Group's subsidiaries in Australia and Brazil utilise Interest Rate Swap ("IRS") to manage its exposure to interest risk. Under the IRS, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts.

22. Deferred tax

	Opening balance HK$'000 Restated	*Effect of subsidiary takeover* HK$'000	*Charged to profit or loss* HK$'000	*Charged to equity*	*Exchange alignment* HK$'000	*Closing balance* HK$'000
2020						
Conversion of contractual asset of SGBH	(7,323,956)	-	(313,670)	-	1,634,721	(6,002,905)
Fair value adjustments arising from acquisition of CPFL Energia S.A.	(10,274,362)	-	(38,644)	-	2,313,846	(7,999,160)
Fair value adjustments arising from acquisition of ISL	-	(4,630,610)	(61,561)	1,104	(476,599)	(5,167,666)
Allowance for doubtful accounts	243,007	40,515	32,166	-	(44,877)	270,811
Free energy supply	70,316	-	1,311	-	(15,850)	55,777
Research and development and energy efficiency programs	243,013	-	(53,349)	-	(53,965)	135,699
Value added derived from determination of deemed cost	(139,997)	-	(15,086)	19,986	31,452	(103,645)
Withholding taxes-Philippines	(140,814)	-	(174,329)	-	166,136	(149,007)
Property, plant and equipment	(4,931,005)	(769,991)	(465,422)	-	(585,808)	(6,752,226)
Hedged items, hedging instruments and financial instruments	(21,995)	-	(782,908)	171,535	152,518	(480,850)
Concession-financial assets	(1,252,703)	-	(209,783)	-	285,000	(1,177,486)
Intangible assets	(1,224,225)	(95,654)	90,023	-	159,398	(1,070,458)
Provision	723,666	-	(41,780)	-	(75,018)	606,868
Defined benefits	1,176,230	385	21,299	281,740	(284,371)	1,195,283
Tax losses carryforwards	908,835	91,569	422,542	-	(195,377)	1,227,569
Other items	65,834	63,003	27,850	-	46,489	203,176
Balance at 31 December 2020	(21,878,156)	(5,300,783)	(1,561,341)	474,365	3,057,695	(25,208,220)

22. Deferred tax (continued)

	Opening balance HK$'000 Restated	*Charged to profit or loss* HK$'000 Restated	*Charged to equity* HK$'000	*Exchange alignment* HK$'000 Restated	*Closing balance* HK$'000 Restated
2019					
Conversion of contractual asset of SGBH	(6,673,278)	(550,451)	-	(100,227)	(7,323,956)
Fair value adjustments arising from acquisition of CPFL Energia S.A.	(11,020,789)	545,481	-	200,946	(10,274,362)
Allowance for doubtful accounts	231,517	22,319	-	(10,829)	243,007
Free energy supply	70,000	3,498	-	(3,182)	70,316
Research and development and energy efficiency programs	210,056	43,430	-	(10,473)	243,013
Value added derived from determination of deemed cost	(188,554)	41,404	26,289	(19,135)	(139,996)
Withholding taxes-Philippines	(114,006)	(163,172)	-	136,364	(140,814)
Property, plant and equipment	(4,832,617)	(301,938)	-	203,550	(4,931,005)
Hedged items, hedging instruments and and financial instruments	(490,842)	87,528	366,510	14,809	(21,995)
Concession-financial assets	(1,146,174)	(177,119)	-	70,590	(1,252,703)
Intangible assets	(1,285,333)	84,466	-	(23,358)	(1,224,225)
Provision	1,048,225	(189,561)	-	(134,998)	723,666
Defined benefits	609,390	(102,309)	898,357	(229,208)	1,176,230
Tax losses carryforwards	1,051,028	(84,495)	-	(57,698)	908,835
Other items	14,134	98,559	-	(46,860)	65,833
Balance at 31 December 2019	(22,517,243)	(642,360)	1,291,156	(9,709)	(21,878,156)

Deferred tax	*2020* HK$'000	*2019* HK$'000 Restated
Deferred tax assets	1,631,513	3,173,866
Deferred tax liabilities	(26,839,733)	(25,052,022)
	(25,208,220)	(21,878,156)

23. Sector financial assets and liabilities

The breakdown of the balances of sector financial asset and liability for the year are as follows:

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Parcel "A" (Note)	**1,456,429**	**2,684,539**
CVA (*)		
CDE (**)	141,508	230,651
Electric energy cost	(447,345)	917,382
ESS and EER (***)	34,992	(1,241,868)
Proinfa	(40,032)	46,845
Basic network charges	579,687	364,555
Pass-through from Itaipu	1,558,446	2,688,614
Transmission from Itaipu	86,085	92,829
Neutrality of sector charges	(187,485)	(47,707)
Over contracting	(269,427)	(366,762)
Other financial components	**(796,584)**	**(764,169)**
Total	**659,845**	**1,920,370**
Current assets	**836,825**	**2,113,249**
Non-current assets	**163,070**	**5,311**
Current liabilities	**(62,160)**	**-**
Non-current liabilities	**(277,890)**	**(198,190)**

Note: In accordance with the regulation in Brazil, Parcel "A" refers to the non-controllable costs incurred in the business operation of utility companies involved in transmission and distribution of electricity. This parcel should be neutral in relation to the entity's performance, i.e., the costs incurred by the distributors, classifiable as Parcel "A", are fully passed through the consumer or borne by the granting authority.

(*) Deferred tariff costs and gains variations from Parcel "A" items

(**) Energy Development Account-CDE

(***) System Service Charge (E88) and Reserve Energy Charge (EER)

All of the sector financial assets and liabilities come from CPFL Energia S.A.

a) CVA

Refers to the variations of the Parcel A account. These amounts are adjusted based on the SELIC rate and are compensated in the subsequent tariff processes.

b) Neutrality of sector charges

This refers to the neutrality of the sector charges contained in the electric energy tariffs, calculating the monthly differences between the amounts billed relating to such charges and the respective amounts considered at the time the distributors' tariff was set.

23. Sector financial assets and liabilities (continued)

c) Over contracting

Electric energy distribution concessionaires are required to guarantee 100% of their energy market through contracts approved, registered and ratified by ANEEL. It is also assured to the distribution concessionaires that costs or revenues derived from energy surplus will be passed through the tariffs, limited to 5% of the energy load requirement. These amounts are adjusted based on SELIC rate and are compensated in the subsequent tariff processes.

d) Other financial components

Refers mainly to:

(i) excess demand and excess reactive power that, will be amortized upon the approval of the periodic tariff review cycle;

(ii) recalculations of the tariff processes and;

(iii) tariff effect arising from the bilateral agreement between the parties signatories of the Power Trading Chamber in the Regulated Environment-CCEAR, and

(iv) financial guarantees for energy contracts.

24. Contract assets

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Contract assets arising from:		
Sale of goods	787,969	972,516
Construction services	35,173,676	43,867,691
Impairment	(6,436)	(8,888)
Total	35,955,209	44,831,319

Contract assets are initially recognised for revenue earned from the sale of goods and construction services as the receipt of consideration is conditional on successful completion of installation of the industrial products and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 and 2019 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of the year.

During the year ended 31 December 2020, HK$6,606,000 (2019: HK$3,655,000) was recognised as an allowance for expected credit losses on contract assets.

24. Contract assets (continued)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Within one year	4,666,434	5,851,833
After one year	31,288,775	38,979,486
Total contract assets	35,955,209	44,831,319

The movements in the loss allowance for impairment of contract assets are as follows:

	2020 HK$'000	*2019* HK$'000
At beginning of year	(8,888)	(49,010)
Impairment losses, net	(6,606)	(3,655)
Amounts utilized	9,550	43,251
Exchange realignment	(492)	526
At end of year	(6,436)	(8,888)

25 Other non-current assets

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Loans due from an associate	542,442	496,250
Loans due from joint ventures	1,062,573	1,644,742
Escrow deposit	1,145,086	1,463,541
Pledges, funds and restricted deposits	20,953	1,100,953
Taxes recoverable	552,478	716,138
Reserve accounts (Note)	279,644	194,003
Others	2,247,299	2,473,291
	5,850,475	8,088,918

Note: Reserve accounts are balances stated as non-current to meet security interest requirements provided in the financing agreement with the National Bank for Economic and Social Development (BNDES). This account may only be transacted upon formal authorization from BNDES.

26 Inventories

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Materials	660,112	326,991

27 Trade receivables

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Trade receivables	10,582,007	11,347,557
Impairment	(563,451)	(654,843)
	10,018,556	10,692,714

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Neither past due nor impaired	7,924,782	8,669,069
Past due but not Impaired:		
Less than 90 days	2,060,940	2,044,606
Over 90 days	596,285	633,882
	10,582,007	11,347,557

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 HK$'000	*2019* HK$'000
At beginning of year	(654,843)	(624,933)
Impairment losses	(682,223)	(861,249)
Recovery of revenue	297,939	403,985
Write-off of accrued receivables	329,629	398,359
Exchange realignment	146,047	28,995
	(563,451)	(654,843)

27 Trade receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Past due		
	Less than 90 days	*Over 90 days*	*Total*
Expected credit loss rate	18%	33%	21%
Gross carrying amount (HK$'000)	2,060,940	596,285	2,657,225
Expected credit losses (HK$'000)	366,677	196,774	563,451

As at 31 December 2019

	Past due		
	Less than 90 days	*Over 90 days*	*Total*
Expected credit loss rate	22%	33%	24%
Gross carrying amount (HK$'000)	2,044,606	633,882	2,678,488
Expected credit losses (HK$'000)	445,662	209,181	654,843

28 Prepayments, other receivables and other assets

	31 December 2020 HK$'000	*31 December 2019* HK$'000 Restated
Tax recoverable	1,127,206	1,082,229
Prepayments	365,752	308,519
Receivables-CDE (Electric Energy Development Account)	213,222	284,971
Orders in progress	459,739	253,056
Pledges, funds and restricted deposits	2,384	2,765
Dividend and interest on capital	301,718	389,784
Other receivables	835,907	741,205
	3,305,928	3,062,529
Impairment allowance	(43,169)	(56,076)
	3,262,759	3,006,453

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

28 Prepayments, other receivables and other assets (continued)

Receivables-CDE refer to:

(i) low-income subsidies amounting to HK$39,923,000 (31 December 2019: HK$32,743,000).

(ii) other tariff discounts granted to consumers amounting to HK$173,298,000 (31 December 2019: HK$252,209,000).

(iii) tariff discounts-court injunctions amounting to HK$19,000 at 31 December 2019.

Orders in progress: encompass costs and revenues related to ongoing decommissioning or disposal of intangible assets and the service costs related to expenditure on projects in progress under the Energy Efficiency ("PEE") and Research and Development programs ("P&D"). Upon the closing of the respective projects, the balances are amortized against the respective liability recognized in Other Payables.

Pledges, funds and restricted deposits: refer to guarantees offered for transactions conducted in the CCEE and investments required by the subsidiaries' loans agreements.

29 Financial assets at fair value through profit or loss

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Marketable securities		
Through investment funds (Note(i))	611,652	869,167
Direct investment (Note(ii))	2,341,196	775,314
	2,952,848	1,644,481

Notes:

(i) It mainly represents amounts invested in government securities, Financial Bills ("LF") and Financial Treasury Bills ("LFT"), through investment fund quotas, yielding on average 81.64% of the Interbank Certificate of Deposit ("CDI") (2019: 99.87% of the CDI).

(ii) This refers to amounts invested in government securities and LFT, yielding on average 100% of SELIC (2019: 100% of the CDI).

30. Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Cash and cash equivalents	13,637,340	16,613,927
Denominated in:		
BRL	10,413,816	15,262,711
USD	1,668,901	262,846
CLP	911,324	-
AUD	223,780	220,898
EUR	390,051	844,840
HKD	13,625	16,895
CNY	959	17
Others	14,884	5,720
	13,637,340	16,613,927

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their values.

At the end of the reporting period, the cash and bank balances of the Group denominated in Brazilian Real ("BRL") amounted to HK$10,413,816,000 (2019: HK$15,262,711,000). The BRL is not freely convertible into other currencies, however, according to the Brazilian regulation, the Group is permitted to exchange BRL to other currencies through financial institutions authorised to conduct foreign exchange business on certain conditions.

(b) Changes in liabilities arising from financing activities:

	Interest- bearing bank and other borrowings HK$'000	*Lease liabilities* HK$'000	*Dividend payable* HK$'000	*Total* HK$'000
At 1 January 2020	118,914,341	773,813	1,578,895	121,267,049
Changes from financing cash flows:				
Proceeds from bank loans and issue of bonds	61,506,147	-	-	61,506,147
Cash repayments of borrowings and derivatives and bonds	(47,410,689)	-	-	(47,410,689)
Dividends paid	-	-	(9,835,448)	(9,835,448)
Interest paid	(4,570,594)	-	-	(4,570,594)
Payment of lease liabilities	-	(157,710)	-	(157,710)
Total changes from financing cash flows	9,524,864	(157,710)	(9,835,448)	(468,294)
Exchange adjustments	(4,847,955)	53,268	-	(4,794,687)
Other Changes:				
New leases	-	38,098	-	38,098
Dividend proposed	-	-	10,207,932	10,207,932
Interest expense	4,570,594	31,648	-	4,602,242
Capitalized interest	66,593	-	-	66,593
Decrease arising from disposal	-	(6,237)	-	(6,237)
Business combination	2,027,173	27,209	-	2,054,382
Conversion to preference shares	(4,609,768)	-	-	(4,609,768)
Total other changes	2,054,592	90,718	10,207,932	12,353,242
At 31 December 2020	125,645,842	760,089	1,951,379	128,357,310

	Interest- bearing bank and other borrowings HK$'000	*Lease liabilities* HK$'000	*Dividend payable* HK$'000	*Total* HK$'000
At 1 January 2019	120,339,438	1,162,418	1,152,363	122,654,219
Changes from financing cash flows:				
Proceeds from bank loans and issue of bonds	20,164,666	-	-	20,164,666
Cash repayments of borrowings and derivatives and bonds	(21,589,763)	-	-	(21,589,763)
Dividends paid	-	-	(5,893,188)	(5,893,188)
Interest paid	(4,282,880)	-	-	(4,282,880)
Payment of lease liabilities	-	(202,190)	-	(202,190)
Total changes from financing cash flows	(5,707,977)	(202,190)	(5,893,188)	(11,803,355)
Exchange adjustments	(1,652,347)	(11,842)	-	(1,664,189)
Other Changes:				
New leases	-	16,853	-	16,853
Dividend proposed	-	-	6,319,720	6,319,720
Interest expense	5,844,334	56,261	-	5,900,595
Capitalized interest	90,893	1,641	-	92,534
Decrease arising from disposal	-	(249,328)	-	(249,328)
Total other changes	5,935,227	(174,573)	6,319,720	12,080,374
At 31 December 2019	118,914,341	773,813	1,578,895	121,267,049

31. Trade payables

	31 December 2020 HK$'000	*31 December 2019* HK$'000 Restated
Trade payables	7,495,556	7,768,543

The trade payables are unsecured and interest-free.

As of 31 December 2020 and 2019 the carrying values of trade payables approximated to their fair values due to the short-term maturities of these instruments.

32. Other payables and accruals

	31 December 2020 HK$'000	*31 December 2019* HK$'000 Restated
Amount due to related parties (Note 33 & 43)	337,250	314,750
Professional fees	290,484	379,579
Payroll payable	291,913	567,447
Dividend payable	1,951,379	1,578,895
Research & Development and Energy Efficiency Programs (Note)	886,062	626,308
Other tax payable and regulatory charges	1,768,532	2,059,543
Other payables	1,631,389	1,118,297
	7,157,009	6,644,819

Note: Research & Development and Energy Efficiency Programs: the subsidiaries in Brazil recognized liabilities relating to amounts already billed in tariffs (1% of net operating revenue), but not yet invested in the research & development and energy efficiency programs. These amounts are subject to adjustment for inflation at the SELIC rate, through the date of their realization. SELIC refers to one of the base interest rate for borrowings in Brazil.

