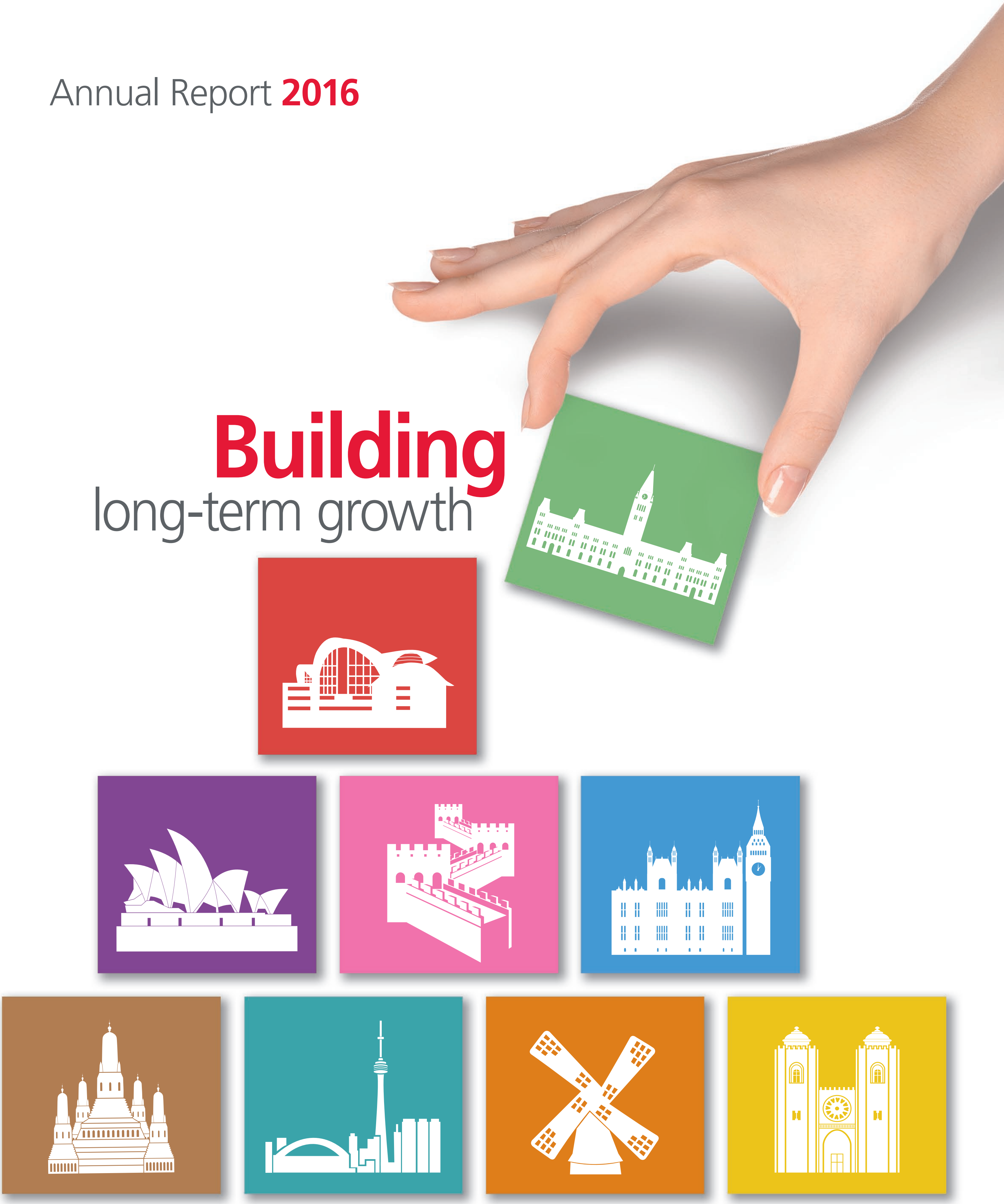
Power Assets Holdings Ltd.
電能實業有限公司
(Stock Code : 6)

Annual Report 2016

Building
long-term growth



Building
long-term growth

Our operating companies, located across the world, contribute in equal measure to our growth. Our markets are chosen for stability and low risk, and our operating companies have the infrastructure, people, and processes in place to achieve steady growth despite macro economic uncertainties.

In this year's cover design, a hand places a building block on a pyramid. Chosen as it is one of the most stable architectural shapes, the pyramid symbolises our strategy of growth through selective geographic diversification. The individual building blocks have vibrant colours and images to represent our different markets of operation.

A strategic global investor in the energy sector

Power Assets is a global investor in energy and utility-related businesses, with interests in the generation of thermal and renewable power, the transmission of electricity and oil as well as the distribution of electricity and gas.

From our origins in Hong Kong over a century ago, our operations today span global markets including the United Kingdom, Australia, New Zealand, mainland China, Thailand, the Netherlands, Portugal and Canada. In 2016, with the acquisition of a stake in the pipeline assets of Canada's Husky Energy, we have strengthened our presence in the North American market.

Power Assets' investments comprise primarily of acquisitions, supplemented by green-field development activities. We follow an active yet prudent strategy for sustainable growth over the long term by concentrating on companies operating in well-regulated and mature markets that are able to deliver predictable and reliable income streams.

Listed on the Stock Exchange of Hong Kong as a constituent share of the Hang Seng Index, Power Assets is also one of only nine Hong Kong companies included in the Dow Jones Sustainability Index Asia Pacific and one of the constituents in the Hang Seng Corporate Sustainability Index.

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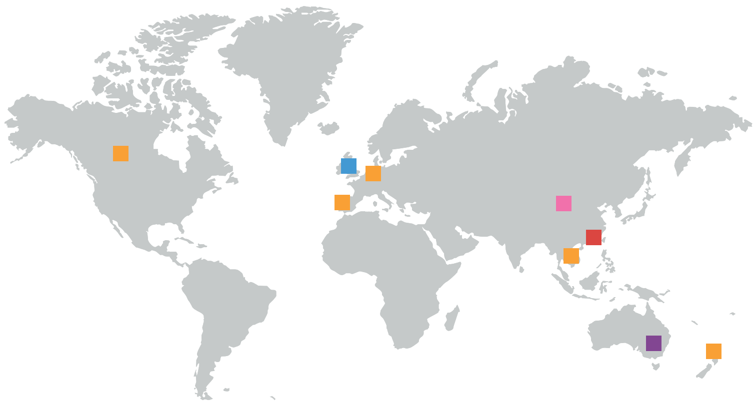
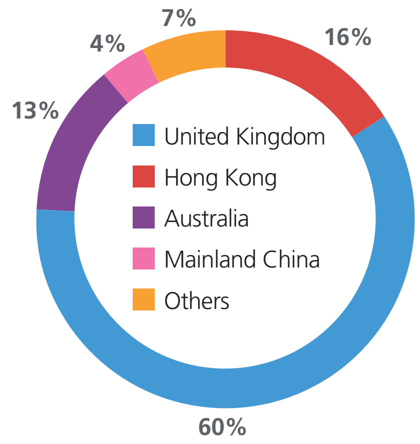
PERFORMANCE HIGHLIGHTS

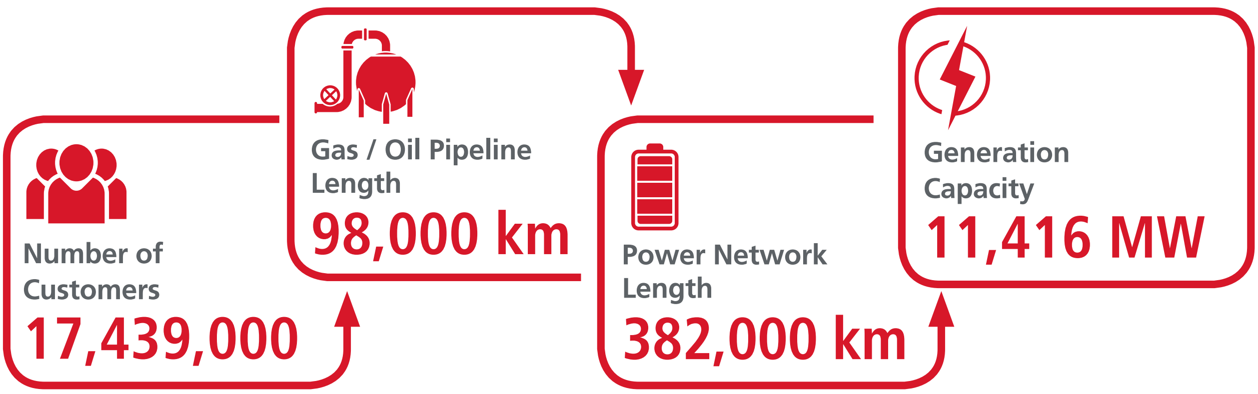
Financials	2016 HK$ million	2015 HK$ million	Change
Profit attributable to shareholders	**6,417**	7,732	-17%
Earnings per share	**$3.01**	$3.62	-17%
Dividends per share	**$7.72**	$2.70	+186%

2016 Profit Contribution by Reportable Business Segment





Power Assets Operations



LONG-TERM DEVELOPMENT STRATEGY

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

Underpinning our growth and future development are three key principles.

Grow shareholder value in fields of expertise

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

We target enterprises that yield steady revenues under government regulation, or in generation assets whose income is safeguarded by long-term power purchase agreements.

Pursue global diversification while minimising risks

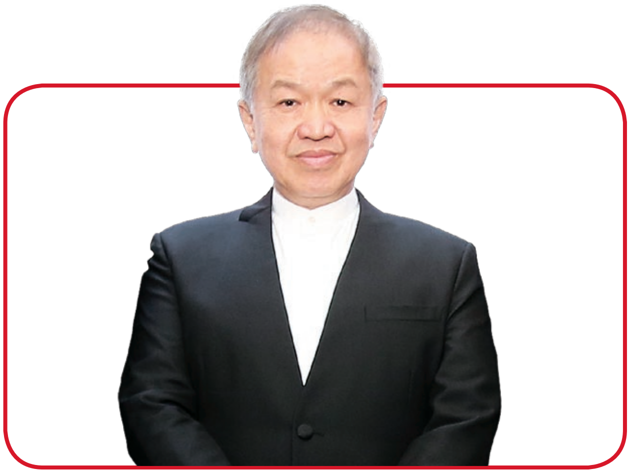
Power Assets' approach to expanding its portfolio is active but disciplined. First we identify and rigorously evaluate suitable opportunities that operate in stable, well-regulated energy markets around the world to deliver progress with minimal impact on investor risk. Our due diligence process ensures that the technologies, sources of fuel and customer base of potential investments are proven and sustainable.

The Group is active in Europe, North America, Asia and Australia to minimise exposure to the economic cycles of any one single market. Our July 2016 investment in the mid-stream assets of Husky Energy is consistent with this strategy, expanding our presence in North America in the oil transmission and storage sector.

Maintain a strong balance sheet as a foundation for agility

Power Assets believes that a strong balance sheet is the foundation of sustainable growth. Our A- credit rating and strong cash position give us sufficient financial power to be agile while pursuing appropriate opportunities.

CHAIRMAN'S STATEMENT



In the context of geopolitical and macroeconomic changes affecting the energy sector worldwide, Power Assets maintained its focus on selective investments in reliable assets for steady growth and recurring returns. Our performance has demonstrated not only the resilience of our strategy and investments, but also our capacity to accommodate and lead advancement in technology for a sustainable low carbon economy.

In July 2016 we made our largest investment since the spinning off of the Hong Kong electricity business three years ago, by acquiring a 48.75% interest in the mid-stream assets of Husky Energy Inc. ("Husky"). Husky operates approximately 1,900 kilometres of oil pipeline in the Lloydminster region and has oil storage capacity of 4.1 million barrels at Hardisty and Lloydminster. Our share of Husky's pipeline portfolio in Canada connects us to a growing market with consistent returns. This is in tune with our long-standing strategy of focussing on dependable investments in low-risk markets that deliver steady returns over the long-term economic cycle.

The Husky investment augments our energy portfolio and expands our presence in North America in the oil transmission and storage sector. The Group's operating companies are spread across North America, Europe, Asia, Australia and New Zealand and include power generation, electricity and gas distribution networks and oil transmission businesses.

In Hong Kong, good progress has been made in charting the way forward for the local electricity market post 2018. Discussions between The Hongkong Electric Company, Limited ("HK Electric") and the Hong Kong Government over the future regulatory regime are expected to yield positive outcomes. We support the company's view that it is in Hong Kong's best interest if the current scheme of control arrangement is maintained to incentivise long-term investments necessary to meet the Government's policy objectives.

Results and dividends

The Group's 2016 audited profits attributable to shareholders amounted to HK$6,417 million (2015: HK$7,732 million). Earnings per share was HK$3.01 (2015: HK$3.62).

The decrease in the Group's profit was primarily due to the weakening of the pound sterling, a lower UK deferred tax credit adjustment when compared with that of last year, a reduction of shareholding in the HK Electric Investments and HK Electric Investments Limited from 49.9% to 33.37% since 9 June 2015 and reversal of provisions and expenses in 2015.

The Directors have earlier declared a one-off special interim dividend in cash of HK$5 per share for 2016, paid out on 28 February 2017. The special interim dividend was distributed in order to address shareholder expectations while keeping in view the Group's need to preserve its financial capacity for future acquisitions.

The Directors will recommend a final dividend of HK$2.02 per share, payable on 25 May 2017 to those persons registered as shareholders on 16 May 2017. This, together with the interim dividend of HK$0.70 per share and special interim dividend of HK$5 per share, takes the total dividend for the year to HK$7.72 per share (2015: HK$2.70 per share).

Operational excellence in key markets

In 2016, Group companies recorded sustainable, organic revenue growth, while maintaining high standards of customer satisfaction. We are insulated from short term cyclicity by regulated revenue schemes or long-term, off-take contracts. All these factors contributed substantially to the Group's robust financial performance.

In the UK, our largest market, our businesses operate in essential services sectors under regulated income regimes. The four Group operating companies in the market earned steady revenues, achieving awards from the regulator for efficient operation and exemplary performance in customer service. The impact of the 'Brexit' decision was limited to reported earnings due to exchange rate uncertainty.

Our operating companies embraced the UK's decarbonisation policy. UK Power Networks became the first distributed generation system to install a commercial scale battery storage system and was at the forefront of research into distributed network system operations. These initiatives will enable us to accommodate disruptive generation from solar power and commercial scale battery installations. Northern Gas Networks is one of the founding organisations collaborating with the UK Government in the H21 Leeds City Gate study – aiming to significantly decarbonise parts of the existing gas system. Wales & West Utilities continues to support the development of biomethane and has connected 16 biomethane producers to the distribution network. Seabank Power completed a lifetime extension maintenance outage for its Module 2 generation unit in 2016 and participated in the UK's capacity auctions to augment the country's electricity supply during times of stress.

In Australia, all our regulated electricity distribution businesses are now under the new regulatory regime, and will consequently enjoy predictable revenues for its duration. Our Australian businesses have been proactive with customer oriented initiatives to tackle the growth of distributed generation, especially solar. SA Power Networks commenced trials of residential battery storage systems to manage solar energy for residential power grids. This exercise will not only yield valuable insights on the long-term management of distributed generation, but also provide customers with the ability to store, use and sell energy. Victoria Power Networks began to offer smart energy services that support the deployment of large scale renewable energy and infrastructure projects and help commercial, industrial and residential customers optimise their usage of self-generated and stored power. Australian Gas Networks is researching the possibility of producing renewable hydrogen for injection into its network to reduce carbon content. Australian Energy Operations completed the Ararat Wind Farm project in July 2016, and began contributing to Group revenues.

In Hong Kong, HK Electric met all of its operating parameters including its world-class reliability record of over 99.999% for twenty consecutive years. In order to meet air quality targets, the company is implementing a major replacement programme to increase the proportion of natural gas in the fuel mix with the construction of two new gas-fired combined cycle generating units. It also continued discussions with the Government on the post-2018 regulatory framework, which will shape the future development of Hong Kong's power sector. In the longer term, more gas-fired units will be built to replace retiring coal-fired units to support the Government's climate change agenda which is to reduce Hong Kong's carbon footprint by 65-70% in 2030 compared to the level in 2005. This will also help reduce the city's air emissions.

Achieving sustainable progress

Our European operating companies in Portugal and the Netherlands both deliver energy from sustainable sources and are the flagship green businesses in the Group's portfolio. Dutch Enviro Energy Holdings B.V., a market leader in the 'energy-from-waste' sector in the Netherlands, continued to increase the delivery of energy to neighbouring industries and households during the year. It is also studying the viability of delivering carbon dioxide to nearby greenhouses through carbon captured from its flue gas. Iberwind, the wind energy company in Portugal which the Group acquired in 2015, initiated a major repowering project to improve wind yield and efficiency.

In Canada, Canadian Power Holdings, working in conjunction with its partners, TransAlta Corporation and ATCO, reached an agreement with the Alberta and Federal governments to end coal-fired emission by 2030 and is embarking on a coal-to-gas conversion study for its largest generating facility, the Sheerness Coal-fired Power Station.

In mainland China, the Government is introducing gradual and progressive market reform to the power sector. We welcome these reforms and will work towards meeting new requirements. Our three coal-fired power plants in the mainland have successfully upgraded their emissions control equipment to meet the stringent near-zero emission environmental targets. Improvement works continued at the wind farms in the Yunnan and Hebei provinces to enhance productivity.

The Ratchaburi plant in Thailand delivered strong performance and achieved its efficiency target. Wellington Electricity in New Zealand performed ahead of budget during the year.

An undeviating strategy going forward

The sound performance of all the Group's operating companies in the current geopolitical climate is testament to the success of our business model based on stable income streams in well-regulated markets and high-quality, efficient operations. This is reinforced by strong management teams, excellence in operations, market-leading customer service, cost controls and returns from recently completed capital projects.

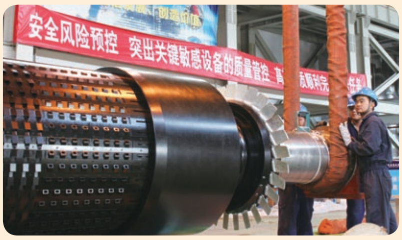
The Group continues to maintain a strong cash position in readiness for opportunities that meet our criteria, especially in developed markets like Australia, North America and Europe.

On behalf of the Board, I would like to thank shareholders for their continued support. My heartfelt gratitude and appreciation to all my colleagues across four continents and all our operating companies for their efforts. Their commitment has delivered another healthy year for the business.

Fok Kin Ning, Canning
Chairman
Hong Kong, 21 March 2017

YEAR AT A GLANCE

JAN – MAR



- Jinwan power plant undertakes a 'Class B Major Overhaul' of Unit 3. The overhaul is successfully completed in April 2016.

- NGN invests in network extensions to help alleviate fuel poverty in the areas it serves. A large-scale mains replacement programme continues to improve the future reliability and safety of the network.

- UKPN commences work on the power infrastructure required to support a major urban redevelopment project in the Battersea area which includes the regeneration of the old Battersea power station into mixed commercial and residential properties.

- AVR, in partnership with internationally renowned research and development institute TNO, launches a small-scale facility to field test different methods to extract CO_2 from flue gases. The results from the test will form the basis for an investment decision in 2017.

APR – JUN

- WWU wins the Responsible Large Business of the Year Award 2016 from Business in the Community Cymru, reflecting its responsible business practices and values based culture embedded across the business.

- WELL launches a new smart phone application, called OutageCheck, to provide real-time updates on power outages for consumers.

- SAPN commences the Regulatory Investment Test – Distribution – a statutory process prior to installation of a new submarine cable between mainland Australia and Kangaroo Island.

- Iberwind completes five overpowering projects and starts operations on 42 MW of new capacity in five different locations.

- HK Electric and CLP Power Hong Kong Limited jointly conduct an environmental impact assessment to explore the feasibility of siting an offshore LNG terminal in Hong Kong waters using floating storage and regasification unit technology.

JUL – SEP

- AEO's Ararat Wind Farm project is successfully completed.

- CitiPower and Powercor launch the myEnergy Dashboard to provide customers with insights on usage over time, solar power export back to the grid (if applicable), and helps them save money on their electricity bill by linking to the Victorian Government's Victorian Energy Compare website.

- Following a successful pilot project, Dali wind farm implements turbine blade modifications to 30 wind turbines to increase plant productivity.

- The UK's Health and Safety Executive awards WWU the highest rating possible in five audits related to accident management, in acknowledgement of its industry leading safety processes.

- The Hong Kong Government gives HK Electric approval to construct a new gas-fired generating unit (L11) to support the achievement of its 2020 fuel mix targets.

- The Group expands its presence in the North American market with an investment in the mid-stream assets of Husky Energy Inc., acquiring a 48.75% interest in its pipeline portfolio in Canada.

- RPCL supports mobile eye clinics at 13 public health centres in nine sub-districts of Ratchaburi province.

OCT – DEC

- Seabank completes major and life time extension maintenance, with module 2 plant lifetime extended from 100,000 to 200,000 hours.

- UKPN wins the prestigious 'Utility of the Year' award for an unprecedented second year in a row for exceptional safety, network performance and customer restorations and overall customer service and engagement.

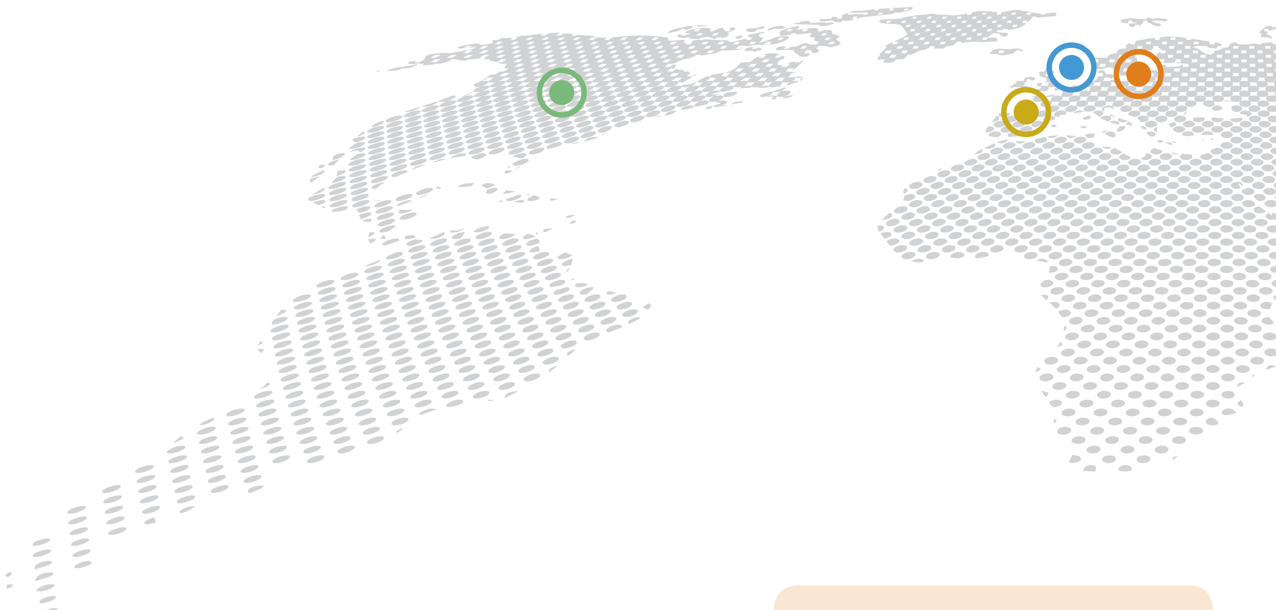
- UKPN's ambitious Business Transformation Project to improve customer service and efficiency is completed. The project involved a review of all key business processes and systems and the roll out of a suite of integrated modules on SAP.

- Zhuhai power plant commences a 'Class A Major Overhaul' and environmental upgrade on Unit 2 to further reduce emissions to meet the 'Close to Zero' standard.

- Canadian Power, in conjunction with its partners TransAlta Corporation and ATCO, reaches an agreement with the Alberta and Federal governments to end coal-fired emissions by the end of 2030 and embarks on a coal-to-gas conversion study for its largest generating facility, the Sheerness Coal-fired Power Station.

Power Assets is an energy investor with a presence in stable, well-regulated markets around the world. Our operating companies offer predictable income streams in the energy generation, transmission and distribution businesses. Our portfolio spans coal, gas, renewables and oil.

