Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

Power Assets Holdings Limited ("the Company") is a limited company incorporated and domiciled in Hong Kong. The address of its registered office was 44 Kennedy Road, Hong Kong. On 29 January 2014, the Company changed its registered office to Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

2. Significant accounting policies (continued)

(c) Basis of consolidation

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

(d) Subsidiaries

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

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

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

(e) Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. 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.

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

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

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

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

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

(f) Goodwill

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

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

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

2. Significant accounting policies (continued)

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, joint ventures and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently recognised in the balance sheet at cost less impairment losses (see note 2(l)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

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

(i) Hedging

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(iii) Hedge of net investments in foreign operations

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

(j) Fixed assets, depreciation and amortisation

(i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 2(j)(vii)), amortisation (see note 2(j)(vi)) and impairment losses (see note 2(l)).

(ii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

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

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Significant accounting policies (continued)

(j) Fixed assets, depreciation and amortisation (continued)

(iv) Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(v) Leasehold land held for own use under finance leases is stated in the balance sheet at cost less accumulated amortisation (see note 2(j)(vi)) and impairment losses (see note 2(l)).

(vi) The cost of acquiring land held under a finance lease is amortised on a straight-line basis over the period of the unexpired lease term.

(vii) Depreciation is calculated to write off the cost of fixed assets less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Years
Cable tunnels	100
Buildings	60
Ash lagoon and gas pipeline	60
Transmission and distribution equipment, overhead lines and cables	60
Generating plant and machinery	35
Gas turbines and gas turbine combined cycle	30
Mechanical meters	30
Photovoltaic systems	25
Wind turbines	20
Electronic meters, microwave and optical fibre equipment and trunk radio systems	15
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles and marine craft	5 to 6
Workshop tools and office equipment	5

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

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

(k) Leased assets and operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries recognised at cost and joint ventures and associates recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

– For unquoted equity securities and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. Significant accounting policies (continued)

(l) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

Except for equity securities carried at cost, if in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly.

(ii) Impairment of other assets

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

– fixed assets; and

– goodwill.

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

Coal, stores, fuel oil and natural gas are valued at cost measured on a weighted average basis.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories recognised as an expense includes the write-off and all losses of inventories.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(l)(ii)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

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

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. Significant accounting policies (continued)

(q) Cash and cash equivalents

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

(r) Employee benefits

(i) Short term employee benefits

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

(ii) Defined benefit retirement scheme obligations

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

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

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

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

(iii) Contributions to defined contribution retirement schemes

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

(s) Income tax

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

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

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

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

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

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

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

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in profit or loss.

(ii) Other provisions and contingent liabilities

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

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

2. Significant accounting policies (continued)

(u) Revenue recognition

(i) Regulation of earnings under the Scheme of Control Agreement

The earnings of a subsidiary, The Hongkong Electric Company, Limited ("HK Electric") are regulated by the Hong Kong SAR Government ("the Government") under a Scheme of Control Agreement ("SCA") which provides for a permitted level of earnings based principally on a return on HK Electric's capital investment in electricity generation, transmission and distribution assets (the "Permitted Return"). The SCA also provides for performance based incentives and penalties which encourage emission reduction, customer service quality, energy efficiency and the use of renewable energy. The Net Return of HK Electric under the SCA is determined by deducting from the Permitted Return interest and excess capacity adjustments, if any, and adjusting for the abovementioned incentives and penalties. HK Electric is required to submit detailed Development Plans for approval by the Government which project the key determinants of the Net Return to which HK Electric will be entitled over the Development Plan period.

In December 2013, the Government approved the 2014-2018 Development Plan covering the period from 1 January 2014 to 31 December 2018. Similar to the 2009-2013 Development Plan, no further Government approval is required during this period unless a need for significant Basic Tariff increases, over and above those set out in the Development Plan, is identified during the Annual Tariff Review conducted with the Government under the terms of the SCA.

(ii) Fuel Clause Recovery Account

Under the SCA, any difference between the standard cost of fuel, as agreed with the Government, and the actual cost of fuel consumed is transferred to the Fuel Clause Recovery Account ("Fuel Cost Account Adjustments").

Fuel Clause Charges (or Rebates) are charged (or given) to customers by adding to (or deducting from) the Basic Tariff to produce a Net Tariff payable by customers and are credited (or debited) to the Fuel Clause Recovery Account.

The balance on the Fuel Clause Recovery Account at the end of a financial year represents the difference between Fuel Clause Charges (or Rebates) and Fuel Cost Account Adjustments during the year, together with any balance brought forward from the prior year and interest thereon based on prevailing market interest rates. Any debit balance is carried forward as a deferred receivable to be recovered from Fuel Clause Charges and/or Fuel Cost Account Adjustments and any credit balance is carried forward as a deferred payable to be cleared by Fuel Clause Rebates and/or Fuel Cost Account Adjustments.

Fuel Clause Charges or Rebates are utilised to smooth increases in Net Tariffs paid by customers. The impact of tariff smoothing is to reduce the Net Tariffs payable by customers in certain years and increase the Net Tariffs in other years. However, the tariff smoothing has no impact on HK Electric's total earnings and the related balance on the Fuel Clause Recovery Account is expected to be recovered by Fuel Clause Charges and/or Fuel Cost Account Adjustments.

(iii) Income recognition

Electricity income is recognised based on the actual and accrued units of electricity consumed by customers during the year at the Basic Tariff, which is the unit charge agreed with the Government during the Annual Tariff Review for each financial year.

Electricity-related income is recognised when the related services are rendered.

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

Interest income is recognised on a time apportioned basis using the effective interest method.

(v) Translation of foreign currencies

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

Exchange gains and losses in respect of fixed assets under construction are, up to the date of commissioning, incorporated in the cost of the assets. All other exchange differences are dealt with in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the average exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

2. Significant accounting policies (continued)

(w) Borrowing costs

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

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

(x) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(y) Segment reporting

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

3. Changes in accounting policies

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

– Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

– HKAS 19 (2011), *Employee benefits*

– New and revised standards on consolidation, joint arrangements, associates and disclosures

(i) HKFRS 10, *Consolidated financial statements*

(ii) HKFRS 11, *Joint arrangements*

(iii)HKFRS 12, *Disclosure of interests in other entities*

(iv)HKAS 27 (2011), *Separate financial statements*

(v) HKAS 28 (2011), *Investments in associates and joint ventures*

– Amendments to HKFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

– HKFRS 13, *Fair value measurement*

– Improvements to HKFRSs (2009-2011)

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The adoption of amendments to HKAS 1 does not result in a material change in the Group's accounting policies. The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (i) items that will not be reclassified to profit or loss and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met.

HKAS 19 (2011), *Employee benefits*

Upon adoption of HKAS 19 (2011), the interest cost and expected return on plan assets used in previous version of HKAS 19 are replaced with a net interest income/expense, which is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit asset/liability. The adoption of HKAS 19 (2011) does not have a material financial impact on the Group. Application of HKAS 19 (2011) has resulted in more extensive disclosures about employee retirement benefits as included in note 25 to these financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

HKFRS 10 replaces the parts of HKAS 27 (Revised) *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purposes Entities*. HKFRS 10 adopts 'control' as the only basis for consolidation of subsidiaries and introduces a new definition of 'control' that an investor controls an investee when it 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.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, joint ventures are required to be accounted for using the equity method of accounting.

HKFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

3. Changes in accounting policies (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

All subsidiaries of the Group satisfy the requirements for 'control' and are included in the consolidated financial statements. Investment in joint ventures and associates are accounted for by the equity method. The adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) does not have a material financial impact on the Group. Application of these standards has resulted in more extensive disclosures about subsidiaries, joint ventures and associates as included in notes 14, 15 and 16 to these financial statements.

Upon adoption of HKFRS 11, the Group re-evaluated its involvement in joint arrangements. Certain investments which have in the past been classified by the Group as associates meet the definition of joint ventures under HKFRS 11 and a reclassification has been made accordingly. The Group also reclassified investments in jointly controlled entities to joint ventures.

This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported $ million	Effect of adoption of HKFRS 11 $ million	As restated $ million
Consolidated statement of profit or loss for year ended 31 December 2012			
Share of profits less losses of joint ventures	391	3,634	4,025
Share of profits less losses of associates	4,274	(3,634)	640
Consolidated balance sheet as at 31 December 2012			
Interest in joint ventures	5,229	27,306	32,535
Interest in associates	36,282	(27,306)	8,976
Consolidated balance sheet as at 1 January 2012			
Interest in joint ventures	5,626	21,623	27,249
Interest in associates	30,071	(21,623)	8,448

The change in accounting policy has no impact on the financial position and the financial results of the Group.

Amendments to HKFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of amendments to HKFRS 7 does not have a material financial impact on the financial statements of the Group. Application of amendments to HKFRS 7 has resulted in more extensive disclosures about offsetting financial instruments as included in note 28(a) to these financial statements.

HKFRS 13, *Fair value measurement*

The adoption of HKFRS 13 did not result in a change in the accounting policy relating to fair value measurement. HKFRS 13 defines fair values, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The application of HKFRS 13 has resulted in more extensive disclosures about fair value measurement as included in note 28(f) to these financial statements.

Improvements to HKFRSs (2009-2011)

Improvements to HKFRSs (2009-2011) are a collection of minor amendments to various accounting standards and do not have a material financial impact on the Group.

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

4. Turnover

The principal activities of the Group are the generation and supply of electricity.