33. Amount due to related parties

Name	*31 December 2020* HK$'000	*31 December 2019* HK$'000
State Grid International Development Co., Ltd.	158,390	155,642
State Grid Qinghai Electric Power Company	178,860	159,108
	337,250	314,750

State Grid International Development Co., Ltd. is the Company's parent company. The amount due to related parties are unsecured, interest-free and have no fixed terms of repayment.

34. Interest-bearing bank and other borrowings

	31 December 2020			*31 December 2019*		
	Effective Interest Rate	*Maturity*	HK$'000	*Effective Interest Rate*	*Maturity*	HK$'000
Current						
Bank Loans	(i)	2021	37,079,221	(i)	2020	23,295,802
Current portion of long-term bank loans	(ii)	2021	4,653,699	(ii)	2020	6,164,391
Current portion of debt securities	(iii)	2021	7,277,281	(iii)	2020	2,574,338
Other Loans	(iv)	2021	457,680			-
			49,467,881			32,034,531

	31 December 2020			*31 December 2019*		
	Effective Interest Rate	*Maturity*	HK$'000	*Effective Interest Rate*	*Maturity*	HK$'000
Non-current						
Bank Loans	(ii)	2022-2042	27,527,221	(ii)	2021-2042	30,891,415
Debt securities	(iii)	2022-2035	48,650,740	(iii)	2021-2035	51,300,831
Other Loans			-	(v)	2025-2030(vi)	4,687,564
			76,177,961			86,879,810

(i) fixed rate of 0.00%~1.15%, 1 month libor +0.49%~0.6%, 3 month libor+0.5%, 1 month euribor +0.01%,1MBSSY+0.65%

(ii) fixed rate of 0.43%~10.14%,TJLP+1.75%~6%,IPCA+4.27%~4.80%,SELIC+2.19%~3.90%,105% of CDI,CDI-1.25%~+1.9%,IGPM+8.63%,Cesta from Moedas +1.99%~2.10%,RGR 6%,Libor 3M+0.87%~1.41%

(iii) fixed rate of 0.43%~ 5.50%,TJLP + 2.52%~4.27%, Libor 3M+0.87%~0.99%

(iv) fixed rate of 0.00%

(v) fixed rate of 1.4985%-2.2206%

(vi) On 2 March, 2020, the Company converts the long-term loan of EUR537,268,961.89 from a related party to 4,609,767,693 preference shares (HK$1 per share).

34. Interest-bearing bank and other borrowings (continued)

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	41,732,920	29,460,193
In the second year	3,272,302	2,947,638
In the third to fifth years, inclusive	13,687,752	14,326,105
Beyond five years	10,567,167	13,617,672
	69,260,141	60,351,608

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Other borrowings and debt securities repayable:		
Within one year	7,734,961	2,574,338
In the second year	13,419,965	7,300,887
In the third to fifth years, inclusive	14,759,588	20,209,504
Beyond five years	20,471,187	28,478,004
	56,385,701	58,562,733

Notes:

(i) The bank loans are denominated in following currencies:

	31 December 2020 HK$'000	*31 December 2019* HK$'000
US$	22,206,355	26,437,812
BRL	20,619,159	21,223,701
EUR	5,752,017	6,081,392
AU$	13,661,760	6,608,703
CLP	7,020,850	-
	69,260,141	60,351,608

(ii) The carrying amount of interest-bearing bank borrowings approximates their fair value due to that approximately all of the bank borrowings are bearing floating interest rate. The fair value of the interest-bearing bank borrowings fall into the level 2 of the fair value hierarchy.

Certain of the bank borrowings borrowed by some subsidiaries are guaranteed by the Company.

(iii) The Group's subsidiaries in Australia have following issued debt securities in different currencies. Amounts due within one year have been classified into current liabilities.

34. Interest-bearing bank and other borrowings (continued)

Bonds	*Maturity*	*Interest rate*
GBP 250 Million	Feb 2021	5.13%
USD 500 Million	Apr 2023	3.30%
AUD 350 Million	Mar 2021	5.50%
EUR 500 Million	Jun 2022	2.00%
AUD 350 Million	Jun 2023	3.75%
USD 500 Million	Jul 2026	3.25%
HKD 875 Million	May 2027	3.30%
USD 500 Million	Jul 2027	3.50%
AUD 250 Million	Sep 2024	3.75%
HKD 785 Million	Mar 2029	2.85%
AUD 92 Million	Jul 2029	2.79%
HKD 739 Million	Dec 2029	2.54%

(iv) The Group's subsidiaries in Europe have following issued debt securities in EUR. Amounts due within one year have been classified into current liabilities.

Bonds	*Maturity*	*Interest rate*
EUR 700 million	Jan 2022	1.54%
EUR 300 million	Jan 2027	2.53%

(v) The Group's subsidiaries in Brazil have following issued debt securities in BRL. Amounts due within one year have been classified into current liabilities.

Bonds	*Maturity*	*Interest rate*
BRL 214 Million	Sep 2022	IPCA +4.42%
BRL 356 Million	Sep 2024	IPCA +4.66%
BRL 130 Million	Sep 2027	IPCA +5.05%
BRL 1380 Million	May 2024	107% of CDI
BRL 235 Million	Feb 2021	CDI +0.83%
BRL 246 Million	Feb 2022	109.5% of CDI
BRL 60 Million	Feb 2024	IPCA +5.2901%
BRL 197 Million	Aug 2025	IPCA +5.80%
BRL 215 Million	May 2024	107% of CDI
BRL 220 Million	Aug 2025	IPCA +5.80%
BRL 250 Million	Feb 2022	109.75% of CDI
BRL 130 Million	Feb 2024	IPCA +5.3473%
BRL 740 Million	May 2024	107% of CDI
BRL 190 Million	May 2024	107% of CDI
BRL 50 Million	Oct 2021	IPCA +5.4764%
BRL 700 Million	May 2021	105.75% of CDI
BRL 700 Million	May 2023	107.5% of CDI
BRL 220 Million	Jan 2024	108.25% of CDI
BRL 250 Million	Jul 2022	IPCA+5.6227%
BRL 300 Million	May 2022	104.75% of CDI
BRL 538 Million	Nov 2023	106% of CDI
BRL 212 Million	Dec 2022	107.75% of CDI

34. Interest-bearing bank and other borrowings (continued)

(vi) The Group's subsidiaries in Chile have following issued debt securities in different currencies. Amounts due within one year have been classified into current liabilities.

Bonds	*Maturity*	*Interest rate*
USD 180 Million	Dec 2037	4.06%
Unidad de Fomento (UF) 4,700 Million	Oct 2030	4.25%

35. Contract liabilities

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Contract liabilities arising from:		
Sale of goods	1,221,403	772,717
Total	1,221,403	772,717

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Within one year	1,195,662	689,115
More than one year	25,741	83,602
Total contract liabilities	1,221,403	772,717

The contract liabilities primarily relate to the advance from customers and other non-current liabilities for which revenue is recognised when the performance obligation is satisfied.

36. Private pension plan

The subsidiaries sponsor supplementary retirement and pension plans for their employees. The main characteristics of these plans are as follows:

36.1 Characteristics

CPFL Paulista

The plan currently in force for the employees of the subsidiary CPFL Paulista through VIVEST is a Mixed Benefit Plan, with the following characteristics:

(i) Defined Benefit Plan ("BD")-in force until October 31, 1997-a defined benefit plan, which grants a Proportional Supplementary Defined Benefit ("BSPS"), in the form of a lifetime income convertible into a pension, to participants enrolled prior to October 31, 1997, the amount being defined in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. The total responsibility for coverage of actuarial deficits of this plan falls to the subsidiary.

36. Private pension plan (continued)

(ii) Mixed model, as from 1 November 1997, which covers:

- benefits for risk (disability and death), under a defined benefit plan, in which the subsidiary assumes responsibility for Plan's actuarial deficit, and

- scheduled retirement, under a variable contribution plan, consisting of a benefit plan, which is a defined contribution plan up to the granting of the income, and does not generate any actuarial liability for the subsidiary CPFL Paulista. The benefit plan only becomes a defined benefit plan, consequently generating actuarial responsibility for the subsidiary, after the granting of a lifetime income, convertible or not into a pension.

Additionally, the subsidiary's Managers may opt for a Free Benefit Generator Plan-PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

CPFL Piratininga

As a result of the spin-off of Bandeirante Energia S.A. (subsidiary's predecessor), the subsidiary CPFL Piratininga assumed the responsibility for the actuarial liabilities of that company's employees retired and terminated until the date of spin-off, as well as for the obligations relating to the active employees transferred to CPFL Piratininga.

On 2 April 1998, the Secretariat of Pension Plans-"SPC" approved the restructuring of the retirement plan previously maintained by Bandeirante, creating a "Proportional Supplementary Defined Benefit Plan-BSPS", and a "Mixed Benefit Plan", with the following characteristics:

(i) Defined Benefit Plan ("BD")-in force until 31 March 1998-a defined benefit plan, which grants a Proportional Supplementary Defined Benefit (BSPS), in the form of a lifetime income convertible into a pension to participants enrolled until 31 March 1998, in an amount calculated in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. CPFL Piratininga has full responsibility for covering the actuarial deficits of this Plan.

(ii) Defined Benefit Plan-in force after 31 March 1998-defined-benefit type plan, which grants a lifetime income convertible into a pension based on the past service time accumulated after 31 March 1998, based on 70% of the average actual monthly salary for the last 36 months of active service. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. The responsibility for covering the actuarial deficits of this Plan is equally divided between the subsidiary and the participants.

(iii) Variable Contribution Plan-implemented together with the Defined Benefit plan effective after 31 March 1998. This is a defined-contribution type pension plan up to the granting of the income, and generates no actuarial liability for CPFL Piratininga. The pension plan only becomes a Defined Benefit type plan after the granting of the lifetime income, convertible (or not) into a pension, and accordingly starts to generate actuarial liabilities for the subsidiary.

36. Private pension plan (continued)

Additionally, the subsidiary's Managers may opt for a Free Benefit Generator Plan-PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

RGE Sul (RGE)

The subsidiary RGE has retirement and pension plans for its employees and former employees managed by Fundação CEEE de Previdência Privada, comprising:

(i) "Plan 1" ("Plano Único RGE"): A "defined benefit" plan with benefit level equal to 100% of the inflation adjusted average of the last salaries, deducting the presumed benefit from the Social Security, with a Segregated Net Asset, that is closed to new participants since 1997. This plan was recorded at the dissolved Rio Grande Energia S.A. until the merger of the distribution companies approved on 31 December 2018; and;

(ii) "Plan 2" ("Plano Único RGE Sul"): A "defined benefit" plan that is closed to new participants since February 2011. The subsidiary's contribution matches the contribution from the benefitted employees, in the proportion of one for one, including as regards the Fundação's administrative funding plan.

For employees hired after the closing of the plans of Fundação CEEE, "defined contribution" private pension plans were implemented, being Bradesco Vida e Previdência for employees hired between 1997 and 2018 by the dissolved Rio Grande Energia S.A., and Itauprev for employees hired by RGE as from 2011, as well as for new employees to be hired after the event of merger of the distribution companies.

CPFL Santa Cruz

With the 2017 merger event, the company's official plan is the CMSPREV, managed by IHPREV Fundo de Pensão. The same plan was maintained for employees that had the benefits plan managed by BB Previdência-Fundo de Pensão from Banco do Brasil.

CPFL Geração

The employees of the subsidiary CPFL Geração participate in the same pension plan as CPFL Paulista.

In addition, managers may opt for a Free Benefit Generator Plan-PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

36. Private pension plan (continued)

36.2 Balance sheet amounts of the defined benefit plans

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Present value of actuarial obligations	15,698,437	17,845,861
Fair value of plan's assets	(11,296,620)	(13,423,390)
Present value of obligations (fair value of assets), net	4,401,817	4,422,471
Effect of asset ceiling	16,713	148,609
Net actuarial liability recognized in the statement of financial position	4,418,530	4,571,080

The changes in the present value of the actuarial obligations and the fair value of the plan's assets are as follows:

	2020 HK$'000	*2019* HK$'000
Opening present value of actuarial obligations	17,845,861	15,355,474
Gross current service cost	16,270	17,378
Interest on actuarial obligations	1,024,743	1,290,606
Participants' contributions transferred during the year	6,930	7,040
Actuarial gain: effect of changes in demographic assumptions	(1,464)	(6,074)
Actuarial loss: effect of changes in financial assumptions	1,802,167	3,047,723
Benefits paid during the year	(978,025)	(1,189,475)
Exchange realignment	(4,018,045)	(676,811)
Closing present value of actuarial obligations	15,698,437	17,845,861

	2020 HK$'000	*2019* HK$'000
Opening fair value of actuarial assets	(13,423,390)	(12,930,583)
Expected return during the year	(791,587)	(1,095,791)
Participants' contributions transferred during the year	(6,930)	(7,044)
Sponsors' contributions	(274,350)	(277,323)
Actuarial gain: return on actuarial assets	(800,703)	(872,054)
Benefits paid during the year	978,025	1,189,475
Exchange realignment	3,022,315	569,930
Closing fair value of actuarial assets	(11,296,620)	(13,423,390)

36. Private pension plan (continued)

36.3 Movements in recognized assets and liabilities

The changes in net liability are as follows:

	2020 HK$'000	*2019* HK$'000
Net actuarial liability at 1 January	4,571,080	2,485,637
Expenses recognized in the statement of profit or loss	260,349	217,594
Sponsors' contributions transferred during the year	(274,350)	(277,323)
Actuarial loss/(gain): effect of changes in demographic assumptions	(1,464)	(6,074)
Actuarial loss: effect of changes in financial assumptions	1,802,167	3,047,723
Actuarial gain: return on actuarial assets	(800,703)	(872,054)
Effect of asset ceiling	(109,359)	85,135
Exchange realignment	(1,029,191)	(109,558)
Net actuarial liability at 31 December	4,418,529	4,571,080
Other contributions	12,967	24,510
Total liability	4,431,496	4,595,590
Current	299,168	434,501
Non-current	4,132,328	4,161,089

36.4 Recognition of private pension plan income and expense

Supported by the opinion of external actuarial estimate, CPFL's management presents the estimate of the expenses (income) to be recognized in 2021 amount to HK$339,820,000 and the expense (income) recognized in 2020 and 2019 are as follows:

	2020 HK$'000	*2019* HK$'000
Service cost	16,300	17,378
Interest on actuarial obligations	1,024,743	1,290,606
Expected return on plan assets	(791,587)	(1,095,791)
Effect of asset ceiling	11,626	5,401
Total expense	261,082	217,594

36. Private pension plan (continued)

36.5 Principal actuarial assumptions

The main assumptions taken into consideration in the actuarial calculation at the end of the reporting period were as follows:

	CPFL Paulista, CPFL Geração and CPFL Piratininga 31 December 2020	*RGE(Plans 1 and 2) 31 December 2020*
Nominal discount rate for actuarial liabilities:	7.72% p.a.	7.72% p.a.
Nominal return rate on plan assets:	8.47% p.a.	8.47% p.a.
Estimated rate of nominal salary increase:	5.31% p.a. (*)	5.48% p.a. (**)
Estimated rate of nominal benefits increase:	3.75%p.a.	3.75%p.a.
Estimated long-term inflation rate (basis for determining the nominal rates above)	3.75%p.a.	3.75%p.a.
General biometric mortality table:	AT-2000 (-10)	BR-EMS sb v.2015
Biometric table for the onset of disability:	Low Light (-30)	Medium Light
Expected turnover rate:	ExpR-2012	Null
Likelihood of reaching retirement age:	After 15 years of membership and 35 years of service time for men and 30 years for women	100% when a beneficiary first becomes eligible for a full benefit

(*) Estimated rate of nominal salary increase for CPFL Piratininga was 6.14% in 2020 and 6.39% in 2019.