As a Group operating across territories with distinct local conditions, at different stages of development and in markets and segments with varying regulatory structures, our long-term success is defined by how all our operating companies come together to deliver consistent long-term growth. 2016 was a successful year for us from this perspective.



NETHERLANDS
- Dutch Enviro Energy Holdings B.V.

PORTUGAL
- Iberwind

CANADA
- TransAlta Cogeneration
- Meridian
- Husky Midstream Limited Partnership

UNITED KINGDOM
- UK Power Networks
- Northern Gas Networks
- Wales & West Utilities
- Seabank Power

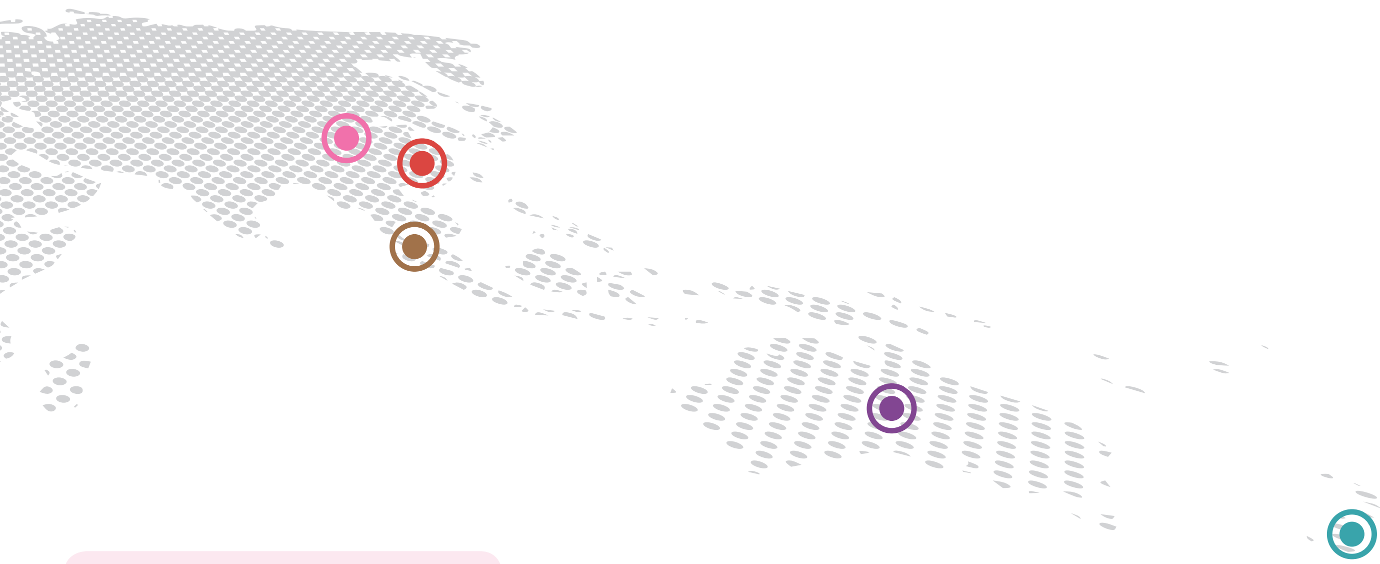
Legends
- Generation
- Transmission & Distribution
- Gas Distribution
- Renewables
- Energy-from-waste
- Oil Pipelines & Storage Facilities

In 2016, we acquired a 48.75% interest in the pipeline assets of Husky Energy in Canada, expanding our energy portfolio and strengthening our presence in the North American market.

Our acquisitions over the past few years, including AVR-Afvalverwerking B.V. (AVR) in the Netherlands, Iberwind in Portugal and Husky Energy's mid-stream assets in Canada, have not only contributed to the Group's revenues from day one, but also enriched our knowledge of different facets of the sector. Our operating companies share expertise and best practices and apply our proven strategy across the Group. We invest in world-class infrastructure and the best talent in every market and support our customers with outstanding service.

In the UK, the 'Brexit' process has heralded some short-term uncertainty in the business environment and a decline in the value of the pound. However, the UK remains a low-risk, well-regulated energy market. Our prudent policies of local debt sourcing and an ongoing focus on regulated businesses have protected the Group from short-term market sentiments.

Tsai Chao Chung, Charles
Chief Executive Officer



MAINLAND CHINA

- **Zhuhai Power**
- **Jinwan Power**
- **Siping Cogeneration**
- **Dali Wind Power**
- **Laoting Wind Power**

THAILAND

- **Ratchaburi Power**

HONG KONG

- **HK Electric**

NEW ZEALAND

- **Wellington Electricity Lines**

AUSTRALIA

- **Australian Gas Networks**
- **SA Power Networks**
- **Victoria Power Networks**
- **Australian Energy Operations**

UNITED KINGDOM

UK Power Networks

Power Assets share: 40%
Joined since: Oct 2010
Network length: 187,800 km
No. of customers: 8,247,000

Northern Gas Networks

Power Assets share: 41.29%
Joined since: Jun 2005
Gas pipeline length: 36,100 km
No. of customers: 2,700,000

Wales & West Utilities

Power Assets share: 30%
Joined since: Oct 2012
Gas pipeline length: 35,000 km
No. of customers: 2,533,000

Seabank Power

Power Assets share: 25%
Joined since: Jun 2010
Gas-fired combined cycle gas turbine: 1,142 MW

UKPN staff in action at a network site to maintain reliability standards.

The UK remained the Group's biggest market in 2016, where our four businesses operate in the electricity generation, and electricity and gas distribution sectors. All four companies delivered creditable performance on the three key parameters of revenues, efficiency and customer service.

Our electricity and gas distribution networks operate under the RIIO (Revenue = Incentives + Innovation + Outputs) regulatory and incentive regime. The scheme, which incentivises innovation and performance, has proven positive for our operating companies, which share the group-wide ethos for such.

UKPN undertaking works on a Powerline diversion over the M1 motorway.

UK Power Networks

UK Power Networks (UKPN) owns, operates and manages three of the 14 regulated electricity distribution networks in the UK. It is one of the largest electricity distribution network owners in the UK covering an area of approximately 30,000 km². The company also operates a number of private networks on behalf of clients like the London Heathrow and Gatwick Airports and the Ministry of Defence.

UKPN: Vauxhall-Nine Elms-Battersea project

An extensive urban regeneration project is under way in London's Vauxhall – Nine Elms – Battersea districts on the south bank of the river Thames. The regeneration will create a thriving community with improved transport, parks, squares and shops, a riverside path, schools and healthcare facilities. The regeneration zone includes more than 20 development sites.

UKPN has started work on the power infrastructure required to support the significant property developments involved in this project. The programme of works will deliver 40 MVA on a phased basis through to 2019 and includes the construction of a new purpose built primary substation at Stewarts Road, and two new 132kV circuits being installed in a combination of new and existing tunnels.

During 2016 detailed designs were completed, as well as demolition and enabling works including the diversion of cables.

UKPN's performance during the year was exceptionally strong. The company distributed 80,071 GWh of power, slightly above 2015 levels. The number of connected customers stood at 8.247 million and with network length of 187,800 km.

Operational performance was outstanding: UKPN maintained its impeccable standards of customer service and recorded just 30.4 customer minutes lost and 38.7 customer interruptions for the 2015/16 regulatory year, a significant improvement on last year's performance. It received incentive revenue from regulator Ofgem. To maintain these high operating standards, UKPN invested nearly £600 million in ongoing network reinforcement.

The company scored 8.6 out of 10 in customer satisfaction based on the regulator's metrics. It ranked second among UK electricity distribution businesses on stakeholder engagement. Customer engagement, satisfaction and safety performance are regarded as among the best across all distribution networks in the UK.

UKPN completed the rollout of its "Business Transformation Programme", initiated in 2013. Automation of processes such as customer service, new connections, call centre services and asset management systems was completed during the year together with the roll out of tablet based technology to all front line field staff. Paperless processes across the operations, human resources and procurement functions are expected to boost operational performance and efficiency.

An employer of choice in the UK, UKPN was once again listed in The Sunday Times' "30 Best Big Companies to Work For" survey.

Northern Gas Networks

Northern Gas Networks (NGN) runs the North of England Gas Distribution Network, one of the eight gas distribution networks in the UK, transporting about 13% of the UK's gas. NGN also maintains and modernises gas mains within its network and provides essential gas connections and gas emergency services.

NGN's total gas throughput for 2016 was 71,852 GWh, an increase of 3 percent over 2015.

NGN engineer using a wireless sensor to locate underground apparatus.

Performance in 2016 remained strong with NGN exceeding mandatory operational targets and regulatory standards. All key targets were achieved including iron pipe replacement and attending gas escapes. It retained its top rating in customer satisfaction, coming first in the industry's 2015/16 Ofgem customer surveys.

NGN's emphasis on safety and benchmarked standards continued in 2016. It was the first utility company to take part in the Considerate Constructors Scheme for planned works, reflecting its commitment to minimising impact on the public and the environment. As a result of ongoing efforts to reduce its carbon footprint and minimise waste, NGN achieved a reduction in leakage by 4% during the year.

Wales & West Utilities

Wales & West Utilities (WWU) is a gas distribution business operating pipelines in Wales and the South West of England, covering 17% of the UK's surface area, comprising 42,000 km² of a diverse mix of urban and rural geography.

WWU supplied 64,799 GWh of gas to 2.5 million customers during the year. The company is well on track to achieve all RIIO targets in 2016/17 and has recorded outstanding performance with respect to customer service and environment targets.

The company reduced total carbon emissions by 12.7% against the 2013-2021 target of 16%, while business related carbon emissions were brought down by 9% against the 2013-2021 target of 10%. It continued to support the Government's efforts to promote biogas, connecting four more biomethane generating plants to its network, bringing the total to 16.

WWU won the Gas Industry Safety Award offered by the Institution of Gas Engineers and Managers in May 2016 and has removed 464 km of iron mains off risk. It is deeply involved in promoting awareness of the dangers of carbon monoxide.

NGN's Warden Law offtake site in Northumberland is an important network node.

WWU's Colwyn Bay depot upgrades to serve the North Eastern Wales community better.

WWU has undertaken a comprehensive process transformation programme to update key systems for better customer service, work scheduling, training and design. Development of a real time and smart management information system continued in 2016, which is expected to give a 360 degree visibility of RIIO outputs and performance across all areas of business.

WWU is the only independent gas network that was awarded contract work on smart meter installation, one of the biggest nationwide projects in the sector. Training of employees and reworking of processes are underway to gear up for large-scale deployment.

WWU staff carry out checks on network equipment.

UK Capacity Market auctions supplementary generation revenues

In 2014, the UK regulator Ofgem introduced the Capacity Market Auction (CMA) scheme to ensure availability of sufficient electricity capacity to meet projected peak demand. Energy suppliers who are successful in their bids are mandated to provide electricity to meet system requirements. The CMA is seen as an innovative way to secure the country's energy supply, while delivering value to paying customers. By participating in the CMA Seabank has secured a reliable source of additional revenues while improving plant utilisation.

Seabank Power

Seabank Power (SPL) is the Group's UK generation business, located near Bristol. The company operates two combined-cycle gas turbine generating units – a 766 MW module and a 376 MW module. The plant's output is governed by a long-term power purchase agreement.

2016 was a year of strong performance for SPL, with the company exceeding planned figures for availability, forced outage, starting performance and plant trips. It generated 4,450 GWh of electricity, against a budget of 3,894 GWh with availability standing at 86.4%.

SPL undertook major scheduled maintenance outages in 2016 for both its modules. The planned lifetime extension maintenance overhaul on Module 2 was completed on target.

The plant placed a successful bid to supply capacity to the national grid in Ofgem's Capacity Market Auction of 2020-21, which will generate additional revenues during the respective years. SPL also entered the 2017-18 auction in January 2017.

HONG KONG

The Hongkong Electric Company

Power Assets share: 33.37%
Year established: 1889
Total installed capacity: 3,737 MW
Network length: 6,300 km
No. of customers: 575,000

Construction of new gas-fired units in progress at HK Electric's Lamma Power Station.

HK Electric's 1-MW solar power system comprising 8,662 thin-film photovoltaic panels is one of the largest in Hong Kong.

The Hongkong Electric Company

The Hongkong Electric Company (HK Electric) is the Group's flagship business which has lit up the streets of Hong Kong since 1890. It generates, transmits and distributes affordable and reliable electricity to its customers located on Hong Kong and Lamma islands. With an excellent track record in supply reliability, customer service and emissions performance, HK Electric is an integral part of Hong Kong's community and economy.

During the year, HK Electric achieved all its customer and shareholder commitments, delivering sales of 10,792 GWh against a backdrop of slowing electricity consumption following increased awareness and successful conservation initiatives by the Government and green groups. Erratic weather patterns mean that electricity consumption is less predictable than before.

HK Electric maintained an industry-leading supply reliability of over 99.999%, an achievement that it has consistently attained for two decades. On average, since 2009 a customer experiences under a minute of unplanned power cuts during the year.

The company continued to deliver excellence in customer service, meeting or exceeding all of its eighteen pledged service standards.

To align with the preferences of Hong Kong's tech-savvy customers a mobile-optimised customer portal was launched during the year. The e-bill and e-payment channels were expanded via the Electronic Bill Presentment and Payment Service platform to provide more options for convenient settlement.

HK Electric engaged with the Government on discussions through the year to determine the future development of the electricity sector in Hong Kong. The company and the Group maintain that retaining the current Scheme of Control Agreement is the best way forward as it has proved effective in achieving the Government's energy objectives while encouraging investment. This view is also shared by the majority of the public who responded to the city-wide consultation in 2015.

To meet the Government's 2020 fuel mix target to reduce the carbon intensity of Hong Kong, HK Electric has to significantly increase gas-fired generating capacity at Lamma Power Station (LPS), HK Electric's primary generating facility.

This will be done with the installation at LPS of two new gas-fired combined cycle generating units. The first of these, L10, entered the construction phase with commissioning scheduled for 2020. L11, which was approved by the Government in 2016, has also progressed to the constructing stage and is set for commissioning in 2022. Jointly the two units will replace some of the older units and will increase the company's gas-fired capacity to about 55% of total output.

In October, the Government published Technical Memorandum no. 6, which further tightened annual emission allowances of sulphur dioxide, nitrogen oxides and respirable suspended particulates by 8%, 2% and 10% respectively for HK Electric from 2021 onwards. These new gas-fired units are also key initiatives for meeting the tightened emission allowances.

Following the Paris Agreement reached at the Paris UN Climate Change Conference (COP21), the Government is going to further reduce the city's carbon intensity by 2030. In this context, HK Electric will continue to accelerate the adoption of natural gas and reduce the use of coal, as it plans ahead for the long-term development of LPS.

To help secure alternative sources of natural gas, HK Electric and CLP Power Hong Kong Limited are jointly conducting an Environmental Impact Assessment for the development of an offshore liquefied natural gas (LNG) terminal using floating storage and regasification technology for receiving LNG imported by sea. The terminal will enhance HK Electric's position as a buyer of natural gas while strengthening reliability of gas supply.

Electric vehicles (EVs) are gaining popularity in Hong Kong. As a long-time supporter of EV use, the company implemented a number of initiatives including an online advisory tool, a trial booking scheme and real-time occupancy updates on charging stations. It is expanding and upgrading charging station infrastructure to make it easier for consumers. In October 2016 HK Electric served as the official energy partner for the first Hong Kong ePrix, providing a unique opportunity for Hong Kong people to appreciate both the speed and performance of zero-emission EVs.

HK Electric's Smart Power Fund, established to help old residential buildings implement energy efficiency projects, approved 8 applications in 2016 with a total subsidy of about HK$1.6 million. The funding limit has been doubled from 2017 to encourage more buildings to apply.

Working in alignment with its long-standing strategy of employee volunteerism, the company dedicated 5,647 man-hours in total to community involvement efforts during the year.

As a result of lower than expected fuel costs as well as Government refunds on rents and rates, HK Electric has reduced tariffs for 2017 by 17.2% on average per unit of electricity. The company's tariffs were frozen in 2014 and 2015 following which two successive reductions have now been implemented in 2016 and 2017.

HK Electric: enabling reliable public transport services

The Hong Kong Mass Transit Railway, including the Airport Express network, comprises a total of 91 stations and carries an average of about 4.69 million passengers per day. HK Electric is a key energy partner to the MTR Corporation and constantly expands and enhances its infrastructure to support the network's growing needs, including the new South Island line which was launched in December 2016. Infrastructural work took place in the year to provide the power needed for the upcoming Shatin to Central Link/North-South Line (HK Section), with energisation set for 2020. A staged replacement of two transformers at Admiralty substation with modern 132/33 kV 50 MVA gas-insulated transformers was also completed.

AUSTRALIA

Australian Gas Networks

Power Assets share: 27.51%
Joined since: Aug 2014
Gas pipeline length: 25,000 km
No. of customers: 1,246,000

SA Power Networks

Power Assets share: 27.93%
Joined since: Jan 2000
Network length: 88,900 km
No. of customers: 856,000

Victoria Power Networks

Power Assets share: 27.93%

CitiPower

Joined since: Jul 2002
Network length: 7,500 km
No. of customers: 329,000

Powercor

Joined since: Sep 2000
Network length: 86,800 km
No. of customers: 786,000

Australian Energy Operations

Power Assets share: 50%
Joined since: Jul 2012
Network length: 42 km

New high-voltage lines installed on the Powercor Network near Mildura in north-western Victoria.

The Group has four operating companies in Australia, serving approximately 3.217 million customers over 183,200 km of electricity networks and 25,000 km of gas pipelines.

The Australian Energy Market Commission has just completed a regulatory reform process that will shape the industry going forward. Network efficiencies and effective capacity utilisation are the key components of the new regime, which has also introduced cost-reflective network tariffs. The parameters of all four Group companies have now been determined for the current regulatory period, ensuring a predictable income stream for the next five years.

Australian Gas Networks

Australian Gas Networks (AGN) is one of the leading distributors of natural gas in Australia.

During 2016, AGN completed gas deliveries of 101.3 petajoules, a decline of 5% from 2015 results. The decrease was largely attributable to significantly warmer autumn and winter weather in the southern states, as well as the closure of some commercial customers in South Australia and Queensland.

In Queensland, construction commenced on a new pipeline to Bundaberg Port. The pipeline is expected to be fully commissioned by early 2017 at an estimated cost of A$16.3 million. It is anticipated that the new pipeline will boost economic activity in the Port area, which will yield long-term revenue growth for AGN.

Major maintenance projects were undertaken during the year in Victoria and South Australia. A large-scale mains replacement programme to replace cast iron and unprotected steel pipelines with polyethylene pipes upgraded 334 kilometres of mains.

SAPN staff on site at Whitmore Square substation in Adelaide, Australia.

SA Power Networks

SA Power Networks (SAPN) is South Australia's sole electricity distributor. It also derives a portion of its revenues from unregulated projects with private organisations.

Following submission of its 2015-2020 proposal to the Australian Energy Regulator in October 2014, SAPN submitted relevant proposals to arrive at a final determination for the period.

Starting May 2016, SAPN commenced Australia's largest trial of 100 units of combined solar and energy storage in a residential area in the town of Salisbury. The trial, involving the large-scale deployment of very high capacity storage batteries, tested the feasibility and benefits of combining solar energy and battery storage to meet growth in demand, as well as to accommodate electricity being fed into the grid from rooftop photovoltaic (PV) panels. The results of the tests will yield insights into how to manage distributed generation.

By the end of the year, SAPN has over 195,000 customers with solar PV panels, with about 777 MW of residential solar PV capacity connected to the network.

SAPN outperformed its annual targets for power supply reliability despite severe storms in July, September and December. The company received a financial reward under the regulator's service performance incentive scheme for 2015/16.

The National Broadband Network Fibre To The Node construction progressed ahead of industry average in South Australia with 46 work areas (85,000 premises) completed or in progress during the year. In 2016, SAPN was awarded the ElectraNet Transmission Asset Maintenance Services contract for a further 5 years, a major contract that contributes to revenues, provides employment for over 100 people and gives the company a substantial competitive advantage in South Australia.

A solar power installation feeding into the Powercor network in the Ballarat area.

Victoria Power Networks

Victoria Power Networks (VPN) through CitiPower and Powercor operates electricity distribution networks in Victoria, Australia.

CitiPower and Powercor distributed 5,877 GWh and 10,657 GWh of electricity respectively during the year. Operating parameters were maintained with network availability maintained at 99.99% and 99.97% for the respective companies.

In July 2016, Powercor energised the Ararat Terminal Station, connecting Australia's third largest wind farm to the grid. The 14-month cross-disciplinary project involved the construction of 106 poles for 22 km of transmission lines and conductor stinging and connection of a 250 MVA transformer to the terminal station. Despite its complexity, the project was delivered 22 days ahead of time and under budget.

VPN's new Energy Solutions business, established in 2015, is focussed on expanding existing unregulated business activities and developing emerging streams such as commercial solar, wind, storage and other energy services that will play a role in shaping Australia's energy future. In the twelve months since its inception, the Energy Solutions team has sold over 3 MW of solar panels.

Australian Energy Operations

Australian Energy Operations (AEO) built, owns and operates the connections for the Mt Mercer and Ararat wind farms to the Victorian electrical transmission network. The connections include the Terminal Stations which step the voltage up from 132 kV to 220 kV allowing the electricity to be transmitted across the national grid.

During the year, AEO completed construction of the transmission connection assets for the Ararat wind farm, located on rural land, approximately 180 km northwest of Melbourne and between 9 km – 17 km northeast of Ararat in Victoria. AEO has agreements with Mt Mercer Wind Farm and Ararat Wind Farm, with pre-agreed monthly recurring revenues, ensuring a stable revenue stream.

MAINLAND CHINA

Zhuhai Power

Power Assets share: 45%
Joined since: Apr 2009
Coal-fired: 1,400 MW

Jinwan Power

Power Assets share: 45%
Joined since: Apr 2009
Coal-fired: 1,200 MW

Siping Cogeneration

Power Assets share: 45%
Joined since: Apr 2009
Coal-fired cogeneration: 200 MW

Dali Wind Power

Power Assets share: 45%
Joined since: Dec 2007
Wind turbine: 48 MW

Laoting Wind Power

Power Assets share: 45%
Joined since: Jun 2008
Wind turbine: 49.5 MW

Power Assets has invested in five power companies in mainland China: wind farms in Dali (Yunnan province) and Laoting (Hebei province), coal-fired plants in Zhuhai and Jinwan (Guangdong province), and a cogeneration plant in Siping (Jilin province). The five units have a combined capacity of 2,898 MW.

The Chinese government has embarked on a programme of gradual and progressive reform of the power sector, moving steadily towards a more market economy driven model. The Group welcomes this direction, which is being implemented in a phased manner to allow market participants to adapt to the new conditions. We will monitor developments closely and look for investment opportunities for sustainable operations and steady growth.

Zhuhai, Jinwan and Siping power plants

Power Assets' investments in three thermal power companies in mainland China have seven generating units with a combined capacity of 2,800 MW.

The Chinese coal-fired power sector faced disadvantageous conditions in 2016 due to a glut in power supply, combined with power reforms and increased adoption of renewable energy, leading to suppressed running hours for coal-fired energy. Despite these challenging conditions, all three power plants recorded reasonable performance. New steam consumers in Jinwan district led to a continued increase in the sale of heat, achieving an increase of 7.08%.

Jinwan power plant's Unit 3 was listed as a national and provincial 'Environmental Demonstration Project' and was among the few coal-fired units in the region to reduce emissions to almost zero early last year. This outstanding environmental performance has rendered the plant eligible for an extra tariff subsidy and an outstanding performance award.

The benchmark on-grid tariff in Guangdong Province was further reduced by RMB 0.023/kWh to RMB 0.4505/kWh. The impacts of reduced tariffs were offset by weak coal prices in the first half of the year.

Dali and Laoting wind farms

Power Assets operates two wind farms in Dali (Yunnan province) and Laoting (Hebei province), with a combined capacity of 97.5 MW.

The performance of the two wind farms in Dali and Laoting was largely on par with the previous year. Lower wind loads in Dali led to a slight reduction in wind yield, which was partly offset by improved yield in the Laoting operation. The renewable energy generated by the two wind farms in 2016 has offset 186,000 tonnes of carbon emission in the respective regions.

In July 2016, Dali's successful turbine blade modification programme of 2014 was extended to cover 30 more wind turbines. This upgrade will boost yield significantly.

Zhuhai power plant delivers satisfactory operating performance in 2016.