Group turnover represents the sales of electricity, other electricity-related income and engineering and consulting services fees. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013 $ million	2012 $ million
Sales of electricity	**10,176**	10,363
Concessionary discount on sales of electricity	**(6)**	(6)
Electricity-related income	**39**	43
Others	**13**	15
	10,222	10,415
Share of revenue of joint ventures	**16,992**	15,480

5. Other revenue and other net income

	2013 $ million	2012 $ million Restated
Interest income from financial assets not at fair value through profit or loss		
– Joint ventures	**729**	722
– Associates	**586**	630
– Others	**89**	91
	1,404	1,443
Dividend income from unlisted available-for-sale equity securities	**41**	41
Foreign exchange gain on loans and receivables	**81**	15
Net profit on sale of fixed assets	**2**	–
Sundry income	**39**	16
	1,567	1,515

6. Segment information

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

– Sales of electricity: this segment supplies electricity in Hong Kong.

– Infrastructure investments: this segment invests in electricity and other infrastructure projects and is segregated further into four reportable segments (United Kingdom, Australia, Mainland China and Others) on a geographical basis.

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

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

7. Finance costs

	2013 $ million	2012 $ million
Interest on overdrafts, bank loans and other borrowings repayable within 5 years	**559**	469
Interest on other borrowings repayable over 5 years	**226**	267
Less: Interest capitalised to fixed assets	**(73)**	(68)
Interest transferred to fuel costs	**(20)**	(20)
Total interest expense on financial liabilities not at fair value through profit or loss	**692**	648

Interest expenses have been capitalised at an average rate of approximately 2.3% per annum (2012: 2.0% per annum) for assets under construction.

8. Profit before taxation

	2013 $ million	2012 $ million
Profit before taxation is arrived at after charging:		
Depreciation	**1,923**	1,859
Amortisation of leasehold land	**58**	59
Costs of inventories	**5,291**	5,857
Write down of inventories	**14**	5
Staff costs	**587**	549
Fixed assets written off	**37**	47
Auditors' remuneration		
– audit and audit related work		
– KPMG	**6**	6
– other auditors	**1**	1
– non-audit work		
– KPMG	**6**	1
– other auditors	**9**	3

The consolidated profit attributable to equity shareholders of the Company includes a profit of $11,146 million (2012: $7,252 million) which has been dealt with in the financial statements of the Company.

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

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

	2013 $ million	2012 $ million
Current tax – Hong Kong Profits Tax		
Provision for the year	**952**	821
Over provision in respect of prior years	**–**	(89)
	952	732
Current tax – operations outside Hong Kong		
Provision for the year	**6**	7
Tax credit for the year	**(51)**	(63)
	(45)	(56)
	907	676
Deferred tax (see note 26(b)(i))		
Origination and reversal of temporary differences	**(93)**	159
	814	835

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

Taxation for operations outside Hong Kong is similarly calculated using tax rates applicable in the relevant countries.

A subsidiary of the Company has paid to the Australian Taxation Office ("ATO"), a total of $463 million (A$67 million) being 50% (which percentage is based on ATO customary practice) of the tax in dispute, including interest and penalties, claimed by the ATO pending resolution of a dispute regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and will vigorously defend its position.

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

	2013 $ million	2012 $ million
Profit before taxation	**11,591**	10,493
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**883**	961
Tax effect of non-deductible expenses	**165**	128
Tax effect of non-taxable income	**(249)**	(250)
Tax effect of temporary difference not recognised	**1**	–
Tax effect of unused tax losses not recognised	**14**	–
Tax effect of recognition of previously unrecognised temporary differences	**–**	85
Over provision in respect of prior years	**–**	(89)
Actual tax expense	**814**	835

10. Directors' emoluments and senior management remuneration

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

Name of Directors	Fees $ million	Basic salaries, allowances and other benefits $ million	Retirement scheme contributions $ million	Bonuses $ million	2013 Total emoluments $ million	2012 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning [3] *Chairman*	0.12	0.81	–	–	**0.93**	0.88
Wan Chi Tin [6] *Group Managing Director*	0.07	5.19	0.02	5.60	**10.88**	9.30
Chan Loi Shun [4]	0.07	3.61	–	0.38	**4.06**	1.05
Chow Woo Mo Fong, Susan [7]	0.07	0.09	–	–	**0.16**	0.15
Andrew John Hunter	0.07	0.09	–	–	**0.16**	0.16
Kam Hing Lam [7]	0.07	0.03	–	–	**0.10**	0.10
Li Tzar Kuoi, Victor [10]	0.07	0.49	–	–	**0.56**	0.59
Frank John Sixt [10]	0.07	0.07	–	–	**0.14**	0.15
Yuen Sui See [7] *Director of Operations*	0.07	3.84	0.02	2.83	**6.76**	6.37
Non-executive Directors						
Tso Kai Sum [5] *Deputy Chairman and Senior Adviser to the Board*	0.07	6.53	–	–	**6.60**	20.03
Ronald Joseph Arculli [2] [8]	0.14	0.05	–	–	**0.19**	0.19
Fong Chi Wai, Alex [1] [9]	0.07	0.02	–	–	**0.09**	0.01
Holger Kluge [1] [2]	0.14	–	–	–	**0.14**	0.14
Lee Lan Yee, Francis [1] [9]	0.07	0.02	–	–	**0.09**	0.09
George Colin Magnus [1] [9]	0.07	0.03	–	–	**0.10**	0.10
Neil Douglas McGee [11]	0.07	–	–	–	**0.07**	2.97
Ralph Raymond Shea [1] [2] [3]	0.16	0.04	–	–	**0.20**	0.20
Wong Chung Hin [1] [2] [3]	0.16	0.07	–	–	**0.23**	0.23
Total for the year 2013	**1.63**	**20.98**	**0.04**	**8.81**	**31.46**	
Total for the year 2012	1.54	23.40	0.03	17.74		42.71

Notes:
(1) Independent Non-executive Director.
(2) Member of the Audit Committee.
(3) Member of the Remuneration Committee.
(4) During the year, Mr. Chan Loi Shun received director's fees of THB413,000 from Ratchaburi Power Company Limited, an associate of the Group. The director's fees received were paid back to the Company.
(5) Retired from the office of Group Managing Director and re-designated from an Executive Director to a Non-executive Director and appointed as Deputy Chairman and Senior Adviser to the Board with effect from 1 January 2013, and resigned the positions with effect from 29 January 2014.
(6) Appointed as Group Managing Director with effect from 1 January 2013 and ceased the position on 29 January 2014, and remained as an Executive Director.
(7) Resigned as an Executive Director with effect from 29 January 2014.
(8) Resigned as a Non-executive Director and ceased to be the member of the Audit Committee with effect from 29 January 2014.
(9) Resigned as an Independent Non-executive Director with effect from 29 January 2014.
(10) Re-designated from an Executive Director to a Non-executive Director with effect from 29 January 2014.
(11) Re-designated from a Non-executive Director to an Executive Director with effect from 29 January 2014.

The five highest paid individuals of the Group included three directors (2012: three) whose total emoluments are shown above. The remuneration of the other two individuals (2012: two) who comprises the five highest paid individuals of the Group is set out below:

	2013 $ million	2012 $ million
Salary and other benefits	**8.1**	7.3
Retirement scheme contributions	**0.8**	1.0
	8.9	8.3

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

	2013 Number	2012 Number
$500,001 – $1,000,000	**–**	1
$1,000,001 – $1,500,000	**1**	–
$2,000,001 – $2,500,000	**1**	3
$2,500,001 – $3,000,000	**6**	2
$3,000,001 – $3,500,000	**1**	1
$3,500,001 – $4,000,000	**1**	3
$4,000,001 – $4,500,000	**2**	1
$4,500,001 – $5,000,000	**1**	–

The remuneration of directors and senior management is as follows:

	The Group		The Company	
	2013 $ million	2012 $ million	2013 $ million	2012 $ million
Short-term employee benefits	**65**	71	**44**	46
Post-employment benefits	**3**	4	**1**	1
	68	75	**45**	47

At 31 December 2013 and 2012, there was no amount due from directors and senior management.

11. Scheme of Control transfers

The financial operations of HK Electric, a wholly-owned subsidiary of the Company, are governed by the SCA agreed with the Government which provides for HK Electric to earn a Permitted Return (see note 2(u)(i)). Any excess or deficiency of the gross tariff revenue over the sum of total operating costs, Scheme of Control Net Return and Scheme of Control taxation charges is transferred to/(from) a Tariff Stabilisation Fund from/(to) the statement of profit or loss of HK Electric. When transfer from the Tariff Stabilisation Fund to the statement of profit or loss is required, the amount transferred shall not exceed the balance of the Tariff Stabilisation Fund. In addition, a charge calculated by applying the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund is transferred from the statement of profit or loss of HK Electric to a Rate Reduction Reserve, which amount is subsequently rebated to customers. Movements in the Tariff Stabilisation Fund and Rate Reduction Reserve are as follows:

(a) Tariff Stabilisation Fund

	2013 $ million	2012 $ million
At 1 January	**425**	497
Transfer to profit or loss	**(389)**	(72)
At 31 December	**36**	425

(b) Rate Reduction Reserve

	2013 $ million	2012 $ million
At 1 January	**2**	1
Transfer from profit or loss	**1**	1
At 31 December	**3**	2

12. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $11,165 million (2012: $9,729 million) and 2,134,261,654 ordinary shares (2012: 2,134,261,654 ordinary shares) in issue throughout the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2013 and 2012.