(**) Estimated rate of nominal salary increase for RGE (plan 1) was 4.96% in 2020 and 5.15% in 2019.

36. Private pension plan (continued)

36.6 Plan Assets

The following tables show the allocation (by asset segment) of the assets of the Group CPFL pension plans, at 31 December 2020 and 2019 managed by VIVEST and Fundação Previdência. The tables also show the distribution of the guarantee resources established as target for 2021, obtained in light of the macroeconomic scenario in December 2020.

Assets managed by the plans are as follows:

	Assets managed by VIVEST		*Assets managed by Família Previdência*	
	CPFL Paulista and CPFL Geração 2020	*CPFL Piratininga 2020*	*RGE 2020*	*RGE Sul 2020*
Fixed rate	78.0%	78.0%	78.0%	75.0%
Federal government bonds	66.0%	61.0%	62.0%	66.0%
Corporate bonds (financial institutions)	1.0%	1.0%	9.0%	5.0%
Corporate bonds (non-financial institutions)	0.0%	0.0%	3.0%	2.0%
Multimarket funds	2.0%	2.0%	4.0%	2.0%
Other fixed income investments	9.0%	14.0%	0.0%	0.0%
Variable income	18.0%	18.0%	18.0%	21.0%
Investment funds-shares	18.0%	18.0%	18.0%	21.0%
Structured investments	1.0%	1.0%	1.0%	0.0%
Equity funds	0.0%	0.0%	0.0%	0.0%
Real estate funds	0.0%	0.0%	0.0%	0.0%
Multimarket fund	1.0%	1.0%	1.0%	0.0%
Total quoted in an active market	97.0%	97.0%	97.0%	96.0%
Real estate	1.0%	1.0%	2.0%	2.0%
Transactions with participants	1.0%	1.0%	1.0%	2.0%
Other investments	1.0%	1.0%	0.0%	0.0%
Escrow deposits and others	1.0%	1.0%	0.0%	0.0%
Total not quoted in an active market	3.0%	3.0%	3.0%	4.0%

36.7 Sensitivity Analysis

The significant actuarial assumptions for determining the defined benefit obligation are discount rate and mortality. The following sensitivity analyses were based on reasonably possible changes in the assumptions at the end of the reporting period, with the other assumptions remaining constant.

Furthermore, in the presentation of the sensitivity analysis, the present value of the defined benefit obligation was calculated using the projected unit credit method at the end of the reporting period, the same method used to calculate the defined benefit obligation recognized in the statement of financial position, according to HKAS 19.

36. Private pension plan (continued)

See below the effects on the defined benefit obligation if the discount rate were 0.25 percentage points lower (higher) and if life expectancy were to decrease (increase) in one year:

	Increase (decrease)	*CPFL Paulista* HK$'000	*CPFL Piratininga* HK$'000	*CPFL Geração* HK$'000	*RGE Sul Plan 1* HK$'000	*RGE Sul Plan 2* HK$'000	*Total* HK$'000
Nominal discount (p.a.)*	- 0,25p.p.	262,665	91,519	6,674	18,135	28,016	407,009
	+ 0,25p.p.	(251,838)	(87,085)	(6,383)	(17,342)	(26,708)	(389,356)
General biometric mortality table**	+ 1 year	(287,991)	(68,927)	(6,775)	(15,842)	(24,536)	(404,071)
	- 1 year	286,348	67,924	6,744	15,602	24,212	400,830

* The Company's assumption based on the actuarial report for the nominal discount rate was 7.72% p.a. The projected rates are decreased or increased by 0.25 p.p. to 7.47% p.a. and 7.97% p.a..

** The Company's assumption based on the actuarial report for the nominal discount rate was 7.72%. The projected rates are decreased or increased by 0.25 p.p. to 7.47% p.a. and 7.97% p.a. of the Fundação CEEE. The projections were carried out with increase or decrease of 1 year in the respective mortality tables.

36.8 Investment risk

The major part of the resources of the Company's benefit plans is invested in the fixed income segment and, within this segment, the greater part of the funds is invested in federal government bonds, indexed to the IGP-M, IPCA and SELIC, which are the index for adjustment of the actuarial liabilities of the Company's plans (defined benefit plans), representing the matching between assets and liabilities.

Management of the Company's benefit plans is monitored by the Group's Investment and Pension Plan Management Committee, which includes representatives of active and retired employees, as well as members appointed by the Group. Among the duties of the Committee are the analysis and approval of investment recommendations made by VIVEST investment managers, which occurs at least quarterly.

Fundações CESP and Família Pervidência use the following tools to control market risks in the fixed income and variable income segments: VaR, Traking Risk, Tracking Error and Stress Test.

Fundação Família Previdência also uses Sharpe, Generalized Sharpe and Drawn Down. In addition, to assess the market risk exposure of the plans' portfolios, the Base EBA Year Exposure is calculated and Stress Simulations are performed. The EBA consists of a metric that expresses the risk exposure of the portfolio as a percentage of equity, considering the sum of the exposures generated by each asset, based on the definition of increase/decrease of the respective risk factors.

36. Private pension plan (continued)

VIVEST and Fundação Família Previdência Investment Policies determine additional restrictions that, along with those already established by law, define the percentages of diversification for investments and establish the strategy of the plans, including the limit of credit risk in assets issued or co-obligation of the same legal entity to be adopted internally.

37. Provision

		31 December 2020 HK$'000	*31 December 2019* HK$'000
Current provision			
Employee benefits		683,605	553,444
Environmental and restoration	(i)	120,893	310,693
Other provision		226,903	154,374
		1,031,401	1,018,511
Non-current provision			
Environmental and restoration	(i)	334,724	520,849
Employee benefits		53,433	69,968
Decommissioning	(ii)	438,256	291,935
Tax proceedings	(iii)	2,396,016	4,046,033
Civil proceedings	(iii)	1,032,038	963,202
Rights proceedings	(iii)	10,237	4,182
Labour proceedings	(iii)	729,134	512,849
Environment proceedings	(iii)	143,581	63,291
Other provision	(iii)	139,739	164,959
		5,277,158	6,637,268

Notes:

(i) The Group's subsidiaries in Brazil and Australia have sites to be rehabilitated where the provision is provided based on the projected cost. The liability is determined based on the present value of each applicable environmental and restoration obligation as appropriate.

(ii) The Group's subsidiaries in Australia have legal or constructive obligations as a result of past events. The provision is made on the basis of estimated current cost of detailed plans prepared. For changes in the expected decommissioning costs, an adjustment is recorded against the carrying value of the provision and any plant and equipment.

(*iii*) The Group's subsidiaries in Brazil and Australia are involved in tax, civil, labour, environmental and others proceedings, arising in the normal course of its business and are discussing these issues, both in the administrative and judicial sphere. Provision for possible losses arising from such proceedings are estimated and updated by the Group's management, supported by the opinion of its independent legal advisors.

The Group's subsidiaries in Brazil are operating in accordance with the Brazilian laws, meeting the environment, hygiene, safety and occupational health requirements. In the operation phase of the Group's business, environmental programs are developed in order to mitigate and offset the impacts.

38. Share capital

	31 December 2020 HK$'000	*31 December 2019* HK$'000
Issued and fully paid:		
21,429,327,845 (31 December 2019: 21,429,327,845) ordinary shares of HK$1.00 each	21,429,328	21,429,328
Issued and fully paid:		
122,449,027,720 (31 December 2019: 109,087,660,027) preference shares of HK$1.00 each	122,449,028	109,087,660
Total	143,878,356	130,516,988

A summary of the transactions during the year with reference to the above movements in the Group's issued preference share capital is as follows:

	2020 HK$'000	*2019* HK$'000
At 1 January	109,087,660	109,087,660
New issues	13,361,368	-
At 31 December	122,449,028	109,087,660

39. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out note 46.

40. Acquisition

(i) On 24 June 2020, the Group paid equivalent HK$17,403,352,000 to acquire 100% equity of Inversiones State Grid Limitada. The fair value of the net asset on acquisition date was HK$16,245,592,000. The goodwill arised from this business combination amounted to HK$1,157,760,000.

The identifiable assets acquired and liabilities assumed in the above acquisition at the date of acquisition were as follows:

	Recognised values on acquisition HK$'000
Intangible assets	18,637,756
Cash and cash equivalents	987,634
Property, plant and equipment	9,300,455
Investment properties	23,149
Right-of-use assets	23,237
Other assets and liabilities	(1,542,846)
Trade payables and other accounts payables	(3,020,358)
Interest-bearing bank and other borrowings	(2,027,173)
Deferred tax liabilities	(5,504,929)
Total identifiable net assets	16,876,925
Non-controlling interests	(631,333)
The Group's share of the net assets acquired	16,245,592
Consideration satisfied in cash	17,403,352
Less: cash and cash equivalents acquired	(987,634)
Net cash inflow	16,415,718

Goodwill was recognised as a result of the acquisition:

	HK$'000
Consideration satisfied in cash	17,403,352
Less: the Group's share of the net assets acquired	(16,245,592)
Goodwill	1,157,760

(ii) On 24 June 2020, Chilquinta Energía S.A. reported the completion of the transaction signed with Sociedad Austral de Electricidad S.A., for the purchase of 100% of the shares of the companies Eletrans S.A., Eletrans II S.A. and Eletrans III S.A. owned by said Company and which reached 50% of the shareholding of the aforementioned companies. After the agreed conditions were met, the transfer of shares and the payment to the sellers, in proportion to their respective shareholdings in the acquired companies, was made in the amount of equivalent HK$1,941,303,000.

41. Contingent liabilities

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

The Group provided guarantees to certain joint ventures amounted to approximately HK$1,713,471,000 (31 December 2019: HK$4,624,413,000).

(b) The Group's subsidiaries in Brazil and Australia are involved in tax, civil, labour and others proceedings, arising in the normal course of its business. Provision for possible losses arising from such proceedings are estimated and updated by the Group's management, supported by the opinion of its independent legal advisors. Details of probable loss expected can be found in Note 37.

(c) In the ordinary course of SGBH's business, they are parties to legal proceedings of civil, tax, labour and environmental natures, and set up provisions for legal proceedings at amounts deemed sufficient by management and legal advisors to cover probable losses. The maximum exposure risk is presented according to the nature of the corresponding proceedings:

	2020 *HK$'000*	*2019* *HK$'000*
Tax	66,285,004	165,482,889
Civil	22,482,248	34,967,447
Easements	1,192,523	-
Environmental	3,409,003	8,989,733
Labour	13,143,016	21,941,569
	106,511,794	231,381,638

(d) SGSPAA's joint venture ActewAGL Distribution Partnership (ADP) had contingent liabilities of HK$28,012,000 as at 31 December 2020 (as at 31 December 2019: HK$25,627,000) relating to bank guarantees.

41. Contingent liabilities (continued)

(e) CPFL is involved in civil, tax, labour and regulatory proceedings.

The Group is part to other lawsuits in which Management, supported by its external legal counsellors, believes that the chances of a successful outcome are possible due to a solid defensive position in these cases, therefore no provision was recognized. It is not yet possible to predict the outcome of the courts' decisions or any other decisions in similar proceedings considered probable or remote.

	2020 *HK$'000*	*2019* *HK$'000*
Labour	912,357	1,127,262
Civil	3,203,223	3,507,582
Tax	7,149,467	8,407,370
Tax-others	3,512,329	5,129,229
Regulatory	150,266	147,643
	14,927,642	18,319,086

(i) One of the main cases refers to litigation about deductibility for income tax purposes of expenses recognized in 1997 relating to novation of debt in connection with the pension plan of employees of subsidiary CPFL Paulista to Fundação CESP ("VIVEST") in the estimated amount of 1,495,455, with escrow deposits in the amount of BRL 22,895 and financial guarantees (insurance and letters of guarantee).

In the total amount of BRL1,876,315, under the terms required by the relevant procedural law. In addition, the litigation includes interest that was levied on the escrow deposit withdrawn by the Company, in the amount of BRL 254,786 and that is depoz`sited in court. On May 23, June 6 and September 17, 2019, the special appeal of the main proceeding was judged by the Second Panel of the Higher Court of Justice (STJ), which handed down a decision unfavorable to the subsidiary, fully published on June 26, 2020, which embargoes of declaration were opposed on August 4, 2020, awaiting judgment. Additionally, the controlled property has an extraordinary appeal in the initial stage of processing at the Supreme Federal Court (STF). Additionally, the subsidiary has an extraordinary appeal in the initial stage at the Federal Supreme Court (STF). Consequently, based on the current stage of the appeal, both at the STJ and at the STF, and based on the opinion of its legal advisors, the subsidiary remains confident in the legal grounds consubstantiating the appeal and will continue to defend its arguments before the judiciary branch, assessing the chances of loss as not probable, there is a new opportunity for the analysis of the case at the Federal Supreme Court (STF), with a constitutional approach with solid bases, indicating possible success in the extraordinary appeals, and will continue to try to avoid possible cash outflows should it be required to replace existing judicial guarantees with cash deposits.

41. Contingent liabilities (continued)

(ii) In 2016, the subsidiary CPFL Renováveis received a tax infringement notice in the update amount of BRL 348,006 relating to the collection of Withholding Income Tax-IRRF on the remuneration of capital gain incurred with parties resident and/or domiciled abroad, arising from the sale of Jantus SL in December 2011, for which the Company's management, supported by the opinion of its outside legal counselors, assessing the chances of loss as not probable;

(iii) In 2016 the subsidiary CPFL Geração received a tax infringement notice in the inflation adjusted amount of BRL 541,921 related to the collection of IRPJ and CSLL for the calendar year 2011, calculated on the alleged capital gain identified on the acquisition of ERSA Energias Renováveis S.A. and on the recording of differences in the fair value remeasurement of SMITA Empreendimentos e Participações S.A., company acquired in a downstream merger, for which the Company's management, supported by the opinion of its outside legal counselors, assessing the chances of loss as not probable. As of September 2020, as a result of the integration of CPFL Renováveis, the processes migrated to CPFL Renováveis.

Regarding labor contingencies, the effects of the decision of the Federal Supreme Court (STF) that changed the monetary restatement index adopted by the Labor Court are under discussion. Currently, there is a decision of the STF, subject to appeal, which definitively ruled out the application of TR, an index previously practiced by the Labor Court, for the application of the IPCA-E for debts in the pre-procedural phase and the SELIC for after the summons, however, it did not delimit the temporality of this application for cases without a defined index, nor did it clarify the application of interest, reactivating the previously suspended lawsuits. The Group's Management clarifies that it carries out the individual settlement of labor cases, in accordance with the respective decisions and did not identify a material change in the preliminary analysis. Thus, the Company awaits the publication of the final decision by the STF and any resources to estimate with reasonable certainty the amounts involved in the discussion.

Based on the opinion of their outside legal counselors, the Group's management believes that the amounts provided for reflect the current best estimate.

42. Financial risk management objectives and policies

The Group's exposure to market risk (including interest rate risk and foreign currency risk), credit risk, equity price risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's short term and long term bank loans which are based on the floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has used interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2020, if the interest rates on borrowings had been 100 basis points higher, with all other variables held constant, the profit after tax for the year would have been HK$468,272,000 (2019:HK$434,522,000) lower as a result of higher interest expenses on bank borrowings.

42. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group has its 76% of cash and cash equivalents at Brazilian Real ("BRL") and 12% at United States dollars ("USD") , and its 32% of interest-bearing bank borrowings at USD, 20% at BRL, 8% at AUD and 30% at EUR at 31 December 2020. The exchange rate fluctuation would affect the Group's operation. The Group tries to minimize the foreign currency risk by monitoring and analysing the fluctuation of exchange rate on a daily basis.