Ratchaburi Power Company

Ratchaburi Power Company (RPCL) is a generation company situated in Ratchaburi province in southern Thailand. All the power generated by the plant is sold to the Electricity Generating Authority of Thailand under a 25-year take-or-pay power purchase agreement.

RPCL generated 8,789 GWh of electricity in 2016, in line with its production plan, and improved plant availability to 94.3%. The plant once again achieved fuel cost savings through improved operating practices.

Following investment in process improvements RPCL outperformed its targets for plant performance and efficiencies, qualifying for an availability award from the Thai regulator. Earnings were further boosted by fuel cost savings arising from better-than-budget plant performance and efficient operations.

RPCL continued its policy of engaging actively with the local community, scoring a positive rating of over 96.5% within its province. It complied with all relevant Thai government regulations on environmental protection, monitoring and mitigation.

THAILAND

Ratchaburi Power

Power Assets share: 25%
Joined since: Oct 2001
Gas-fired combined cycle gas turbine: 1,400 MW

Ratchaburi power plant outperforms targets for performance and efficiencies.

Wellington Electricity Lines

Wellington Electricity Lines (WELL) owns and operates the electricity distribution network in New Zealand's key cities including Wellington, Upper Hutt, Lower Hutt and Porirua.

WELL strengthened its reputation as one of New Zealand's most reliable networks, outperforming regulatory performance thresholds in 2016.

Electricity delivered through the network stood at 2,293 GWh, a slight decline from the previous year. The decline was attributable to a milder winter in 2016, as against the colder conditions experienced in 2015.

To offer customer service aligned with consumer preferences, WELL launched "OutageCheck", a new smart phone application that provides customers with real time updates on power outages.

NEW ZEALAND

Wellington Electricity Lines

Power Assets share: 50%
Joined since: Jul 2008
Network length: 4,700 km
No. of customers: 167,000

Berm substation replacement in progress at WELL.

NETHERLANDS

Dutch Enviro Energy Holdings B.V.

Power Assets share: 20%
Joined since: Aug 2013
Waste-to-energy units: 115 MW
Biomass-fired units: 30 MW
Energy-from-waste: 1,730 kt/yr
Biomass energy: 144 kt/yr
Liquid waste treatment: 302 kt/yr
Paper residue incineration: 168 kt/yr

Dutch Enviro Energy Holdings B.V.

Dutch Enviro Energy Holdings B.V., which in turn owns AVR-Afvalverwerking B.V.(AVR), is a market leader in the energy-from-waste business in the Netherlands, generating electricity, heat and steam by incinerating waste. AVR has a total installed thermal capacity 700 MWth (heat and steam), of which approximately 60% is classified as renewable energy.

AVR increased its output of steam, heat as well as electricity over 2015 levels to 468 kT, 5,647 TJ and 560 GWh respectively. Due to high availability and stable, optimised production performance AVR achieved its strongest performance to date in throughput of combustible waste of over 1.7 million kilotons across the duration of the year. Furthermore, the Energy Desk in Rozenburg, instituted in 2015 was operational throughout the year, helping to optimise energy output further.

In 2016, AVR completed preparations and feasibility studies for large-scale structural and long-term changes in its infrastructure. These included research into capturing high quality carbon dioxide (CO_2) and preparations to connect AVR's biomass facility to the district heating network. A feasibility study was conducted to extend this existing district heating network from Rozenburg and Rotterdam to The Hague, together with main stakeholders Eneco.

In June 2016, the Confederation of European Waste-to-Energy Plants held its annual conference in Rotterdam. Several AVR stakeholders and customers participated in the three-day programme, which included a tour to AVR's Rozenburg facility for over 90 participants.

AVR network pipes deliver steam to customers in Rotterdam Port.

PORTUGAL

Iberwind

Power Assets share: 50%
Joined since: Nov 2015
Wind turbine: 726 MW

Iberwind

Iberwind is a wind energy company located in Portugal. It is based in Oeiras council on the west coast of the country and became a member of the Group in 2015. Iberwind has the second highest market share in the Portuguese wind energy sector, with 339 wind turbines and 726 MW of installed capacity.

During 2016, Iberwind produced 1,831 GWh of electricity, avoiding 688,500 tonnes of CO_2 emissions.

During its first full year of operations as a Group company, Iberwind pursued an extensive programme of redevelopment and improvement works. Additional capacity of 42 MW was commissioned across five locations following the completion of construction. Repowering works are under way at Villa Lobos, Iberwind's oldest wind farm, to improve efficiency and capacity through the use of the new technology and equipment.

Iberwind's Sra. da Vitória wind farm generates clean energy for Nazaré district.

Canadian Power Holdings

Canada Power Holdings (Canadian Power) is an electricity generation business which operates the Meridian Cogeneration gas-fired plant in Saskatchewan. It holds a 49.99% share of TransAlta Cogeneration, which operates five power plants in Ontario and Alberta.

In 2016, the Meridian plant generated 1,762 GWh of electricity that was sold to SaskPower under a long-term off-take agreement. The plant also produced 1,448 kT of steam that was sold to Husky Energy.

Meridian performed ahead of budget on its operating parameters. Extensive routine maintenance activities completed in 2015 helped the plant achieve overall efficiency improvements in the range of 5%, and availability was improved to 98%.

The five TransAlta Cogeneration plants recorded a strong performance in 2016, maintaining performance efficiencies and achieving a total output of 4,142 GWh. The Windsor plant renewed its power purchase agreement with the Ontario Independent Electric System Operator, extending a long-term sales guarantee for its output.

Husky Midstream Limited Partnership

Husky Midstream Limited Partnership (HMLP) was established in 2016 to assume ownership of midstream pipeline and terminal assets in the Lloydminster region of Alberta and Saskatchewan, Canada. Its asset portfolio includes approximately 1,900 km of oil pipeline, oil storage capacity of 4.1 million barrels, as well as other ancillary assets. Its pipeline gathering system has a blended crude capacity of nearly 309,000 barrels (bbl) per day and also supports synthetic crude and condensate transportation.

HMLP became a member of the Power Assets Group in July 2016 upon the completion of the acquisition of a 48.75% interest by the Group. HMLP operates the gas pipeline and terminal infrastructure in the Lloydminster region of Alberta and Saskatchewan, Canada. The output is guaranteed by a long term 20-year off-take contract.

HMLP's average throughput for 2016 was 267,000 bbls per day. During the year it completed expansion work on the Saskatchewan Gathering System to transport production from heavy oil thermal developments in the region to Husky Energy's Upgrader and a terminal in Alberta. It is then delivered to third party mainline pipelines, which transport it to refineries in the United States.

CANADA

TransAlta Cogeneration

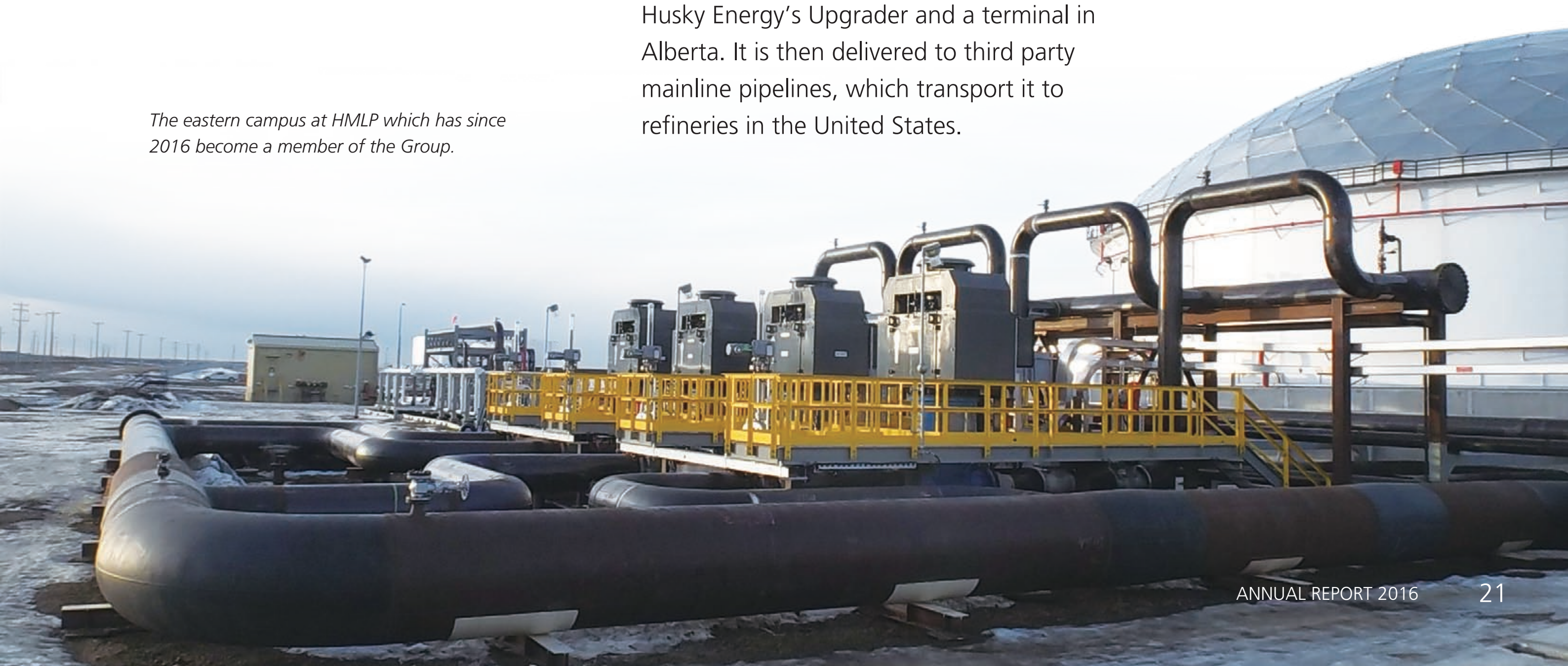
Power Assets share: 25%
Joined since: Dec 2007
Total installed capacity: 1,148 MW

Meridian

Power Assets share: 50%
Joined since: Dec 2007
Gas-fired combined cycle cogeneration: 220 MW

Husky Midstream Limited Partnership

Power Assets share: 48.75%
Joined since: July 2016
Oil pipeline length: 1,900 km
Oil storage capacity: 4.1 million barrels
Pipeline gathering system capacity: 309,000 bbls/day



The eastern campus at HMLP which has since 2016 become a member of the Group.

Children competing in a sack race at the NGN Family Day.

This report provides an update of the environmental, social and governance ("ESG") achievements and progress of Power Assets Holdings Limited ("Power Assets" or together with its subsidiaries, associates and joint ventures, the "Group") during the year ended 31 December 2016, and is prepared based on the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

It covers the key businesses of the Group, including the generation of thermal and renewable power, the transmission of electricity and oil as well as the distribution of electricity and gas, across the Group's markets in the United Kingdom, Hong Kong, Australia, New Zealand, mainland China, the Netherlands, Canada, Thailand and Portugal, and summarises the key initiatives of our businesses and showcases how we deliver value to our stakeholders. The examples and initiatives selected have been presented in four chapters: environment, employment and labour practices, operating practices and community investment.

Our Approach to ESG

Our strong belief in growing our businesses responsibly and sustainably is embedded in the way we do business. Providing reliable infrastructure services and impeccable customer experience top our ESG priorities. We aspire to strike a balance between managing key ESG risks and unlocking opportunities to create long-term value for our stakeholders and our business.

The Board oversees the overall direction of our ESG strategies and practices in this regard and we manage our ESG performance with transparency and accountability. We manage the ESG challenges and opportunities at the Group as well as the business level in a way that best suits the nature, scale and geography of the specific company concerned.

Stakeholder Engagement and Materiality Assessment

As a business with diverse operations, we interact day-to-day with a wide range of stakeholders, including employees, customers, suppliers, investors, regulators, non-government organisations and the community. We engage with our stakeholders in on-going dialogues through various channels such as meetings, workshops, seminars, interviews and surveys. Listening to our stakeholders helps us identify the matters most important to them, as well as their expectations on how we are expected to address them. We have prioritised the material ESG issues based on inputs from our stakeholders in this report.

Zhuhai power plant staff representatives and management interact in a general meeting.

Environment

We place great importance on our responsibility to the environment. Each of the Group's operating businesses strives to continuously lower its environmental footprint through emissions reduction and the efficient use of resources.

Emissions

We have in place a range of rigorous measures to minimise emissions as well as waste discharge.

Air and Greenhouse Gas (GHG) Emissions

Power generation is considered one of the key contributors to air and GHG emissions. We have a number of emissions control measures in place to mitigate the impact of our operations on the environment.

For instance, HK Electric is constructing two new gas-fired generating units that will be equipped with a selective catalytic reduction system. The system significantly improves nitrogen oxide (NO_x) removal performance and can further reduce NO_x emission by 90% compared to conventional gas-fired plant.

The three coal-fired plants in Zhuhai, Jinwan and Siping have enforced their emissions control in recent years to meet and outperform tightened regulatory requirements. In particular, Jinwan Power plant is among the first few coal-fired generation units in mainland China to achieve "Close to Zero" emission levels for air pollutants including sulphur dioxide (SO_2), NO_x and particulate matter. An extra tariff subsidy and an outstanding performance award of RMB 13.7 million from the government has been granted to the plant in recognition of its outstanding performance in air emissions management.

UK Power Networks (UKPN) reduced its carbon emissions by over 14% through a combination of measures including fleet refurbishment, site consolidation and the introduction of energy efficiency initiatives such as installation of LED lighting at some sites.

Developing clean energy businesses is another way to contribute to environmental protection. The Group's renewable energy businesses include the Iberwind wind energy business in Portugal, wind farms at Dali and Laoting in mainland China and wind and solar power systems in Hong Kong. Collectively, the Group's total installed capacity for renewable energy stands at 825 MW.

AVR-Afvalverwerking B.V. (AVR), our energy-from-waste business owned by Dutch Enviro Energy Holdings B.V., generates heat, steam and electricity from residual waste produced by society, preventing more than 324,000 tonnes of CO_2 emissions annually. Its energy-from-waste activities reduce the community's reliance on fossil fuels and curb CO_2 emissions whilst powering cities and industries. AVR now plans to capture CO_2 produced during generation and supply it to greenhouses for growing plants and crops. The technology is currently being tested in collaboration with an external expert and over 50,000 tonnes of captured CO_2 will be delivered for farming applications in 2018.

AVR conducts research on using CO_2 emissions from the plant for greenhouse farming.

Waste

We are cautious about the waste generated from our operations, including the byproducts from energy generation. Our collective efforts to reduce waste involve our staff, contractors, regulators and other third parties. We encourage waste mitigation from source and the reuse and recycling of waste for other projects.

AVR signed the Green Deal with the Dutch government. As part of this agreement a granulate made of the bottom ash generated from the waste incineration process at its Duiven plant will be recycled as construction material for public projects.

Wales & West Utilities (WWU) reuses hazardous sludge waste from gasholder demolition, treating it and using it as backfill material. This enables the reduction of hazardous waste as well as requirement for imported backfill, which contributes to an approximate 65% carbon reduction when compared with traditional disposal, this project won a Brownfield Briefing award in 2016.

Use of Resources

Energy

The Group endeavours to reduce its resource consumption by striving for optimal efficiency of resource use throughout our operations.

Recently, Canadian Power's Meridian gas-fired combined cycle cogeneration plant implemented a new maintenance measure. By installing the newest available parts in the production process, it generates more electricity with less fuel and hence raises the overall plant resource use efficiency.

Since 2014 WWU has upgraded over 700 vans of its fleet with the latest engine management technologies to improve energy efficiency. It has also invested £1.3 million in new tippers and grab lorry vehicles, further enhancing the fleet's energy efficiency.

Water

Water is one of the key resources used in the power generation process. Our water saving measures focus on reuse and recycling. At its Lamma Power Station, HK Electric collects and reuses rainwater and plant processing water which would have otherwise been discharged directly. This initiative saved more than 102,000 m^3 of water in 2016.

The Environment and Natural Resources

The Group is mindful about the impacts of its actions on biodiversity and local ecosystems. A range of environmental initiatives is carried out at the sites of its operations.

For example, Iberwind employs an experienced and specialised environmental team of engineers, archaeologist and biologists. Programmes and initiatives are implemented to avoid, minimise and compensate for the impacts of wind farm construction and operation on local ecosystems. For example, wetland management at the wind farm at Lagao Funda and wildlife monitoring measures at the wind farms at São Macário and Candeeiros are in place.

Kestrel conservation projects form part of the Candeeiros wind farm's mandate at Iberwind.

Timely Action to Manage Environmental Impacts

In July 2016, Husky Energy responded to a pipeline release in Saskatchewan, in western Canada. It took full responsibility and worked closely with communities, First Nations and regulatory authorities, to complete the cleanup. A full and thorough investigation was undertaken and Husky Energy will apply lessons learned from this to further improve its operations and response.

Regulatory Compliance

Apart from the abovementioned event related to Husky Energy, the Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, or generation of hazardous and non-hazardous waste during 2016.

Employment and Labour Practices

Our philosophy is that a happy and motivated workforce is the driving force for sustained success. We place great importance on employee management. Not only are we dedicated to cultivating a healthy and safe working culture, we are also committed to securing and nurturing talent through training programmes that assist our employees to achieve their potential.

Employment

Much of the Group's success is attributed to its dedicated and highly qualified people. Our businesses have been working actively to attract the best people and motivate them with a rewarding career, equipping them with the necessary skills and knowledge for the work.

WWU operates an annual apprenticeship programme where new recruits can work with experienced engineers to learn job-specific skills in the workplace and build their technical and business skills through off-the-job training in WWU's training academies. The apprenticeship programme, which commenced in 2005, has recruited 138 people for WWU. A similar apprenticeship programme is also in place at CitiPower and Powercor, benefitting more than 375 apprentices and trainees since its launch in 2001.

CitiPower and Powercor apprentices in the field.

Our businesses recognise employees' contributions to the success of the Group fairly and objectively by implementing equitable remuneration policies. To incentivise staff, our remuneration mechanisms are reviewed and re-adjusted regularly to remain competitive in the market.

HK Electric launches the "Let's Exercise" Campaign to get employees fit and active.

We seek to protect the wellbeing of our staff by encouraging a healthy work-life balance. To ease the stress that is associated with work, we offer a range of generous paid leave entitlements and flexible work arrangements. In 2016, AVR made it possible for employees to work part-time in shifts. In addition AVR introduced a Sustainable Employability programme, highlighted by a series of "Be Fit" workshops and lifestyle programmes on topics including exercise, eating and stress management to encourage healthier living. At HK Electric, employee wellness was promoted through a host of initiatives themed "Health and Happiness" including programmes such as "Let's Exercise" and "StairWELL". "A Good Neighbour Club" was also established with over 100 employees trained on counselling skills to provide support to colleagues in coping with emotional or stress issues.

We believe in the vast benefits and positivity that diversity brings to our corporate culture. We strictly enforce an anti-discrimination policy and have zero tolerance to harassment of any form. All employees, irrespective of race, gender or religious belief, receive equal opportunities and our recruitment and promotion processes are based purely on performance.

Employees are given numerous channels to express their concerns and communicate with the management. We regularly conduct surveys and hold seminars, workshops or forums to collect views from our people with the intention to improve our operational practices. These events also help to accumulate innovative ideas that can stimulate business growth.

Development and Training

We invest heavily in training to keep our people abreast of the latest developments in the industry to help them perform better. Our training programmes are developed by the respective business units to be most relevant to their specific needs. Subsidies are provided for eligible external training courses to encourage all employees to further refine their skills and abilities to help us achieve our goal of delivering excellent services to our customers.

Health and Safety

The Group believes that the safety of its employees is paramount. Many of our businesses have their safety management systems certified in accordance with local and international standards. Having an effective safety management in place helps us effectively identify occupational hazards and implement controls to safeguard our employees.

Fire drills form part of RPCL's workplace safety regime.

One of our priorities in promoting health and safety in the workplace is to encourage our employees to take ownership of improving safety awareness and practices. Northern Gas Networks (NGN) conducts "safety tours" and open forums to allow employees to express concerns and observations about safety conditions at workplace. This has helped reduce work-related injuries and fatalities at NGN in the past five years.

HK Electric continues to promote safety risk management through its "Work Safe Behaviour" programme, which was launched in 2011. By engaging employees in identifying and reporting potentially hazardous acts at work, the programme has helped promote safety awareness and low-risk practices in the company's electricity generation, transmission and distribution operations.

CitiPower and Powercor, for example, developed a *Stop, Think and Drive Expo* to improve driver safety as well as promoting safety as everyone's responsibility. Employees attending the Expo pledged to make real, positive changes based on their experiences. The Victorian Transport Accident Commission supported the initiative, filming an employee for an online video as testament to the business' commitment to best practice workplace safety management.

Labour Standards

Stringent measures are undertaken to monitor our operations in upholding international and local labour standards. Internal controls have been implemented to detect the use of child or forced labour in our operations together with procedures to respond to any unethical practices that may arise.

Regulatory Compliance

During the reporting period, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labour practices; and occupational health and safety. Nor did we identify any incidents relating to the use of child or forced labour.

Operating Practices

The Group understands it is imperative to manage our relationships with our suppliers and customers in a responsible and sustainable manner. We are dedicated to delivering consistent and quality services to our customers and collaborating with our suppliers to create win-win scenarios. We actively seek customer feedback and adopt their suggestions wherever applicable, in order to upgrade our services and improve customer satisfaction.

SAPN field staff member explaining the working of a meter to a customer.

Supply Chain Management

We are well aware of the environmental and social impacts that may ensue along the supply chain and we are committed to minimising such risks in collaboration with our suppliers. ESG-related considerations form an important part of the assessment process and have a heavy weightage in our consideration of potential suppliers and contractors. For instance, Zhuhai, Jinwan and Siping power plants' sourcing processes only allow them to consider suppliers and contractors with proven experience, reliable performance and long-term track records in the power sector in mainland China.

Regular monitoring, audits and evaluation are carried out to assess the performance of our suppliers. In addition, we collaborate closely with our suppliers to ensure that our requirements and shared goals are understood. Through these regular conversations, we are able to maintain a mutually beneficial relationship with our suppliers. Australian Gas Networks (AGN), for example, incentivises their key supplier of gas distribution and transmission operating and management services for improved productivity and service quality.

Product Responsibility

We take pride in providing reliable services. Throughout our businesses, we utilise complex monitoring systems that can detect potential disturbances in near-real time, allowing us to prepare in advance and organise precautionary measures as needed. Our systems also allow us to pinpoint disruptions in our processes, where we can take actions with precision to resolve the problem and restore services to our customers swiftly. These controls help us maintain high service quality and reliability. For instance, HK Electric has maintained a world-class supply reliability of over 99.999% since 1997. WWU received the Responsible Large Business of the Year Award from Business in the Community, Wales, and UKPN made history by becoming the first company to win the prestigious Utility of the Year Award for two consecutive years.

WWU wins the prestigious Gold Award from the Royal Society for the Prevention of Accidents for the third year in a row.

Customer Satisfaction

Regular communication with customers is essential to upholding a high level of customer satisfaction. We systematically interact with our customers through various means including telephone, SMS alerts and other modern technologies.

Additionally, our businesses regularly conduct surveys to assess customer satisfaction with different aspects of our services. We then follow up to address relevant comments promptly.

CitiPower and Powercor's continued focus on customer outcomes was evident in achieving a combined 2016 customer satisfaction result of 85%. In addition, in 2015-2016 CitiPower and Powercor continued to outperform other Victorian businesses in the Energy Water Ombudsman Victoria annual reports, recording the lowest number of complaints of any Victorian distributor for the fourth consecutive year.

In 2016, CitiPower and Powercor continued to respond to customers' growing preference for digital tools with the business launching new digital platforms, such as myEnergy, to enable improved customer self-service.

UKPN is conducting a study involving the installation of smart meters with in-home displays in participating households to monitor the impacts of vulnerable customers' energy usage on the electricity network. This study will clarify how different demographics use energy, enabling better service efficiency.

In 2016 Wellington Electricity Lines launched a new smartphone app called OutageCheck to provide customers with up-to-date information about power outages on its network. OutageCheck, updated 24x7, empowers customers to make more informed decisions.

Customer Data Privacy

We believe that protecting customer data is key to a trusting relationship between our companies and our customers. Data privacy policies implemented at the business level guide how we collect and use personal information. Access to customer data is restricted to authorised personnel only on a need-to-know, need-to-use basis. Systems and controls are in place and updated as required to assist in the prevention and detection of customer data loss. We emphasise the importance of protecting customer data privacy to all our employees through internal communications and training.