13. Fixed assets

The Group

$ million	Site formation and buildings	Plant, machinery and equipment	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total fixed assets
Cost:						
At 1 January 2012	13,883	60,520	2,976	77,379	2,817	80,196
Additions	4	632	1,976	2,612	1	2,613
Transfers between categories	151	1,949	(2,100)	–	–	–
Disposals	–	(297)	–	(297)	–	(297)
At 31 December 2012	14,038	62,804	2,852	79,694	2,818	82,512
At 1 January 2013	**14,038**	**62,804**	**2,852**	**79,694**	**2,818**	**82,512**
Additions	**3**	**329**	**1,621**	**1,953**	**20**	**1,973**
Transfers between categories	**51**	**1,363**	**(1,415)**	**(1)**	**1**	**–**
Disposals	**–**	**(301)**	**–**	**(301)**	**–**	**(301)**
At 31 December 2013	**14,092**	**64,195**	**3,058**	**81,345**	**2,839**	**84,184**
Accumulated amortisation and depreciation:						
At 1 January 2012	5,151	25,525	–	30,676	721	31,397
Written back on disposals	–	(213)	–	(213)	–	(213)
Charge for the year	247	1,724	–	1,971	59	2,030
At 31 December 2012	5,398	27,036	–	32,434	780	33,214
At 1 January 2013	**5,398**	**27,036**	**–**	**32,434**	**780**	**33,214**
Written back on disposals	**–**	**(247)**	**–**	**(247)**	**–**	**(247)**
Charge for the year	**250**	**1,787**	**–**	**2,037**	**58**	**2,095**
At 31 December 2013	**5,648**	**28,576**	**–**	**34,224**	**838**	**35,062**
Net book value:						
At 31 December 2013	**8,444**	**35,619**	**3,058**	**47,121**	**2,001**	**49,122**
At 31 December 2012	8,640	35,768	2,852	47,260	2,038	49,298

The above are mainly electricity-related fixed assets in respect of which financing costs capitalised during the year amounted to $73 million (2012: $68 million).

The Group's leasehold land at 31 December 2013 is held in Hong Kong and comprises long term and medium term leasehold land with carrying values of $41 million (2012: $41 million) and $1,960 million (2012: $1,997 million) respectively.

Depreciation charges for the year included $114 million (2012: $112 million), relating to assets utilised in development activities, which has been capitalised.

14. Investments in subsidiaries

	The Company	
	2013 $ million	2012 $ million
Unlisted shares, at cost	**3,443**	2,776
Loan capital (see note below)	**8,845**	8,845
Amounts due from subsidiaries (see note below)	**47,861**	35,453
Amounts due to subsidiaries (see note below)	**(1,093)**	(11)
	59,056	47,063

Loan capital represents an investment of funds in HK Electric as permanent shareholders' investment. The loan capital was fully repaid by HK Electric on 6 February 2014.

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms but the Company is unlikely to demand payment or repay these amounts within 12 months of the balance sheet date except for those amounts due from HK Electric which were fully repaid on 6 February 2014.

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

15. Interest in joint ventures

	The Group	
	2013 $ million	2012 $ million Restated
Share of net assets	**26,976**	24,295
Loans to unlisted joint ventures (see note below)	**9,197**	7,873
Amounts due from unlisted joint ventures (see note below)	**181**	367
	36,354	32,535
Share of total assets of joint ventures	**93,680**	84,614

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 6.5% per annum to 11.0% per annum (2012: 6.8% per annum to 12.3% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $4,323 million (2012: $3,038 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures and they are treated as part of the investment in the joint ventures.

The amounts due from unlisted joint ventures are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

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

Details of the Group's material joint ventures at the end of the reporting period are set out in Appendix 3 on page 132.

(a) Summarised financial information of material joint ventures

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million
Current assets	**5,528**	7,088	**732**	653	**1,165**	2,929	**3,904**	4,011	**1,215**	1,795
Non-current assets	**122,172**	112,988	**31,012**	30,106	**43,934**	27,988	**1,284**	2,327	**6,230**	6,501
Current liabilities	**(9,718)**	(11,126)	**(1,748)**	(1,844)	**(1,289)**	(2,830)	**(265)**	(194)	**(647)**	(783)
Non-current liabilities	**(79,117)**	(76,553)	**(21,554)**	(19,397)	**(38,549)**	(24,515)	**–**	–	**(2,881)**	(3,383)

The above amounts of assets and liabilities include the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million
Cash and cash equivalents	**1,939**	3,074	**11**	2	**523**	2,299	**3,759**	3,912	**447**	824
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(2,113)	**(495)**	(579)	**–**	(1,318)	**–**	–	**(60)**	(112)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(61,593)**	(57,342)	**(17,718)**	(14,939)	**(31,253)**	(22,549)	**–**	–	**(2,881)**	(3,383)

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million	**2013 $ million**	2012 $ million
Revenue	**21,327**	20,818	**4,852**	4,628	**4,933**	997	**4,722**	4,855	**3,449**	3,725
Profit/(loss) from continuing operations	**9,823**	7,886	**1,977**	1,568	**1,932**	(452)	**273**	263	**178**	503
Other comprehensive (loss)/income for the year	**(957)**	(393)	**(23)**	81	**(57)**	(110)	**–**	–	**–**	–
Total comprehensive income for the year	**8,866**	7,493	**1,954**	1,649	**1,875**	(562)	**273**	263	**178**	503
Dividends received from the joint ventures during the year	**1,120**	677	**1,309**	423	**89**	–	**655**	470	**181**	218

15. Interest in joint ventures (continued)

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

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2013 $ million	2012 $million	**2013 $ million**	2012 $million	**2013 $ million**	2012 $million	**2013 $ million**	2012 $million	**2013 $ million**	2012 $million
Depreciation and amortisation	**(1,942)**	(1,832)	**(762)**	(706)	**(895)**	(217)	**(862)**	(837)	**(318)**	(338)
Interest income	**406**	472	**1**	1	**15**	12	**41**	45	**7**	11
Interest expense	**(3,147)**	(3,695)	**(597)**	(757)	**(1,055)**	(991)	**–**	(29)	**(193)**	(222)
Income tax	**(473)**	(673)	**256**	31	**615**	101	**(265)**	(509)	**(217)**	(199)

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2013 $ million	2012 $million	**2013 $ million**	2012 $million	**2013 $ million**	2012 $million	**2013 $ million**	2012 $million	**2013 $ million**	2012 $million
Net assets of the joint ventures	**38,865**	32,397	**8,442**	9,518	**5,261**	3,572	**4,923**	6,144	**3,917**	4,130
Group's effective interest	**40.0%**	40.0%	**41.29%**	41.29%	**30.0%**	30.0%	**45.0%**	45.0%	**45.0%**	45.0%
Group's share of net assets of the joint ventures	**15,546**	12,959	**3,485**	3,930	**1,578**	1,073	**2,215**	2,765	**1,763**	1,859
Consolidation adjustments at Group level and non-controlling interests	**79**	107	**–**	3	**–**	36	**–**	4	**–**	2
Carrying amount of the Group's interest in joint ventures	**15,625**	13,066	**3,485**	3,933	**1,578**	1,109	**2,215**	2,769	**1,763**	1,861

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

	2013 $ million	2012 $ million
The Group's share of net assets	**2,310**	1,557
The Group's share of profit from continuing operations	**57**	16
The Group's share of other comprehensive income/(loss)	**72**	(3)
The Group's share of total comprehensive income	**129**	13

16. Interest in associates

	The Group	
	2013 **$ million**	2012 $ million Restated
Share of net assets	**3,430**	3,287
Loans to unlisted associates (see note below)	**4,752**	5,595
Amounts due from unlisted associates (see note below)	**75**	94
	8,257	8,976

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 13.8% per annum (2012: 10.9% per annum to 13.8% per annum) and are not due within one year.

The loans to unlisted associates are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates and they are treated as part of the investment in the associates.

The amounts due from unlisted associates are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

At 31 December 2013, the Group's interest in an associate of $529 million (2012: $630 million) had been pledged as part of the security to secure financing facilities granted to the associate.

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

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 133.

(a) Summarised financial information of material associates

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

	SA Power Networks		Victoria Power Networks	
	2013 **$ million**	2012 $ million	**2013** **$ million**	2012 $ million
Current assets	**2,121**	3,210	**2,439**	2,560
Non-current assets	**39,019**	43,362	**50,428**	54,972
Current liabilities	**(3,555)**	(2,730)	**(6,347)**	(5,853)
Non-current liabilities	**(34,549)**	(41,831)	**(40,048)**	(45,085)

	SA Power Networks		Victoria Power Networks	
	2013 **$ million**	2012 $ million	**2013** **$ million**	2012 $ million
Revenue	**9,214**	9,744	**8,286**	8,227
Profit from continuing operations	**1,529**	1,683	**276**	79
Other comprehensive income/(loss) for the year	**795**	355	**827**	(351)
Total comprehensive income for the year	**2,324**	2,038	**1,103**	(272)
Dividends received from the associates during the year	**222**	223	**–**	–

16. Interest in associates (continued)

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

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

	SA Power Networks		Victoria Power Networks	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
Net assets of the associates	**3,036**	2,011	**6,472**	6,594
Group's effective interest	**27.93%**	27.93%	**27.93%**	27.93%
Carrying amount of the Group's interest in the associates	**848**	562	**1,807**	1,841

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

	2013 $ million	2012 $ million
The Group's share of net assets	**775**	884
The Group's share of profit from continuing operations	**137**	148
The Group's share of other comprehensive income	**1**	–
The Group's share of total comprehensive income	**138**	148

17. Other non-current financial assets

	The Group	
	2013 $ million	2012 $ million
Unlisted available-for-sale equity securities, at cost	**67**	67

18. Inventories

	The Group	
	2013 $ million	2012 $ million
Coal, fuel oil and natural gas	**592**	763
Stores and materials (see note below)	**356**	351
	948	1,114

Included in stores and materials is capital stock of $206 million (2012: $202 million) which was purchased for future capital projects.