Besides, the Group has net investments in foreign operation. The functional currencies of the Group's jointly-controlled ventures and associates mainly include Philippines Peso ("PHP"), AUD and EUR, while the functional currencies of the Group's subsidiaries in Brazil and Australia, are BRL and AUD respectively. The exchange rate fluctuation of those foreign currencies against HKD would significantly affect the Group's other comprehensive income. The Group tries to minimise the foreign currency risk by monitoring and analysing the fluctuation on a quarterly basis based on the management accounts reported. In addition, as at 31 December 2020, the Group designated loans of EUR 1.7 billion as the hedging instruments to hedge the net investments in REN, CDP Reti in order to hedge the foreign currency risk.

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, investments and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. All the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong, Brazil and Australia, which management believes are of high credit quality. The Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers. The directors consider that the Group does not have a significant concentration of credit risk.

The Group also exposes to credit risk arises from trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group applies the simplified approach to most of its trade receivables to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. In addition, trade receivables balance is monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

42. Financial risk management objectives and policies (continued)

Maximum exposure and year-end staging as at 31 December 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020.

	12-month ECLs	*Lifetime ECLs*			
	Stage 1	*Stage 2*	*Stage 3*	*Simplified*	*Total*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivable*	-	-	-	10,018,556	10,018,556
Contract assets*	-	-	-	35,955,209	35,955,209
Financial assets included in prepayments and other current assets					
- Normal**	1,310,062	-	-	-	1,310,062
- Doubtful**	-	-	43,169	-	43,169
Cash and cash equivalents	13,637,340	-	-	-	13,637,340
Financial assets in other non-current assets	5,297,997	-	-	-	5,297,997
Total	20,245,399	-	43,169	45,973,765	66,262,333

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Notes 24 and 27 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments and other current assets and financial assets included in other non-current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2019

	12-month ECLs	*Lifetime ECLs*			
	Stage 1	*Stage 2*	*Stage 3*	*Simplified*	*Total*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivable	-	-	-	11,347,557	11,347,557
Contract assets	-	-	-	44,840,207	44,840,207
Financial assets included in prepayments and other current assets					
- Normal**	1,359,596	-	-	-	1,359,596
- Doubtful**	-	-	56,076	-	56,076
Cash and cash equivalents	16,613,927	-	-	-	16,613,927
Financial assets in other non-current assets	7,372,780	-	-	-	7,372,780
Total	25,346,303	-	56,076	56,187,764	81,590,143

42. Financial risk management objectives and policies (continued)

Equity price risk

The Group's exposure to equity price risk relates principally to the Group's investments in equity securities. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group is exposed to equity price changes arising from equity investments classified as equity investments at fair value through other comprehensive income. Listed investment has been chosen based on its longer term growth potential and is monitored regularly for performance against expectations.

If the prices of the respective equity investments had been 1% higher/lower, with all other variables held constant, the Group's equity investment designated at fair value through other comprehensive income would have increased/decreased by approximately HK$89,230,860 at 31 December 2020 (2019:HK$101,713,000) as a result of the changes in the fair value.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2020	*Financial assets at fair value through profit or loss designated as such upon initial recognition* HK$'000	*Financial assets at amortized cost* HK$'000	*Financial assets at fair value through other comprehensive income* HK$'000	*Total* HK$'000
Equity investments designated at fair value through other comprehensive income	-	-	8,923,086	8,923,086
Other equity instrument investments*	-	-	113,984	113,984
Sector financial assets	-	999,895	-	999,895
Financial assets-concession rights	15,506,421	-	-	15,506,421
Financial assets at fair value through profit or loss	2,952,848	-	-	2,952,848
Trade receivables	-	10,018,556	-	10,018,556
Financial assets included in prepayments, other receivables and other assets	-	1,342,815	-	1,342,815
Derivative financial instruments	5,506,767	-	-	5,506,767
Cash and cash equivalents	-	13,637,340	-	13,637,340
Other non-current assets	-	5,297,997	-	5,297,997
	23,966,036	31,296,603	9,037,070	64,299,709

* As at 31 December 2020, certain unlisted equity investments with a carrying amount of HK$113,984,000 (2019:HK$244,031,000) were stated at fair value. Because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably and cost is the best estimate of it. The Group does not intend to dispose of them in the near future.

42. Financial risk management objectives and policies (continued)

As at 31 December 2020	*Financial liabilities at fair value through profit or loss designated as such upon initial recognition* HK$'000	*Financial liabilities at amortized cost* HK$'000	*Total* HK$'000
Sector financial liabilities	-	340,050	340,050
Trade payables	-	7,495,556	7,495,556
Financial liabilities included in other payables and accruals	-	5,096,564	5,096,564
Derivative financial instruments	2,430,398	-	2,430,398
Interest-bearing bank and other borrowings**	9,513,308	116,132,534	125,645,842
Lease liabilities	-	760,089	760,089
	11,943,706	129,824,793	141,768,499

** The amount includes the part of recognising credit risk on financial liabilities designated at fair value through profit or loss in own credit reserve.

As at 31 December 2019	*Financial assets at fair value through profit or loss designated as such upon initial recognition* HK$'000	*Financial assets at amortized cost* HK$'000	*Financial assets at fair value through other comprehensive income* HK$'000	*Total* HK$'000
Equity investments designated at fair value through other comprehensive income	-	-	10,171,299	10,171,299
Other equity instrument investments	-	-	244,031	244,031
Sector financial assets	-	2,118,560	-	2,118,560
Financial assets-concession rights	16,983,494	-	-	16,983,494
Financial assets at fair value through profit or loss	1,644,481	-	-	1,644,481
Trade receivables	-	10,692,714	-	10,692,714
Financial assets included in prepayments, other receivables and other assets	-	1,239,093	-	1,239,093
Derivative financial instruments	4,276,252	-	-	4,276,252
Cash and cash equivalents	-	16,613,927	-	16,613,927
Other non-current assets	-	7,372,780	-	7,372,780
	22,904,227	38,037,074	10,415,330	71,356,631

42. Financial risk management objectives and policies (continued)

As at 31 December 2019	*Financial liabilities at fair value through profit or loss designated as such upon initial recognition* HK$'000	*Financial liabilities at amortized cost* HK$'000	*Total* HK$'000
Sector financial liabilities	-	198,190	198,190
Trade payables	-	6,874,728	6,874,728
Financial liabilities included in other payables and accruals	-	4,911,644	4,911,644
Derivative financial instruments	1,517,394	-	1,517,394
Interest-bearing bank and other borrowings	9,679,492	109,234,849	118,914,341
Lease liabilities	-	773,813	773,813
	11,196,886	121,993,224	133,190,110

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2020	*Less than 1 year* HK$'000	*1 to 5 years* HK$'000	*Over 5 years* HK$'000	*Total* HK$'000
Interest-bearing bank and other borrowings	65,933,264	58,987,963	52,839,511	177,760,738
Lease liabilities	113,864	448,951	333,820	896,635
Trade payables	7,495,556	-	-	7,495,556
Financial liabilities included in other payables and accrued liabilities, excluding accrued interest	5,096,564	-	-	5,096,564
Derivative financial liabilities	302,978	3,834,838	(1,707,418)	2,430,398
Sector financial liability	62,160	277,890	-	340,050
	79,004,386	63,549,642	51,465,913	194,019,941

As at 31 December 2019	*Less than 1 year* HK$'000	*1 to 5 years* HK$'000	*Over 5 years* HK$'000	*Total* HK$'000
Interest-bearing bank and other borrowings	42,697,224	58,523,435	71,663,431	172,884,090
Lease liabilities	153,136	600,642	145,557	899,335
Trade payables	6,874,728	-	-	6,874,728
Financial liabilities included in other payables and accrued liabilities, excluding accrued interest	4,911,644	-	-	4,911,644
Derivative financial liabilities	469,684	932,102	286,485	1,688,271
Sector financial liability	-	198,190	-	198,190
	55,106,416	60,254,369	72,095,473	187,456,258

42. Financial risk management objectives and policies (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt.Net debt is calculated as the total of interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	31 December 2020 HK$'000	*31 December 2019* HK$'000 Restated
Interest-bearing bank borrowings and other loans	69,717,821	65,039,172
Debt securities	55,928,021	53,875,169
Lease liabilities	760,089	773,813
Trade payables	7,495,556	7,768,543
Other payables and accruals	7,157,009	6,644,819
Less: Cash and cash equivalents	(13,637,340)	(16,613,927)
Net debt	127,421,156	117,487,589
Equity	142,258,616	139,597,115
Net debt and equity	269,679,772	257,084,704
Gearing ratio	47%	46%

43. Related party transactions

In addition to the transaction disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	*2020* HK$'000	*2019* HK$'000
Assets			
Intercompany loans receivable		1,605,016	3,970,589
Dividends and interests receivable		138,790	385,819
Energy purchases and sales, and charges	(i)	4,449	11,347
Intangible assets, property, plant and equipment, materials and services rendered	(ii)	266	408
Other		272,540	402,036
Liabilities			
Intercompany loans payable		457,680	12,773,776
Dividends payable		1,725,812	1,578,895
Energy purchases and sales, and charges	(i)	236,009	238,880
Other payables and accruals		337,250	314,750
P&L			
Energy purchases and sales, and charges	(i)	(675,737)	(714,581)
Loan interest expense	(ii)	(59,236)	(182,929)
Intangible assets, property, plant and equipment, materials and services rendered		12,152	13,462
Other		(14,145)	(10,960)
Guarantee	(iii)	1,713,471	4,624,413

Notes:

(i) Purchase and sale of energy and charges-refer basically to energy purchased or sold by distribution, commercialization and generation subsidiaries through short or long term agreements and tariffs for the use of the distribution system (TUSD). Such transactions, when conducted in the free market, are carried out under conditions considered by the Company as similar to market conditions at the time of the trading, according to internal policies previously established by the Company's management. When conducted in the regulated market, the prices charged are set through mechanisms established by the regulatory authority.

(ii) Intangible assets, property, plant and equipment, materials and Service-refers mainly to rendered services in advisory and management of energy plants, consulting and engineering.

(iii) The amount represented the counter-guarantees provided by the Group to certain joint ventures for their bank loans and performance guarantee.

44. Fair value hierarchy of financial assets and liabilities

(i) Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, Fair value measurement categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

During the years ended 31 December 2019 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
As at 31 December 2020	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Equity investments designated at fair value through other comprehensive income	8,923,086	-	-	8,923,086
Other equity instrument investments	-	-	113,984	113,984
Derivative financial assets	-	5,506,767	-	5,506,767
Financial assets-concession rights	-	-	15,506,421	15,506,421
Financial assets at fair value through profit or loss	2,952,848	-	-	2,952,848
	11,875,934	5,506,767	15,620,405	33,003,106

44. Fair value hierarchy of financial assets and liabilities (continued)

	Fair value measurement using			
As at 31 December 2019	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Equity investments designated at fair value through other comprehensive income	10,171,299	-	-	10,171,299
Other equity instrument investments	-	-	244,031	244,031
Derivative financial assets	13,027	4,252,753	10,472	4,276,252
Financial assets-concession rights	-	-	16,983,494	16,983,494
Financial assets at fair value through profit or loss	1,644,481	-	-	1,644,481
	11,828,807	4,252,753	17,237,997	33,319,557

Liabilities measured at fair value:

	Fair value measurement using			
As at 31 December 2020	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Interest-bearing bank borrowings	-	9,513,308	-	9,513,308
Derivative financial liabilities	-	2,428,371	2,027	2,430,398
	-	11,941,679	2,027	11,943,706

	Fair value measurement using			
As at 31 December 2019	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Interest-bearing bank borrowings	-	9,679,492	-	9,679,492
Derivative financial liabilities	-	1,517,394	-	1,517,394
	-	11,196,886	-	11,196,886

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the company's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 2020.

45. Capital commitments

The Group had the following commitments at the end of the reporting period:

	2020 HK$'000	*2019* HK$'000
Contracted, but not provided for:		
Plant and machinery	1,765,441	5,405,382

46. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 HK$'000	*2019* HK$'000
Non-current assets		
Property, plant and equipment	1,424	1,621
Investment in associates	15,326,743	14,606,741
Investment in subsidiaries	21,965,369	13,245,312
Equity investments designated at fair value through other comprehensive income	8,746,297	10,001,407
Due from subsidiaries	124,850,152	123,394,622
Total non-current assets	170,889,985	161,249,703
Current assets		
Prepayments, other receivables and other assets	1,711,719	2,254,802
Derivative financial assets	-	13,027
Cash and cash equivalents	1,264,007	298,869
Total current assets	2,975,726	2,566,698

45. Statement of financial position of the Company (continued)

	2020 HK$'000	*2019* HK$'000
Current liabilities		
Other payables and accruals	2,007,748	1,704,599
Tax payable	2,577	2,578
Amount due to related parties	314,750	314,750
Derivative financial liabilities	238,108	21,145
Interest-bearing bank and other borrowings	25,383,831	23,472,460
Total current liabilities	27,947,014	25,515,532
Net current liabilities	(24,971,288)	(22,948,834)
Total assets less current liabilities	145,918,697	138,300,869
Non-current liabilities		
Interest-bearing bank and other borrowings	-	4,687,564
Long-term payables to subsidiaries	855,311	782,482
Deferred tax liabilities	149,007	140,814
Total non-current liabilities	1,004,318	5,610,860
Net assets	144,914,379	132,690,009
Equity		
Share capital	143,878,356	130,516,988
Reserves	1,036,023	2,173,021
Total equity	144,914,379	132,690,009

Yu Jun
Director

Chen Daobiao
Director

46. Statement of financial position of the Company (continued)

The Company statement of changes in equity for the year ended 31 December 2020

	Share capital HK$'000	*Capital reserve* HK$'000	*Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	*Retained profits* HK$'000	*Hedging reserve* HK$'000	*Exchange fluctuation reserve* HK$'000	*Other reserves* HK$'000	*Total equity* HK$'000
At 1 January 2020	130,516,988	529,234	(518,168)	2,855,895	1,034,162	(1,217,766)	(510,336)	132,690,009
Profit for the year	-	-	-	9,202,106	-	-	-	9,202,106
Other comprehensive income for the year:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	(1,255,110)	-	-	-	-	(1,255,110)
Exchange differences on translation of foreign operations	-	-	-	-	-	1,778,626	-	1,778,626
Hedges of net investments	-	-	-	-	(1,679,701)	-	-	(1,679,701)
Other comprehensive income from associates	-	-	-	-	-	-	(152,476)	(152,476)
Total comprehensive income for the year	-	-	(1,255,110)	9,202,106	(1,679,701)	1,778,626	(152,476)	7,893,445
Issued of preference shares (Note 38)	13,361,368	-	-	-	-	-	-	13,361,368
Distribution to shareholders	-	-	-	(9,030,443)	-	-	-	(9,030,443)
At 31 December 2020	143,878,356	529,234	(1,773,278)	3,027,558	(645,539)	560,860	(662,812)	144,914,379

46. Statement of financial position of the Company (continued)

	Share capital HK$'000	*Capital reserve* HK$'000	*Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	*Retained profits* HK$'000	*Hedging reserve* HK$'000	*Exchange fluctuation reserve* HK$'000	*Other reserves* HK$'000	*Total equity* HK$'000
At 1 January 2019	130,516,988	529,234	(756,831)	2,993,359	625,786	148,063	(621,412)	133,435,187
Profit for the year	-	-	-	5,521,715	-	-	-	5,521,715
Other comprehensive income for the year:								
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	238,663	-	-	-	-	238,663
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,365,829)	-	(1,365,829)
Hedges of net investments	-	-	-	-	408,376	-	-	408,376
Other comprehensive income from associates	-	-	-	-	-	-	111,076	111,076
Total comprehensive income for the year	-	-	238,663	5,521,715	408,376	(1,365,829)	111,076	4,914,001
Distribution to shareholders	-	-	-	(5,659,179)	-	-	-	(5,659,179)
At 31 December 2019	130,516,988	529,234	(518,168)	2,855,895	1,034,162	(1,217,766)	(510,336)	132,690,009

47. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts-Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

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

48. Approval of the financial statements

The financial statements were authorised for issue by the board of directors on 25 June 2021.