Anti-corruption

The Group has high expectations of its staff integrity and honesty. Our management has a zero-tolerance stance to corruption and fraud. Anti-bribery and anti-corruption standards have been incorporated in our policies and operating practices and these are communicated to our employees as well as external stakeholders. Power Assets has established a whistle-blowing mechanism to allow stakeholders to report suspected activities in a confidential manner. Reported cases are subject to independent investigations and followed up properly. Cases are reported by the Internal Audit Department to the Audit Committee and senior management.

Regulatory Compliance

We were not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year; nor are we aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

Community Investment

Our philosophy is that a successful business is not just about achieving economic viability but also realising its social responsibility. Our businesses have made significant contributions and contributed to the socioeconomic health of their communities by providing aid and education to the disadvantaged and taking on major roles in promoting environmental conservation and healthy living.

HK Electric environmental conservation activities include tree care and weed removal.

Supporting the Disadvantaged

As a business that provides essential support to many communities, we believe that businesses should play their part in tackling societal challenges. In line with the United Nations Sustainable Development Goals, our community efforts are to assist those in need.

To support the rapidly ageing population in Hong Kong, HK Electric continues to run the "CAREnJOY" programme to help the elderly improve their quality of life. The programme trains elderly ambassadors to help other senior citizens. In 2016, selected ambassadors and HK Electric volunteers visited about 1,000 elderly living on their own and helped them buy bulky necessities. They also used the occasion to promote the safe and efficient use of electricity.

WWU works to tackle fuel poverty through its "Warm Home Assistance" scheme, providing funding to the less fortunate in Wales and the southwest of England for heating services. Since the launch of the scheme in 2009, WWU has funded over 12,000 connections to the gas network and has committed to connecting another 7,000 households by 2021.

AGN donated around A$500,000 to community initiatives including various groups of people in need through organisations such as Foodbank SA which retrieves and distributes surplus food to people in need, and the Hutt Street Centre who provides over 50,000 meals for the homeless.

Education and Lifelong Learning

The Group believes that education is the foundation to a knowledge-based, inclusive society. Our businesses collaborate with various organisations to promote lifelong learning.

HK Electric formed a collaborative partnership with The Hong Kong Council of Social Service and established the University of 3rd Age (U3A) Network to promote lifelong learning among the retired elderly in Hong Kong. The initiative has provided over 86,000 learning opportunities for the retired population in Hong Kong since its launch in 2006. A total of 48 self-learning centres have been established and more than 5,000 courses have been arranged under this initiative.

Greener Living

We leverage our business strengths for community projects. One of our goals is to mobilise and collaborate with the local communities to explore ways to provide cleaner energy and enable greener living.

Since 2003, the HK Electric Smart Power Campaign has been promoting energy saving and low-carbon lifestyle, involving tens of thousands of people every year. The highlight of 2016 was the new "Happy Green Community Ambassadors" programme which engaged about 30 secondary school students in a one-day training camp on energy efficiency and power generation to nurture awareness of conservation and green living. The "Green Energy Dreams Come True" programme funded 12 projects by secondary school students to develop green living ideas. Each team received seed money of up to HK$50,000 to implement its ideas.

Students joining the HK Electric Smart Power Campaign to put green ideas into practice.

CitiPower and Powercor collaborated with Newstead, a town 138 km northwest of Melbourne, Australia, to support its transformation to a town powered purely by renewable energy. CitiPower and Powercor supported the initiative by sharing industry knowledge, providing technical advice about the town's energy load profile, conducting impact assessment of local generation on grid stability and reliability, and performing financial modelling.

Employees and family members participating in Powercor's popular Tour de Depot initiative.

Health and Wellbeing

A community's health is key to its prosperity. Sporting events boast extraordinary socioeconomic and health values that can bring communities together. CitiPower and Powercor continued the annual Powercor Tour de Depot charity cycling series for the second year running in 2016 to promote healthy living and raise fund for those in need. Three cycling events were hosted in three Victorian towns: Warrnambool, Mildura and Shepparton, raising over A$220,000 for charities that support various social groups in need.

In 2016 Ratchaburi Power Company organised a community health project for 13 public health centres spread across nine sub-districts in Thailand and continued its Mobile Clinic programme providing free eye clinical services to the local community in Ratchaburi.

Board of Directors – Executive Directors

FOK Kin Ning, Canning *Chairman*

Aged 65. Appointed to the Board in 1985 and became the Chairman in 2005. He is a Director of certain subsidiaries of the Company. He is also the Chairman of HK Electric Investments Manager Limited ("HKEIML") which is the trustee-manager of HK Electric Investments ("HKEI"), HK Electric Investments Limited ("HKEIL") and its wholly-owned subsidiary, The Hongkong Electric Company, Limited ("HK Electric"). Mr. Fok is an Executive Director and Group Co-Managing Director of CK Hutchison Holdings Limited ("CKH Holdings"), and the Deputy Chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"). Mr. Fok is the Chairman of Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and Hutchison Port Holdings Management Pte. Limited ("HPHMPL") which is the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), and the Co-Chairman of Husky Energy Inc. ("Husky Energy"). Mr. Fok was previously an Alternate Director of HTHKH. All the companies mentioned above, except HKEIML, HK Electric and HPHMPL, are listed companies, and HPH Trust and HKEI are listed business trusts. Mr. Fok acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

TSAI Chao Chung, Charles *Chief Executive Officer*

Aged 59. Appointed to the Board and Chief Executive Officer in January 2014. He has been with the Group since June 1987. Mr. Tsai is the General Manager of Power Assets Investments Limited, a wholly-owned subsidiary of the Company. He is also a Director or Alternate Director of most of the subsidiaries and certain joint ventures of the Company. Mr. Tsai has been responsible for the Group's investments outside Hong Kong since 1997. He holds a Bachelor of Applied Science Degree in Mechanical Engineering, and is a Registered Professional Engineer and a Chartered Engineer.

CHAN Loi Shun

Aged 54. Appointed to the Board in June 2012.
Mr. Chan is a Director of all the subsidiaries and certain joint ventures of the Company. He is also an Executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL, and a Director of HK Electric.
Mr. Chan is an Executive Director and Chief Financial Officer of CKI, a substantial shareholder of the Company within the meaning of Part XV of the SFO.
Mr. Chan joined Hutchison Whampoa Limited ("HWL") in January 1992 and has been with the Cheung Kong (Holdings) Limited ("Cheung Kong") Group since May 1994. All the companies mentioned above, except HKEIML, HK Electric, Cheung Kong and HWL, are listed companies, and HKEI is a listed business trust. He also holds directorships in certain substantial shareholders of the Company. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants, and is also a member of the Institute of Certified Management Accountants (Australia).

Andrew John HUNTER

Aged 58. Appointed to the Board in 1999, prior to which he was Finance Director of the Hutchison Property Group. Mr. Hunter was Group Finance Director from 1999 to January 2006, and is a Director of certain joint ventures of the Company. Mr. Hunter is currently Deputy Managing Director of CKI, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Hunter also holds directorships in certain companies controlled by certain substantial shareholders of the Company.
Mr. Hunter holds a Master of Arts degree and a Master's degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland and of the HKICPA. He has over 34 years of experience in accounting and financial management.

Board of Directors – Non-executive Director

Neil Douglas MCGEE

Aged 65. Appointed to the Board in 2005 as an Executive Director, and re-designated as a Non-executive Director in 2012 and as an Executive Director in January 2014. He was Group Finance Director from February 2006 to August 2012. Mr. McGee has worked with the Group and the CKH Holdings Group from 1978 holding various legal, corporate secretarial and finance positions. He is also a Director or Alternate Director of certain joint ventures of the Company. Mr. McGee is currently the Managing Director of Hutchison Whampoa Europe Investments S.à r.l. and a Director of Husky Energy, a listed company. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree.

WAN Chi Tin

Aged 66. Appointed to the Board in 2005. He was Group Managing Director from January 2013 to January 2014. Mr. Wan is also a Director of most of the subsidiaries and certain joint ventures of the Company. He is also the Chief Executive Officer and an Executive Director of HKEIL, a company listed together with HKEI, an Executive Director of HKEIML which is the trustee-manager of HKEI and the Managing Director of HK Electric. He has worked for the Group since 1978, holding various positions including Director of Engineering (Planning & Development), Chief Executive Officer of Powercor Australia Limited and CitiPower Pty., associate companies of the Group in Australia.
Mr. Wan holds a Bachelor of Science degree in Electrical Engineering and is also a Chartered Engineer. He is an Honorary Fellow of the Energy Institute, a Fellow of the Institution of Engineering and Technology and a Fellow of The Hong Kong Institution of Engineers. He is the Vice Chairman of the Engineers Registration Board of Hong Kong and a member of the Audit Committee of The University of Hong Kong.

LI Tzar Kuoi, Victor

Aged 52. Appointed to the Board in 1994 and re-designated from an Executive Director to a Non-executive Director in January 2014. He is also a Director of a joint venture of the Company. He is an Executive Director, Group Co-Managing Director and Deputy Chairman of CKH Holdings. Mr. Li is an Executive Director, Managing Director and Deputy Chairman, and the Chairman of the Executive Committee of Cheung Kong Property Holdings Limited ("CK Property"). Mr. Li is the Chairman of CKI and CK Life Sciences Int'l., (Holdings) Inc. and the Co-Chairman of Husky Energy. Mr. Li is also a Non-executive Director of HKEIML which is the trustee-manager of HKEI, a Non-executive Director and the Deputy Chairman of HKEIL and a Director of HK Electric. All the companies mentioned above, except HKEIML and HK Electric, are listed companies, and HKEI is a listed business trust. He is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Li serves as a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region ("HKSAR") and Vice Chairman of the Hong Kong General Chamber of Commerce (the "Chamber"). Mr. Li is also the Honorary Consul of Barbados in Hong Kong. He acts as a Director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a Director of certain companies controlled by certain substantial shareholders of the Company. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.).

Board of Directors – Independent Non-executive Directors

IP Yuk-keung, Albert

Aged 64. Appointed to the Board in January 2014. Mr. Ip is an international banking and real estate professional with over 30 years of banking experience in United States, Asia and Hong Kong. He was formerly Managing Director of Citigroup and Managing Director of Investments at Merrill Lynch (Asia Pacific). Mr. Ip is Adjunct Professor of and advisor to a number of universities in Hong Kong, United States and Macau. He is a Council Member of The Hong Kong University of Science and Technology, an Honorary Professor of Business at Lingnan University, a Research Fellow of the Institute for Financial Economics at Singapore Management University, an Honorary Fellow of Vocational Training Council, a Beta Gamma Sigma Honoree at City University of Hong Kong and an Executive Fellow in Asia of Washington University in St. Louis. Mr. Ip is the Executive Director and Chief Executive Officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments, and Langham Hospitality Investments Limited, and a Non-executive Director of Eagle Asset Management (CP) Limited which is the manager of Champion Real Estate Investment Trust. He is also an Independent Non-executive Director of Hopewell Highway Infrastructure Limited, Hopewell Holdings Limited, TOM Group Limited and Lifestyle International Holdings Limited. All the companies mentioned above except for LHIL Manager Limited and Eagle Asset Management (CP) Limited are listed companies, and Langham Hospitality Investments is a listed fixed single investment trust and Champion Real Estate Investment Trust is a listed real estate investment trust. Mr. Ip was formerly an Independent Non-executive Director of AEON Credit Service (Asia) Company Limited and New World China Land Limited. Mr. Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science in Applied Mathematics and a Master of Science in Accounting and Finance.

Ralph Raymond SHEA

Aged 83. Appointed to the Board in 1985. Mr. Shea has been an Independent Non-executive Director of HKEIML which is the trustee-manager of HKEI, and HKEIL which is a company listed together with HKEI, and a Director of HK Electric, since October 2015. Mr. Shea is a solicitor of England and Wales and of Hong Kong.

WONG Chung Hin

Aged 83. Appointed to the Board in 1985. Mr. Wong is a solicitor. He is an Independent Non-executive Director of CKH Holdings, a listed company and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Wong was previously an Independent Non-executive Director of HWL and The Bank of East Asia, Limited (a listed company).

WU Ting Yuk, Anthony

Aged 62. Appointed to the Board in June 2014. He is a member of Standing Committee of the Chinese People's Political Consultative Conference National Committee. Mr. Wu was formerly the chairman of the Hong Kong Hospital Authority, the chairman of the Bauhinia Foundation Research Centre, and an independent non-executive director of Fidelity Funds and Agricultural Bank of China Limited. He also served as the chairman, and is currently a member of the General Committee, of the Chamber. Mr. Wu is a member of the People's Republic of China State Council's Medical Reform Leadership Advisory Committee, an advisor of the Public Policy Advisory Committee of the National Health and Family Planning Commission of the People's Republic of China, the Principal Advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China and a member of the Chinese Medicine Reform and Development Advisory Committee of the People's Republic of China. He is also the Chief Advisor to the Bank of Tokyo-Mitsubishi UFJ, Ltd., the Chairman of the China Oxford Scholarship Fund and an Honorary Professor of Faculty of Medicine of the Chinese University of Hong Kong. Mr. Wu is the Deputy Chairman and executive director of Sincere Watch (Hong Kong) Limited, and an independent non-executive director of Guangdong Investment Limited and China Taiping Insurance Holdings Company Limited, all of which are listed companies. Mr. Wu is an Honorary Fellow of Hong Kong College of Community Medicine. He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Honorary Chairman of The Institute of Certified Management Accountants (Australia) Hong Kong Branch.

Senior Management

CHAN Kee Ham, Ivan

Aged 54. Chief Financial Officer, has been with the Group since May 2012. He is also the Chief Planning and Investment Officer of Cheung Kong Infrastructure Holdings Limited. He has over 30 years of experience in investment, banking and finance. He holds a Bachelor's degree in Science, a Bachelor's degree in Chinese Law and a Master's degree in Business Administration.

FUNG Siu Tong, Thomas

Aged 48. Assistant General Manager (Business Development), has been with the Group since September 1990. He is responsible for business development activities which include both acquisition and greenfield development globally. He holds a Bachelor of Science degree in Mechanical Engineering.

Jeffrey KWOK

Aged 59. Senior Manager (Business Development), has been with the Group since September 1981. He is responsible for both greenfield development and acquisition activities in various countries and assumes active management role in some of the Group's investments. He holds a Master of Science degree in Engineering and is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

NG Wai Cheong, Alex

Aged 47. Group Legal Counsel and Company Secretary, has been with the Group since November 2008. Mr. Ng is also the Group Legal Counsel and Company Secretary of HK Electric Investments Manager Limited (the trustee-manager of HK Electric Investments) and HK Electric Investments Limited. He has over 15 years of experience in legal, regulatory and compliance fields. Mr. Ng holds a Bachelor's degree in Science and a Bachelor's degree in Laws. He was admitted as a solicitor in Hong Kong and in England and Wales.

PAK Tak Kei, Keith

Aged 52. Senior Manager (Business Development), has been with the Group since December 1993. He is responsible for initiation of the Group's investments globally. He holds a Bachelor of Engineering degree in Mechanical Engineering, a Master of Science degree in Building Services Engineering and a Master of Business Administration degree. He is a Chartered Engineer in the United Kingdom, a member of The Hong Kong Institution of Engineers and the Institution of Mechanical Engineers in the United Kingdom.

Corporate Governance

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

The Board delegates its responsibility for performing corporate governance duties to the Audit Committee. At its meetings held in March and July 2016, the Audit Committee reviewed the governance structure of the Group, the records of continuous professional development activities of Directors and senior managers in 2015 and the half year to 30 June 2016, the compliance status of the Corporate Governance Code for the year 2015 and the first six months of 2016, and the corporate governance disclosure in the 2015 Corporate Governance Report and the 2016 interim report. The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2016, except as noted hereunder.

Board of Directors

The Board, led by the Chairman, is responsible for the approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluation of the performance of the Group, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

During 2016, the Board comprised the following Directors and the record of attendance of meetings in 2016 of each Director is as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Meetings between Chairman and Non-executive Directors	Annual General Meeting held on 12 May 2016
Executive Directors					
Fok Kin Ning, Canning (Chairman)	4/4	–	1/1	2/2	√
Tsai Chao Chung, Charles (Chief Executive Officer)	4/4	–	–	–	√
Chan Loi Shun	4/4	–	–	–	√
Andrew John Hunter	4/4	–	–	–	√
Neil Douglas McGee	4/4	–	–	–	√
Wan Chi Tin	4/4	–	–	–	√
Non-executive Directors					
Li Tzar Kuoi, Victor	4/4	–	–	2/2	√
Frank John Sixt *(Note)*	3/4	–	–	1/2	√
Independent Non-executive Directors					
Ip Yuk-keung, Albert	4/4	3/3	–	2/2	√
Ralph Raymond Shea	4/4	3/3	1/1	2/2	√
Wong Chung Hin	3/4	3/3	1/1	2/2	√
Wu Ting Yuk, Anthony	4/4	–	–	2/2	√

Note: Mr. Frank John Sixt resigned as a Non-executive Director of the Company on 1 January 2017.

Biographical information of the current Directors are set out in the "Board of Directors and Senior Management" section on pages 30 to 33 of the Annual Report. An updated list of Directors containing biographical information and identifying the Independent Non-executive Directors is maintained on the website of the Company. The names of all Directors and their role and function are posted on the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

The Board meets at least four times a year. Additional board meetings will be held when warranted. Regular meetings of a year are scheduled during the last quarter of the preceding year providing Directors with adequate time to plan their schedules to attend. The Directors may attend meetings in person, by telephone or other electronic means in accordance with the Company's articles of association. Throughout the year, the Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer or the Company Secretary as required. Directors are required to declare their interests, if any, in the matters to be considered by them during board meetings and in the circular resolutions. During the year, the Board held four meetings, and the Chairman had two meetings with the Non-executive Directors without the presence of the Executive Directors.

Directors at all times have full and timely access to information of the Group. A financial summary outlining the Group's financial position and performance and containing the actual and budgeted results from different operations, with major variances explained, is sent to Directors each month for their information. Directors also have independent access to senior management for information on the Group and unrestricted access to the services of the Company Secretary. The Company Secretary advises the Board on governance matters and board procedures. There is a procedure for Directors to seek independent professional advice whenever deemed necessary by them at the expense of the Company, as appropriate.

Directors receive at least fourteen days prior written notice of a regular meeting and may propose matters for discussion to be included in the agenda. An agenda with supporting board papers is sent to Directors no less than three days prior to a regular meeting. The Company Secretary assists the Chairman in seeing that Directors receive adequate information on each matter set out in the agenda and acts as co-ordinator for management in providing clarification sought by Directors. The minutes of Board meetings are prepared by the Company Secretary with details of the decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Directors within a reasonable time after each meeting for their comments before being formally signed by the chairman of the meeting. Copies of the final versions of Board minutes are sent to Directors for their information and records. The signed minutes are kept in safe custody by the Company Secretary and are available for inspection by Directors.

All Directors have been appointed on annual twelve-month basis, subject to retirement from office by rotation and re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company. Directors retiring by rotation and offering themselves for re-election at the forthcoming annual general meeting are Mr. Fok Kin Ning, Canning, Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Li Tzar Kuoi, Victor and Mr. Tsai Chao Chung, Charles. Information relating to the Directors offering themselves for re-election which is required to be disclosed under the Listing Rules is contained in the circular to shareholders dated 31 March 2017. None of the said Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

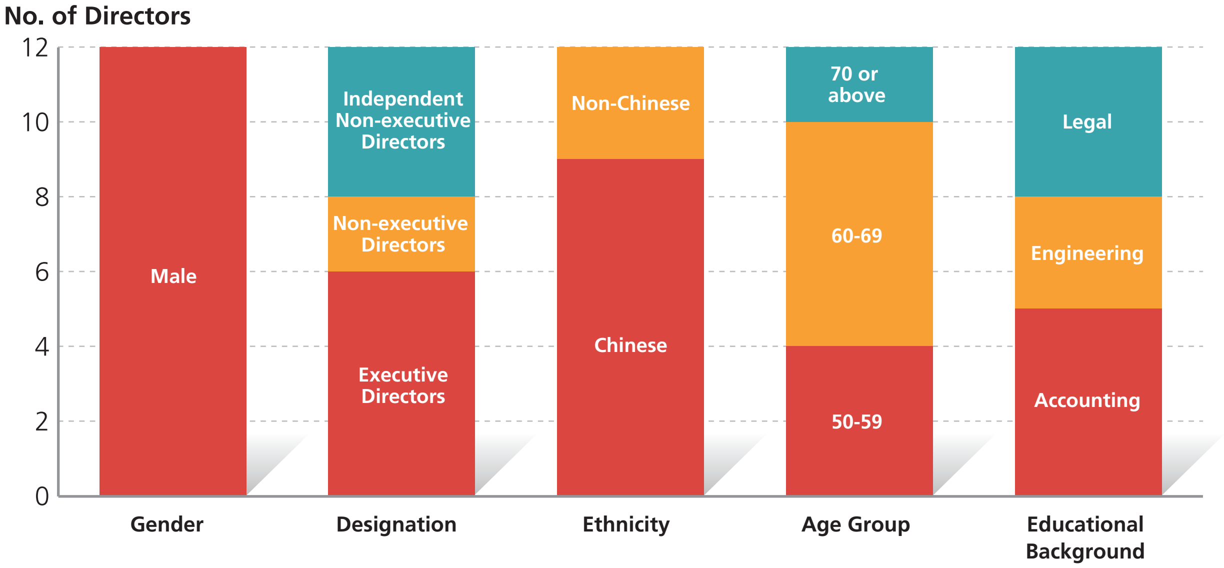
Insurance coverage in respect of Directors' liability has been arranged by the Company.

The Company does not have a nomination committee as provided for in the Corporate Governance Code. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time. The Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer. The Chairman and the Chief Executive Officer may recommend candidates for election to the Board. The principal consideration is to build an effective and complementary board with the expertise, skills and experience appropriate for the requirements of the businesses of the Group with due regard to the benefits of diversity on the Board laid down in the Group's board diversity policy which sets out the approach to achieving board diversity, recognising that board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the board might consider relevant and applicable from time to time towards achieving board diversity. The policy is available on the website of the Company. Potential candidates for Independent Non-executive Directors will also be reviewed to determine whether they are independent according to the requirements of the Listing Rules, and are able to devote sufficient time to Board and committee meetings. Credentials of candidates are put forward to the Board for consideration in respect of any proposed appointment of a new director or any proposed appointment of a director to an executive office, and the appointment is subject to the approval of the Board.

Any newly appointed director will be subject to retirement and re-election pursuant to the articles of association of the Company at the next general meeting (in the case of filling a casual vacancy) and at the next annual general meeting (in the case of an addition to the Board).

The diversity profile of the Board as at 31 December 2016 is as follows:

Board Diversity



Newly appointed Directors receive briefings and a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

Directors' Training and Commitment

The Company arranges and provides continuous professional development training and relevant materials to Directors to help ensure they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendances at external forums or briefing sessions on the relevant topics also count towards continuous professional development training. The Directors have provided to the Company their records of continuous professional development training during 2016, and they have participated in training activities in the following manner:

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

2. Reading materials and seminars on corporate governance and financial reporting

3. Reading materials and seminars on risk management, internal control and sustainable growth

	1	2	3
Executive Directors			
Fok Kin Ning, Canning	√	√	√
Tsai Chao Chung, Charles	√	√	√
Chan Loi Shun	√	√	√
Andrew John Hunter	√	√	√
Neil Douglas McGee	√	√	√
Wan Chi Tin	√	√	√
Non-executive Directors			
Li Tzar Kuoi, Victor	√	√	√
Frank John Sixt (Resigned on 1 January 2017)	√	√	√
Independent Non-executive Directors			
Ip Yuk-keung, Albert	√	√	√
Ralph Raymond Shea	√	√	√
Wong Chung Hin	√	√	√
Wu Ting Yuk, Anthony	√	√	√

The Directors have each confirmed that he has allocated sufficient time and attention to the affairs of the Group, and have also disclosed their offices held in other public companies and organisations and updated the Company on any subsequent changes in a timely manner.

Directors' Securities Transactions

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regarding directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

Senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to possess unpublished inside information regarding the Company and its securities are also required to comply with the Model Code.