19. Trade and other receivables

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
Trade debtors (see note below)	**649**	699	**–**	–
Other receivables (see note below)	**908**	976	**–**	7
	1,557	1,675	**–**	7
Derivative financial instruments				
– held as cash flow/fair value hedging instruments	**2**	2	**–**	2
Deposits and prepayments	**88**	63	**2**	1
	1,647	1,740	**2**	10

All of the trade and other receivables are expected to be recovered within one year.

Other receivables of the Group include unbilled electricity charges of $414 million (2012: $404 million) to be received from electricity customers.

The ageing analysis of trade debtors based on invoice date, which are neither individually nor collectively considered to be impaired, is as follows:

	The Group	
	2013 $ million	2012 $ million
Within 1 month	**606**	660
1 to 3 months	**30**	28
More than 3 months but less than 12 months	**13**	11
Total trade debtors	**649**	699

Electricity bills issued to domestic, small industrial, commercial and miscellaneous customers for electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, a surcharge of 5% can be added to the electricity bills.

Trade debtors for electricity charges that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors for electricity charges that were past due but not impaired relate to a number of independent customers. HK Electric, a wholly-owned subsidiary, obtains collateral in the form of security deposits from customers (see note 28(a)) and the balances are considered to be fully recoverable.

The Group's trade debtors are individually assessed for impairment. Any impairment losses are written off against the trade debtors directly. No separate account is maintained for impairment losses.

20. Fuel Clause Recovery Account

The Fuel Clause Charges per unit for electricity sales was 40.2 cents from 1 January 2013 (2012: 37.0 cents). Movements on the Fuel Clause Recovery Account were as follows:

	The Group	
	2013 $ million	2012 $ million
At 1 January	**820**	1,035
Transfer to profit or loss	**3,510**	3,867
Fuel Clause Charges during the year	**(4,329)**	(4,082)
At 31 December	**1**	820

This account, inclusive of interest, has been and will continue to be used to stabilise electricity tariffs (see note 2(u)(ii)).

The outstanding amount of Fuel Clause Recovery Account is neither past due nor impaired (see note 2(u)(ii)).

21. Bank deposits and cash

(a) Bank deposits and cash comprise:

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**5,256**	5,370	**–**	5,370
Cash at bank and on hand	**41**	21	**10**	3
Bank overdrafts	**(3)**	(6)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**5,294**	5,385		
Bank overdrafts	**3**	6	**–**	–
Deposit with banks and other financial institutions with more than 3 months to maturity when placed	**2,597**	749	**–**	749
Bank deposits and cash in the balance sheets	**7,894**	6,140	**10**	6,122

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

	Note	2013 $ million	2012 $ million Restated
Profit before taxation		**11,591**	10,493
Adjustments for:			
Share of profits less losses of joint ventures		**(5,585)**	(4,025)
Share of profits less losses of associates		**(641)**	(640)
Interest income	5	**(1,404)**	(1,443)
Dividend income from unlisted available-for-sale equity securities	5	**(41)**	(41)
Finance costs	7	**712**	668
Depreciation	8	**1,923**	1,859
Amortisation of leasehold land	8	**58**	59
Fixed assets written off	8	**37**	47
Other non-cash items		**181**	–
Net profit on sale of fixed assets	5	**(2)**	–
Exchange gains		**(84)**	(2)
Changes in working capital:			
Decrease/(increase) in inventories		**170**	(18)
Increase in trade and other receivables		**(21)**	(639)
Decrease in Fuel Clause Recovery Account		**819**	215
Increase in trade and other payables		**540**	511
Increase/decrease in net employee retirement benefit assets/liabilities		**46**	(80)
Cash generated from operations		**8,299**	6,964

22. Trade and other payables

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
Creditors measured at amortised cost (see note below)	**4,107**	3,739	**72**	52
Derivative financial instruments				
– held as cash flow/fair value hedging instruments	**2**	21	**–**	4
	4,109	3,760	**72**	56

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

22. Trade and other payables (continued)

Creditors' ageing is analysed as follows:

	The Group	
	2013 $ million	2012 $ million
Due within 1 month or on demand	**830**	815
Due after 1 month but within 3 months	**286**	410
Due after 3 months but within 12 months	**2,991**	2,514
	4,107	3,739

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

	The Group	
	2013 $ million	2012 $ million
Bank loans	**10,883**	13,424
Current portion	**–**	(5,311)
	10,883	8,113
Hong Kong dollar notes (see note below)	**5,480**	4,787
United States dollar notes (see note below)	**5,982**	6,382
	11,462	11,169
Current portion	**(500)**	–
	10,962	11,169
Total	**21,845**	19,282

The Hong Kong dollar fixed rate notes bear interest at rates ranging between 1.65% to 4.55% per annum (2012: 1.65% to 4.55% per annum). Details of the issuer of the Hong Kong dollar notes are set out in Appendix 2 on page 130.

The United States dollar fixed rate notes bear interest at 4.25% per annum (2012: 4.25% per annum). Details of the issuer of the United States dollar notes are set out in Appendix 2 on page 130.

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 28(b). As at 31 December 2013 and 2012, none of the covenants relating to drawn down facilities had been breached.

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

The non-current borrowings are repayable as follows:

	The Group	
	2013 $ million	2012 $ million
After 1 year but within 2 years	**500**	500
After 2 years but within 5 years	**12,081**	6,680
After 5 years	**9,264**	12,102
	21,845	19,282

24. Derivative financial instruments

	The Group		The Company	
	2013	2012	**2013**	2012
	$ million	$ million	**$ million**	$ million
Derivative financial instruments used for hedging:				
– Cross currency swaps	**242**	646	**–**	–
– Interest rate swaps	**(102)**	(362)	**–**	–
– Forward foreign exchange contracts	**(406)**	(365)	**–**	(2)
Total	**(266)**	(81)	**–**	(2)
Current portion of derivative financial instruments (see notes 19 and 22)	**–**	19	**–**	2
	(266)	(62)	**–**	–
Represented by:				
Derivative financial instruments assets	**283**	646	**–**	–
Derivative financial instruments liabilities	**(549)**	(708)	**–**	–
	(266)	(62)	**–**	–

25. Employee retirement benefits

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

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

Another scheme is defined contribution in nature and offers its members choices to invest in various investment funds. One of the investment funds provides a guaranteed return; the scheme is accounted for as a defined benefit retirement scheme in respect of this investment fund ("the Guaranteed Return Scheme"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme (see note 25(b)).

Both these schemes are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Group's assets in separate trustee administered funds. The responsibility for the governance of the schemes – including investment and contribution decisions – lies with the independent trustees in accordance with the trust deeds of the schemes.

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

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

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate, long term salary increase rate and future pension increase rate which are disclosed in note 25(a)(viii) together with appropriate provisions for mortality rates, turnover and adjustments to reflect the short-term market expectation of salary increases. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 31 December 2013. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

25. Employee retirement benefits (continued)

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

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

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2013 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

(i) The amounts recognised in the balance sheets are as follows:

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
Present value of defined benefit obligations	**(4,388)**	(5,232)	**(417)**	(537)
Fair value of assets of the Schemes	**4,447**	4,415	**300**	324
	59	(817)	**(117)**	(213)
Represented by:				
Employee retirement benefit assets	**618**	217	**–**	–
Employee retirement benefit liabilities	**(559)**	(1,034)	**(117)**	(213)
	59	(817)	**(117)**	(213)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2013 and 2012.

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

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

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
At 1 January	**5,232**	5,047	**537**	514
Current service cost	**109**	105	**5**	5
Interest cost	**41**	74	**4**	7
Employee contributions paid to the Schemes	**18**	18	**1**	1
Actuarial (gain)/loss due to:				
– Changes in liability experience	**(34)**	14	**(19)**	–
– Changes in financial assumptions	**(873)**	285	**(91)**	36
– Changes in demographic assumptions	**179**	–	**29**	–
Benefits paid	**(284)**	(311)	**(52)**	(25)
Intra-group transfer of members	**–**	–	**3**	(1)
At 31 December	**4,388**	5,232	**417**	537

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

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
At 1 January	**4,415**	4,297	**324**	317
Interest income on the Schemes' assets	**35**	–	**3**	–
Return on Schemes' assets, excluding interest income	**194**	–	**18**	–
Expected return on the Schemes' assets	**–**	189	**–**	15
Actuarial gains	**–**	152	**–**	14
Employer contributions paid to the Schemes	**69**	70	**3**	3
Employee contributions paid to the Schemes	**18**	18	**1**	1
Benefits paid	**(284)**	(311)	**(52)**	(25)
Intra-group transfer of members	**–**	–	**3**	(1)
At 31 December	**4,447**	4,415	**300**	324

The Group expects to contribute $69 million to its defined benefit retirement schemes in 2014.

(iv) The expenses/(income) recognised in the consolidated statement of profit or loss, prior to any capitalisation of employment costs attributable to fixed assets additions, is as follows:

	2013 $ million	2012 $ million
Current service cost	**109**	105
Interest cost	**–**	74
Expected return on assets of the Schemes	**–**	(189)
Net interest on net defined benefit asset/liability	**6**	–
	115	(10)

(v) The expense/(income) is recognised in the following line items in the consolidated statement of profit or loss:

	2013 $ million	2012 $ million
Direct costs	**75**	(6)
Other operating costs	**40**	(4)
	115	(10)

25. Employee retirement benefits (continued)

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

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

	2013 $ million	2012 $ million
At 1 January	**1,908**	1,761
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**(922)**	147
At 31 December	**986**	1,908

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

	The Group		The Company	
	2013 $ million	2012 $ million	2013 $ million	2012 $ million
Hong Kong equities	**430**	369	**37**	31
European equities	**271**	194	**24**	19
North American equities	**564**	423	**46**	35
Other Asia Pacific equities	**208**	198	**19**	17
Global bonds	**2,847**	2,943	**170**	181
Deposits, cash and others	**127**	288	**4**	41
	4,447	4,415	**300**	324

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Group to manage its risks from prior periods.