State Grid International Development Limited

Interim Financial Report
for the six months ended 30 June 2021

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Review report to the board of directors of State Grid International Development Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 1 to 49 which comprises the consolidated statement of financial position of State Grid International Development Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

KPMG

Review report to the board of directors of State Grid International Development Limited (continued)

(Incorporated in Hong Kong with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

11 March 2022

Consolidated statement of profit or loss for the six months ended 30 June 2021– unaudited

(Expressed in Hong Kong dollars)

	Note	*Six months ended 30 June* *2021* HK$'000	*2020* HK$'000
Revenue	5	33,825,862	28,643,192
Cost of sales		(24,642,282)	(20,785,859)
Gross profit		9,183,580	7,857,333
Other income and gains	6	940,123	1,215,195
Selling expenses		(320,295)	(374,524)
Administrative expenses		(711,673)	(1,007,027)
Impairment losses on financial and contract assets		(223,212)	(230,256)
Other expenses		(614,404)	(615,136)
Profit from operations		8,254,119	6,845,585
Finance costs	7	(2,499,298)	(2,351,095)
Foreign exchange (losses) / gains, net		(9,939)	322,424
Share of profit of associates		2,748,951	2,503,861
Share of profit of joint ventures		500,596	538,089
Profit before tax	8	8,994,429	7,858,864
Income tax expenses	9	(2,542,445)	(2,154,726)
Profit for the period		6,451,984	5,704,138
Attributable to:			
Owners of the Company		5,771,182	5,241,597
Non-controlling interests		680,802	462,541
Profit for the period		6,451,984	5,704,138

The notes on pages 11 to 49 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in note 10.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021– unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Profit for the period	6,451,984	5,704,138
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss		
- Net gain / (loss) on hedge of a net investment	469,547	(230,490)
- Gain on cashflow hedge	985,553	834,910
- Income tax relating to loss on cashflow hedge	(295,666)	(250,473)
- Exchange differences on translation of foreign operations	98,337	(11,147,953)
- Reserves recycled to profit or loss upon disposal of subsidiaries	44,662	-
- Other comprehensive income from associates	11,129	(143,139)
- Other comprehensive income from joint ventures	51,572	17,851
- Credit risk in mark to market of financial liabilities	(48,088)	147,104
- Income tax relating to credit risk in mark to market of financial liabilities	16,350	(50,015)
	1,333,396	(10,822,205)

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Six months ended 30 June *2021* HK$'000	*2020* HK$'000
Other comprehensive income for the period (continued)		
Items that will not be reclassified to profit or loss:		
- Change in fair value of equity investments designated at fair value through other comprehensive income	474,607	(889,389)
- Other comprehensive income from associates	129,097	(73,502)
- Other comprehensive income from joint ventures	90,603	10,161
- Actuarial reserve on defined benefit plans	285,513	584,940
- Income tax relating to actuarial reserve on defined benefit plans	(74,233)	(152,084)
	905,587	(519,874)
Other comprehensive income for the period	2,238,983	(11,342,079)
Total comprehensive income for the period	8,690,967	(5,637,941)
Attributable to:		
Owners of the Company	6,779,804	(4,862,336)
Non-controlling interests	1,911,163	(775,605)
Total comprehensive income for the period	8,690,967	(5,637,941)

The notes on pages 11 to 49 form part of this interim financial report.

Consolidated statement of financial position at 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	*30 June 2021* HK$'000	*31 December 2020* HK$'000
Non-current assets			
Property, plant and equipment	11	75,057,211	74,876,397
Investment properties		149,525	146,590
Right-of-use assets		516,876	561,110
Goodwill		12,939,792	14,272,071
Other intangible assets	12	54,753,530	52,947,635
Investment in associates	13	53,326,291	60,563,475
Investment in joint ventures	14	19,001,781	18,880,660
Equity investments designated at fair value through other comprehensive income	15	9,424,359	8,923,086
Other equity instrument investments		119,388	113,984
Financial assets-concession rights	16	18,072,333	15,506,421
Derivative financial assets		3,326,292	4,116,315
Deferred tax assets		1,679,519	1,631,513
Sector financial assets		574,075	163,070
Contract assets	17	33,474,187	31,288,775
Other non-current assets		6,849,562	5,850,475
Total non-current assets		289,264,721	289,841,577
Current assets			
Inventories		763,817	660,112
Trade receivables	18	10,164,787	10,018,556
Contract assets	17	4,973,018	4,666,434
Sector financial assets		1,225,286	836,825
Prepayments, other receivables and other assets		6,549,876	3,262,759
Derivative financial assets		567,952	1,390,452
Financial assets at fair value through profit or loss		454,992	2,952,848
Cash and cash equivalents	19	13,123,458	13,637,340
Total current assets		37,823,186	37,425,326

Consolidated statement of financial position at 30 June 2021 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	*30 June 2021* HK$'000	*31 December 2020* HK$'000
Current liabilities			
Trade payables		7,740,109	7,495,556
Other payables and accruals	20	6,419,117	7,157,009
Derivative financial liabilities		17,297	302,978
Interest-bearing bank and other borrowings	21	55,343,180	49,467,881
Lease liabilities		106,499	113,864
Contract liabilities		1,264,601	1,195,662
Sector financial liabilities		-	62,160
Private pension plan		533,017	299,168
Tax payable		949,119	542,192
Provision	22	1,010,321	1,031,401
Total current liabilities		73,383,260	67,667,871
Net current liabilities		(35,560,074)	(30,242,545)
Total assets less current liabilities		253,704,647	259,599,032
Non-current liabilities			
Derivative financial liabilities		1,425,988	2,127,420
Interest-bearing bank and other borrowings	21	69,105,797	76,177,961
Lease liabilities		599,994	646,225
Contract liabilities		70,408	25,741
Sector financial liabilities		-	277,890
Private pension plan		3,998,727	4,132,328
Deferred tax liabilities		28,122,091	26,839,733
Provision	22	5,439,076	5,277,158
Other non-current liabilities		1,572,086	1,936,078
Total non-current liabilities		110,334,167	117,440,534
Net assets		143,370,480	142,158,498

Consolidated statement of financial position at 30 June 2021 – unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	*30 June 2021* HK$'000	*31 December 2020* HK$'000
Capital and reserves			
Share capital	23	143,878,356	143,878,356
Reserves		(16,101,224)	(20,812,860)
Total equity attributable to owners of the Company		127,777,132	123,065,496
Non-controlling interests		15,593,348	19,093,002
Total equity		143,370,480	142,158,498

Approved and authorised for issue by the board of directors on 11 March 2022.

Yu Jun
Director

Chen Daobiao
Director

The notes on pages 11 to 49 form part of this interim financial report.

Consolidated statement of changes in equity for the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital HK$'000	*Capital reserve* HK$'000	*Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	*Retained profits* HK$'000	*Hedging reserve* HK$'000	*Exchange fluctuation reserve* HK$'000	*Credit risk in mark to market* HK$'000	*Actuarial reserve on defined benefit plans* HK$'000	*Other reserves* HK$'000	*Total* HK$'000	*Non-controlling interests* HK$'000	*Total equity* HK$'000
At 1 January 2021	143,878,356	529,234	(1,780,872)	34,908,293	(802,330)	(51,435,209)	107,350	(2,327,626)	(11,700)	123,065,496	19,093,002	142,158,498
Profit for the period	-	-	-	5,771,182	-	-	-	-	-	5,771,182	680,802	6,451,984
Other comprehensive income for the period:												
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	474,607	-	-	-	-	-	-	474,607	-	474,607
Exchange differences on translation of foreign operations	-	-	-	-	-	(862,660)	-	-	-	(862,660)	960,997	98,337
Hedges of net investments	-	-	-	-	469,547	-	-	-	-	469,547	-	469,547
Cashflow hedges	-	-	-	-	413,932	-	-	-	-	413,932	275,955	689,887
Actuarial reserve on defined benefit plans	-	-	-	-	-	-	-	211,682	-	211,682	(402)	211,280
Credit risk in mark to market of financial liabilities	-	-	-	-	-	-	(25,549)	-	-	(25,549)	(6,189)	(31,738)
Reserves recycled to profit or loss upon disposal of subsidiaries	-	-	-	-	13,147	31,515	-	-	-	44,662	-	44,662
Other comprehensive income from associates	-	-	-	-	-	-	-	-	140,226	140,226	-	140,226
Other comprehensive income from joint ventures	-	-	-	-	-	-	-	-	142,175	142,175	-	142,175
Total comprehensive income for the period	-	-	474,607	5,771,182	896,626	(831,145)	(25,549)	211,682	282,401	6,779,804	1,911,163	8,690,967
Distribution to shareholders (Note 10)	-	-	-	(2,060,115)	-	-	-	-	-	(2,060,115)	(272,810)	(2,332,925)
Disposal of subsidiaries (Note 13)	-	-	-	-	-	-	-	-	-	-	(5,132,769)	(5,132,769)
Other changes	-	-	-	-	-	-	-	-	(8,053)	(8,053)	(5,238)	(13,291)
At 30 June 2021	143,878,356	529,234	(1,306,265)	38,619,360	94,296	(52,266,354)	81,801	(2,115,944)	262,648	127,777,132	15,593,348	143,370,480

The notes on pages 11 to 49 form part of this interim financial report.

Consolidated statement of changes in equity for the six months ended 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital HK$'000	*Capital reserve* HK$'000	*Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	*Retained profits* HK$'000	*Hedging reserve* HK$'000	*Exchange fluctuation reserve* HK$'000	*Credit risk in mark to market* HK$'000	*Actuarial reserve on defined benefit plans* HK$'000	*Other reserves* HK$'000	*Total* HK$'000	*Non-controlling interests* HK$'000	*Total equity* HK$'000
At 1 January 2020	130,516,988	529,234	(517,522)	31,772,493	1,190,938	(37,871,307)	110,671	(1,730,121)	(135,749)	123,865,625	15,731,490	139,597,115
Profit for the period	-	-	-	5,241,597	-	-	-	-	-	5,241,597	462,541	5,704,138
Other comprehensive income for the period:												
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	(889,389)	-	-	-	-	-	-	(889,389)	-	(889,389)
Exchange differences on translation of foreign operations	-	-	-	-	-	(9,586,575)	-	-	-	(9,586,575)	(1,561,378)	(11,147,953)
Hedges of net investments	-	-	-	-	(230,490)	-	-	-	-	(230,490)	-	(230,490)
Cashflow hedges	-	-	-	-	350,662	-	-	-	-	350,662	233,775	584,437
Actuarial reserve on defined benefit plans	-	-	-	-	-	-	-	362,331	-	362,331	70,525	432,856
Credit risk in mark to market of financial liabilities	-	-	-	-	-	-	78,157	-	-	78,157	18,932	97,089
Other comprehensive income from associates	-	-	-	-	-	-	-	-	(216,641)	(216,641)	-	(216,641)
Other comprehensive income from joint ventures	-	-	-	-	-	-	-	-	28,012	28,012	-	28,012
Total comprehensive income for the period	-	-	(889,389)	5,241,597	120,172	(9,586,575)	78,157	362,331	(188,629)	(4,862,336)	(775,605)	(5,637,941)
Issue of preference shares	13,361,368	-	-	-	-	-	-	-	-	13,361,368	-	13,361,368
Distribution to shareholders (Note 10)	-	-	-	(6,561,316)	-	-	-	-	-	(6,561,316)	(59,540)	(6,620,856)
Increase in non-controlling capital	-	-	-	-	-	-	-	-	-	-	5,132,769	5,132,769
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	629,277	629,277
At 30 June 2020	143,878,356	529,234	(1,406,911)	30,452,774	1,311,110	(47,457,882)	188,828	(1,367,790)	(324,378)	125,803,341	20,658,391	146,461,732

The notes on pages 11 to 49 form part of this interim financial report.

Condensed consolidated cash flow statement for the six months ended 30 June 2021 -unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Operating activities		
Cash generated from operations	5,648,847	7,405,385
Tax paid	(1,677,570)	(1,110,891)
Net cash generated from operating activities	3,971,277	6,294,494
Investing activities		
Purchase of property, plant and equipment and addition of concession assets	(2,151,202)	(1,193,970)
Purchases of financial assets at fair value through profit or loss	(1,495,518)	(2,374,147)
Purchase of interest in an associate	-	(7,466,942)
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets	6,507	6,629
Net cash received from disposal of financial assets at fair value through profit or loss	2,580,652	1,513,980
Acquisition of subsidiaries, net of cash acquired	-	(14,999,984)
Interest received	39,606	17,378
Dividend received from equity investments designated at fair value through other comprehensive income	2,229	2,451
Dividend received from associates and joint ventures	1,962,893	2,880,097
Other investing activities	358,413	98,479
Net cash flows generated from/(used in) investing activities	1,303,580	(21,516,029)

Condensed consolidated cash flow statement for the six months ended 30 June 2021 -unaudited (continued)

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	*2021*	*2020*
		HK$'000	HK$'000
Financing activities			
Increase in capital from redeemable preference shareholders		-	8,751,600
Increase in capital from non-controlling shareholders		-	5,132,769
Proceeds from bank loans and issue of bonds		25,147,963	39,305,849
Cash repayments of borrowings, derivatives and bonds		(25,580,377)	(13,280,033)
Dividends paid		(4,302,144)	(6,751,122)
Interest paid		(1,372,137)	(2,205,623)
Other financing activities		(13,809)	(164)
Net cash flows (used in)/generated from financing activities		(6,120,504)	30,953,276
Net (decrease)/increase in cash and cash equivalents		(845,647)	15,731,741
Cash and cash equivalents at 1 January	19	13,637,340	16,613,927
Effect of foreign exchange rate changes, net		331,765	(2,635,808)
Cash and cash equivalents at 30 June	19	13,123,458	29,709,860

The notes on pages 11 to 49 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in Hong Kong dollars, unless otherwise indicated)

1 Corporate information

State Grid International Development Limited ("the Company") is a limited liability company incorporated in Hong Kong. In August 2012, the shareholder of the Company changed from State Grid Corporation of China to State Grid International Development Co., Ltd.. The registered office is located at Suite 1304, 13F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company commenced its operations as an investment holding company in June 2008. The principal activities include providing resources and logistics services; acting as agent for tenders and purchase; manufacturing electricity devices; research and development of electricity technology products; investment, exploitation and management of electricity; operation and maintenance of electricity networks; other business include the provision of work design, construction, management, consultancy and technical services.

In the opinion of directors, the ultimate holding company is State Grid Corporation of China. Its registered office is located at 86 West Chang An Avenue, Xicheng District, Beijing, China.