Reminders are sent during each year to Directors, senior managers and other nominated managers and staff that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

The Company has established a policy relating to inside information and securities dealing which is applicable to all its staff. The policy explains the meaning of unpublished inside information and the illegality of insider dealing, and sets out restrictions, controls and reporting mechanism for dealing with securities of the Company.

Directors' Responsibility for Financial Reporting and Disclosure

Annual and Interim Reports and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Going Concern

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

Disclosure

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. During 2016, the Chairman of the Board was Mr. Fok Kin Ning, Canning and the Chief Executive Officer was Mr. Tsai Chao Chung, Charles.

The Chairman is elected by members of the Board for a term of one year until the conclusion of each annual general meeting whereupon the Chairman is subject to re-election. Both the Chairman and the Chief Executive Officer are subject to retirement from their directorship by rotation and re-election by shareholders every three years at the annual general meeting.

The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. The Chairman approves board meeting agendas and ensures that meetings of the Board are planned and conducted effectively and that all Directors are properly briefed on issues arising at board meetings. In addition to board meetings, the Chairman schedules two meetings annually with Non-executive Directors without the presence of Executive Directors. The Chairman also acts in an advisory capacity to the Chief Executive Officer in all matters covering the interests and management of the Group.

The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. The Chief Executive Officer attends to developing strategic operating plans and is directly responsible for maintaining the operational performance of the Group. Working with other Executive Directors and the general managers, he ensures that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. He maintains an ongoing dialogue with the Chairman and all other Directors to keep them informed of all major business development and issues. He is also responsible for building and maintaining an effective team to support him in his role.

Independent Non-executive Directors

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

Mr. Ip Yuk-keung, Albert, Mr. Ralph Raymond Shea, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony, Independent Non-executive Directors of the Company, have each provided a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board continues to consider these Directors to be independent.

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

As at 31 December 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≃ 0%

Long Positions in Shares of Associated Corporation

HK Electric Investments and HK Electric Investments Limited

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

Notes:

(1) Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:

(a) 2,700,000 share stapled units of HKEI held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF; and

(b) 5,170,000 share stapled units of HKEI held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

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

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Competing Business

In 2016, the interests of Directors in businesses which may compete with the Group's business of development, investment and operation of power generation, transmission and distribution and other energy related infrastructure facilities ("Business") were as follows:

Name of Director	Name of Company	Nature of Interests
Fok Kin Ning, Canning	CK Hutchison Holdings Limited	Group Co-Managing Director
	Cheung Kong Infrastructure Holdings Limited	Deputy Chairman
	Husky Energy Inc.	Co-Chairman
Chan Loi Shun	Cheung Kong Infrastructure Holdings Limited	Executive Director and Chief Financial Officer
Andrew John Hunter	Cheung Kong Infrastructure Holdings Limited	Deputy Managing Director
Li Tzar Kuoi, Victor	CK Hutchison Holdings Limited	Group Co-Managing Director and Deputy Chairman
	Cheung Kong Infrastructure Holdings Limited	Chairman
	Husky Energy Inc.	Co-Chairman
Neil Douglas McGee	Husky Energy Inc.	Director
Frank John Sixt (Resigned on 1 January 2017)	CK Hutchison Holdings Limited	Group Finance Director and Deputy Managing Director
	Cheung Kong Infrastructure Holdings Limited	Executive Director
	Husky Energy Inc.	Director

The Board is of the view that the Group is capable of carrying on the Business independent of, and at arm's length from the businesses of the above companies. When making decisions on the Business, the above Directors, in the performance of their duties as Directors of the Company, have acted and will continue to act in the commercial best interest of the Group and all its shareholders.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Wong Chung Hin (an Independent Non-executive Director), and the other members are Mr. Fok Kin Ning, Canning (the Chairman) and Mr. Ralph Raymond Shea (an Independent Non-executive Director).

The Remuneration Committee's principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. It reports to the Board at the next board meeting after decisions and recommendations have been made. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. The terms of reference of the Remuneration Committee are published on the Company's website and the HKEX's website.

The Remuneration Committee receives and considers relevant remuneration data and market conditions. The remuneration of Executive Directors and senior management is determined with reference to the Company's performance and profitability, industry remuneration benchmarks and prevailing market conditions. Remuneration is performance-based and, coupled with an incentive system, is competitive to attract and retain talented employees.

The Committee held a meeting in December 2016 which was attended by all members. At that meeting it assessed the performance of the full time Executive Directors and senior management of the Group and considered and determined the performance-based bonus payable to them in respect of the 2016 financial year and their remuneration for the next year. None of the Directors and senior management participated in the determination of their own remuneration. The Committee, authorised by the Board, also reviewed and approved the 2017 wage and salary review proposal.

The emoluments paid to each Director for the 2016 financial year are shown in note 10 to the financial statements on page 85 of the Annual Report. The remuneration paid to members of the senior management for the 2016 financial year is disclosed by bands also in note 10 on page 86 of the Annual Report.

Audit Committee

The Audit Committee is chaired by Mr. Wong Chung Hin and the other members are Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea. All the three Committee members are Independent Non-executive Directors, and none of them is a partner or former partner of KPMG, the Group's external auditor. The Company Secretary acts as secretary to the Audit Committee.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting system and the systems of internal control and risk management, the interim and annual financial statements, and corporate and compliance issues. The Committee also acts as the key representative body for overseeing the Company's relations with the external auditor, reviewing the arrangements which employees can use in confidence to raise concerns about improprieties in financial reporting, internal control and other matters, and undertaking duties relating to the corporate governance function delegated by the Board. The Committee also meets regularly with KPMG to discuss the audit process and accounting issues. The chairman of the Committee summarises the subjects discussed and decisions or recommendations made in a written report to the Board after each meeting. Committee members may seek independent professional advice at the expense of the Company to discharge their duties as members of the Committee. Its terms of reference were amended in March 2016 to incorporate the amendments to the Corporate Governance Code relating to risk management and internal control published by the Stock Exchange in January 2016. The terms of reference of the Audit Committee are published on the Company's website and the HKEX's website.

The Audit Committee held three meetings in 2016. During the meetings, the Audit Committee reviewed and considered matters including the Group financial statements and Annual Report for the year ended 31 December 2015, the audit fee and auditor engagement letter for the 2015 Group financial statements, the re-appointment of auditor, the report of the auditor to the Audit Committee in relation to the audit of the 2015 Group financial statements, the non-audit services provided by KPMG in the year 2015, the Group's risk management report as of December 2015 and June 2016, the internal control assessment declaration for the year 2015 and the risk management and internal control assessment declaration for the half year to 30 June 2016 in respect of the effectiveness of the system of internal control and/or risk management of the Group, the internal audit plan for 2016, the 3-year cycle internal audit plan for 2016 to 2018, the financial statements for the six months ended 30 June 2016, the statistics on bribery activities and illegal or unethical behaviour of the Group and its major associates for the year 2015 and for the half year to 30 June 2016, the performance of the Group's major investments outside Hong Kong for the year ended 31 December 2015 and for the six months ended 30 June 2016, the Group's outstanding litigation and claims as at 31 December 2015 and 30 June 2016, the Group's corporate governance structure, the compliance of the Corporate Governance Code by the Company, the disclosure in the 2015 Corporate Governance Report, the corporate governance disclosure in the 2016 interim report, the compliance review of the Deed of Non-competition with HK Electric Investments Limited, the amendments to the terms of reference of the Audit Committee, the continuous professional development activities undertaken by Directors and senior managers during 2015 and the six months ended 30 June 2016, KPMG's audit plan for the 2016 Group results and all internal audit reports compiled during the year. Representatives from KPMG were invited to attend two of the meetings and they discussed the 2015 audited financial statements, the 2016 audit plan and various accounting issues with the Committee.

Company Secretary

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

The appointment and removal of the Company Secretary is subject to approval of the Board. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors have access for advice and service of the Company Secretary. Mr. Alex Ng has been appointed as the Company Secretary of the Company since May 2013 and has day-to-day knowledge of the Group's affairs. During the year ended 31 December 2016, Mr. Ng has received no less than fifteen hours of relevant professional training to refresh his skills and knowledge.

Risk Management and Internal Control

Introduction

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

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

At the meeting held in July 2016, the Audit Committee has reviewed the effectiveness of the risk management and internal control systems of the Group for the half year ended 30 June 2016 and considered the systems are effective and adequate.

Pursuant to an agreement dated 14 January 2014 between the Company and HK Electric Investments Limited for sharing of support services, HK Electric Investments Limited provides the relevant financial and accounting, treasury and internal audit services to the Company and to support its internal control functions.

Risk Management and Internal Control Environment

Effective risk management is fundamental to the achievement of the Group's strategic objectives, and an enterprise risk management framework is in place to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks in a pro-active and structured manner. More details are given in the Risk Management and Risk Factors on pages 53 to 56 of the Annual Report.

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

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

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

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

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

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

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

The internal audit function reports to an Executive Director and the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the operations of the Group's business units. Staff members are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, Internal Audit prepares its yearly audit plan which is reviewed and approved by the Audit Committee. Internal Audit's reports on the Group's operations are also reviewed and considered by the Audit Committee. The scope of work on the Group's business units performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the business units and the progress is reported to the Audit Committee.

With the assistance of Internal Audit, the Chief Executive Officer and an Executive Director review, among other things, the profile of the significant risks and how these risks have been identified, evaluated and managed, the changes since the last annual assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of the risk management and internal control systems. In addition, they review the work of internal audit function and other assurance providers, the extent and frequency of communication of monitoring results to the Audit Committee which enables it to assess control of the Group and the effectiveness of risk management, any significant failing or weaknesses in internal control that have been reported, the necessary actions that are being taken promptly to remedy any significant failings or weaknesses, and the effectiveness of the Group's processes for financial reporting and Listing Rules compliance. They also review the results of the self-assessment on internal controls. The assessment of the effectiveness of entity-level controls is the first tier of the internal control self-assessment. Management of each business unit conduct surveys on entity-level controls self-assessment with reference to five components of internal control, namely, Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The second tier of internal control self-assessment at key business process level is also conducted to assess the effectiveness of controls over the operations within their areas of accountability and compliance with applicable laws and regulations. These assessments form part of the bases on which the Chief Executive Officer and an Executive Director formulate their opinion on risk management and internal control systems and report their findings to the Audit Committee and the Board.

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

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

Established guidelines where new businesses are being acquired including detailed appraisal and review procedures and due diligence processes are in place.

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

Code of Conduct

The Group recognises the need to maintain a culture of corporate ethics and places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group's Code of Conduct, applicable to all employees, aims to give guidance in dealing with ethical issues, provides mechanisms to report unethical conduct and helps to foster a culture of honesty and accountability. Employees of the Group are required to adhere to the standards set out in the Code of Conduct.

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

It is the responsibility of each Director and employee to avoid situations that may lead to or involve a conflict of interest. They should make full disclosure in case any of their dealings may have a conflict of interest with the activities of the Group. It is the responsibility of all Directors and employees who have access to and in control of the Group's information to provide adequate safeguard to prevent any abuse or misuse of that information. The Group strictly prohibits the use of inside information to secure personal advantage.

The Group promotes fair and open competition, and procurement of supplies and services are conducted in a manner of high ethical standards. There are procurement and tendering procedures in place to ensure impartial selection of suppliers and contractors, and that the hire of services and purchase of goods are based solely upon price, quality, suitability and need.

External Auditor

Independence

KPMG, the external auditor, have confirmed that they have been, for the year ended 31 December 2016, independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Rotation of Engagement Partner

KPMG adopt a policy of rotating every seven years the engagement partner servicing their client companies. The last rotation in respect of the Group took place in the audit of the 2014 financial statements and the next rotation will take place in the audit of the 2021 financial statements.

Reporting Responsibility

The reporting responsibilities of KPMG are stated in the Independent Auditor's Report on pages 61 to 64 of the Annual Report.

Remuneration

An analysis of the fees of KPMG and other external auditors is shown in note 8 to the financial statements on page 84 of the Annual Report.

Re-appointment

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

Shareholders

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, results highlights published in newspapers, news releases, the Company's website at www.powerassets.com and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by e-mailing or writing to the Company.

Shareholders may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Company.

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar, whose contact details are set out on page 124 of the Annual Report.

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings may request for the convening of a general meeting. The request stating the general nature of the business to be dealt with at the meeting should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form. Pursuant to sections 580 and 615 of the Companies Ordinance, shareholders qualified under sub-section (3) and sub-section (2) of the respective sections may request for the Company's circulation of statements with respect to proposed resolutions to be considered at a general meeting and the Company's giving of notice of a resolution intended to be moved at an annual general meeting. The request should be signed by the requisitionists and sent to the Company in hard copy form or in electronic form in accordance with the statutory provisions.

The Board has adopted a communication policy which provided a framework to promote effective communication with shareholders. The policy is available on the website of the Company.

2016 Annual General Meeting

The annual general meeting is a main channel of communication between Directors and shareholders. The 2016 Annual General Meeting was held at Harbour Grand Kowloon on 12 May 2016. The notice of meeting, the annual report and the circular containing information on the proposed resolutions were sent to shareholders on 11 April 2016 which was more than 20 clear business days (as defined in the Listing Rules) and more than 21 clear days (as required by the Company's articles of association) prior to the meeting. The chairman and members of the Audit Committee and the Remuneration Committee respectively were available at the meeting to answer questions from the shareholders. Representatives from KPMG, the external auditor, also attended the meeting and were available to answer questions. A separate resolution was proposed by the Chairman in respect of each substantially separate issue, and voting on each resolution was conducted by way of a poll. The poll voting procedure was explained fully to shareholders during the meeting. Computershare Hong Kong Investor Services Limited, the Company's share registrar, was appointed as scrutineer to monitor and count the poll votes cast at the meeting. The resolutions proposed were passed by shareholders at the meeting and the percentage of votes cast in favour of each of them is set out below:

Ordinary resolutions

- Audited Financial Statement, Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2015 (99.9989%);
- Declaration of a final dividend of HK$2.02 per share (99.9988%);
- Election of Mr. Chan Loi Shun (82.2570%) and Mr. Frank John Sixt (82.9197%) as Directors;
- Re-appointment of KPMG as auditor and authorisation of Directors to fix their remuneration (78.7161%); and
- General mandates to Directors to issue and dispose of additional shares of the Company (62.2024%) and to repurchase shares of the Company (99.9842%), and extension of the general mandate to issue shares (63.6482%).

The results of the poll, which included the number of shares voted for and against each resolution, were posted on the Company's and HKEX's websites on the same day of the meeting.

Company's Website

The Company maintains a website at www.powerassets.com. It contains a wide range of information of interest to investors and other stakeholders. For the dissemination of published information, such information including financial results, notices of meetings, announcements required under the Listing Rules, circulars to shareholders, press releases and other necessary announcements were uploaded onto the Company's website.

Articles of Association

No changes were made to the articles of association of the Company during the year ended 31 December 2016. The current version of the articles of association of the Company is available on the Company's and HKEX's websites.

Key Dates	
Announcement of 2016 interim results	28 July 2016
Payment of 2016 interim dividend (HK70 cents per share)	7 September 2016
Payment of 2016 special interim dividend (HK$5.00 per share)	28 February 2017
Announcement of annual results for the year ended 31 December 2016	21 March 2017
Closure of register of members (annual general meeting)	5 May 2017 to 10 May 2017 (both days inclusive)
2017 annual general meeting	10 May 2017
Record date for 2016 final dividend	16 May 2017
Payment of 2016 final dividend (HK$2.02 per share)	25 May 2017

Interests and Short Positions of Shareholders

As at 31 December 2016, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Substantial Shareholders

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held		Approximate % of Shareholding
Interman Development Inc.	Beneficial owner	186,736,842	*(Note 1)*	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511	*(Note 1)*	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102	*(Note 1)*	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674	*(Note 1)*	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612	*(Note 2)*	38.87%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612	*(Note 2)*	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612	*(Note 3)*	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612	*(Note 3)*	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612	*(Note 3)*	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612	*(Note 4)*	38.87%
CK Hutchison Global Investments Limited	Interest of controlled corporations	829,599,612	*(Note 4)*	38.87%
CK Hutchison Holdings Limited	Interest of controlled corporations	829,599,612	*(Note 4)*	38.87%

Other Persons

Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held		Approximate % of Shareholding
Capital Research and Management Company	Investment Manager	192,383,700	*(Note 5)*	9.01%
The Capital Group Companies, Inc.	Investment Manager	192,383,700	*(Note 5)*	9.01%

Notes:

(1) These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 829,599,612 shares of the Company held by Hyford described in Note (2) below.

(2) Cheung Kong Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of Hutchison Whampoa Limited ("HWL") in the Company described in Note (3) below.

(3) HWL is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued shares of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited ("HIH"). HIH holds more than one-third of the issued share capital of CKI.

(4) CK Hutchison Holdings Limited ("CKH Holdings") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (3) above as it holds more than one-third of the issued shares of Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited respectively, each of which in turn holds more than one-third of the issued shares of HWL.

(5) Capital Research and Management Company ("CRMC") is a wholly-owned subsidiary of The Capital Group Companies, Inc. ("CGCI"). As such, the interests of CRMC are notified by CGCI and are duplicated in the same 192,383,700 shares of the Company notified by CGCI.

Save as disclosed above, as at 31 December 2016, there was no other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Public Float

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

Connected Transaction in 2016

Formation of a joint venture for acquisition of oil pipeline assets in Canada

On 25 April 2016 (Calgary time), being 26 April 2016 (Hong Kong time), the Company entered into an investment agreement with Cheung Kong Infrastructure Holdings Limited ("CKI") and Husky Energy Inc. ("Husky") (the "Investment Agreement") in relation to the formation of a joint venture (the "Joint Venture Transaction"), Husky Midstream Limited Partnership ("HMLP"), for the acquisition from Husky the interests in a portfolio of its oil pipeline assets in Canada.

Pursuant to the Investment Agreement, each of the Company and CKI (through their respective subsidiaries), Husky Oil Operations Limited ("HOOL") and Husky Midstream General Partner Inc. ("GPCo", the general partner of HMLP), would subscribe in cash for limited partnership units in HMLP in approximately 48.70%, 16.23%, 34.97% and 0.1% respectively, and each of the Company and CKI (through their respective subsidiaries) and HOOL would subscribe in cash for shares in GPCo in the proportions of 48.75%, 16.25% and 35% respectively. Each of the Company and CKI estimated their respective group's maximum capital commitment under the Joint Venture Transaction to be approximately CAD1,119 million and CAD373 million respectively, which amounts were determined based upon the subscription price of each of the Company and CKI for their groups' respective limited partnership units in HMLP and shares in GPCo, and their respective contribution obligations for the capital projects to be undertaken by Husky Midstream General Partnership ("HMGP", a wholly-owned subsidiary of HMLP) pursuant to the Limited Partnership Agreement and guaranteed by each of the Company and CKI.

CKI holds approximately 38.87% of the issued shares of the Company and by virtue of this shareholding, CKI is a substantial shareholder and accordingly a connected person of the Company under the Listing Rules. Further, as an associate of CKI, Husky is also a connected person of the Company under the Listing Rules. Accordingly, the Joint Venture Transaction constitutes a connected transaction for the Company under the Listing Rules. As one or more of the relevant percentage ratios represented by the maximum financial commitment of the Company under the Joint Venture Transaction exceed 0.1% but all of the relevant percentage ratios are less than 5%, the Joint Venture Transaction is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules but exempt from the requirement for approval by independent shareholders of the Company. Mr. Li Tzar Kuoi, Victor, being a director of the Company, is or may be regarded as interested in the shareholding of the Trust (as defined in the announcement dated 26 April 2016) in Husky (amounting to approximately 29.31% in the issued shares of Husky), and he abstained from voting on the board resolutions of the Company approving the Joint Venture Transaction.

Shareholders have been informed of the Joint Venture Transaction in the announcement posted on the respective websites of the Company and HKEX on 26 April 2016.

Continuing Connected Transactions during 2016

Services Agreements between HMGP and Husky's affiliates

Pursuant to the Investment Agreement (as mentioned in the "Connected Transaction in 2016" above) and upon its completion, HMGP (a wholly-owned subsidiary of HMLP) entered into the following agreements (collectively, the "Services Agreements"), in each case subject to pre-agreed annual caps and with effect from 1 July 2016 and up to 31 December 2036:

Services Agreement *(Parties)*	Nature of Services	Payment
Management and Operating Services Agreement *(HMLP, HMGP, GPCo, PipeCo*, HoldCo*, FinanceCo* and HOOL)*	HOOL is engaged to provide operating services in respect of the pipeline and terminal system and any other assets owned by HMGP and management services to the relevant subsidiaries of HMLP, including but not limited to exercising and performing HMGP's rights and obligation under various Services Agreements, preparing and submitting various budgets, plans and proposals to GPCo and conducting businesses on its behalf.	HMLP and its relevant subsidiaries is required to pay their respective shares of all costs and expenses incurred by HOOL in the performance of its duties and responsibilities, including reasonable professional, legal, accounting and administrative costs and expenses, on at costs basis.
Construction Services Agreement *(HMGP and HOOL)*	HOOL is engaged as the contractor to provide engineering, procurement and construction services and to perform necessary works to complete certain specified projects of HMGP.	HMGP is required to reimburse HOOL for all costs and expenses incurred by HOOL in performing or completing any work or otherwise under the agreement, other than any construction capital incurred by HOOL in excess of the target costs for a project. If the actual construction capital incurred is less than the target cost, HOOL is entitled to the amount equal to the target cost for the project.
Blending Services Agreement *(HMGP and Blender GP*)*	Blender GP is provided with access to the HMGP system to carry out blending services on behalf of HMGP in respect of all procurement, administrative and other activities required relating to the blending of dry crude delivered by shippers with diluent to allow for transportation of blend on the HMGP system, and is granted the sole and exclusive right to conduct ancillary blending activities on the HMGP system on its sole account.	Blender GP is required to pay HMGP a pre-agreed annual fee (or a pro-rated amount for any contract year that is not an entire 12-month period).
Transportation and Terminalling Services Agreement *(HMGP and HEMP* (as shipper))*	HMGP provides transportation and terminalling services for HEMP, including the receipt, blending and commingling of products, provision of laboratory services and the facilitation of measurement of products.	HEMP is required to pay HMGP a pre-agreed annual revenue amount based on expected volume throughput and tariffs. If the revenue generated from/by HEMP's throughput and tariffs is less than such amount, HEMP is required to pay the pre-agreed amount and is entitled to receive credits to use for reducing the base tariff amount in any subsequent month where the revenue generated from HEMP's throughput is greater than the pre-agreed amount. If the amount paid by HEMP based on actual throughput and tariffs in a year less the total amount of all credits received by HEMP (due to throughput and tariffs in earlier months being less than the pre-agreed amount) exceeds the pre-agreed amount, HEMP is entitled to a rebate equal to 25% of the amount of such difference.
Storage Agreement *(HMGP and HEMP)*	HMGP provides storages services to HEMP, including but not limited to the receipt, delivery and transfer of products, making available capacity in the storage facilities owned or operated by HMGP (including designated storage tanks, on a sole and exclusive basis, and additional storage capacity in the non-dedicated facilities, on a non-exclusive basis).	HEMP is required to pay HMGP a pre-agreed fee for reservation and utilisation of storage capacity in storage tanks for HEMP's use regardless of the volume of product delivered into or withdrawn in a month, and agreed tolls in respect of non-dedicated storage facilities.

* *LBX Pipeline Ltd. ("PipeCo"), Husky Midstream GP 1% Partner Ltd. ("HoldCo") and Husky Canada Group Finance Ltd. ("FinanceCo") are wholly-owned subsidiaries of HMLP. HOOL, Husky Blend General Partnership ("Blender GP") and Husky Energy Marketing Partnership ("HEMP") are wholly owned by Husky.*

As HMLP is considered as a material joint venture of the Company and Husky is a connected person of the Company, the transactions under the Services Agreements constituted continuing connected transactions (the "HMGP Continuing Connected Transactions") for the Company under the Listing Rules.

For the period from 1 July 2016 and up to 31 December 2016, the annual caps applicable to the Management and Operating Services Agreement, the Construction Services Agreement, the Blending Services Agreement, the Transportation and Terminalling Services Agreement and the Storage Agreement (as pro-rated for such period) were CAD60.0 million, CAD55.0 million, CAD15.0 million, approximately CAD58.1 million and CAD9.4 million respectively, and the amount paid/ received in respect of such period subject to annual review requirements under the Listing Rules were approximately CAD13.1 million, approximately CAD0.4 million, CAD15.0 million, approximately CAD49.7 million and approximately CAD6.8 million respectively.