(viii) The principal actuarial assumptions used as at 31 December (expressed as a weighted average) are as follows:

	The Group and the Company	
	2013	2012
Discount rate		
– The Pension Scheme	**2.6%**	0.8%
– The Guaranteed Return Scheme	**2.2%**	0.8%
Long term salary increase rate	**5.0%**	5.0%
Future pension increase rate	**2.5%**	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	The Group 2013 $ million	The Company 2013 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	(62)	(9)
– decrease by 0.25%	65	9
Pension increase rate		
– increase by 0.25%	58	9
– decrease by 0.25%	(56)	(8)
Mortality rate applied to specific age		
– set forward one year	(67)	(12)
– set backward one year	68	12

(b) The Guaranteed Return Scheme

	The Group 2013 $ million	The Company 2013 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	(50)	(2)
– decrease by 0.25%	52	2
Interest to be credited		
– increase by 0.25%	51	2

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

25. Employee retirement benefits (continued)

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

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

	The Group		The Company	
	2013 No. of years	2012 No. of years	**2013 No. of years**	2012 No. of years
The Pension Scheme	**14.1**	15.8	**12.2**	13.7
The Guaranteed Return Scheme	**8.0**	8.4	**8.3**	8.0

(b) Defined contribution retirement scheme

	2013 $ million	2012 $ million
Expenses recognised in profit or loss	**34**	32

Forfeited contributions of $2 million have been received during the year (2012: $Nil).

26. Income tax in the balance sheets

(a) Current taxation in the balance sheets

	The Group		The Company	
	2013 $ million	2012 $ million	**2013 $ million**	2012 $ million
Hong Kong Profits Tax				
Provision for Hong Kong Profits Tax for the year	**952**	821	**–**	4
Provisional Profits Tax paid	**(612)**	(488)	**–**	(1)
	340	333	**–**	3
Operations outside Hong Kong				
Tax provision for the year	**6**	7	**–**	–
Tax recoverable in relating to prior year	**–**	(2)	**–**	–
Provisional tax paid	**(10)**	(12)	**–**	–
	(4)	(7)	**–**	–
Current tax payable	**340**	333	**–**	3
Current tax recoverable	**(4)**	(7)	**–**	–
	336	326	**–**	3

(b) Deferred tax assets and liabilities

(i) The components of deferred tax liabilities/(assets) recognised in the balance sheets and the movements during the year are as follows:

The Group

$ million	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined benefit retirement schemes	Others	Total
At 1 January 2012	5,846	171	(145)	(76)	5,796
Charged/(credited) to profit or loss	120	(35)	73	1	159
Credited to other comprehensive income	–	–	(115)	(15)	(130)
At 31 December 2012	5,966	136	(187)	(90)	5,825
At 1 January 2013	**5,966**	**136**	**(187)**	**(90)**	**5,825**
Charged/(credited) to profit or loss	**38**	**(136)**	**5**	**–**	**(93)**
Charged to other comprehensive income	**–**	**–**	**137**	**44**	**181**
At 31 December 2013	**6,004**	**–**	**(45)**	**(46)**	**5,913**

The Company

$ million	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined benefit retirement schemes	Others	Total
At 1 January 2012	–	–	(17)	(1)	(18)
Charged to profit or loss	–	–	–	1	1
Charged to other comprehensive income	–	–	17	–	17
At 31 December 2012	–	–	–	–	–
At 1 January 2013 and 31 December 2013	**–**	**–**	**–**	**–**	**–**

(ii) Reconciliation to the balance sheet:

	The Group	
	2013 $ million	2012 $ million
Net deferred tax assets recognised in the balance sheet	**(42)**	(86)
Net deferred tax liabilities recognised in the balance sheet	**5,955**	5,911
	5,913	5,825

The Group and the Company had no material unprovided deferred tax assets or liabilities as at 31 December 2013 and 2012.

27. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

$ million	Share capital (note 27(c))	Share premium (note 27(d)(i))	Hedging reserve (note 27(d)(iii))	Revenue reserve (note 27(d)(iv))	Proposed/ declared dividend (note 27(b))	Total
Balance at 1 January 2012	2,134	4,476	–	40,425	3,628	50,663
Changes in equity for 2012:						
Profit for the year	–	–	–	7,252	–	7,252
Other comprehensive loss	–	–	(3)	(38)	–	(41)
Total comprehensive income	–	–	(3)	7,214	–	7,211
Final dividend in respect of the previous year approved and paid (see note 27(b)(ii))	–	–	–	–	(3,628)	(3,628)
Interim dividend paid (see note 27(b)(i))	–	–	–	(1,323)	–	(1,323)
Proposed final dividend (see note 27(b)(i))	–	–	–	(3,905)	3,905	–
Balance at 31 December 2012 and 1 January 2013	**2,134**	**4,476**	**(3)**	**42,411**	**3,905**	**52,923**
Changes in equity for 2013:						
Profit for the year	**–**	**–**	**–**	**11,146**	**–**	**11,146**
Other comprehensive income	**–**	**–**	**3**	**99**	**–**	**102**
Total comprehensive income	**–**	**–**	**3**	**11,245**	**–**	**11,248**
Final dividend in respect of the previous year approved and paid (see note 27(b)(ii))	**–**	**–**	**–**	**–**	**(3,905)**	**(3,905)**
Interim dividend paid (see note 27(b)(i))	**–**	**–**	**–**	**(1,387)**	**–**	**(1,387)**
Proposed final dividend (see note 27(b)(i))	**–**	**–**	**–**	**(4,055)**	**4,055**	**–**
Balance at 31 December 2013	**2,134**	**4,476**	**–**	**48,214**	**4,055**	**58,879**

All of the Company's revenue reserve is available for distribution to equity shareholders. After the balance sheet date, the Directors proposed a final dividend of $1.90 (2012: $1.83) per ordinary share, amounting to $4,055 million (2012: $3,905 million).

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2013 $ million	2012 $ million
Interim dividend declared and paid of $0.65 per ordinary share (2012: $0.62 per ordinary share)	**1,387**	1,323
Final dividend proposed after the balance sheet date of $1.90 per ordinary share (2012: $1.83 per ordinary share)	**4,055**	3,905
	5,442	5,228

The final dividend proposed after the balance sheet date is based on 2,134,261,654 ordinary shares (2012: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2013 $ million	2012 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $1.83 per ordinary share (2012: $1.70 per ordinary share)	**3,905**	3,628

(c) Share capital

		The Company	
	Number of shares	2013 $ million	2012 $ million
Authorised:			
Ordinary shares of $1 each	3,300,000,000	**3,300**	3,300
Issued and fully paid:			
Ordinary shares of $1 each	2,134,261,654	**2,134**	2,134

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2(i)(iii) and 2(v).

27. Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges (net of any deferred tax effect) pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i)(ii).

(iv) Revenue reserve

The revenue reserve comprises the accumulated profits retained by the Company and its subsidiaries and includes the Group's share of the retained profits of its joint ventures and associates.

(e) Capital management

The Group's primary objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide returns to shareholders by securing access to finance at a reasonable cost;
- to support the Group's stability and future growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities.

The Group monitors its capital structure on the basis of a net debt-to-net total capital ratio. For this purpose the Group defines net debt as interest-bearing borrowings (as shown in the consolidated balance sheet) less bank deposits and cash. Net total capital includes net debt and equity which comprises all components of equity (as shown in the consolidated balance sheet).

During 2013, the Group's strategy, which was unchanged from 2012, was to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-net total capital ratio at 31 December 2013 and 2012 was as follows:

	The Group	
	2013 $ million	2012 $ million
Bank loans and other interest-bearing borrowings	**22,348**	24,599
Less: Bank deposits and cash	**(7,894)**	(6,140)
Net debt	**14,454**	18,459
Total equity	**69,438**	63,035
Net debt	**14,454**	18,459
Net total capital	**83,892**	81,494
Net debt-to-net total capital ratio	**17%**	23%

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

28. Financial risk management

The Group is exposed to credit, liquidity, interest rate and currency risks in the normal course of its businesses. The Group is also exposed to equity price risk arising from its equity investments in other entities. In accordance with the Group's treasury policy, derivative financial instruments are only used to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables relating to electricity customers, bank deposits and over-the-counter derivative financial instruments entered into for hedging purposes. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables relating to electricity customers, HK Electric, a wholly-owned subsidiary, obtains collateral in the form of security deposits from customers in accordance with the Supply Rules. The security deposits covered $422 million (2012: $416 million) of trade and other receivables at 31 December 2013. The credit policy is set out in note 19.

The Group has defined minimum credit rating requirements and transaction limits for counterparties when dealing in financial derivatives or placing deposits to minimise credit exposure. The Group does not expect any counterparty to fail to meet its obligations.

The Group has no significant concentrations of credit risk in respect of trade and other receivables relating to electricity customers, as the five largest customers combined did not exceed 30% of the Group's total turnover.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Except for the financial guarantees given by the Group as set out in note 30, the Group has not provided any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 30.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

Offsetting financial assets and financial liabilities

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

As these financial institutions currently have no legal enforceable right to set off the recognised amounts and the Group does not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously, all such financial instruments are recorded on gross basis at the balance sheet date.

28. Financial risk management (continued)

(a) Credit risk (continued)

Offsetting financial assets and financial liabilities (continued)

The following table presents the recognised financial instruments that are subject to enforceable netting arrangements but not offset as at the balance sheet date.