Particulars of the principal subsidiaries as at the end of the period are as follows:

Name of company	*Place of incorporation*	*Principal activities*	*Percentage of equity interest attributable to the Group*
Expansion Transmissora Itumbiara Marimbondo S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Expansion Transmissora de Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Itumbiara Transmissora de Energia S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Pocos de Caldas Transmissorade Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Ribeirao Preto Transmissora de Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Serra Paracatu Transmissora de Energia S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Serra da Mesa Transmissora de Energia Eletrica S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Araraquara Transmissora De Energia S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Catxere Transmissora De Energia S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Iracema Transmissora De Energia S. A.	Rio de Janeiro, Brazil	Grid operating	100%

1 Corporate information (continued)

Name of company	*Place of incorporation*	*Principal activities*	*Percentage of equity interest attributable to the Group*
Linhas De Transmissao Do Itatim S. A.	Rio de Janeiro, Brazil	Grid operating	100%
Linhas de Transmissão De Montes Claros S. A (LTMC)	Rio de Janeiro, Brazil	Grid operating	100%
Atlântico Concessionária de Transmissão de Energia do Brasil S. A. (ACTE)	Rio de Janeiro, Brazil	Grid operating	100%
Xingu Rio Transmissora de Energia S. A. (XRTE)	Rio de Janeiro, Brazil	Grid operating	100%
Porto Primavera Transmissora De Energia S. A. (PPTE)	Brazil Rio de Janeiro	Grid operating	100%
Marechal Rondon Transmissora de Energia S. A. (MRTE)	Rio de Janeiro, Brazil	Electricity production and supply	100%
Paranaita Ribeirozinho Transmissora de Energia S. A. (PRTE)	Brazil	Grid operating	100%
Canarana Transmissora de Energia S. A. (CNTE)	Brazil	Grid operating	100%
International Grid Holdings Limited	Virgin Islands, British	Project investment and financing	100%
Top View Grid Investment Limited	Virgin Islands, British	Project investment and financing	100%
State Grid Brazil Holding S. A. (SGBH)	Rio de Janeiro, Brazil	Project investment and financing	100%
State Grid Europe Limited	Britain	Project investment and financing	100%
State Grid Europe Development (2014) Public Limited Company	Britain	Project investment and financing	100%
State Grid International Development Asia and Australia Holdings Company Limited	Hong Kong	Project investment and financing	100%
State Grid International Australia Investment Limited	Hong Kong	Project investment and financing	100%
State Grid International Australia Development Limited	Hong Kong	Project investment and financing	100%
SGSP (Australia) Assets Pty Ltd. (SGSPAA)	Melbourne, Australia	Grid operating	60%
Jemena Gas Trust	Australia	Project investment and financing	60%
Jemena Group Holdings Pty Ltd.	Australia	Project investment and financing	60%
Jemena Holdings Pty Ltd.	Australia	Project investment and financing	60%

1 Corporate information (continued)

Name of company	*Place of incorporation*	*Principal activities*	*Percentage of equity interest attributable to the Group*
Jemena Limited	Australia	Project investment and financing	60%
Jemena Gas Pipeline Holdings Pty Ltd.	Australia	Project investment and financing	60%
Zinfra Pty Ltd.	Australia	Project investment and financing	60%
Jemena Management Holding Pty Ltd.	Australia	Project investment and financing	60%
Jemena Roma North Pipeline Pty Ltd.	Australia	Project investment and financing	60%
State Grid Brazil Power Participações Ltda. (SGBP)	Brazil	Project investment and financing	100%
CPFL Energia S. A. (CPFL)	Brazil	Grid operating	83. 71%
CPFL Energias Renováveis S. A. (CPFL Renováveis)	Brazil	Grid operating	83. 66%
State Grid International Development Belgium Limited	Belgium	Project investment and financing	100%
State Grid Chile Holding SPA	Chile	Project investment and financing	100%
State Grid Chile Investment SPA	Chile	Project investment and financing	100%
State Grid Bermuda Limited	Chile	Project investment and financing	100%
Inversiones State Grid Limitada (ISL) (formerly Inversiones Sempra Ltda)	Chile	Grid operating	100%
Chilquinta Energía S.A.	Chile	Grid operating	100%
Tecnored S.A	Chile	Grid operating	100%

2 Basis of preparation

2.1 Basis of preparation of the interim financial report

This interim financial report has been prepared in accordance Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on [5] January 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2.2 Going concern

As of 30 June 2021, the Group had net current liabilities of HK$35,560,074,000 (31 December 2020: net current liabilities of HK$30,242,545,000). The directors of the Company have considered the Group's available sources of fund including the forecasted cash flows of the Group and the available banking facilities and concluded that the Group will have sufficient financial resources for its operations for at least 12 months from the end of the reporting period. As such, the financial statements have been prepared on a going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

3 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform - phase 2*

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

4 Operating segment information

The Group's business mainly consists of investment holding and operation and maintenance of electricity networks. For management purposes, the Group's business is mainly monitored in 4 segments as follows:

- The Brazil segment comprises the Group's subsidiaries and joint ventures engaged in the operation and maintenance of electricity networks in Brazil;
- The Australia segment comprises the Group's subsidiaries engaged in electricity and gas transmission and distribution in Australia and the joint ventures and associates held by these subsidiaries;
- The Chile segment comprised the Group's subsidiaries engaged in the distribution, transmission, generation, supply and sale of electricity in Chile, which was acquired in 2020;
- The "Corporate" segment comprises, principally, the Group's investments in other associates and joint ventures.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), the measure of which is profit/(loss) before tax from continuing operations.

Segment assets and liabilities are also reviewed by the management for decision making.

4 Operating segment information (continued)

Six months ended 30 June 2021	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000	*Corporate* HK$'000	*Consolidated* HK$'000
Segment revenue:					
Operating revenue	26,712,398	4,645,184	2,468,280	-	33,825,862
Revenue from continuing operations					33,825,862
Segment results	5,728,033	928,135	195,264	2,521,765	9,373,197
Reconciliation					
Exchange losses					(378,768)
Profit before tax					8,994,429

Six months ended 30 June 2020	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000	*Corporate* HK$'000	*Consolidated* HK$'000
Segment revenue:					
Operating revenue	24,360,002	4,283,190	-	-	28,643,192
Revenue from continuing operations					28,643,192
Segment results	1,991,077	854,735	(3,391)	2,387,152	5,229,573
Reconciliation					
Exchange losses					2,629,291
Profit before tax					7,858,864

4 Operating segment information (continued)

Period ended 30 June 2021	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000	*Corporate* HK$'000	*Consolidated* HK$'000
Segment assets	153,966,358	68,516,516	39,539,560	189,818,096	451,840,530
Reconciliation					
Elimination of other receivables					(15,632)
Elimination of long-term receivables					(124,736,991)
Total assets					327,087,907
Segment liabilities	83,814,728	56,527,876	15,412,514	152,516,991	308,272,109
Reconciliation					
Elimination of other payables and accruals					(15,531)
Elimination of long-term loans					(7,638,883)
Elimination of long-term payables					(116,900,268)
Total liabilities					183,717,427

Period ended 31 December 2020	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000	*Corporate* HK$'000	*Consolidated* HK$'000
Segment assets	150,367,611	68,826,757	40,272,230	193,501,772	452,968,370
Reconciliation					
Elimination of other receivables					(15,505)
Elimination of long-term receivables					(125,685,962)
Total assets					327,266,903
Segment liabilities	83,587,540	58,584,664	15,419,501	154,391,003	311,982,708
Reconciliation					
Elimination of short-term loans					(426,477)
Elimination of long-term loans					(7,576,711)
Elimination of long-term payables					(118,871,115)
Total liabilities					185,108,405

The Group's revenue from external customers is derived from its Brazil subsidiaries, which are engaged in the exploitation of public service concessions for transmission and distribution of electricity, the generation of electricity of conventional and renewable sources, its Australian subsidiaries, which are engaged in gas transmission and distribution, electricity distribution and water distribution, and its Chile subsidiaries, which are engaged in the distribution, transmission, generation, supply and sale of electricity.

5 Revenue and segment reporting

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
- Distribution and transmission revenue (Note)	17,616,858	16,250,059
- Electricity sales revenue	10,068,903	6,708,806
- Service and construction revenue	5,312,496	5,074,903
- Others	585,466	337,029
Revenue from contracts with customers	33,583,723	28,370,797
- Rental income	242,139	272,395
Revenue from other sources	242,139	272,395
	33,825,862	28,643,192

Note: Distribution and transmission revenue includes revenue earned from the distribution and transmission of gas, and distribution of electricity and water.

5 Revenue and segment reporting (continued)

Disaggregated revenue information

For the period ended 30 June 2021	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000 (note)	*Total* HK$'000
Type of goods or services				
Distribution and transmission revenue	14,042,233	3,403,187	171,438	17,616,858
Electricity sales revenue	8,104,686	-	1,964,217	10,068,903
Service and construction revenue	4,043,596	1,032,454	236,446	5,312,496
Others	280,081	209,544	95,841	585,466
Total revenue from contracts with customers	26,470,596	4,645,185	2,467,942	33,583,723
Timing of revenue recognition				
Goods/services transferred at a point in time	22,427,000	3,612,731	2,231,496	28,271,227
Goods/services transferred over time	4,043,596	1,032,454	236,446	5,312,496
Total revenue from contracts with customers	26,470,596	4,645,185	2,467,942	33,583,723

For the period ended 30 June 2020	*Brazil* HK$'000	*Australia* HK$'000	*Chile* HK$'000 (note)	*Total* HK$'000
Type of goods or services				
Distribution and transmission revenue	13,231,210	3,018,849	-	16,250,059
Electricity sales revenue	6,708,806	-	-	6,708,806
Service and construction revenue	3,931,691	1,143,212	-	5,074,903
Others	215,899	121,130	-	337,029
Total revenue from contracts with customers	24,087,606	4,283,191	-	28,370,797
Timing of revenue recognition				
Goods/services transferred at a point in time	20,155,915	3,139,979	-	23,295,894
Goods/services transferred over time	3,931,691	1,143,212	-	5,074,903
Total revenue from contracts with customers	24,087,606	4,283,191	-	28,370,797

Note: On 24 June 2020, State Grid International Development Belgium Limited acquired the 100% equity interest in Inversiones State Grid Limitada at a consideration equivalent to HK$17,403,352,000. Upon completion of the acquisition, the Group indirectly holds 100% equity interest in Inversiones State Grid Limitada.

6 Other income and gains

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Bank interest income	1,023,741	1,153,920
Ineffectiveness of hedges	10,714	(5,537)
Others	(94,332)	66,812
	940,123	1,215,195

7 Finance costs

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Interest on bank loans and other borrowings	2,284,012	2,205,623
Changes in fair value recognized in profit or loss	224,692	163,474
Interest on lease liabilities	15,469	14,059
Others	14,169	349
Less: Interest capitalised	39,044	32,410
	2,499,298	2,351,095

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		Six months ended 30 June	
		2021	*2020*
		HK$'000	HK$'000
(a)	**Staff costs**		
	Wages and salaries	2,701,530	2,453,019
	Pension scheme contributions	272,316	236,209
		2,973,846	2,689,228
(b)	**Other items**		
	Cost of electricity sales and supplies	16,996,017	14,485,942
	Depreciation of property, plant and equipment and investment properties	1,553,936	1,388,853
	Depreciation of right-of-use assets	65,865	60,940
	Amortisation of other intangible assets	1,413,284	1,384,833
	Research and development costs	2,788,820	2,588,577
	Third party services	829,664	652,957
	Fair value losses, net:		
	Derivative financial instruments at fair value through profit or loss	213,978	169,011
	Impairment of contract assets, net	-	(6,985)
	Impairment of trade receivables, net	243,471	218,632
	Impairment of financial assets included in prepayments, other receivables and other assets, net	813	112
	Foreign exchange losses /(gains), net	9,939	(322,424)

9 Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

The income tax rates of the subsidiaries are listed as follows:

Company	Rate
State Grid Brazil Holding S.A.	34%
State Grid Brazil Power Participações S.A.	34%
SGSP (Australia) Assets Pty Ltd.	30%
State Grid Chile Holding SPA	27%

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Provision for the period	1,796,013	854,578
Deferred tax	746,432	1,300,148
Tax charge for the period	2,542,445	2,154,726

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Profit before tax	8,994,429	7,858,864
Tax at the Hong Kong statutory tax rate of 16.5%	1,484,081	1,296,713
Income or expense taxed at different rates in other countries	2,202,869	923,790
Non-deductible expenses	438,921	852,461
Income not subject to tax	(1,739,904)	(1,114,178)
Effect of withholding tax profits attributable to the Group	155,402	194,362
Tax losses not recognized	1,076	1,578
Tax charge at the Group's effective rate of 28% (2020: 27%)	2,542,445	2,154,726

10 Dividends

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Dividends-preference share	2,060,115	6,561,316

The dividends for the six months ended 30 June 2021 were approved in January 2021 and March 2021 and paid partially during the period.

11 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of HK$2,111,113,000 (six months ended 30 June 2020: HK$1,680,935,000). Items of property, plant and equipment with a net book value of HK$32,232,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK$93,539,000).

12 Other intangible assets

During the six months ended 30 June 2021, the group acquired items of other intangible assets with a cost of HK$252,694,000 (six months ended 30 June 2020: HK$174,788,000). Items of other intangible assets with a net book value of $81,263,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK$150,303,000)).

13 Investment in associates

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Listed shares		
Redes Energeticas Nacionais, SGPS, S.A. (REN)	4,141,578	4,430,630
AusNet Services (Ausnet)	5,461,448	5,547,348
HK Electric Investments (HKEI)	10,051,505	10,154,825
	19,654,531	20,132,803
Unlisted shares		
United Energy Distribution Holdings Pty Ltd. (UEDH)	1,784,401	1,692,753
Cassa Depositi e Prestiti Reti.S.p.a. (CDP Reti)	22,200,280	21,918,547
National Grid Corporation of the Philippines (NGCP)	5,684,206	5,171,918
Independent Power Transmission Operator S.A. (IPTO)	4,002,873	4,105,752
Oman Electricity Transmission Company Saoc (OETC) (note)	-	7,541,702
	33,671,760	40,430,672
	53,326,291	60,563,475

Note:

On 21 April 2021, with the approval of the Company's board of directors, the 100% equity interest of the Company in State Grid International Development Singapore Private Limited ("SGID Singapore") was transferred to the Company's parent State Grid International Development Co., Ltd. at a total consideration of HK$11,076,000. SGID Singapore primarily owned equity interest in OETC. Therefore, together with the disposal of SGID Singapore, the equity interest in OETC was disposed as well. An investment loss of HK$195,268,000 was recognized upon disposal.

Particulars of the associates as at the end of the period are as follows:

Name	*Particulars of registered capital/paid in capital*	*Place of registration and business*	*Percentage of ownership interest attributable to the Group*	*Principal activities*
National Grid Corporation of the Philippines (NGCP)	PHP2,000,000,000	Manila, The Philippines	40.00%	Operate electric transmission grid
HK Electric Investments (HKEI)	HK$8,000,000	Hong Kong, China	21.00%	Generate electric/Operate electric/gas transmission/ distribution grid
Redes Energeticas Nacionais, SGPS, S.A. (REN)	EUR667,191,000	Lisbon, Portugal	25.00%	Operate electric/gas transmission grid
Independent Power Transmission Operator S.A. (IPTO)	EUR38,444,000	Athens Greece	24.00%	Transmission of electricity
Cassa Depositi e Prestiti Reti S.p.a. (CDP Reti)	EUR161,514	Italy	35.00%	Holding company
AusNet Services (Ausnet)	AU$5,537,100,000	Victoria, Australia	19.90%	Operate electric transmission/ distribution grid
United Energy Distribution Holdings Pty Ltd. (UEDH)	AU$526,112,000	Victoria, Australia	34.00%	Operate electric distribution grid

13 Investment in associates (continued)

NGCP and HKEI are directly held by the Company. REN, CDP Reti and IPTO are held by State Grid Europe Limited. AusNet is held by State Grid International Australia Development Limited. UEDH is an associate of SGSPAA.