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

Pursuant to an agreement dated 2 April 2009 entered into between Outram Limited ("Outram"), an indirect wholly-owned subsidiary of the Company, and Cheung Kong China Infrastructure Limited ("CKCI"), as supplemented by notices issued by Outram to CKCI on 30 September 2011 and 30 September 2014 by which its term was extended to 1 April 2018 (the "Agreement"), CKCI agreed to provide Outram with services in relation to the operation and management of Outram's power plant investments in mainland China. The fees payable to CKCI for the services are equivalent to CKCI's costs for provision of such services and are paid in cash on a monthly basis subject to a maximum of HK$35 million per year.

CKCI is an indirect wholly-owned subsidiary of CKI, a substantial shareholder of the Company, and therefore CKCI's provision of the services to Outram constituted continuing connected transactions (the "Outram Continuing Connected Transactions") for the Company under the Listing Rules. The aggregate amount paid for the year ended 31 December 2016 attributable to the Outram Continuing Connected Transactions subject to annual review requirements under the Listing Rules was approximately HK$30.3 million.

All the Independent Non-executive Directors have reviewed the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in the 2016 financial year and confirmed that those transactions had been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company have been engaged to report on the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions in accordance with Hong Kong Standard of Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued an unqualified letter to the Board containing their finding and conclusions in respect of the HMGP Continuing Connected Transactions and the Outram Continuing Connected Transactions, in which they have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions in the 2016 financial year (i) had not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and (iii) had exceeded the annual cap amount for the 2016 financial year.

Other Transactions

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

Non-competition Deed with HK Electric Investments Limited

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

The Company has complied with the Non-competition Deed during 2016 and has, in accordance with the Non-competition Deed, provided HK Electric Investments Limited with its annual written confirmation.

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

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

The Investment Opportunity Deed also requires CKI and the Company to review the deed's implementation as part of its internal audit plan and the respective audit committee of CKI and the Company to review the deed's compliance.

In accordance with the Investment Opportunity Deed, a committee comprising all its independent non-executive directors has reviewed the compliance by CKI with the terms of the deed and any decision by the Group regarding any exercise of the rights under the deed. Having considered the Company's internal control framework of ensuring the deed's compliance, Internal Audit's compliance review report, CKI's annual compliance confirmation to the Company and other relevant documents, the committee has confirmed its view that during 2016, CKI complied with the terms of the Investment Opportunity Deed and the Group's decisions regarding any exercise of the rights under the deed are made in accordance with the requirements thereof.

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

Risk Management Framework

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

Governance & Oversight

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

Risk Management Framework Governance

The Board (through Audit Committee)	**The Board / Audit Committee Oversight** • Has overall responsibility for the Group's risk management and internal control systems • Determine and evaluate the nature and extent of the risks that the Group is willing to accept in pursuit of the Group's strategic and business objectives • Discuss the risk management and internal control systems with management to ensure management has performed its duty to have effective systems
Risk Management Committee (Chaired by the Chief Executive Officer)	**Risk Review, Communication & Confirmation to Board / Audit Committee** • Oversee the Group's risk profile and assess if key risks are appropriately mitigated • Ensure that an ongoing review of the effectiveness of the risk management and internal control systems have been conducted and provide such confirmation to the Board, via the Audit Committee
Management	**Risk & Control Monitoring** • Responsible for designing, implementing and monitoring the risk management and internal control systems • Identify and monitor key corporate risks • Provide confirmation to the Risk Management Committee on the effectiveness of the systems
Business Units	**Front-Line Risk & Control Ownership** • Design, implement and monitor risks at business unit level, escalate promptly on relevant risk issues • Provide assurance to the Risk Management Committee on the effectiveness of risk management and internal control activities at business unit level • Seek continuous process improvement and re-assessment

Risk Management Process

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

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

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

Fundamental to the achievement of our business goals is how we can effectively manage existing and emerging risks in different economic, social and political environments. A description of the Group's risk factors is shown on pages 55 to 56 of this Annual Report. The Group works to continually improve its risk management framework in order to keep pace with the changing business environment.

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

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

Global Economy and Macro-Economic Conditions

Global economic growth remains slow with subdued demand conditions in the major economies. The outcomes of the UK referendum and the US presidential election, coupled with the recent depreciation of the Chinese Renminbi against the US dollar heightened uncertainties in the world economy and global financial market.

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

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

Currency Markets and Interest Rates

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

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

The Group is also exposed to interest rate risk on its interest-bearing assets and liabilities. The US Federal Reserve ("FED") raised interest rate in its December 2016 FOMC meeting, presented a more hawkish view than anticipated and projected to have three hikes in 2017 although the new US presidency might create uncertainty on the deliberation of the targeted increases.

The Group's treasury policy guides the measures it undertakes to manage the above exposure. Details of the Group's current practices to manage currency and interest rate risks are in the Financial Review on pages 57 to 58.

Impact of Local, National and International Regulations

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

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

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

Mergers and Acquisitions

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

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

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

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

Infrastructure Market

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

Cyber Security

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

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

Health and Safety

The Group's investments, and the nature of their operations, expose it to a range of significant health and safety risks.

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

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

Reliability of Supply

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

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

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

Financial Performance

Profit attributable to shareholders for 2016 amounted to HK$6,417 million (2015: HK$7,732 million). The decrease of profit was primarily due to weakening of pound sterling, lower deferred tax credit adjustment as a result of lower corporate tax rate reduction in the United Kingdom when compared with last year, lower return from HK Electric Investments and HK Electric Investments Limited and reversal of provisions and expenses in 2015.

Our investments in the United Kingdom contributed earnings of HK$4,443 million (2015: HK$4,899 million), a drop of 9% as compared to last year. The reduction of earnings was primarily due to weakening of pound sterling and lower deferred tax credit adjustment.

Our investments in Australia yield reliable profit contributions of HK$973 million (2015: HK$887 million) which was higher than last year mainly due to lower interest expenses.

Our investments in mainland China recorded less favourable results primarily due to a drop in electricity sales but partly offset by savings in operating costs in Jinwan Power Plant and lower wind yield at Dali windfarm.

Our investments in Canada recorded higher earnings than last year mainly due to contributions from Husky Midstream partnership, which was acquired in July 2016.

Investment in Portugal, which was acquired in November 2015, contributed first full year results to the Group. Our investments in the Netherlands, Thailand and New Zealand continued to contribute stable earnings to the Group.

Our investment in HKEI recorded lower earnings of HK$1,201 million (2015: HK$1,364 million) mainly due to reduction of our shareholding from 49.9% to 33.37% since 9 June 2015.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2016 full year dividends of HK$7.72 per share including a special dividend of HK$5 per share paid on 28 February 2017 (2015: HK$2.70 per share).

Financial Positions, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates increased by 1% to HK$66,941 million (2015: HK$66,548 million). In 2016, the Group acquired a 48.75% interest in a portfolio of oil pipeline assets in Canada of Husky Energy Inc.. Total unsecured bank loans outstanding at the year end were HK$8,514 million (2015: HK$9,405 million). In addition, the Group had bank deposits and cash of HK$61,710 million (2015: HK$68,149 million). Due to its strong cash position, the Group did not maintain any undrawn committed bank facility at the year end (2015: HK$nil).

Treasury Policy, Financing Activities and Debt Structure

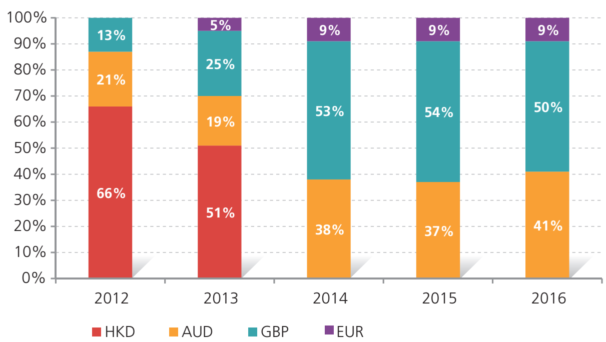
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation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

The Group's financial profile remained strong during the year. On 19 January 2016, Standard & Poor's pronounced that the long term credit ratings of the Company was "A-" with a stable outlook which remains unchanged since January 2014.

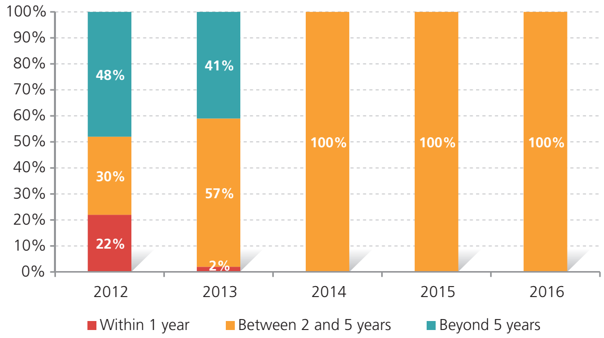
As at 31 December 2016, the net cash position of the Group was HK$53,196 million (2015: HK$58,744 million).

The profile of the Group's external borrowings as at 31 December 2016, after taking into account interest rate swaps, is set out in the tables below:

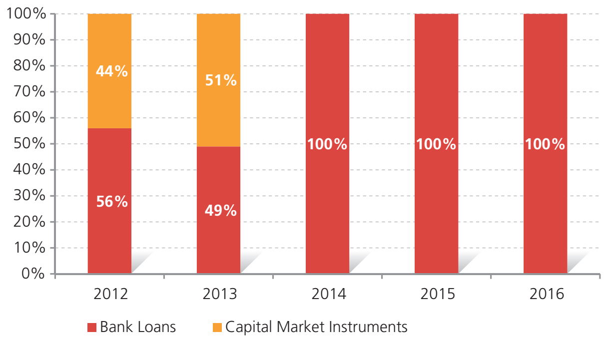
Debt Profile by Currency



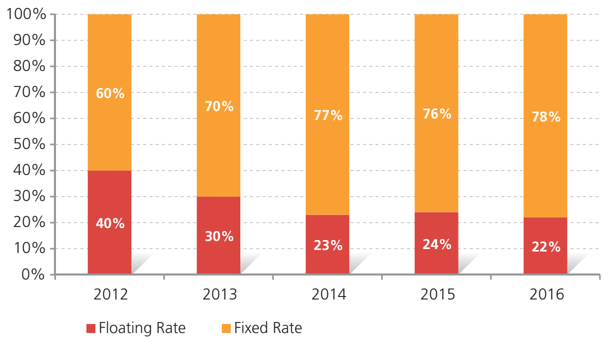
Debt Profile by Maturity



Debt Profile by Types of Borrowings



Debt Profile by Interest Rate Structure



The Group's policy is to maintain a portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. The fair value of such borrowings at 31 December 2016 was HK$8,553 million (2015: HK$9,426 million). The fair value of forward foreign exchange contracts at 31 December 2016 was an asset of HK$870 million (2015: asset of HK$203 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise placed as foreign currency deposits, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2016 amounted to HK$24,358 million (2015: HK$21,967 million).

Charges on Assets

At 31 December 2016, the Group's interest in an associate of HK$321 million (2015: HK$422 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2016, the Group had given guarantees and indemnities totalling HK$821 million (2015: HK$792 million).

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2016, excluding directors' emoluments, amounted to HK$24 million (2015: HK$24 million). As at 31 December 2016, the Group employed 12 (2015: 11) permanent employees. No share option scheme is in operation.

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2016.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment in power and utility-related businesses. Particulars of the Company's principal subsidiaries as at 31 December 2016 are set out in Appendix 2 on pages 118 to 119 of the financial statements. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement on pages 4 to 5, CEO's Report on pages 8 to 21, Environmental, Social and Governance Report on pages 22 to 29, Risk Management and Risk Factors on pages 53 to 56 and Financial Review on pages 57 to 58 of this Annual Report.

A discussion on the Group's relationships with its key stakeholders, and environmental policies and performance is contained in the Environmental, Social and Governance Report on pages 22 to 29, whilst its compliance with the relevant laws and regulations that have a significant impact on the Group are included in Risk Factors on pages 55 to 56 and Corporate Governance Report on pages 34 to 52. These discussions form part of this directors' report.

Results

The results of the Group for the year ended 31 December 2016 and the financial positions of the Group as at that date are set out in the financial statements on pages 65 to 122.

Dividends

An interim dividend of $0.70 (2015: $0.68) per ordinary share was paid to shareholders on 7 September 2016, and a one-off special interim dividend of $5.00 per ordinary share was paid to shareholders on 28 February 2017. The Directors recommend a final dividend of $2.02 (2015: $2.02) per ordinary share payable on 25 May 2017 to shareholders who are registered on the register of members on 16 May 2017.

Share Capital

Details of the share capital of the Company are set out in note 23(c) to the financial statements. There was no movement during the year.

Donations

Charitable and other donations made by the Group during the year amounted to $1 million (2015: $3 million).

Summary of Five-Year Financial Results

The summary of five-year financial results of the Group is set out on page 123.

Major Customers and Suppliers

Sales to the largest customer is 25.2% (2015: 28.0%) of the Group's total revenue, and sales to five largest customers combined is 75.1% (2015: 72.6%) of the Group's total revenue for the year ended 31 December 2016. The five largest customers for the year are the joint ventures or associates of the Company and the Company's substantial shareholder, Cheung Kong Infrastructure Holdings Limited.

Purchases from the largest supplier is 20.6% (2015: 24.1%) of the Group's total purchases of revenue items, and purchases from the five largest suppliers combined is 69.4% (2015: 59.1%) of the Group's total purchases of revenue items for the year ended 31 December 2016.

Directors

The Directors in office during the year and up to the date of this report were Mr. Fok Kin Ning, Canning, Mr. Tsai Chao Chung, Charles, Mr. Chan Loi Shun, Mr. Andrew John Hunter, Mr. Ip Yuk-keung, Albert, Mr. Li Tzar Kuoi, Victor, Mr. Neil Douglas McGee, Mr. Ralph Raymond Shea, Mr. Frank John Sixt (resigned on 1 January 2017), Mr. Wan Chi Tin, Mr. Wong Chung Hin and Mr. Wu Ting Yuk, Anthony.

Mr. Frank John Sixt who resigned on 1 January 2017 has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

The list of directors and alternate directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available under "Board of Directors" in "About Us" section on the Company's website at www.powerassets.com.

Permitted Indemnity

Pursuant to Article 182(A) of the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no Director shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto.

A Directors Liability Insurance is currently in place, and was in place during the year, to protect the Directors of the Company and its subsidiaries against potential costs and liabilities arising from claims brought against them.

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed under the section headed "Connected Transaction in 2016" in the Corporate Governance Report, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

Management Contracts

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

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

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year (2015: nil).

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate (2015: nil).

Equity-linked Agreements

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

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 31 December 2016 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies as at 31 December 2016	$ million
Non-current assets	293,792
Current assets	13,702
Current liabilities	(32,787)
Non-current liabilities	(198,042)
Net assets	76,665
Share capital	29,827
Reserves	46,838
Capital and reserves	76,665

As at 31 December 2016, the consolidated attributable interest of the Group in these affiliated companies amounted to $42,133 million.

On behalf of the Board

Fok Kin Ning, Canning
Chairman
Hong Kong, 21 March 2017

KPMG

INDEPENDENT AUDITOR'S REPORT

To the members of Power Assets Holdings Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Power Assets Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 65 to 122, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Accounting for interests in associates and joint ventures

Refer to notes 13 and 14 to the consolidated financial statements and the accounting policy 2(e).

The Key Audit Matter	How the matter was addressed in our audit
The Group's associates and joint ventures operate in Hong Kong and overseas (including the United Kingdom, Australia, Thailand, the People's Republic of China, Canada, the Netherlands, Portugal and New Zealand). The Group's share of profits less losses of associates and joint ventures for the year ended 31 December 2016 and the Group's interests in associates and joint ventures at that date are significant in the context of the Group's consolidated financial statements. The financial information of associates and joint ventures with operations outside of Hong Kong is prepared in accordance with the prevailing accounting standards in each relevant jurisdiction which differ in certain respects from HKFRSs. Converting the financial information of these entities into HKFRSs for the purpose of equity accounting involves management making a number of manual adjustments some of which are complex in nature. We identified the accounting for interests in associates and joint ventures as a key audit matter because of the material impact that these entities have on the consolidated financial statements and also because of the complex nature of certain adjustments made by management which we consider increases the inherent risk of error.	Our audit procedures to assess the accuracy of the accounting for interests in associates and joint ventures included the following: • evaluation of the independence and competence of the auditors of overseas assoicates and joint ventures; • participating in the risk assessment process undertaken by the overseas auditors in respect of their audits of significant overseas associates and joint ventures; • understanding the procedures planned to be performed by the overseas auditors of significant overseas associates and joint ventures to address the significant risks identified and considering whether the planned procedures were appropriate for the purpose of the audit of the Group's consolidated financial statements; • performing an audit of the consolidated financial statements of the Hong Kong based associate, HK Electric Investments Limited, in accordance with the requirements of HKSAs; • obtaining reporting from the component auditors of significant overseas associates and joint ventures and discussing with these auditors matters of significance in their audits which could impact the Group's consolidated financial statements, the work performed thereon and their conclusions; • evaluating significant manual adjustments made in respect of overseas associates and joint ventures to convert their financial information into HKFRSs by comparing the adjustments to underlying documentation or by re-performing the calculations on which the adjustments were based; • assessing whether the financial information of overseas associates and joint ventures after the adjustments made by management was prepared in accordance with the Group's accounting policies.

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

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Yip Ka Ming, Alice.

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

21 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	2016 $ million	2015 $ million
Revenue	4	**1,288**	1,308
Direct costs		**(6)**	(8)
		1,282	1,300
Other net loss	5	**(221)**	(207)
Other operating costs		**(809)**	145
Operating profit		**252**	1,238
Finance costs	7	**(248)**	(264)
Share of profits less losses of joint ventures		**4,705**	4,958
Share of profits less losses of associates		**1,696**	1,789
Profit before taxation	8	**6,405**	7,721
Income tax:	9		
Current		**(7)**	11
Deferred		**19**	–
		12	11
Profit for the year attributable to equity shareholders of the Company		**6,417**	7,732
Earnings per share			
Basic and diluted	11	**$3.01**	$3.62

The notes on pages 70 to 122 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 23(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016 $ million	2015 $ million
Profit for the year attributable to equity shareholders of the Company	**6,417**	7,732
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**(3)**	(17)
Share of other comprehensive income of joint ventures and associates	**(1,418)**	410
Income tax relating to items that will not be reclassified to profit or loss	**242**	(97)
	(1,179)	296
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**(5,738)**	(3,004)
Net investment hedges	**1,607**	1,039
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	**(33)**	116
Share of other comprehensive income of joint ventures and associates	**(546)**	149
Income tax relating to items that may be reclassified subsequently to profit or loss	**91**	(78)
	(4,619)	(1,778)
	(5,798)	(1,482)
Total comprehensive income for the year attributable to equity shareholders of the Company	**619**	6,250

The notes on pages 70 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**2016 $ million**	2015 $ million
Non-current assets			
Property, plant and equipment and leasehold land			
– Property, plant and equipment		**12**	12
– Interests in leasehold land held for own use under finance leases		**17**	18
	12	**29**	30
Interest in joint ventures	13	**42,739**	42,629
Interest in associates	14	**24,202**	23,919
Other non-current financial assets	15	**67**	67
Derivative financial instruments	20	**846**	167
Deferred tax assets	22(b)	**19**	–
Employee retirement benefit assets	21(a)	**4**	3
		67,906	66,815
Current assets			
Trade and other receivables	16	**161**	394
Bank deposits and cash	17(a)	**61,710**	68,149
		61,871	68,543
Current liabilities			
Trade and other payables	18	**(2,595)**	(2,078)
Current tax payable	22(a)	**(46)**	(41)
		(2,641)	(2,119)
Net current assets		**59,230**	66,424
Total assets less current liabilities		**127,136**	133,239
Non-current liabilities			
Bank loans and other interest-bearing borrowings	19	**(8,514)**	(9,405)
Derivative financial instruments	20	**(52)**	(70)
Deferred tax liabilities	22(b)	**(14)**	(27)
Employee retirement benefit liabilities	21(a)	**(145)**	(140)
		(8,725)	(9,642)
Net assets		**118,411**	123,597
Capital and reserves			
Share capital	23(c)	**6,610**	6,610
Reserves		**111,801**	116,987
Total equity attributable to equity shareholders of the Company		**118,411**	123,597

Approved and authorised for issue by the Board of Directors on 21 March 2017.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

The notes on pages 70 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company					
$ million	Share capital (note 23(c))	Exchange reserve (note 23(d)(i))	Hedging reserve (note 23(d)(ii))	Revenue reserve (note 23(d)(iii))	Proposed/ declared dividend (note 23(b))	Total
Balance at 1 January 2015	6,610	(621)	(1,152)	113,961	4,290	123,088
Changes in equity for 2015:						
Profit for the year	–	–	–	7,732	–	7,732
Other comprehensive income	–	(1,965)	187	296	–	(1,482)
Total comprehensive income	–	(1,965)	187	8,028	–	6,250
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	–	–	–	–	(4,290)	(4,290)
Interim dividend paid (see note 23(b)(i))	–	–	–	(1,451)	–	(1,451)
Proposed final dividend (see note 23(b)(i))	–	–	–	(4,311)	4,311	–
Balance at 31 December 2015 and 1 January 2016	**6,610**	**(2,586)**	**(965)**	**116,227**	**4,311**	**123,597**
Changes in equity for 2016:						
Profit for the year	**–**	**–**	**–**	**6,417**	**–**	**6,417**
Other comprehensive income	**–**	**(4,131)**	**(488)**	**(1,179)**	**–**	**(5,798)**
Total comprehensive income	**–**	**(4,131)**	**(488)**	**5,238**	**–**	**619**
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	**–**	**–**	**–**	**–**	**(4,311)**	**(4,311)**
Interim dividend paid (see note 23(b)(i))	**–**	**–**	**–**	**(1,494)**	**–**	**(1,494)**
Special interim dividend declared and paid after the end of the reporting period (see note 23(b)(i))	**–**	**–**	**–**	**(10,671)**	**10,671**	**–**
Proposed final dividend (see note 23(b)(i))	**–**	**–**	**–**	**(4,311)**	**4,311**	**–**
Balance at 31 December 2016	**6,610**	**(6,717)**	**(1,453)**	**104,989**	**14,982**	**118,411**

The notes on pages 70 to 122 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	**2016 $ million**	2015 $ million
Operating activities			
Cash (used in)/generated from operations	17(b)	**(813)**	183
Interest paid		**(266)**	(276)
Interest received		**1,763**	1,912
Tax paid for operations outside Hong Kong		**(8)**	(6)
Tax refunded for operations outside Hong Kong		**50**	57
Net cash generated from operating activities		**726**	1,870
Investing activities			
Purchase of property, plant and equipment		**–**	(1)
(Increase)/decrease in bank deposits with more than three months to maturity when placed		**(44,471)**	12,383
Receipt from sale of property, plant and equipment		**–**	1
Investments in joint ventures		**(5,215)**	(343)
New loans to a joint venture		**–**	(1,038)
Advance to an associate		**–**	(17)
Dividends received from joint ventures		**2,066**	2,763
Dividends received from associates		**1,728**	1,762
Dividends received from available-for-sale equity securities		**44**	59
Proceeds from partial disposal of interest in an associate		**–**	7,597
Net cash (used in)/generated from investing activities		**(45,848)**	23,166
Financing activities			
Dividends paid to equity shareholders of the Company		**(5,805)**	(5,741)
Net cash used in financing activities		**(5,805)**	(5,741)
Net (decrease)/increase in cash and cash equivalents		**(50,927)**	19,295
Cash and cash equivalents at 1 January		**66,097**	46,854
Effect of foreign exchange rate changes		**42**	(52)
Cash and cash equivalents at 31 December	17(a)	**15,212**	66,097

The notes on pages 70 to 122 form part of these financial statements.

1. General information

Power Assets Holdings Limited ("the Company") is a limited company incorporated and domiciled in Hong Kong. The address of its registered office is Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Company 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. 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 2016 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 29.

(c) Basis of consolidation

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

(d) Subsidiaries

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

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

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

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

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

(e) Joint ventures and associates

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

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

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

2. Significant accounting policies (Continued)

(e) Joint ventures and associates (Continued)

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)).

(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 statement of financial position 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.