The Group

$ million	Note	2013 Gross amounts of financial instruments in the balance sheet	2013 Related financial instruments that are not offset	2013 Net amount	2012 Gross amounts of financial instruments in the balance sheet	2012 Related financial instruments that are not offset	2012 Net amount
Financial assets	24						
Cross currency swaps		242	(1)	241	646	(4)	642
Interest rate swaps		41	(21)	20	–	–	–
Forward foreign exchange contracts		2	(1)	1	2	(2)	–
Total		285	(23)	262	648	(6)	642
Financial liabilities	24						
Interest rate swaps		143	–	143	362	–	362
Forward foreign exchange contracts		408	(23)	385	367	(6)	361
Total		551	(23)	528	729	(6)	723

The Company

$ million	Note	2013 Gross amounts of financial instruments in the balance sheet	2013 Related financial instruments that are not offset	2013 Net amount	2012 Gross amounts of financial instruments in the balance sheet	2012 Related financial instruments that are not offset	2012 Net amount
Financial assets	24						
Forward foreign exchange contracts		–	–	–	2	(2)	–
Total		–	–	–	2	(2)	–
Financial liabilities	24						
Forward foreign exchange contracts		–	–	–	4	(2)	2
Total		–	–	–	4	(2)	2

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had undrawn committed bank facilities of $2,300 million at 31 December 2013 (2012: $8,033 million).

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

The Group

	2013 Contractual undiscounted cash outflow/(inflow)					
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
Bank loans and other borrowings and interest accruals	1,182	1,148	13,511	10,558	26,399	22,410
Trade and other payables (excluding interest accruals)	4,009	–	–	–	4,009	4,009
Interest rate swaps (net settled) and related interest accruals	165	67	79	–	311	134
Cross currency swaps and related interest accruals						(249)
– outflow	117	117	350	233	817	
– inflow	(247)	(247)	(676)	(527)	(1,697)	
	5,226	1,085	13,264	10,264	29,839	26,304
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 28(d)(i)):						90
– outflow	4,292	488	–	–	4,780	
– inflow	(4,292)	(488)	–	–	(4,780)	
Other forward foreign exchange contracts (notes 28(d)(ii) and 28(d)(iii)):						316
– outflow	1,779	2,538	3,807	1,904	10,028	
– inflow	(1,778)	(2,403)	(3,597)	(1,815)	(9,593)	

28. Financial risk management (continued)

(b) Liquidity risk (continued)

The Group

$ million	2012 Contractual undiscounted cash outflow/(inflow) Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
Bank loans and other borrowings and interest accruals	6,001	1,157	8,167	13,151	28,476	24,674
Trade and other payables (excluding interest accruals)	3,651	–	–	–	3,651	3,651
Interest rate swaps (net settled) and related interest accruals	149	149	108	2	408	390
Cross currency swaps and related interest accruals						(651)
– outflow	118	118	353	353	942	
– inflow	(247)	(247)	(741)	(741)	(1,976)	
	9,672	1,177	7,887	12,765	31,501	28,064
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 28(d)(i)):						19
– outflow	3,878	2,243	–	–	6,121	
– inflow	(3,871)	(2,244)	–	–	(6,115)	
Other forward foreign exchange contracts (notes 28(d)(ii) and 28(d)(iii)):						345
– outflow	2,746	1,712	1,712	8,007	14,177	
– inflow	(2,745)	(1,696)	(1,696)	(7,693)	(13,830)	

The Company

$ million	2013 Contractual undiscounted cash outflow/(inflow) Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
Trade and other payables	72	–	–	–	72	72
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 28(d)(i)):						–
– outflow	–	–	–	–	–	
– inflow	–	–	–	–	–	
Other forward foreign exchange contracts (notes 28(d)(ii) and 28(d)(iii)):						–
– outflow	1,743	–	–	–	1,743	
– inflow	(1,743)	–	–	–	(1,743)	

$ million	2012 Contractual undiscounted cash outflow/(inflow) Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
Trade and other payables	56	–	–	–	56	56
Derivatives settled gross:						
Forward foreign exchange contracts held as cash flow hedging instruments (note 28(d)(i)):						4
– outflow	379	–	–	–	379	
– inflow	(377)	–	–	–	(377)	
Other forward foreign exchange contracts (notes 28(d)(ii) and 28(d)(iii)):						(2)
– outflow	2,572	–	–	–	2,572	
– inflow	(2,574)	–	–	–	(2,574)	

28. Financial risk management (continued)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk on its interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(i) Hedging

The Group's policy is to maintain a balanced combination of fixed and variable rate debt to reduce its interest rate exposure. The Group also uses cross currency swaps and interest rate derivatives to manage the exposure in accordance with its treasury policy. At 31 December 2013, the Group had cross currency swaps with a total notional amount of $5,826 million (2012: $5,826 million) and interest rate swaps with a total notional amount of $8,473 million (2012: $8,143 million).

The Group classifies cross currency swaps and interest rate swaps as cash flow or fair value hedges and states them at fair value in accordance with the policy set out in note 2(i).

The fair values of cross currency swaps entered into by the Group at 31 December 2013 were recognised as derivative financial instrument assets amounting to $242 million (2012: $646 million). The fair values of interest rate swaps entered into by the Group at 31 December 2013 were recognised as derivative financial instrument assets and liabilities amounting to $41 million (2012: $Nil) and $143 million (2012: $362 million) respectively.

(ii) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net interest-bearing assets and liabilities at the balance sheet date, after taking into account the effect of cross currency swaps and interest rate swaps designated as cash flow or fair value hedging instruments (see (i) above).

	The Group			
	2013 Weighted average interest rate %	**$ million**	2012 Weighted average interest rate %	$ million
Net fixed rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**10.2**	**12,738**	10.9	12,267
Deposits with banks and other financial institutions	**1.6**	**1,053**	–	–
Bank loans and other borrowings	**3.6**	**(15,448)**	4.6	(11,291)
		(1,657)		976
Net variable rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**6.5**	**1,211**	6.8	1,201
Cash at bank and on hand	**<0.1**	**41**	<0.1	21
Deposits with banks and other financial institutions	**1.6**	**6,800**	1.1	6,119
Bank overdrafts – unsecured	**5.0**	**(3)**	5.0	(6)
Bank loans and other borrowings	**1.5**	**(6,897)**	1.0	(13,302)
Customers' deposits	**<0.1**	**(1,900)**	<0.1	(1,839)
		(748)		(7,806)

	The Company			
	2013 Weighted average interest rate %	$ million	2012 Weighted average interest rate %	$ million
Variable rate assets				
Cash at bank and on hand	**<0.1**	**10**	<0.1	3
Deposits with banks and other financial institutions	**–**	**–**	1.1	6,119
		10		6,122

(iii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year and revenue reserve by approximately $2 million (2012: decreased/increased by approximately $84 million). Other components of consolidated equity would have increased/decreased by approximately $200 million (2012: increased/decreased by approximately $224 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2012.

(d) Currency risk

(i) Committed and forecast transactions

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Sterling pounds, Japanese yen, Australian dollars and New Zealand dollars.

The Group uses forward foreign exchange contracts to manage its foreign currency risk and classifies these as cash flow hedges. At 31 December 2013, the Group had forward foreign exchange contracts hedging committed and forecast transactions with a net fair liability value of $1 million (2012: $4 million) recognised as derivative financial instruments.

(ii) Recognised assets and liabilities

The net fair value of forward foreign exchange contracts used by the Group as economic hedges of monetary assets and liabilities in foreign currencies at 31 December 2013 was $Nil (2012: liability $8 million) recognised as derivative financial instruments.

Except for borrowings designated to hedge investments outside Hong Kong (see note 28(d)(iii)), the Group's borrowings are either hedged into Hong Kong dollars by way of cross currency swaps or are denominated in Hong Kong dollars. Given this, the management does not expect that there would be any significant currency risk associated with the Group's borrowings.

(Expressed in Hong Kong dollars unless otherwise indicated)

28. Financial risk management (continued)

(d) Currency risk (continued)

(iii) Investments outside Hong Kong

Currency exposure arising from investments outside Hong Kong is mitigated in part either by funding a portion of the investment through external borrowings in the same currency as the underlying investment or by hedging with forward foreign exchange contracts. The fair value of such borrowings at 31 December 2013 was $10,937 million (2012: $8,146 million). The fair value of forward foreign exchange contracts at 31 December 2013 was a liability of $405 million (2012: $353 million).

(iv) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2013 Exposure to foreign currencies				
'million	**USD**	**JPY**	**GBP**	**AUD**	**NZD**
Trade and other receivables	**1**	**–**	**4**	**1**	**2**
Bank deposits and cash	**570**	**5**	**154**	**40**	**3**
Trade and other payables	**(64)**	**(1,083)**	**(1)**	**–**	**–**
Interest-bearing borrowings	**(750)**	**–**	**–**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**(243)**	**(1,078)**	**157**	**41**	**5**
Notional amounts of forward foreign exchange contracts used as economic hedges	**226**	**395**	**–**	**–**	**–**
Notional amounts of cross currency swaps	**750**	**–**	**–**	**–**	**–**
Net exposure arising from recognised assets and liabilities	**733**	**(683)**	**157**	**41**	**5**

	2012 Exposure to foreign currencies				
'million	USD	JPY	GBP	AUD	NZD
Trade and other receivables	–	–	5	–	8
Bank deposits and cash	329	–	60	10	–
Trade and other payables	(67)	(827)	(1)	–	–
Interest-bearing borrowings	(750)	–	–	–	–
Gross exposure arising from recognised assets and liabilities	(488)	(827)	64	10	8
Notional amounts of forward foreign exchange contracts used as economic hedges	323	622	14	–	–
Notional amounts of cross currency swaps	750	–	–	–	–
Net exposure arising from recognised assets and liabilities	585	(205)	78	10	8

The Company

'million	2013 Exposure to foreign currencies USD	GBP	AUD
Notional amounts of forward foreign exchange contracts used as economic hedges	**225**	–	–
Net exposure arising from recognised assets and liabilities	**225**	–	–

'million	2012 Exposure to foreign currencies USD	GBP	AUD
Bank deposits and cash	329	60	10
Gross exposure arising from recognised assets and liabilities	329	60	10
Notional amounts of forward foreign exchange contracts used as economic hedges	309	14	–
Net exposure arising from recognised assets and liabilities	638	74	10

(v) Sensitivity analysis

The following table indicates that a 10 percent strengthening in the following currencies against Hong Kong dollars at the balance sheet date would have increased/(decreased) the Group's profit for the year (and revenue reserve) and other components of consolidated equity.