All above associates are considered individually material associates of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information of NGCP and HK Electric Investments, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	NGCP		*HKEI*	
	30 June 2021 HK$'000	*31 December 2020* HK$'000	*30 June 2021* HK$'000	*31 December 2020* HK$'000
Current assets	9,025,239	9,975,045	2,284,000	1,729,000
Non-current assets, excluding goodwill	44,874,637	44,012,744	109,909,000	109,838,000
Goodwill on acquisition of the associate	-	-	613,310	613,310
Current liabilities	8,625,857	11,764,303	7,073,000	8,341,000
Non-current liabilities	31,063,503	29,293,692	57,869,000	55,483,000
Net assets	14,210,516	12,929,794	47,864,310	48,356,310
Net assets, excluding goodwill	14,210,516	12,929,794	47,251,000	47,743,000
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	40.00%	40.00%	21.00%	21.00%
Group's share of net assets of the associates, excluding goodwill	5,684,206	5,171,918	9,922,710	10,026,030
Goodwill on acquisition	-	-	128,795	128,795
Carrying amount of the investment	5,684,206	5,171,918	10,051,505	10,154,825

	Six months ended 30 June		*Six months ended 30 June*	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Revenue	3,888,626	3,702,417	5,249,000	4,800,000
Profit for the period	2,024,150	1,748,096	880,000	811,000
Other comprehensive income	-	-	49,000	(271,000)
Total comprehensive income for the period	2,024,150	1,748,096	929,000	540,000
Dividend received by the Group	384,078	368,867	298,620	298,620

13 Investment in associates (continued)

The following table illustrates the summarised financial information of REN and IPTO, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	REN		*IPTO*	
	30 June 2021	*31 December 2020*	*30 June 2021*	*31 December 2020*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	6,320,781	4,882,355	4,060,263	5,649,242
Non-current assets, excluding goodwill	43,683,420	45,163,375	24,019,200	23,737,892
Goodwill on acquisition of the associate	4,177,468	4,300,164	3,973,504	4,090,207
Current liabilities	7,963,408	8,819,824	3,404,023	3,955,281
Non-current liabilities	29,651,951	27,803,549	11,970,307	12,414,760
Net assets	16,566,310	17,722,521	16,678,637	17,107,300
Net assets, excluding goodwill	12,388,842	13,422,357	12,705,133	13,017,093
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	25.00%	25.00%	24.00%	24.00%
Group's share of net assets of the associates, excluding goodwill	3,097,211	3,355,589	3,049,232	3,124,102
Goodwill on acquisition	1,044,367	1,075,041	953,641	981,650
Carrying amount of the investment	4,141,578	4,430,630	4,002,873	4,105,752

	Six months ended 30 June		*Six months ended 30 June*	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	3,449,881	2,997,832	1,223,475	1,176,351
Profit for the period	369,887	393,729	382,348	336,244
Other comprehensive income	34,202	(136,687)	71,294	(940)
Total comprehensive income for the period	404,089	257,042	453,642	335,304
Dividend received by the Group	265,275	242,354	94,465	105,549

13 Investment in associates (continued)

The following table illustrates the summarised financial information of Ausnet and UEDH, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Ausnet		*UEDH*	
	30 June 2021	*31 December 2020*	*30 June 2021*	*31 December 2020*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	5,352,669	10,972,635	756,046	983,901
Non-current assets, excluding goodwill	76,257,440	76,221,964	20,026,918	20,047,790
Goodwill on acquisition of the associate	7,307,392	7,403,603	4,214,417	4,227,486
Current liabilities	5,063,240	4,549,382	829,876	805,812
Non-current liabilities	56,409,799	62,172,701	18,919,267	19,474,680
Net assets	27,444,462	27,876,119	5,248,238	4,978,685
Net assets, excluding goodwill	20,137,070	20,472,516	1,033,821	751,199
Reconciliation to the Group's interest in the associates:				
Proportion of the Group's ownership	19.90%	19.90%	34.00%	34.00%
Group's share of net assets of the associates, excluding goodwill	4,007,277	4,074,031	351,499	255,408
Goodwill on acquisition	1,454,171	1,473,317	1,432,902	1,437,345
Carrying amount of the investment	5,461,448	5,547,348	1,784,401	1,692,753

	Six months ended 30 June		*Six months ended 30 June*	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	6,179,760	5,299,381	1,810,658	1,807,844
Profit for the period	1,063,101	1,150,731	100,005	261,323
Other comprehensive income	(348,578)	(121,854)	285,038	(168,635)
Total comprehensive income for the period	714,523	1,028,877	385,043	92,688
Dividend received by the Group	215,252	183,237	14,367	123,471

13 Investment in associates (continued)

The following table illustrates the summarised financial information of CDP Reti, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	CDP Reti	
	30 June 2021 HK$'000	*31 December 2020* HK$'000
Current assets	87,118,138	107,780,058
Non-current assets, excluding goodwill	485,943,239	486,718,824
Goodwill on acquisition of the associate	20,166,589	20,758,889
Current liabilities	126,181,849	134,862,593
Non-current liabilities	294,522,174	309,369,433
Net assets	172,523,943	171,025,745
Net assets, excluding goodwill	152,357,354	150,266,856
Net asset attributable to the parent company, excluding goodwill	43,262,782	41,865,530
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	35.00%	35.00%
Group's share of net assets of the associates, excluding goodwill	15,141,974	14,652,936
Goodwill on acquisition	7,058,306	7,265,611
Carrying amount of the investment	22,200,280	21,918,547

	Six months ended 30 June	
	2021 HK$'000	2020 HK$'000
Revenue	35,988,582	30,530,727
Profit for the period	3,787,259	2,481,346
Other comprehensive income	219,225	(124,995)
Total comprehensive income for the period	4,006,484	2,356,351
Dividend received by the Group	492,614	1,222,409

14 Investment in joint ventures

	30 June 2021 HK$'000	*31 December 2020* HK$'000
ElectraNet Pty Ltd. (ElectraNet)	3,466,750	3,946,900
ActewAGL Distribution Partnership (ActewAGL)	5,733,713	5,773,896
Energética Barra Grande S.A. (BAESA)	25,010	58,599
Campos Novos Energia S.A. (ENERCAN)	1,686,353	1,698,841
Foz do Chapecó Energia S.A. (Chapecoense)	1,542,800	1,398,596
Centrais Elétricas da Paraíba S.A. (EPASA)	635,346	578,166
Other joint ventures held by SGBH in Brazil (defined below)	5,911,809	5,425,662
	19,001,781	18,880,660

14 Investment in joint ventures (continued)

Name	*Particulars of registered capital/paid in capital*	*Place of registration and business*	*Percentage of ownership interest attributable to the Company*	*Principal activities*
ElectraNet Pty Ltd. (ElectraNet)	AU$10,000	Canberra Australia	46.56%	Operate electric transmission grid
ActewAGL Distribution Partnership (ActewAGL)	AU$708,021,000	Canberra Australia	50.00%	Operate electric transmission grid gas transmission and distribution
Matrincha Transmissora de Energia (TP North) S.A.*	BRL1,508,073	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Guaraciaba Transmissora de Energia (TP Sul) S.A.*	BRL803,832	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Luziania-Niquelandia Transmissora S.A.*	BRL33,305	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Paranaiba Transmissora de Energia S.A.*	BRL534,761	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Belo Monte Transmissora De Energia S.A. *	BRL3,011,000,000	Rio de Janeiro Brazil	51.00%	Operate electric transmission grid
Energética Barra Grande S.A. (BAESA)	BRL22,520,000	Santa Catarina and Rio Grande do Sul Brazil	25.01%	Energy generation
Campos Novos Energia S.A. (ENERCAN)	BRL872,330,000	Santa Catarina Brazil	48.72%	Energy generation
Foz do Chapecó Energia S.A. (Chapecoense)	BRL1,206,218,000	Santa Catarina and Rio Grande do Sul Brazil	51.00%	Energy generation
Centrais Elétricas da Paraíba S.A.(EPASA)	BRL388,114,000	Paraiba Brazil	53.34%	Energy generation

* Collectively referred as "joint ventures held by SGBH in Brazil".

ActewAGL is a joint venture of SGSPAA. ElectraNet is a joint venture of State Grid International Development Asia and Australia Holding Company Limited. BAESA, ENERCAN, Chapecoense and EPASA are joint ventures of SGBP.

14 Investment in joint ventures (continued)

All above joint ventures are accounted for using the equity method.

The following table illustrates the summarised financial information of ActewAGL and ElectraNet, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	ActewAGL		*ElectraNet*	
	30 June 2021	*31 December 2020*	*30 June 2021*	*31 December 2020*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	767,274	866,353	286,658	321,252
Non-current assets	8,549,577	8,586,225	21,906,975	21,455,345
Goodwill on acquisition of the joint venture	2,887,144	2,970,048	4,121,907	4,176,175
Current liabilities	583,296	698,987	3,643,256	2,614,121
Non-current liabilities	153,274	175,847	15,226,516	14,861,632
Net assets	11,467,425	11,547,792	7,445,768	8,477,019
Net assets, excluding goodwill	8,580,281	8,577,744	3,323,861	4,300,844
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	50.00%	50.00%	46.56%	46.56%
Group's share of net assets of the joint ventures, excluding goodwill	4,290,141	4,288,872	1,547,590	2,002,473
Goodwill on acquisition	1,443,572	1,485,024	1,919,160	1,944,427
Carrying amount of the investment	5,733,713	5,773,896	3,466,750	3,946,900

	Six months ended 30 June		*Six months ended 30 June*	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	1,137,001	974,165	1,308,920	552,677
Profit for the period	149,617	142,266	86,791	30,081
Other comprehensive income	(42,601)	4,980	305,358	60,162
Total comprehensive income for the period	107,016	147,246	392,149	90,243
Dividend received by the Group	18,032	55,039	-	-

14 Investment in joint ventures (continued)

The following table illustrates the summarised financial information for Joint ventures of BAESA and ENERCA, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	BAESA		*ENERCAN*	
	30 June 2021	*31 December 2020*	*30 June 2021*	*31 December 2020*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	127,536	132,932	440,432	397,308
Non-current assets	1,626,693	1,590,701	1,583,018	1,552,570
Current liabilities	198,227	111,617	754,387	668,094
Non-current liabilities	671,976	593,085	457,203	424,189
Net assets	884,026	1,018,931	811,860	857,595
Consolidation adjustments	(784,026)	(784,630)	2,649,456	2,629,353
Net assets, including adjustment	100,000	234,301	3,461,316	3,486,948
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	25.01%	25.01%	48.72%	48.72%
Group's share of net assets of the joint ventures, excluding adjustment	221,095	254,835	395,538	417,820
Consolidation adjustments	(196,085)	(196,236)	1,290,815	1,281,021
Carrying amount of the investment	25,010	58,599	1,686,353	1,698,841

	Six months ended 30 June		*Six months ended 30 June*	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	210,728	152,359	567,030	536,573
Profit for the period	(31,392)	(49,743)	253,860	226,876
Total comprehensive income for the period	(31,392)	(49,743)	253,860	226,876
Dividend received by the Group	19,125	77,156	161,065	169,213

14 Investment in joint ventures (continued)

The following table illustrates the summarised financial information for Joint ventures of Chapecoense and EPASA, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	Chapecoense		*EPASA*	
	30 June 2021	*31 December 2020*	*30 June 2021*	*31 December 2020*
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	666,698	396,952	624,703	523,217
Non-current assets	3,538,016	3,487,084	504,288	572,088
Current liabilities	510,493	556,124	114,075	135,399
Non-current liabilities	2,490,362	2,389,232	246,419	291,683
Net assets	1,203,859	938,680	768,497	668,223
Consolidation adjustments	1,821,239	1,803,665	422,628	415,703
Net assets, including adjustment	3,025,098	2,742,345	1,191,125	1,083,926
Reconciliation to the Group's interest in the joint ventures:				
Proportion of the Group's interest	51.00%	51.00%	53.34%	53.34%
Group's share of net assets of the joint ventures, excluding adjustment	613,968	478,727	409,916	356,430
Consolidation adjustments	928,832	919,869	225,430	221,736
Carrying amount of the investment	1,542,800	1,398,596	635,346	578,166

	Six months ended 30 June		*Six months ended 30 June*	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	718,418	734,006	558,648	216,687
Profit for the period	202,403	232,581	79,028	104,861
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	202,403	232,581	79,028	104,861
Dividend received by the Group	-	343,500	-	34,182

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	Six months ended 30 June	
	2021	*2020*
	HK$'000	HK$'000
Share of the joint ventures' profit for the period	216,022	441,504

	30 June 2021	*31 December 2020*
	HK$'000	*HK$'000*
Aggregate carrying amount of the Group's investments in joint ventures	5,911,809	5,425,662

15 Equity investments designated at fair value through other comprehensive income/other equity instrument investments

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value:		
China Construction Bank	8,115,295	7,747,016
China Datang Corporation Renewable Power Co.,Ltd.	343,657	203,525
Guodian Technology & Environment Group Corporation Ltd.	28,607	14,799
China Energy Engineering Corporation Ltd.	701,922	731,169
China Datang Environment Industry Group Co., Ltd.	60,238	49,788
Industrial and Commercial Bank of China	174,640	176,789
	9,424,359	8,923,086

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the period, the fair value gain in respect of the Group's listed equity investments was recognized in other comprehensive income amounting to HK$474,607,000 (2020: fair value loss: HK$889,389,000).

The fair values of listed equity investments are based on market prices of the shares quoted in Hong Kong Stock Exchange at the end of reporting period and fall into the Level 1 fair value hierarchy in HKFRS 13.

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Other equity instrument investments		
Unlisted equity investments, at fair value:		
Investco S.A.	119,388	113,984

As at 30 June 2021, unlisted equity investments with a carrying amount of HK$119,388,000, representing 5.94% equity interest of Investco S.A. ("Investco"), was held by the Company's indirect subsidiary Paulista Lajeado Energia S.A. in the form of 28,154,140 common shares and 18,593,070 preferred shares. As Investco's shares are not traded on the stock exchange and its main operation is to generate electric energy for commercialization, the Group opted to recognize the investment at fair value in the financial statements, for which cost is the best estimate of it, since there is no available reliable information at fair value.

16 Financial assets-concession rights

	30 June 2021	*31 December 2020*
	HK$'000	HK$'000
Concession revenue receivables		
Non-current	18,072,333	15,506,421

The concession revenue receivables are derived from operational subsidiaries in Brazil, which have entered into the electric power distribution service concession arrangements with the Brazil Government.

The amount refers to the financial asset corresponding to the right established in the concession agreements of the energy distributors to receive cash by compensation upon the return of the assets to the granting authority at the end of the concession, measured at fair value.

According to the current tariff model, the remuneration for this asset is recognized in profit or loss upon billing to consumers and the realization occurs upon receipt of the electric energy bills. Moreover, the difference to adjust the balance at fair value (new replacement value) is recognized as a balancing item to the operating income account in the statement of profit or loss for the period.

The right to compensation, to be paid by the Federal Government when the distribution concessionaires' assets are handed over at the end of the concession period are classified as measured at fair value through profit or loss. The methodology adopted for valuing these assets is based on the tariff review process for distributors. This process, conducted every four or five years according to each concessionaire, involves assessing the replacement price of the distribution infrastructure, in accordance with criteria established by the granting authority ("ANEEL"). This valuation basis is also used for establishing the distribution tariff, which is adjusted annually up to the next tariff review, based on main inflation indices.

Accordingly, at the time of the tariff review, each distribution concessionaire adjusts the position of the financial asset base for compensation at the amounts ratified by the granting authority and uses the Extended Consumer Price Index ("IPCA") as the best estimates for adjusting the original value until the next tariff review process.

Accordingly, the fair value of the financial assets-concession falls into the Level 3 of the fair value hierarchy.

17 Contract assets

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Contract assets arising from:		
Sale of goods	981,239	787,969
Construction services	37,472,319	35,173,676
Impairment	(6,353)	(6,436)
Total	38,447,205	35,955,209

Contract assets are initially recognised for revenue earned from the sale of goods and construction services as the receipt of consideration is conditional on successful completion of installation of the industrial products and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2021 and 2020 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of the year.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Within one year	4,973,018	4,666,434
After one year	33,474,187	31,288,775
Total contract assets	38,447,205	35,955,209

18 Trade receivables

	30 June 2021 HK$'000	*31 December 2019* HK$'000
Trade receivables	11,095,642	10,582,007
Impairment	(930,855)	(563,451)
	10,164,787	10,018,556

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 HK$'000	*31 December 2019* HK$'000
Neither past due nor impaired	7,036,761	7,924,782
Past due:		
Less than 90 days	2,830,717	2,060,940
Over 90 days	1,228,164	596,285
	11,095,642	10,582,007

19 Cash and cash equivalents

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Cash and cash equivalents	13,123,458	13,637,340
Denominated in:		
BRL	7,550,660	10,413,816
USD	3,476,428	1,668,901
CLP	758,700	911,324
AUD	480,131	223,780
EUR	838,968	390,051
HKD	10,311	13,625
CNY	1,015	959
Others	7,245	14,884
	13,123,458	13,637,340

19 Cash and cash equivalents (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their values.

At the end of the reporting period, the cash and bank balances of the Group denominated in Brazilian Real ("BRL") amounted to HK$7,550,660,000 (2020: HK$10,413,816,000). The BRL is not freely convertible into other currencies, however, according to the Brazilian regulation, the Group is permitted to exchange BRL to other currencies through financial institutions authorised to conduct foreign exchange business on certain conditions.