2. Significant accounting policies (Continued)

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

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

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

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

(iv) Leasehold land held for own use under finance leases is stated in the consolidated statement of financial position at cost less accumulated amortisation (see note 2(j)(v)) and impairment losses (see note 2(l)).

(v) 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.

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

	Years
Buildings	60
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles	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 the end of each reporting period 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 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 end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

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

– Recognition of impairment losses

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

– 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) 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)(i)), 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.

(n) Interest-bearing borrowings

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

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

2. Significant accounting policies (Continued)

(o) 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(s)(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.

(p) Cash and cash equivalents

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

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Defined benefit retirement scheme obligations

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

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

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

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

(iii) Contributions to defined contribution retirement schemes

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

(r) Income tax

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

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

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

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

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

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

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

(s) 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)

(t) Revenue recognition

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.

(u) Translation of foreign currencies

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

Exchange gains and losses are recognised in profit or loss.

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

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

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

(v) Borrowing costs

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

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

(w) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(x) Segment reporting

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

3. Changes in accounting policies

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

– Annual improvements to HKFRSs 2012-2014 cycle

– Amendments to HKFRS 11, *Accounting for acquisition of interests in joint operations*

– Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*

– Amendments to HKAS 27, *Equity method in separate financial statements*

– Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investments entities: Applying the consolidation exception*

– Amendments to HKAS 1, *Disclosure initiative*

The adoption of these amendments to HKFRSs has no material impact on the Group's results and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

4. Revenue

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

	2016 $ million	2015 $ million
Interest income	**1,236**	1,239
Dividends	**44**	59
Others	**8**	10
	1,288	1,308
Share of revenue of joint ventures	**16,359**	17,327

5. Other net loss

	2016 $ million	2015 $ million
Interest income from financial assets not at fair value through profit or loss	**550**	612
Loss on partial disposal of an associate	**–**	(532)
Foreign exchange loss on loans and receivables	**(787)**	(303)
Sundry income	**16**	16
	(221)	(207)

6. Segment information

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

– Investment in HKEI: this segment invests in generation and supply of electricity business in Hong Kong.

– Investments: this segment invests in power and utility-related businesses 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 116 to 117.

7. Finance costs

	2016 $ million	2015 $ million
Interest on bank loans and other borrowings	**248**	264

8. Profit before taxation

	2016 $ million	2015 $ million
Profit before taxation is arrived at after charging:		
Amortisation of leasehold land	**1**	–
Depreciation	**–**	2
Staff costs	**29**	29
Property, plant and equipment written off	**–**	1
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**1**	1
– non-audit work		
– KPMG	**1**	4
– other auditors	**2**	1

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

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

	2016 $ million	2015 $ million
Current tax – operations outside Hong Kong		
Provision for the year	**57**	46
Tax credit for the year	**(50)**	(57)
	7	(11)
Deferred tax (see note 22(b)(i))		
Origination and reversal of temporary differences	**(19)**	–
	(12)	(11)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profits during the current and preceding years.

Taxation for operations outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2016 $ million	2015 $ million
Profit before taxation	**6,405**	7,721
Less: Share of profits less losses of joint ventures	**(4,705)**	(4,958)
Share of profits less losses of associates	**(1,696)**	(1,789)
	4	974
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**23**	181
Tax effect of non-deductible expenses	**287**	227
Tax effect of non-taxable income	**(329)**	(427)
Tax effect of temporary difference not recognised	**(1)**	(2)
Tax effect of unused tax losses not recognised	**8**	10
Actual tax credit	**(12)**	(11)

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	Salaries, allowances and other benefits $ million	Retirement scheme contributions $ million	Bonuses $ million	2016 Total emoluments $ million	2015 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning [(3)(4)]						
Chairman	0.12	–	–	–	**0.12**	0.12
Tsai Chao Chung, Charles [(5)]						
Chief Executive Officer	0.07	3.04	0.45	1.41	**4.97**	4.81
Chan Loi Shun [(6)(10)]	0.07	4.56	–	–	**4.63**	4.27
Andrew John Hunter	0.07	0.08	–	–	**0.15**	0.15
Neil Douglas McGee	0.07	–	–	–	**0.07**	0.07
Wan Chi Tin [(7)]	0.07	–	–	–	**0.07**	0.07
Non-executive Directors						
Li Tzar Kuoi, Victor [(8)]	0.07	–	–	–	**0.07**	0.07
Frank John Sixt [(9)]	0.07	–	–	–	**0.07**	0.07
Ip Yuk-keung, Albert [(1)(2)]	0.14	–	–	–	**0.14**	0.14
Ralph Raymond Shea [(1)(2)(3)]	0.16	–	–	–	**0.16**	0.16
Wong Chung Hin [(1)(2)(3)]	0.16	–	–	–	**0.16**	0.16
Wu Ting Yuk, Anthony [(1)]	0.07	–	–	–	**0.07**	0.07
Total for the year 2016	**1.14**	**7.68**	**0.45**	**1.41**	**10.68**	
Total for the year 2015	1.14	7.18	0.43	1.41		10.16

10. Directors' emoluments and senior management remuneration (Continued)

Notes:
(1) Independent Non-executive Director
(2) Member of the Audit Committee
(3) Member of the Remuneration Committee
(4) During the year, Mr. Fok Kin Ning, Canning received director's emoluments of $120,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(5) During the year, Mr. Tsai Chao Chung, Charles received director's emoluments of THB484,500 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(6) During the year, Mr. Chan Loi Shun received director's emoluments of THB484,500 from Ratchaburi Power Company Limited and $2,710,000 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.
(7) During the year, Mr. Wan Chi Tin received director's emoluments of $70,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(8) During the year, Mr. Li Tzar Kuoi, Victor received director's emoluments of $70,000 from HK Electric Investments Limited, which is an associate of the Group. The director's emoluments received were paid back to the Company.
(9) Mr. Frank John Sixt resigned as a Non-executive Director of the Company with effect from 1 January 2017.
(10) During the year, Mr. Chan Loi Shun received director's emoluments of $4,630,000 from the Company. The director's emoluments received were paid back to Cheung Kong Infrastructure Holdings Limited, a substantial shareholder of the Company.

The five highest paid individuals of the Group included two directors (2015: two) whose total emoluments are shown above. The remuneration of the other three individuals (2015: three) who comprises the five highest paid individuals of the Group is set out below:

	2016 $ million	2015 $ million
Salary and other benefits	**9.1**	9.7
Retirement scheme contributions	**0.6**	0.7
	9.7	10.4

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

	2016 Number	2015 Number
$1,000,001 – $1,500,000	**1**	1
$1,500,001 – $2,000,000	**2**	2
$2,500,001 – $3,000,000	**1**	1
$3,000,001 – $3,500,000	**2**	1
$4,000,001 – $4,500,000	**–**	1

The remuneration of directors and senior management is as follows:

	2016 $ million	2015 $ million
Short-term employee benefits	**24**	23
Post-employment benefits	**1**	2
	25	25

At 31 December 2016 and 2015, there was no amount due from directors and senior management.

11. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $6,417 million (2015: $7,732 million) and 2,134,261,654 ordinary shares (2015: 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 2016 and 2015.

12. Property, plant and equipment and leasehold land

$ million	Buildings	Plant, machinery and equipment	Sub-total	Interests in leasehold land held for own use under finance leases	Total
Cost:					
At 1 January 2015	26	6	32	30	62
Additions	–	1	1	–	1
Disposals	–	(2)	(2)	–	(2)
At 31 December 2015, 1 January 2016 and 31 December 2016	**26**	**5**	**31**	**30**	**61**
Accumulated amortisation and depreciation:					
At 1 January 2015	15	3	18	12	30
Written back on disposals	–	(1)	(1)	–	(1)
Charge for the year	1	1	2	–	2
At 31 December 2015	16	3	19	12	31
At 1 January 2016	**16**	**3**	**19**	**12**	**31**
Charge for the year	**–**	**–**	**–**	**1**	**1**
At 31 December 2016	**16**	**3**	**19**	**13**	**32**
Net book value:					
At 31 December 2016	**10**	**2**	**12**	**17**	**29**
At 31 December 2015	10	2	12	18	30

13. Interest in joint ventures

	2016 $ million	2015 $ million
Share of net assets of unlisted joint ventures	**34,532**	33,281
Loans to unlisted joint ventures (see note below)	**8,084**	9,175
Amounts due from unlisted joint ventures (see note below)	**123**	173
	42,739	42,629
Share of total assets of unlisted joint ventures	**101,345**	104,655

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 6.6% per annum to 11.0% per annum (2015: 6.7% per annum to 11.0% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $4,390 million (2015: $4,744 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 120 to page 121.

(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		Australian Gas Networks		Husky Midstream L.P.		Zhuhai Power	
	2016 $ million	2015 $ million	2016 $ million	2015 $ million	2016 $ million	2015 $ million	2016 $ million	2015 $ million	2016 $ million	2015 $ million	2016 $ million	2015 $ million
Current assets	**3,150**	4,416	**3,808**	1,996	**696**	3,113	**296**	350	**316**	–	**5,873**	4,970
Non-current assets	**108,025**	123,512	**25,926**	30,493	**34,936**	41,054	**29,789**	28,543	**13,912**	–	**–**	–
Current liabilities	**(7,510)**	(11,239)	**(5,117)**	(3,037)	**(1,104)**	(2,276)	**(701)**	(966)	**(252)**	–	**(1,642)**	(995)
Non-current liabilities	**(63,837)**	(70,365)	**(17,254)**	(20,459)	**(30,898)**	(36,251)	**(16,069)**	(14,635)	**(3,415)**	–	**–**	–

The above amounts of assets and liabilities include the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		Zhuhai Power	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Cash and cash equivalents	**776**	1,811	**43**	91	**227**	2,560	**22**	31	**133**	–	**5,497**	4,690
Current financial liabilities (excluding trade and other payables and provisions)	**(835)**	(3,882)	**(144)**	(556)	**–**	–	**(93)**	(543)	**–**	–	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(50,336)**	(56,218)	**(14,193)**	(16,744)	**(26,148)**	(30,151)	**(15,551)**	(14,564)	**(3,353)**	–	**–**	–

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		Zhuhai Power	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Revenue	**18,136**	20,125	**4,443**	4,969	**4,417**	4,880	**3,256**	3,457	**809**	–	**3,905**	4,694
Profit from continuing operations	**7,321**	7,749	**1,460**	1,675	**1,356**	1,620	**867**	982	**227**	–	**706**	338
Other comprehensive income for the year	**(3,029)**	471	**(705)**	27	**(1,832)**	55	**79**	12	**37**	–	**–**	–
Total comprehensive income for the year	**4,292**	8,220	**755**	1,702	**(476)**	1,675	**946**	994	**264**	–	**706**	338
Dividends received from the joint ventures during the year	**899**	888	**299**	301	**93**	106	**266**	330	**–**	–	**272**	706

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Australian Gas Networks		Husky Midstream L.P.		Zhuhai Power	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$ million	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million	**$ million**	$ million
Depreciation and amortisation	**(2,225)**	(2,481)	**(459)**	(814)	**(727)**	(991)	**(492)**	(474)	**(184)**	–	**(120)**	(574)
Interest income	**326**	381	**–**	1	**12**	10	**2**	4	**–**	–	**51**	106
Interest expense	**(2,649)**	(2,953)	**(757)**	(786)	**(812)**	(889)	**(671)**	(715)	**(85)**	–	**–**	–
Income tax (expense)/credit	**(1,205)**	(773)	**(245)**	70	**26**	353	**(440)**	(497)	**(1)**	–	**(402)**	(71)

13. Interest in joint ventures (Continued)

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

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		Australian Gas Networks		Husky Midstream L.P.		Zhuhai Power	
	2016 $ million	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million
Net assets of the joint ventures	**39,828**	46,324	**7,363**	8,993	**3,630**	5,640	**13,315**	13,292	**10,561**	–	**4,231**	3,975
Group's effective interest	**40.0%**	40.0%	**41.29%**	41.29%	**30.0%**	30.0%	**27.51%**	27.51%	**48.75%**	–	**45.0%**	45.0%
Group's share of net assets of the joint ventures	**15,931**	18,530	**3,040**	3,712	**1,089**	1,692	**3,663**	3,657	**5,148**	–	**1,905**	1,789
Consolidation adjustments	**60**	74	**–**	–	**–**	–	**–**	–	**(8)**	–	**–**	–
Carrying amount of the Group's interest in joint ventures	**15,991**	18,604	**3,040**	3,712	**1,089**	1,692	**3,663**	3,657	**5,140**	–	**1,905**	1,789

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

	2016 $ million	2015 $ million Restated
The Group's share of net assets	**3,704**	3,827
The Group's share of profit from continuing operations	**99**	259
The Group's share of other comprehensive income	**75**	19
The Group's share of total comprehensive income	**174**	278

14. Interest in associates

	2016 $ million	2015 $ million
Share of net assets		
– Listed associate	**16,881**	16,583
– Unlisted associates	**3,358**	3,395
	20,239	19,978
Loans to unlisted associates (see note below)	**3,889**	3,868
Amounts due from associates (see note below)	**74**	73
	24,202	23,919

The market value (level 1 fair value measurement (see note 24(f))) of above listed associate, HKEI, at 31 December 2016 is $18,873 million (2015: $19,168 million). All the Group's other associates are unlisted corporate entities for which a quoted market price is not available.

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 13.8% per annum (2015: 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 associates are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

At 31 December 2016, the Group's interest in an associate of $321 million (2015: $422 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 122.

(a) Summarised financial information of material associates

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

	HKEI		**SA Power Networks**		**Victoria Power Networks**	
	2016 $ million	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million
Current assets	**2,526**	8,199	**2,155**	2,711	**1,465**	2,371
Non-current assets	**105,824**	105,516	**36,324**	35,241	**46,608**	45,113
Current liabilities	**(7,509)**	(6,129)	**(4,955)**	(6,156)	**(9,976)**	(9,835)
Non-current liabilities	**(50,936)**	(58,574)	**(30,238)**	(28,412)	**(31,295)**	(31,220)

	HKEI		**SA Power Networks**		**Victoria Power Networks**	
	2016 $ million	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million
Revenue	**11,420**	11,210	**6,170**	6,882	**7,459**	8,292
Profit from continuing operations	**3,599**	3,591	**523**	612	**1,010**	462
Other comprehensive income for the year	**832**	(253)	**(50)**	419	**104**	466
Total comprehensive income for the year	**4,431**	3,338	**473**	1,031	**1,114**	928
Dividends received from the associates during the year	**1,181**	1,464	**163**	148	**–**	–

14. 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:

	HKEI		SA Power Networks		Victoria Power Networks	
	2016 $ million	2015 $ million	**2016 $ million**	2015 $ million	**2016 $ million**	2015 $ million
Net assets of the associates	**49,905**	49,012	**3,286**	3,384	**6,802**	6,429
Group's effective interest	**33.37%**	33.37%	**27.93%**	27.93%	**27.93%**	27.93%
Group's share of net assets of the associates	**16,655**	16,357	**918**	945	**1,899**	1,795
Consolidation adjustment	**226**	226	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**16,881**	16,583	**918**	945	**1,899**	1,795

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

	2016 $ million	2015 $ million
The Group's share of net assets	**541**	655
The Group's share of profit from continuing operations	**67**	125
The Group's share of other comprehensive income	**–**	1
The Group's share of total comprehensive income	**67**	126

15. Other non-current financial assets

	2016 $ million	2015 $ million
Unlisted available-for-sale equity securities, at cost	**67**	67

16. Trade and other receivables

	2016 $ million	2015 $ million
Trade debtors (see note below)	**–**	1
Interest and other receivables	**79**	241
	79	242
Derivative financial instruments (see note 20)	**80**	144
Deposits and prepayments	**2**	8
	161	394

Trade with customers is carried out on credit and invoices are normally due within 1 month after issued. All of the trade and other receivables are expected to be recovered within one year.

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

	2016 $ million	2015 $ million
1 to 3 months	**–**	1

17. Bank deposits and cash

(a) Bank deposits and cash comprise:

	2016 $ million	2015 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**14,855**	66,044
Cash at bank and on hand	**357**	53
Cash and cash equivalents in the consolidated cash flow statement	**15,212**	66,097
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	**46,498**	2,052
Bank deposits and cash in the consolidated statement of financial position	**61,710**	68,149

17. Bank deposits and cash (Continued)

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

	Note	2016 $ million	2015 $ million
Profit before taxation		**6,405**	7,721
Adjustments for:			
Share of profits less losses of joint ventures		**(4,705)**	(4,958)
Share of profits less losses of associates		**(1,696)**	(1,789)
Interest income	4,5	**(1,786)**	(1,851)
Dividend income from unlisted available-for-sale equity securities	4	**(44)**	(59)
Finance costs	7	**248**	264
Amortisation of leasehold land	8	**1**	–
Depreciation	8	**–**	2
Property, plant and equipment written off	8	**–**	1
Unrealised exchange loss		**37**	58
Financial instrument revaluation (gain)/loss		**(44)**	2
Loss on partial disposal of an associate	5	**–**	532
Changes in working capital:			
Decrease in trade and other receivables		**181**	808
Increase/(decrease) in trade and other payables		**577**	(550)
Decrease/(increase) in amounts due from joint ventures		**12**	(3)
Decrease in amounts due from associates		**–**	2
Increase in net employee retirement benefit liabilities		**1**	3
Cash (used in)/generated from operations		**(813)**	183

18. Trade and other payables

	2016 $ million	2015 $ million
Creditors measured at amortised cost (see note below)	**2,595**	2,034
Derivative financial instruments (see note 20)	**–**	44
	2,595	2,078

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

Creditors' ageing is analysed as follows:

	2016 $ million	2015 $ million
Due within 1 month or on demand	**64**	26
Due after 1 month but within 3 months	**1**	6
Due after 3 months but within 12 months	**2,530**	2,002
	2,595	2,034

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

	2016 $ million	2015 $ million
Bank loans	**8,514**	9,405

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group 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 24(b). As at 31 December 2016 and 2015, 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:

	2016 $ million	2015 $ million
After 1 year but within 2 years	**5,069**	–
After 2 years but within 5 years	**3,445**	9,405
	8,514	9,405

20. Derivative financial instruments

	2016		2015	
	Assets $ million	**Liabilities $ million**	Assets $ million	Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	**45**	**(41)**	89	(51)
Net investment hedges				
Forward foreign exchange contracts	**881**	**(11)**	222	(19)
Derivative financial instruments not qualifying as accounting hedges:				
Forward foreign exchange contracts	**–**	**–**	–	(44)
	926	**(52)**	311	(114)
Analysed as:				
Current	**80**	**–**	144	(44)
Non-current	**846**	**(52)**	167	(70)
	926	**(52)**	311	(114)

21. 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 21(b)).

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

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

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

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Willis Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate and future pension increase rate which are disclosed in note 21(a)(viii) together with appropriate provisions for mortality rates. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 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.

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

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2016 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

	2016 $ million	2015 $ million
Present value of defined benefit obligations	**(407)**	(411)
Fair value of assets of the Schemes	**266**	274
	(141)	(137)
Represented by:		
Employee retirement benefit assets	**4**	3
Employee retirement benefit liabilities	**(145)**	(140)
	(141)	(137)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2016 and 2015.

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 changes in actuarial assumptions and market conditions.

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

	2016 $ million	2015 $ million
At 1 January	**411**	428
Current service cost	**–**	1
Interest cost	**8**	7
Actuarial (gain)/loss due to:		
– Changes in liability experience	**(1)**	(1)
– Changes in financial assumptions	**(1)**	11
– Changes in demographic assumptions	**10**	–
Benefits paid	**(20)**	(35)
At 31 December	**407**	411

21. Employee retirement benefits (Continued)

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

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

	2016 $ million	2015 $ million
At 1 January	**274**	310
Interest income on the Schemes' assets	**6**	6
Return on Schemes' assets, excluding interest income	**5**	(7)
Employer contributions paid to the Schemes	**1**	–
Benefits paid	**(20)**	(35)
At 31 December	**266**	274

The Group expects to contribute below $1 million to its defined benefit retirement schemes in 2017.

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

	2016 $ million	2015 $ million
Current service cost	**–**	1
Net interest on net defined benefit asset/liability	**2**	1
	2	2

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

	2016 $ million	2015 $ million
Other operating costs	**2**	2

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

	2016 $ million	2015 $ million
At 1 January	**175**	158
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	**3**	17
At 31 December	**178**	175

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

	2016 $ million	2015 $ million
Hong Kong equities	**36**	32
European equities	**18**	18
North American equities	**47**	43
Other Asia Pacific equities	**18**	15
Global bonds	**145**	162
Deposits, cash and others	**2**	4
	266	274

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:

	2016	2015
Discount rate		
– The Pension Scheme	**2.1%**	2.1%
– The Guaranteed Return Scheme	**1.8%**	1.4%
Long term salary increase rate	**Not applicable**	Not applicable
Future pension increase rate	**2.5%**	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	2016 $ million	2015 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(9)**	(9)
– decrease by 0.25%	**9**	9
Pension increase rate		
– increase by 0.25%	**9**	9
– decrease by 0.25%	**(8)**	(8)
Mortality rate applied to specific age		
– set forward one year	**(13)**	(13)
– set backward one year	**13**	13

21. Employee retirement benefits (Continued)

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

(ix) Sensitivity analysis (Continued)

(b) The Guaranteed Return Scheme

	2016 $ million	2015 $ million
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(2)**	(2)
– decrease by 0.25%	**2**	2
Interest to be credited		
– increase by 0.25%	**2**	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 consolidated statement of financial position.

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

	2016 No. of years	2015 No. of years
The Pension Scheme	**11.4**	11.5
The Guaranteed Return Scheme	**6.8**	7.9

(b) Defined contribution retirement scheme

	2016 $ million	2015 $ million
Expenses recognised in profit or loss	**1**	1

No forfeited contributions have been received during the year (2015: $Nil).

22. Income tax in the consolidated statement of financial position

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

	2016 $ million	2015 $ million
Tax provision for the year	**57**	46
Provisional tax paid	**(8)**	(6)
Tax (credit)/provision relating to prior years	**(3)**	1
Current tax payable	**46**	41

(b) Deferred tax assets and liabilities

(i) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

$ million	**Cash flow hedges**	**Future benefits of tax losses**	**Total**
At 1 January 2015	(4)	–	(4)
Charged to other comprehensive income	31	–	31
At 31 December 2015	27	–	27
At 1 January 2016	**27**	**–**	**27**
Credited to profit or loss	**–**	**(19)**	**(19)**
Credited to other comprehensive income	**(13)**	**–**	**(13)**
At 31 December 2016	**14**	**(19)**	**(5)**

(ii) Reconciliation to the consolidated statement of financial position:

	2016 $ million	2015 $ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(19)**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**14**	27
	(5)	27

The Group had no material unrecognised deferred tax assets or liabilities as at 31 December 2016 and 2015.

23. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Dividends

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

	2016 $ million	2015 $ million
Interim dividend declared and paid of $0.70 per ordinary share (2015: $0.68 per ordinary share)	**1,494**	1,451
Special interim dividend declared and paid after the end of the reporting period of $5.00 per ordinary share (2015: $Nil per ordinary share)	**10,671**	–
Final dividend proposed after the end of the reporting period of $2.02 per ordinary share (2015: $2.02 per ordinary share)	**4,311**	4,311
	16,476	5,762

The special interim dividend and final dividend declared and paid, or proposed after the end of the reporting period are based on 2,134,261,654 ordinary shares (2015: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The special interim dividend and final dividend declared and paid, or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

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

	2016 $ million	2015 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $2.02 per ordinary share (2015: $2.01 per ordinary share)	**4,311**	4,290

(c) Share capital

	Number of shares	**2016 $ million**	2015 $ million
Issued and fully paid:			
Voting ordinary shares	2,134,261,654	**6,610**	6,610

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

(d) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong 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 notes 2(i)(iii) and 2(u).

(ii) Hedging reserve

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

(iii) Revenue reserve

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

(e) Capital management

The Group's primary objectives when managing capital are:

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

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

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

During 2016, the Group's strategy, which was unchanged from 2015, was to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

As at 31 December 2016, the net cash position of the Group amounted to $53,196 million (2015: $58,744 million).

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

24. Financial risk management

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

(a) Credit risk

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. Except for the financial guarantees given by the Group as set out in note 26, 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 end of the reporting period is disclosed in note 26.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

The Group has no significant concentration of credit risk arising from trade and other receivables, with exposure spread over a number of counterparties.