The Group

$ million	2013 Effect on profit for the year and revenue reserve increase/ (decrease)	2013 Effect on other components of equity increase/ (decrease)	2012 Effect on profit for the year and revenue reserve increase/ (decrease)	2012 Effect on other components of equity increase/ (decrease)
Japanese yen	**(1)**	**4**	(1)	6
Sterling pounds	**199**	–	81	–
Australian dollars	**28**	–	9	–
New Zealand dollars	**3**	–	5	–

A 10 percent weakening in the above currencies against Hong Kong dollars at the balance sheet date would have had an equal but opposite effect on the Group's profit for the year (and revenue reserve) and other components of consolidated equity.

28. Financial risk management (continued)

(d) Currency risk (continued)

(v) Sensitivity analysis (continued)

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the balance sheet date, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit for the year and other components of equity measured in their respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis as for 2012.

(e) Equity price risk

The Group is exposed to equity price changes arising from unlisted available-for-sale equity securities which are held for strategic purposes (see note 17).

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

These unlisted investments do not have a quoted market price in an active market and are stated at cost. Any increase or decrease in impairment losses in respect of these investments would affect the Group's net profit. As at the balance sheet date, none of these unlisted investments was considered to be impaired. The review has been performed on the same basis as for 2012.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Recurring fair value measurements

	The Group Fair value measurements using significant other observable inputs (Level 2) 2013 $ million	 2012 $ million
Financial assets		
Derivative financial instruments:		
– Interest rate swaps	**41**	–
– Forward foreign exchange contracts	**2**	2
– Cross currency swaps	**242**	646
	285	648
Financial liabilities		
Derivative financial instruments:		
– Interest rate swaps	**(143)**	(362)
– Forward foreign exchange contracts	**(408)**	(367)
Fixed rate notes subject to fair value hedges	**(4,456)**	(4,860)
	(5,007)	(5,589)

(ii) Valuation techniques and inputs in fair value measurements

The fair value of forward foreign exchange contracts is measured using forward exchange market rates at the balance sheet date. The fair value of cross currency swaps and interest rate swaps is measured by discounting the future cash flows of the contracts at the current market interest rate.

(ii) Fair values of financial assets and liabilities carried at other than fair value

Unlisted available-for-sale equity securities, amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2013 and 2012.

29. Capital commitments

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

	The Group	
	2013 $ million	2012 $ million Restated
Contracted for:		
Capital expenditure for fixed assets	**783**	1,125
Authorised but not contracted for:		
Capital expenditure for fixed assets	**10,555**	8,764
Investment in a joint venture	**206**	245
	10,761	9,009

30. Contingent liabilities

	The Group		The Company	
	2013 $ million	2012 $ million Restated	**2013 $ million**	2012 $ million Restated
Financial guarantees issued in respect of banking facilities available to				
– Subsidiaries	**–**	–	**10,938**	8,146
Other guarantees given in respect of:				
– Subsidiaries	**–**	–	**569**	743
– Joint venture	**909**	979	**909**	979
	909	979	**12,416**	9,868

There is a claim by the ATO against the Company relating to tax disputes concerning the South Australian electricity distribution businesses, SA Power Networks and Victoria Power Networks, which own the CitiPower and Powercor businesses. The Company has sought legal advice since the dispute arose and is of the view that the Company has a good case to resist the claim and will vigorously defend its position.

As at the balance sheet date, the Company had issued guarantees to banks in respect of banking facilities granted to wholly-owned subsidiaries. In addition, the Company had provided performance guarantees for a joint venture. The Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the issued guarantees is disclosed above. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

31. Material related party transactions

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

(a) Shareholder

On 17 June 2011, a wholly owned subsidiary of the Company entered into an agreement with a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("CKI"), a substantial shareholder holding approximately 38.87% of the issued shares of the Company. Pursuant to the agreement, the subsidiary of the Company undertook a turnkey solution project for the subsidiary of CKI at a consideration of $27 million. The project is expected to be completed in March 2014. The transaction constitutes a connected transaction under the Listing Rules for the Company.

Outram Limited ("Outram"), a subsidiary of the Company, reimbursed CKI $33 million (2012: $31 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Joint ventures (restated)

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $729 million (2012: $722 million) for the year. At 31 December 2013, the total outstanding interest-bearing loan balances were $9,197 million (2012: $7,873 million). The outstanding balances with joint ventures are disclosed in note 15.

(ii) Tax credit claimed under the consortium relief received/receivable from a joint venture in the United Kingdom amounted to $51 million (2012: $63 million) for the year.

(c) Associates (restated)

Interest income received/receivable from associates in respect of the loans to associates amounted to $586 million (2012: $630 million) for the year. At 31 December 2013, the total outstanding interest-bearing loan balances were $4,752 million (2012: $5,595 million). The outstanding balances with associates are disclosed in note 16.

32. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. Cheung Kong Infrastructure Holdings Limited currently holds approximately 38.87% of the issued share capital of the Company and is a substantial shareholder of the Company.

33. Critical accounting judgements and estimates

The methods, estimates and judgements the Directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 9, 25, 28 and 30 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities, financial instruments and tax disputes with the ATO, certain critical accounting judgements in applying the Group's accounting policies are described below.

33. Critical accounting judgements and estimates (continued)

(a) Depreciation and amortisation

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Interests in leasehold land held for own use under finance leases are amortised on a straight-line basis over the shorter of the estimated useful lives of the leased assets and the unexpired lease term. Both the period and methods of amortisation are reviewed annually. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Impairment

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

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

(c) Associates

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

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

34. Post balance sheet event

On 27 September 2013, the Company announced the proposed Spin-off and separate listing of the Group's Hong Kong electricity business (the "Spin-off") which is operated by HK Electric, by way of the listing of the share stapled units to be jointly issued by HK Electric Investments and HK Electric Investments Limited (the "HKEI Group") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). HK Electric is engaged in the generation, transmission, distribution and supply of electricity in Hong Kong and is regulated by a Scheme of Control entered into with the Hong Kong Government.

The Spin-off was approved by the shareholders of the Company at an extraordinary general meeting held on 6 January 2014. The Spin-off was completed and the HKEI Group was listed on the Stock Exchange on 29 January 2014. The Group estimated that a gain of approximately $52 billion will be recorded as a result of the completion of the Spin-off. Following completion of the Spin-off and separate listing of HKEI Group, the Group holds 49.9% of the total issued share stapled units of HKEI Group and ceased to have control over HKEI Group. The Group considers that it has significant influence over the HKEI Group and following the Spin-off intends to account for this investment as an associate.

35. Comparative figure

As a result of the application of HKFRS 11, certain comparative figures have been reclassified to conform to current year's presentation. Further details of these developments are disclosed in note 3.

36. Possible impact of amendments and new standards issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements.

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

	Effective for accounting periods beginning on or after
• HKAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*	1 January 2014
• Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), *Investment Entities*	1 January 2014
• Amendments to HKAS 36, *Recoverable Amount Disclosures for Non-financial assets*	1 January 2014
• HKFRS 9, *Financial instruments*	Not yet determined

Appendix 1

Segment information

$ million	Sales of electricity Hong Kong	Infrastructure investments United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
	2013							
For the year ended 31 December								
Revenue								
Turnover	10,209	–	–	–	–	–	13	10,222
Other revenue and other net income	31	–	–	41	6	47	85	163
Reportable segment revenue	10,240	–	–	41	6	47	98	10,385
Result								
Segment earnings	7,446	–	–	14	6	20	(832)	6,634
Depreciation and amortisation	(1,983)	–	–	–	–	–	2	(1,981)
Interest income	1	553	585	–	177	1,315	88	1,404
Operating profit	5,464	553	585	14	183	1,335	(742)	6,057
Finance costs	(286)	(106)	(295)	–	(5)	(406)	–	(692)
Share of profits less losses of joint ventures and associates	–	5,367	548	256	53	6,224	2	6,226
Profit before taxation	5,178	5,814	838	270	231	7,153	(740)	11,591
Income tax	(859)	51	–	(4)	–	47	(2)	(814)
Profit after taxation	4,319	5,865	838	266	231	7,200	(742)	10,777
Scheme of Control transfers	388	–	–	–	–	–	–	388
Reportable segment profit	4,707	5,865	838	266	231	7,200	(742)	11,165
At 31 December								
Assets								
Fixed assets	49,137	–	–	–	–	–	(15)	49,122
Other assets	2,903	41	42	67	–	150	557	3,610
Interest in joint ventures and associates	–	28,173	7,530	4,645	4,255	44,603	8	44,611
Bank deposits and cash	1,060	–	–	–	–	–	6,834	7,894
Reportable segment assets	53,100	28,214	7,572	4,712	4,255	44,753	7,384	105,237
Liabilities								
Segment liabilities	(4,424)	(504)	(171)	(4)	(17)	(696)	(1,997)	(7,117)
Current and deferred taxation	(6,295)	–	–	–	–	–	–	(6,295)
Interest-bearing borrowings	(11,465)	(5,599)	(4,236)	–	(1,048)	(10,883)	–	(22,348)
Rate Reduction Reserve	(3)	–	–	–	–	–	–	(3)
Tariff Stabilisation Fund	(36)	–	–	–	–	–	–	(36)
Reportable segment liabilities	(22,223)	(6,103)	(4,407)	(4)	(1,065)	(11,579)	(1,997)	(35,799)
For the year ended 31 December								
Other information								
Capital expenditure	1,973	–	–	–	–	–	–	1,973