20 Other payables and accruals

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Amount due to related parties	337,726	337,250
Professional fees	229,724	290,484
Payroll payable	298,925	291,913
Dividend payable	1,430,393	1,951,379
Research & Development and Energy Efficiency Programs (Note)	932,793	886,062
Other tax payable and regulatory charges	1,578,111	1,768,532
Other payables	1,611,445	1,631,389
	6,419,117	7,157,009

Note: The subsidiaries in Brazil recognized liabilities relating to amounts already billed in tariffs (1% of net operating revenue), but not yet invested in the research & development and energy efficiency programs. These amounts are subject to adjustment for inflation at the SELIC rate, through the date of their realization. SELIC refers to one of the base interest rates for borrowings in Brazil.

21 Interest-bearing bank and other borrowings

	30 June 2021			*31 December 2020*		
	Effective Interest Rate	*Maturity*	HK$'000	*Effective Interest Rate*	*Maturity*	HK$'000
Current						
Bank Loans	(i)	2021-2022	37,942,151	(i)	2021	37,079,221
Current portion of long-term bank loans	(ii)	2021-2022	4,233,967	(ii)	2021	4,653,699
Current portion of debt securities	(iii)	2021-2022	13,167,062	(iii)	2021	7,277,281
Other Loans	(iv)		-	(iv)	2021	457,680
			55,343,180			49,467,881

	30 June 2021			*31 December 2020*		
	Effective Interest Rate	*Maturity*	HK$'000	*Effective Interest Rate*	*Maturity*	HK$'000
Non-current						
Bank Loans	(ii)	2022-2042	30,893,055	(ii)	2022-2042	27,527,221
Debt securities	(iii)	2022-2035	38,212,742	(iii)	2022-2035	48,650,740
			69,105,797			76,177,961

(i) fixed rate of 0.00%~1.15%, 1 month libor +0.49%~0.6%, 3 month libor+0.5%, 1 month euribor +0.01%,1MBSSY+0.65%

(ii) fixed rate of 0.43%~10.14%,TJLP+1.75%~6%,IPCA+4.27%~4.80%,SELIC+2.19%~3.90%,105% of CDI,CDI-1.25%~+1.9%,IGPM+8.63%,Cesta from Moedas +1.99%~2.10%,RGR 6%,Libor 3M+0.87%~1.41%

(iii) fixed rate of 0.43%~ 5.50%, TJLP + 2.52%~4.27%, Libor 3M+0.87%~0.99%

(iv) fixed rate of 0.00%

21 Interest-bearing bank and other borrowings (continued)

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	42,176,118	41,732,920
In the second year	543,161	3,272,302
In the third to fifth years, inclusive	11,269,835	13,687,752
Beyond five years	19,080,059	10,567,167
	73,069,173	69,260,141

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Other borrowings and debt securities repayable:		
Within one year	13,167,062	7,734,961
In the second year	7,353,629	13,419,965
In the third to fifth years, inclusive	12,570,340	14,759,588
Beyond five years	18,288,773	20,471,187
	51,379,804	56,385,701

Notes:

(a) The bank loans are denominated in following currencies:

	30 June 2021 HK$'000	*31 December 2020* HK$'000
US$	19,150,356	22,206,355
BRL	15,209,711	13,661,760
EUR	18,847,774	20,619,159
AU$	13,012,822	5,752,017
CLP	6,848,510	7,020,850
	73,069,173	69,260,141

(b) Certain bank loans borrowed by subsidiaries are guaranteed by the Company.

(c) The Group's subsidiaries in Australia have following issued debt securities in different currencies. Amounts due within one year have been classified into current liabilities.

21 Interest-bearing bank and other borrowings (continued)

Bonds	*Maturity*	*Interest rate*
USD 500 million	Apr 2023	3.30%
EUR 500 million	Jun 2022	2.00%
AUD 350 million	Jun 2023	3.75%
USD 500 million	Jul 2026	3.25%
HKD 875 million	May 2027	3.30%
USD 500 million	Jul 2027	3.50%
AUD 250 million	Sep 2024	3.75%
HKD 785 million	Mar 2029	2.85%
AUD 92 million	Jul 2029	2.79%
HKD 739 million	Dec 2029	2.54%
AUD 159 million	Feb 2035	2.68%
AUD 350 million	Sep 2028	1.84%
HKD 900 million	Jan 2027	1.44%

(d) The Group's subsidiaries in Europe have following issued debt securities in EUR. Amounts due within one year have been classified into current liabilities.

Bonds	*Maturity*	*Interest rate*
EUR 700 million	Jan 2022	1.54%
EUR 300 million	Jan 2027	2.53%

(e) The Group's subsidiaries in Brazil have following issued debt securities in BRL. Amounts due within one year have been classified into current liabilities.

Bonds	*Maturity*	*Interest rate*
BRL 214 million	Sep 2022	IPCA +4.42%
BRL 356 million	Sep 2024	IPCA +4.66%
BRL 130 million	Sep 2027	IPCA +5.05%
BRL 1380 million	May 2024	107% of CDI
BRL 246 million	Feb 2022	109.5% of CDI
BRL 60 million	Feb 2024	IPCA +5.2901%
BRL 197 million	Aug 2025	IPCA +5.80%
BRL 215 million	May 2024	107% of CDI
BRL 220 million	Aug 2025	IPCA +5.80%
BRL 250 million	Feb 2022	109.75% of CDI
BRL 130 million	Feb 2024	IPCA +5.3473%
BRL 740 million	May 2024	107% of CDI
BRL 190 million	May 2024	107% of CDI
BRL 50 million	Oct 2021	IPCA +5.4764%
BRL 700 million	May 2023	107.5% of CDI
BRL 220 million	Jan 2024	108.25% of CDI
BRL 250 million	Jul 2022	IPCA+5.6227%
BRL 300 million	May 2022	104.75% of CDI
BRL 538 million	Nov 2023	106% of CDI
BRL 212 million	Dec 2022	107.75% of CDI
BRL 680 million	May 2031	IPCA +4.3%
BRL 274 million	May 2031	IPCA +4.3%

21 Interest-bearing bank and other borrowings (continued)

(f) The Group's subsidiaries in Chile have following issued debt securities in different currencies.

Bonds	*Maturity*	*Interest rate*
USD 180 million	Dec 2037	4.06%
Unidad de Fomento (UF) 4,700 million	Oct 2030	4.25%

22 Provision

		30 June 2021 HK$'000	*31 December 2020* HK$'000
Current provision			
Employee benefits		679,230	683,605
Environmental and restoration	(i)	73,526	120,893
Other provision	(iii)	257,565	226,903
		1,010,321	1,031,401
Non-current provision			
Environmental and restoration	(i)	300,435	334,724
Employee benefits		16,928	53,433
Decommissioning	(ii)	436,610	438,256
Tax proceedings	(iii)	3,240,640	2,396,016
Civil proceedings	(iii)	809,957	1,032,038
Rights proceedings	(iii)	12,567	10,237
Labour proceedings	(iii)	387,102	729,134
Environment proceedings	(iii)	10,941	143,581
Other provision	(iii)	223,896	139,739
		5,439,076	5,277,158

Notes:

(i) The Group's subsidiaries in Brazil and Australia have sites to be rehabilitated where the provision is provided based on the projected cost. The liability is determined based on the present value of each applicable environmental and restoration obligation as appropriate.

(ii) The Group's subsidiaries in Australia have legal or constructive obligations as a result of past events. The provision is made on the basis of estimated current cost of detailed plans prepared. For changes in the expected decommissioning costs, an adjustment is recorded against the carrying value of the provision and any plant and equipment.

22 Provision (continued)

(iii) The Group's subsidiaries in Brazil and Australia are involved in tax, civil, labour, environmental and other proceedings, arising in the normal course of its business and are discussing these issues, both in the administrative and judicial sphere. Provision for possible losses arising from such proceedings are estimated and updated by the Group's management, based on external legal advice obtained.

The Group's subsidiaries in Brazil are operating in accordance with the Brazilian laws, meeting the environment, hygiene, safety and occupational health requirements. In the operation phase of the Group's business, environmental programs are developed in order to mitigate and offset the impacts.

23 Share capital

	30 June 2021 HK$'000	*31 December 2020* HK$'000
Issued and fully paid:		
21,429,327,845 (31 December 2020: 21,429,327,845) ordinary shares of HK$1.00 each	21,429,328	21,429,328
Issued and fully paid:		
122,449,027,720 (31 December 2020: 122,449,027,720) preference shares of HK$1.00 each	122,449,028	122,449,028
Total	143,878,356	143,878,356

A summary of the transactions during the period with reference to the above movements in the Group's issued preference share capital is as follows:

	Six months ended 30 June	
	2021 HK$'000	*2020* HK$'000
At 1 January	122,449,028	109,087,660
New issues	-	13,361,368
At 30 June	122,449,028	122,449,028

24 Contingent assets and liabilities

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

(a) At 30 June 2021, the Group provided guarantees to certain joint ventures amounting to approximately HK$176,937,000 (31 December 2020: HK$1,713,471,000).

(b) The Group's subsidiaries in Brazil are involved in tax, civil, labour and other proceedings, arising in the normal course of its business. Provision for possible losses arising from such proceedings are estimated and updated by the Group's management, based on external legal advice obtained. Details of such provision can be found in Note 22.

(i) The maximum exposure risk of SGBH for which provision was not recognised is presented according to the nature of the corresponding proceedings:

	30 June 2021 HK$'000	*31 December 2020 HK$'000*
Tax	550,828	66,285
Civil	11,480	22,482
Easements	3,048	1,193
Environmental	8,520	3,409
Labour	18,813	13,143
	592,689	106,512

(ii) The maximum exposure risk of CPFL for which provision was not recognised is presented according to the nature of the corresponding proceedings:

	30 June 2021 HK$'000	*31 December 2020 HK$'000*
Labour	1,081,796	912,357
Civil	4,095,484	3,203,223
Tax-Income tax and social contribution	7,598,951	7,149,467
Tax-others	3,917,129	3,512,329
Regulatory	213,869	150,266
	16,907,229	14,927,642

24 Contingent assets and liabilities (continued)

(c) Exclusion of ICMS from PIS and COFINS calculation base

Some subsidiaries of CPFL filed lawsuits in progress involving the Federal Government claiming recognition of the right to exclude ICMS amounts from the PIS and COFINS calculation basis, as well as the right to recover amounts previously paid. As at 30 June 2021, total claimed tax credits of these subsidiaries amounted to HK$14,434,633,000. By the date of this report, a few subsidiaries have obtained the final decision in their lawsuits that address the exclusion of ICMS amounts from the PIS and COFINS tax base, as well as the rights to receive refunds of those amounts previously paid. On the other hand, with the interpretation under regulatory standards from the electric sector and the concession contract, the Group understands that the amounts to be settled through compensation of tax credits must be fully transferred to the consumers. Considering the above tax credits do not meet the criteria of "practically certain", the Group does not recognise them as tax recoverable.

25 Related party transactions

In addition to the transaction disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the period/year:

	Note	*30 June 2021* HK$'000	*31 December 2020* HK$'000
Assets			
Intercompany loans receivable	(i)	1,600,841	1,605,016
Dividends and interests receivable		577,387	138,790
Receivables from energy purchases and sales, and charges	(ii)	-	4,449
Intangible assets, property, plant and equipment, materials and services rendered	(iii)	20	266
Other		247,960	272,540
Liabilities			
Intercompany loans payable		-	457,680
Dividends payable		1,315,831	1,725,812
Payables for energy purchases and sales, and charges	(ii)	281,006	236,009
Other payables and accruals		337,752	337,250
Guarantee balance	(iv)	176,937	1,713,471

		Six months ended 30 June	
		2021	*2020*
		HK$'000	*HK$'000*
Transactions			
Energy purchases and sales, and charges	(ii)	(818,115)	(777,589)
Loan interest expense		(95,389)	(150,047)
Intangible assets, property, plant and equipment, materials and services rendered	(iii)	(44,061)	(18,793)
Other		(2,192)	(12,775)

Notes:

(i) Intercompany loans receivable represents loans provided by the Group to certain joint ventures.

(ii) Purchase and sale of energy and charges basically refer to energy purchased or sold by distribution, commercialization and generation subsidiaries through short or long-term agreements and tariffs for the use of the distribution system (TUSD). Such transactions, when conducted in the free market, are carried out under conditions considered by Group as similar to market conditions at the time of the trading, according to internal policies previously established by the Group's management. When conducted in the regulated market, the prices charged are set through mechanisms established by the regulatory authority.

25 Related party transactions (continued)

(iii) Intangible assets, property, plant and equipment, materials and services rendered mainly refer to rendered services in advisory and management of energy plants, consulting and engineering.

(iv) The amount represents the balance of guarantees provided by the Group to certain joint ventures for their bank loans and performance guarantee.

26 Fair value hierarchy of financial assets and liabilities

(a) Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, Fair value measurement categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

During the six months ended 30 June 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
As at 30 June 2021	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Equity investments designated at fair value through other comprehensive income	9,424,359	-	-	9,424,359
Other equity instrument investments	-	-	119,388	119,388
Derivative financial assets	-	3,894,244	-	3,894,244
Financial assets-concession rights	-	-	18,072,333	18,072,333
Financial assets at fair value through profit or loss	454,992	-	-	454,992
	9,879,351	3,894,244	18,191,721	31,965,316

26 Fair value hierarchy of financial assets and liabilities (continued)

	Fair value measurement using			
As at 31 December 2020	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Equity investments designated at fair value through other comprehensive income	8,923,086	-	-	8,923,086
Other equity instrument investments	-	-	113,984	113,984
Derivative financial assets	-	5,506,767	-	5,506,767
Financial assets-concession rights	-	-	15,506,421	15,506,421
Financial assets at fair value through profit or loss	2,952,848	-	-	2,952,848
	11,875,934	5,506,767	15,620,405	33,003,106

Liabilities measured at fair value:

	Fair value measurement using			
As at 30 June 2021	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Derivative financial liabilities	-	1,443,285	-	1,443,285

	Fair value measurement using			
As at 31 December 2020	*Quoted prices in active markets (Level 1)* HK$'000	*Significant observable inputs (Level 2)* HK$'000	*Significant unobservable inputs (Level 3)* HK$'000	*Total* HK$'000
Derivative financial liabilities	-	2,428,371	2,027	2,430,398

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Company's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

27 Non-adjusting events after the reporting period

(a) On 26 July 2021, the Group completed the acquisition of 97% equity interest in CGE Servicios S.A. at a consideration equivalent to HK$24,361,427,000.

On 14 October 2021, the Group's subsidiary CPFL Energia completed the acquisition of 66.08% equity interest in Companhia Estadual de Transmissão de Energia Elétrica ("CEEET") at a consideration equivalent to HK$3,677,956,000.

Up to the date of this report, the Group is still in the process of assessing the fair value of net identifiable assets acquired and goodwill arising from above acquisition.

(b) On 16 February 2022, the Group disposed all its 19.9% interest in AusNet at a cash consideration of AUD2.65 per share under the scheme of arrangement between AusNet and its shareholders in relation to the proposed acquisition of AusNet by Australian Energy Holding No 4 Pty Ltd which was approved by eligible AusNet shareholders on 28 January 2022 and by the Supreme Court of New South Wales on 3 February 2022. The consideration has all been received.

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