$ million	Sales of electricity Hong Kong	2012 Infrastructure investments United Kingdom Restated	Australia Restated	Mainland China Restated	Others Restated	Sub-total Restated	All other activities Restated	Total
For the year ended 31 December								
Revenue								
Turnover	10,400	–	–	–	–	–	15	10,415
Other revenue and other net income	32	–	–	41	–	41	(1)	72
Reportable segment revenue	10,432	–	–	41	–	41	14	10,487
Result								
Segment earnings	7,547	–	–	18	7	25	(621)	6,951
Depreciation and amortisation	(1,920)	–	–	–	–	–	2	(1,918)
Interest income	–	499	630	–	223	1,352	91	1,443
Operating profit	5,627	499	630	18	230	1,377	(528)	6,476
Finance costs	(265)	(65)	(318)	–	–	(383)	–	(648)
Share of profits less losses of joint ventures and associates	–	3,697	535	408	23	4,663	2	4,665
Profit before taxation	5,362	4,131	847	426	253	5,657	(526)	10,493
Income tax	(891)	63	–	(5)	–	58	(2)	(835)
Profit after taxation	4,471	4,194	847	421	253	5,715	(528)	9,658
Scheme of Control transfers	71	–	–	–	–	–	–	71
Reportable segment profit	4,542	4,194	847	421	253	5,715	(528)	9,729
At 31 December								
Assets								
Fixed assets	49,346	–	–	–	–	–	(48)	49,298
Other assets	3,979	25	86	67	–	178	540	4,697
Interest in joint ventures and associates	–	24,641	8,139	5,463	3,260	41,503	8	41,511
Bank deposits and cash	8	–	–	–	–	–	6,132	6,140
Reportable segment assets	53,333	24,666	8,225	5,530	3,260	41,681	6,632	101,646
Liabilities								
Segment liabilities	(4,970)	(524)	(330)	(3)	–	(857)	(1,514)	(7,341)
Current and deferred taxation	(6,241)	–	–	–	–	–	(3)	(6,244)
Interest-bearing borrowings	(16,486)	(3,131)	(4,982)	–	–	(8,113)	–	(24,599)
Rate Reduction Reserve	(2)	–	–	–	–	–	–	(2)
Tariff Stabilisation Fund	(425)	–	–	–	–	–	–	(425)
Reportable segment liabilities	(28,124)	(3,655)	(5,312)	(3)	–	(8,970)	(1,517)	(38,611)
For the year ended 31 December								
Other information								
Capital expenditure	2,613	–	–	–	–	–	–	2,613

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2013 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital and debt securities	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ace Keen Limited	US$1	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Beta Central Profits Limited	GBP63,772,525	100*	United Kingdom	Investment holding
Champion Race Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Constant Wealth Limited	US$1	100	British Virgin Islands	Financing
Devin International Limited	US$1 and GBP711,200,000	100*	British Virgin Islands	Investment holding
Goldteam Resources Limited	US$1 and NZ$86,000,000	100*	British Virgin Islands	Investment holding
HEI Leting Limited	HK$1	100*	Hong Kong	Investment holding
Hongkong Electric Finance Limited	US$1 and HK$5,510 million Hong Kong dollar notes US$750 million United States dollar notes (see note 23)	100*	British Virgin Islands/ Hong Kong	Financing
Hong Kong Electric International Finance (Australia) Pty Limited	A$67,275,088	100*	Australia	Financing
Hongkong Electric (Natural Gas) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$1	100*	Hong Kong	Investment holding
Kindmax Enterprises Limited	HK$1	100*	Hong Kong	Financing
Kind Eagle Investment Limited	HK$100	100	Hong Kong	Investment holding
Kongwell Development Limited	HK$1	100*	Hong Kong	Financing

* Indirectly held

Name of company	Issued share capital and debt securities	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
More Advance Development Limited	HK$200,010,000	100*	Hong Kong	Financing
Optimal Glory Limited	US$1	100*	British Virgin Islands/ Hong Kong	Financing
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Investment holding
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
PAI Tap Limited S.A.	C$72,011,538	100*	Belgium	Investment holding
Power Assets (Electric Vehicles) Company Limited	HK$1	100	Hong Kong	Leasing of electric vehicles
Power Assets Investments Limited	US$50,900	100	British Virgin Islands	Investment holding
Premier Zone Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$1	100*	British Virgin Islands	Property holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
The Hongkong Electric Company, Limited	HK$2,411,600,000	100	Hong Kong	Electricity generation and supply
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Financing
Well Joint Investment Limited	HK$2	100*	Hong Kong	Investment holding

* Indirectly held

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2013 which principally affected the results or assets of the Group:

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
AVR-Afvalverwerking B.V. (note (a))	EUR1	20%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc.* (formerly known as Stanley Power Inc. (note (b)))	C$139,000,000 Ordinary shares C$23,000,000 Preferred shares	50%	Canada	Electricity generation	Equity
Electricity First Limited* (note (c))	GBP4	50%	United Kingdom	Electricity generation	Equity
Guangdong Zhuhai Jinwan Power Company Limited# (note (d))	RMB822,250,000 and US$83,340,993	45%	People's Republic of China	Electricity generation	Equity
Guangdong Zhuhai Power Station Company Limited# (note (e))	RMB1,765,000,000 and US$166,000,000	45%	People's Republic of China	Electricity generation	Equity
Northern Gas Networks Holdings Limited* (note (f))	GBP571,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited* (note (g))	A$10,158,551	50%	Bahamas/ Australia	Electricity distribution	Equity
UK Power Networks Holdings Limited* (note (h))	GBP6,000,000 A Ordinary shares GBP4,000,000 B Ordinary shares GBP360,000,000 A Preference shares GBP240,000,000 B Preference shares	40%	United Kingdom	Electricity distribution	Equity
Wales & West Gas Networks (Holdings) Limited* (note (i))	GBP290,272,506	30%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited* (note (j))	NZ$172,000,100	50%	New Zealand	Electricity distribution	Equity

* Previously classified as associates
\# Previously classified as jointly controlled entities

Notes:
(a) AVR-Afvalverwerking B.V. is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste.
(b) Canadian Power Holdings Inc. (formerly known as Stanley Power Inc.) holds a 49.99% partnership interest in TransAlta Cogeneration L.P. TransAlta Cogeneration L.P. owns interests in four gas-fired cogeneration facilities in Alberta and Ontario, Canada and in a coal-fired, generation facility in Alberta, Canada. Canadian Power Holdings Inc. also holds a 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada.
(c) Electricity First Limited holds a 50% stake in Seabank Power Limited, an electricity-generating company located near Bristol in the United Kingdom.
(d) Guangdong Zhuhai Jinwan Power Company Limited ("Jinwan Power") owns and operates power plants in the People's Republic of China.
(e) Guangdong Zhuhai Power Station Company Limited ("Zhuhai Power") owns and operates power plants in the People's Republic of China.
(f) Northern Gas Networks Holdings Limited operates a gas distribution network in the North of England.
(g) Transmission Operations (Australia) Pty Limited has built and operates a transmission line and associate terminal station to transport the electricity generated from a wind farm in Victoria, Australia to the main power grid.
(h) UK Power Networks Holdings Limited owns and operates three regulated electricity distribution networks in the United Kingdom that cover London, South East England and East England. The power networks also include certain non-regulated electricity distribution businesses in the United Kingdom, which consist predominantly of commercial contracts to distribute electricity to a number of privately owned sites, including certain major airports and railway systems.
(i) Wales & West Gas Networks (Holdings) Limited is engaged in the management of gas transportation assets and gas distribution in Wales and the southwest of England.
(j) Wellington Electricity Distribution Network Limited supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand.

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2013 which principally affected the results or assets of the Group:

Name of associate	Issued share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Huaneng Hongkong Electric Dali Wind Power Company Limited (note (a))	RMB150,690,000	45%	People's Republic of China	Electricity generation	Equity
Huaneng Laoting Wind Power Company Limited (note (b))	RMB185,280,000	45%	People's Republic of China	Electricity generation	Equity
Ratchaburi Power Company Limited (note (c))	THB7,325,000,000	25%	Thailand	Electricity generation	Equity
SA Power Networks Partnership (note (d))	N/A	27.93%	Australia	Electricity distribution	Equity
Secan Limited	HK$10	20%	Hong Kong	Property development	Equity
Victoria Power Networks Pty Limited (note (e))	A$279,499,000	27.93%	Australia	Electricity distribution	Equity

Notes:

(a) Huaneng Hongkong Electric Dali Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(b) Huaneng Laoting Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(c) Ratchaburi Power Company Limited is incorporated in Thailand and is principally engaged in the development, financing, operation and maintenance of a power generating station in Thailand.

(d) SA Power Networks Partnership operates and manages the electricity distribution business in the state of South Australia in Australia.

(e) Victoria Power Networks Pty Limited is the holding company of Powercor Australia Limited ("Powercor") and CitiPower I Pty Limited ("CitiPower"). Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district in Australia.