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 end of the reporting period.

The following table presents the recognised financial instruments that are subject to enforceable netting arrangements but not offset as at the end of the reporting period.

$ million	Note	2016 Gross amounts of financial instruments in the consolidated statement of financial position	2016 Related financial instruments that are not offset	2016 Net amount	2015 Gross amounts of financial instruments in the consolidated statement of financial position	2015 Related financial instruments that are not offset	2015 Net amount
Financial assets	20						
Interest rate swaps		**45**	**–**	**45**	89	–	89
Forward foreign exchange contracts		**881**	**(22)**	**859**	222	(19)	203
Total		**926**	**(22)**	**904**	311	(19)	292
Financial liabilities	20						
Interest rate swaps		**41**	**(22)**	**19**	51	(19)	32
Forward foreign exchange contracts		**11**	**–**	**11**	63	–	63
Total		**52**	**(22)**	**30**	114	(19)	95

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $61,710 million (2015: $68,149 million) and no undrawn committed bank facilities at 31 December 2016 (2015: $Nil).

24. Financial risk management (Continued)

(b) Liquidity risk (Continued)

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

	2016 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	**144**	**5,182**	**3,659**	**–**	**8,985**
Trade and other payables	**2,572**	**–**	**–**	**–**	**2,572**
Derivative financial instruments					
Net settled					
Interest rate swaps	**73**	**47**	**111**	**118**	**349**
Gross settled					
Forward foreign exchange contracts:					
– outflow	**3,163**	**290**	**6,133**	**6,103**	**15,689**
– inflow	**(3,232)**	**(298)**	**(6,646)**	**(7,497)**	**(17,673)**
	2,720	**5,221**	**3,257**	**(1,276)**	**9,922**

	2015 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	90	81	9,449	–	9,620
Trade and other payables	2,053	–	–	–	2,053
Derivative financial instruments					
Net settled					
Interest rate swaps	56	55	75	91	277
Gross settled					
Forward foreign exchange contracts:					
– outflow	8,809	–	–	5,394	14,203
– inflow	(8,900)	–	–	(5,838)	(14,738)
	2,108	136	9,524	(353)	11,415

(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 interest rate swaps and interest rate derivatives to manage the exposure in accordance with its treasury policy. At 31 December 2016, the Group had interest rate swaps with a total notional amount of $6,684 million (2015: $7,185 million).

(ii) Interest rate profile

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

	2016		2015	
	Weighted average interest rate %	**$ million**	Weighted average interest rate %	$ million
Net fixed rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**10.0**	**11,055**	10.0	11,942
Deposits with banks and other financial institutions	**1.2**	**61,353**	0.7	68,096
Bank loans and other borrowings	**2.1**	**(6,652)**	2.0	(7,177)
		65,756		72,861
Net variable rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**6.6**	**918**	6.7	1,101
Cash at bank and on hand	**0.4**	**357**	0.2	53
Bank loans and other borrowings	**1.6**	**(1,862)**	1.8	(2,228)
		(587)		(1,074)

(iii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and revenue reserve by approximately $10 million (2015: decreased/increased by approximately $12 million). Other components of consolidated equity would have decreased/increased by approximately $205 million (2015: decreased/increased by approximately $263 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2015.

(Expressed in Hong Kong dollars unless otherwise indicated)

24. Financial risk management (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily arising from investments outside Hong Kong. The Group is also exposed to foreign currency risk arising from foreign currency transactions which give rise to receivables, payable and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The Group manages this risk as follows:

(i) Investments outside Hong Kong

Currency exposure arising from investments outside Hong Kong is mitigated in part either by funding a portion of the investment through external borrowings in the same currency as the underlying investment or by hedging with forward foreign exchange contracts. The fair value of such borrowings at 31 December 2016 was $8,553 million (2015: $9,426 million). The fair value of forward foreign exchange contracts at 31 December 2016 was an asset of $870 million (2015: $203 million).

(ii) Recognised assets and liabilities

The Group uses forward foreign exchange contracts to manage its foreign currency risk arising from foreign currency transactions. The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2016 Exposure to foreign currencies			
'million	**USD**	**RMB**	**GBP**	**AUD**
Trade and other receivables	**1**	**–**	**4**	**5**
Bank deposits and cash	**642**	**118**	**487**	**289**
Trade and other payables	**–**	**–**	**–**	**(2)**
Gross exposure arising from recognised assets and liabilities	**643**	**118**	**491**	**292**
Notional amounts of forward foreign exchange contracts not qualified as economic hedges	**–**	**–**	**–**	**–**
Overall exposure	**643**	**118**	**491**	**292**

	2015 Exposure to foreign currencies			
'million	USD	RMB	GBP	AUD
Trade and other receivables	1	–	4	4
Bank deposits and cash	896	114	296	166
Trade and other payables	–	–	–	(2)
Gross exposure arising from recognised assets and liabilities	897	114	300	168
Notional amounts of forward foreign exchange contracts not qualified as economic hedges	–	–	187	–
Overall exposure	897	114	487	168

(iii) Sensitivity analysis

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

$ million	**2016** Effect on profit for the year and revenue reserve increase/ (decrease)	**2016** Effect on other components of equity increase/ (decrease)	2015 Effect on profit for the year and revenue reserve increase/ (decrease)	2015 Effect on other components of equity increase/ (decrease)
Sterling pounds	**472**	**–**	562	–
Australian dollars	**164**	**–**	94	–
Renminbi	**13**	**–**	14	–

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

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit for the year and other components of equity measured in their respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis as for 2015.

(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 15).

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 end of the reporting period, none of these unlisted investments was considered to be impaired. The review has been performed on the same basis as for 2015.

24. Financial risk management (Continued)

(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 end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

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

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

Recurring fair value measurements

	Fair value measurements using significant observable inputs (Level 2)	
	2016 $ million	2015 $ million
Financial assets		
Derivative financial instruments:		
– Interest rate swaps	**45**	89
– Forward foreign exchange contracts	**881**	222
	926	311
Financial liabilities		
Derivative financial instruments:		
– Interest rate swaps	**(41)**	(51)
– Forward foreign exchange contracts	**(11)**	(63)
	(52)	(114)

(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 end of the reporting period. The fair value of 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 2016 and 2015.

25. Capital commitments

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

	2016 $ million	2015 $ million
Contracted for:		
Investment in a joint venture	**1,465**	10
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	**1**	1
Investment in a joint venture	**144**	141
	145	142

26. Contingent liabilities

	2016 $ million	2015 $ million
Financial guarantees issued in respect of banking facilities available to a joint venture	**97**	97
Other guarantees given in respect of a joint venture	**724**	695
	821	792

27. Material related party transactions

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

(a) Shareholder

(i) Outram Limited ("Outram"), a subsidiary of the Company, reimbursed Cheung Kong Infrastructure Holdings Limited $30 million (2015: $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

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $783 million (2015: $782 million) for the year. The outstanding balances with joint ventures are disclosed in note 13.

(ii) Tax credit claimed under the consortium relief received/receivable from joint ventures in the United Kingdom amounted to $50 million (2015: $57 million) for the year.

(c) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $453 million (2015: $457 million) for the year. The outstanding balances with associates are disclosed in note 14.

27. Material related party transactions (Continued)

(c) Associates (Continued)

(ii) Other operating costs included support service charge recovered by an associate amounted to $37 million (2015: $37 million) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance with the associate was $4 million (2015: $4 million).

28. 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.

29. 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 21 and 24 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities and financial instruments, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment

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

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

(b) Associates

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

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

30. Company-level Statement of Financial Position

	Note	**2016 $ million**	2015 $ million
Non-current assets			
Property, plant and equipment		**1**	1
Investments in subsidiaries	30(a)	**108,253**	109,867
		108,254	109,868
Current assets			
Trade and other receivables		**2**	8
Bank deposits and cash		**28**	24
		30	32
Current liabilities			
Trade and other payables		**(288)**	(327)
Net current liabilities		**(258)**	(295)
Total assets less current liabilities		**107,996**	109,573
Non-current liabilities			
Employee retirement benefit liabilities		**(145)**	(140)
Net assets		**107,851**	109,433
Capital and reserves			
Share capital	23(c)	**6,610**	6,610
Reserves		**101,241**	102,823
Total equity attributable to equity shareholders of the Company	30(b)	**107,851**	109,433

Approved and authorised for issue by the Board of Directors on 21 March 2017.

Tsai Chao Chung, Charles
Director

Chan Loi Shun
Director

(a) Investments in subsidiaries

Investments in subsidiaries included net amounts due from subsidiary companies totalling $95,903 million (2015: $102,756 million) which 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 end of the reporting period.

Particulars of the principal subsidiaries at the end of the reporting period are set out in Appendix 2 on pages 118 to 119.

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

(b) Total equity attributable to equity shareholders of the Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

$ million	Share capital (note 23(c))	Revenue reserve (note 23(d)(iii))	Proposed/ declared dividend (note 23(b))	Total
Balance at 1 January 2015	6,610	100,867	4,290	111,767
Changes in equity for 2015:				
Profit for the year	–	3,423	–	3,423
Other comprehensive income	–	(16)	–	(16)
Total comprehensive income	–	3,407	–	3,407
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	–	–	(4,290)	(4,290)
Interim dividend paid (see note 23(b)(i))	–	(1,451)	–	(1,451)
Proposed final dividend (see note 23(b)(i))	–	(4,311)	4,311	–
Balance at 31 December 2015 and 1 January 2016	**6,610**	**98,512**	**4,311**	**109,433**
Change in equity for 2016:				
Profit for the year	**–**	**4,225**	**–**	**4,225**
Other comprehensive income	**–**	**(2)**	**–**	**(2)**
Total comprehensive income	**–**	**4,223**	**–**	**4,223**
Final dividend in respect of the previous year approved and paid (see note 23(b)(ii))	**–**	**–**	**(4,311)**	**(4,311)**
Interim dividend paid (see note 23(b)(i))	**–**	**(1,494)**	**–**	**(1,494)**
Special interim dividend declared and paid after the end of the reporting period (see note 23(b)(i))	**–**	**(10,671)**	**10,671**	**–**
Proposed final dividend (see note 23(b)(i))	**–**	**(4,311)**	**4,311**	**–**
Balance at 31 December 2016	**6,610**	**86,259**	**14,982**	**107,851**

The net profit of the Company is $4,225 million (2015: $3,423 million) and is included in determining the consolidated profit attributable to equity shareholders of the Company in the financial statements.

All of the Company's revenue reserve is available for distribution to equity shareholders. After the end of the reporting period, the Directors declared a special interim dividend of $5.00 (2015: $Nil) per ordinary share, amounting to $10,671 million and proposed a final dividend of $2.02 (2015: $2.02) per ordinary share, amounting to $4,311 million (2015: $4,311 million).

31. Events after the reporting period

Other than those disclosed elsewhere in the consolidated financial statements, the following significant event took place subsequent to the end of the reporting period.

On 16 January 2017, Cheung Kong Property Holdings Limited, Cheung Kong Infrastructure Holdings Limited and the Company jointly announced that they have entered into a Consortium Formation Agreement for the formation of a joint venture to acquire 100% of DUET Group by way of schemes of arrangement in Australia, pursuant to which the Company will subscribe for a 20% interest in the joint venture, with its maximum financial commitment of the Company under the transaction being approximately AUD1,506 million (equivalent to approximately HK$8,629 million). The transaction was approved by the Company's independent shareholders in the general meeting on 14 March 2017.

DUET Group is an owner and operator of energy utility assets in Australia, United States, the United Kingdom and Europe. It consists of four separate legal entities that are traded together as stapled securities which are listed on the Australian Securities Exchange (ASX code: DUE). The schemes of arrangement to acquire 100% of DUET Group remain subject to certain conditions as at the reporting date, and may or may not proceed. Details of the transaction are set out in the Company's announcements dated 16 January 2017 and the circular dated 22 February 2017.

32. Possible impact of amendments and new standards issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
• Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealized losses*	1 January 2017
• HKFRS 9, *Financial instruments*	1 January 2018
• HKFRS 15, *Revenue from contracts with customers*	1 January 2018
• HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the above 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 except for HKFRS 9.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group is presently studying the implications of applying HKFRS 9 but it is impracticable to quantify its effect as at the date of publication of these consolidated financial statements.

Appendix 1

Segment information

$ million	2016							
	Investments							
	Investment in HKEI*	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the year ended 31 December								
Revenue								
Revenue	–	556	453	44	227	1,280	8	1,288
Other net income/(loss)	–	–	–	–	6	6	(777)	(771)
Reportable segment revenue	–	556	453	44	233	1,286	(769)	517
Result								
Segment earnings	–	556	453	20	233	1,262	(1,559)	(297)
Depreciation and amortisation	–	–	–	–	–	–	(1)	(1)
Bank deposit interest income	–	–	–	–	–	–	550	550
Operating profit	–	556	453	20	233	1,262	(1,010)	252
Finance costs	–	(95)	(135)	–	(18)	(248)	–	(248)
Share of profits less losses of joint ventures and associates	1,201	3,932	696	292	276	5,196	4	6,401
Profit before taxation	1,201	4,393	1,014	312	491	6,210	(1,006)	6,405
Income tax	–	50	(41)	(4)	7	12	–	12
Reportable segment profit	1,201	4,443	973	308	498	6,222	(1,006)	6,417
At 31 December								
Assets								
Property, plant and equipment and leasehold land	–	–	–	–	–	–	29	29
Other assets	–	771	125	67	49	1,012	85	1,097
Interest in joint ventures and associates	16,881	25,756	10,498	3,888	9,911	50,053	7	66,941
Bank deposits and cash	–	–	–	–	–	–	61,710	61,710
Reportable segment assets	16,881	26,527	10,623	3,955	9,960	51,065	61,831	129,777
Liabilities								
Segment liabilities	–	(97)	(8)	(3)	(67)	(175)	(2,617)	(2,792)
Current and deferred taxation	–	–	(91)	–	(12)	(103)	43	(60)
Interest-bearing borrowings	–	(4,264)	(3,445)	–	(805)	(8,514)	–	(8,514)
Reportable segment liabilities	–	(4,361)	(3,544)	(3)	(884)	(8,792)	(2,574)	(11,366)
For the year ended 31 December								
Other information								
Capital expenditure	–	–	–	–	–	–	–	–

$ million	Investment in HKEI*	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
	2015							
		Investments						
For the year ended 31 December								
Revenue								
Revenue	–	627	457	59	155	1,298	10	1,308
Other net income/(loss)	–	–	–	–	6	6	(293)	(287)
Reportable segment revenue	–	627	457	59	161	1,304	(283)	1,021
Result								
Segment earnings	–	627	457	36	161	1,281	(121)	1,160
Loss on partial disposal of an associate	–	–	–	–	–	–	(532)	(532)
Depreciation and amortisation	–	–	–	–	–	–	(2)	(2)
Bank deposit interest income	–	–	–	–	–	–	612	612
Operating profit	–	627	457	36	161	1,281	(43)	1,238
Finance costs	–	(109)	(137)	–	(18)	(264)	–	(264)
Share of profits less losses of joint ventures and associates	1,364	4,324	607	297	152	5,380	3	6,747
Profit before taxation	1,364	4,842	927	333	295	6,397	(40)	7,721
Income tax	–	57	(40)	(6)	–	11	–	11
Reportable segment profit	1,364	4,899	887	327	295	6,408	(40)	7,732
At 31 December								
Assets								
Property, plant and equipment and leasehold land	–	–	–	–	–	–	30	30
Other assets	–	212	99	67	–	378	253	631
Interest in joint ventures and associates	16,583	30,830	10,386	3,910	4,832	49,958	7	66,548
Bank deposits and cash	–	–	–	–	–	–	68,149	68,149
Reportable segment assets	16,583	31,042	10,485	3,977	4,832	50,336	68,439	135,358
Liabilities								
Segment liabilities	–	(114)	(7)	(2)	(53)	(176)	(2,112)	(2,288)
Current and deferred taxation	–	–	(68)	–	–	(68)	–	(68)
Interest-bearing borrowings	–	(5,107)	(3,455)	–	(843)	(9,405)	–	(9,405)
Reportable segment liabilities	–	(5,221)	(3,530)	(2)	(896)	(9,649)	(2,112)	(11,761)
For the year ended 31 December								
Other information								
Capital expenditure	–	–	–	–	–	–	1	1

Note:

* As at 1 January 2015, the Group had a 49.9% equity interest in HKEI. On 9 June 2015, the Group disposed of a 16.53% stake in HKEI and retained approximately 33.37% stake at 31 December 2016.

(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 2016 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ace Keen Limited	US$1	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Aqua Wealth Investments Limited	US$2	100	British Virgin Islands	Investment holding
Beta Central Profits Limited	GBP277,303,283	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$2	100*	British Virgin Islands	Investment holding
Goldteam Resources Limited	US$1 and NZ$86,000,000	100*	British Virgin Islands	Investment holding
Good Chain Investment Limited	HK$1,364,293,351	100*	Hong Kong	Investment holding
HEI Leting Limited	HK$1	100*	Hong Kong	Investment holding
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hon King Development Limited	HK$5,238,963,067	100	Hong Kong	Investment holding
Hong Kong Electric International Finance (Australia) Pty Ltd	A$71,686,777	100*	Australia	Financing
Hongkong Electric (Natural Gas) Limited	US$1	100	British Virgin Islands	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$1	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK$1,283,443,709	100*	Hong Kong	Financing
Kind Eagle Investment Limited	HK$666,553,298	100	Hong Kong	Investment holding
More Advance Development Limited	HK$331,801,191	100*	Hong Kong	Investment holding and financing
Ocean Dawn Investments Limited	US$1	100	British Virgin Islands	Investment holding

* Indirectly held

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Optimal Glory Limited	US$1	100*	British Virgin Islands/ Hong Kong	Investment holding
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAH Canadian Midstream Assets Inc.	C$866,276	100*	Canada	Investment holding
PAH Canadian Midstream Assets Holdings Inc.	C$350,653,501	100*	Canada	Investment holding
PAH Gas Infrastructure Limited	GBP330,420,782	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
PAI Tap Limited S.A.	C$70,161,538	100*	Belgium	Investment holding
Power Assets Investments Limited	US$50,901	100	British Virgin Islands	Investment holding
Precious Glory Limited	HK$7,083,364,747	100*	Hong Kong	Investment holding and financing
Premier Zone Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Quickview Limited	US$1	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$1	100*	British Virgin Islands	Property holding
Sparkle Gain Investment Limited	HK$5,238,963,067	100*	Hong Kong	Investment holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Financing
Well Joint Investment Limited	HK$2,457,616,097	100*	Hong Kong	Investment holding

* Indirectly held

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2016 which principally affected the results or assets of the Group:

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Australian Gas Networks Limited (note (a))	A$879,082,753	27.51%	Australia	Gas distribution	Equity
AVR-Afvalverwerking B.V. (note (b))	EUR1	20%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc. (note (c))	C$139,000,000 Ordinary shares C$23,000,000 Preferred shares	50%	Canada	Electricity generation	Equity
Electricity First Limited (note (d))	GBP4	50%	United Kingdom	Electricity generation	Equity
Guangdong Zhuhai Jinwan Power Company Limited (note (e))	RMB822,250,000 and US$83,340,993	45%	People's Republic of China	Electricity generation	Equity
Guangdong Zhuhai Power Station Company Limited (note (f))	RMB1,765,000,000 and US$166,000,000	45%	People's Republic of China	Electricity generation	Equity
Husky Midstream Limited Partnership (note (g))	C$1,153,845,000 Class A units C$621,301,154 Class B units C$1,776,923 General Partnership Interest	48.75%	Canada	Oil pipelines, storage facilities and anciliary assets operation	Equity
Iberwind–Desenvolvimento e Projectos, S.A. (note (h))	EUR50,000	50%	Portugal	Generation and sale of wind energy	Equity
Northern Gas Networks Holdings Limited (note (i))	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited (note (j))	A$7,888,350	50%	Australia	Electricity transmission	Equity
Transmission Operations (Australia) 2 Pty Limited (note (j))	A$11,102,000	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited (note (k))	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 (l))	GBP290,272,506	30%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited (note (m))	NZ$172,000,100	50%	New Zealand	Electricity distribution	Equity

Notes:

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

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

(c) Canadian Power Holdings Inc. holds a 49.99% partnership interest in TransAlta Cogeneration L.P. which 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.

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

(e) Guangdong Zhuhai Jinwan Power Company Limited ("Jinwan Power") owns and operates power plants in the People's Republic of China.

(f) Guangdong Zhuhai Power Station Company Limited ("Zhuhai Power") owns and operates power plants in the People's Republic of China.

(g) Husky Midstream Limited Partnership was established in 2016 to assume ownership of midstream pipeline and terminal assets in the Lloydminster region of Alberta and Saskatchewan, Canada. Its asset portfolio includes oil pipeline, storage facilities and other ancillary assets.

(h) Iberwind–Desenvolvimento e Projectos, S.A. is owned by Portugal Renewable Energy–PTRW, Unipessoal Lda., which is engaged in generation and sale of wind energy from wind power in Portugal.

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

(j) Australian Energy Operations Pty Ltd (formerly known as "Transmission General Holdings (Australia) Pty Limited") is the holding company of Transmission Operations (Australia) Pty Limited and Transmission Operations (Australia) 2 Pty Limited, which businesses include the design, build, own and operate transmission lines and associate terminal stations to transport the electricity generated from the Mt. Mercer Wind Farm and the Ararat Wind Farm in Victoria to the main power grid.

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

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

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

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2016 which principally affected the results or assets of the Group:

Name of associate	Issued share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
HK Electric Investments and HK Electric Investments Limited (note (a))	8,836,200,000 share stapled units being the combination of 8,836,200,000 Units, HK$4,418,100 Ordinary shares and HK$4,418,100 Preference shares	33.37%	Cayman Islands/ Hong Kong	Investment holding	Equity
Huaneng Hongkong Electric Dali Wind Power Company Limited (note (b))	RMB150,690,000	45%	People's Republic of China	Electricity generation	Equity
Huaneng Laoting Wind Power Company Limited (note (c))	RMB185,280,000	45%	People's Republic of China	Electricity generation	Equity
Ratchaburi Power Company Limited (note (d))	THB7,325,000,000	25%	Thailand	Electricity generation	Equity
SA Power Networks Partnership (note (e))	N/A	27.93%	Australia	Electricity distribution	Equity
Secan Limited	HK$10	20%	Hong Kong	Property development	Equity
Victoria Power Networks Pty Limited (note (f))	A$315,498,640	27.93%	Australia	Electricity distribution	Equity

Notes:

(a) HK Electric Investments and HK Electric Investments Limited collectively ("HKEI") holds 100% of The Hongkong Electric Company, Limited ("HK Electric"). HK Electric is responsible for the generation, transmission, distribution and supply of electricity to Hong Kong and Lamma Islands.

(b) 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.

(c) 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.

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

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

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

Five-Year Group Profit Summary

HK$ million	**2016**	2015	2014	2013 Restated	2012 Restated
Revenue (Note)	**1,288**	1,308	2,131	11,578	11,808
Operating profit	**252**	1,238	54,571	6,057	6,476
Finance costs	**(248)**	(264)	(434)	(692)	(648)
Share of profits less losses of joint ventures and associates	**6,401**	6,747	6,961	6,226	4,665
Profit before taxation	**6,405**	7,721	61,098	11,591	10,493
Income tax	**12**	11	(13)	(814)	(835)
Profit after taxation	**6,417**	7,732	61,085	10,777	9,658
Scheme of Control transfers	**–**	–	(80)	388	71
Profit attributable to equity shareholders of the Company	**6,417**	7,732	61,005	11,165	9,729

Note: Revenue is restated to reflect the change in principal activities upon the spin-off of the Group's Hong Kong electricity business in January 2014.

Five-Year Group Statement of Financial Position

HK$ million	**2016**	2015	2014	2013	2012
Property, plant and equipment and leasehold land	**29**	30	32	49,122	49,298
Interest in joint ventures and associates	**66,941**	66,548	74,066	44,611	41,511
Other non-current financial assets	**67**	67	67	67	67
Other non-current assets	**869**	170	8	943	949
Net current assets	**59,230**	66,424	59,401	5,542	411
Total assets less current liabilities	**127,136**	133,239	133,574	100,285	92,236
Non-current liabilities	**(8,725)**	(9,642)	(10,486)	(30,808)	(28,774)
Rate Reduction Reserve	**–**	–	–	(3)	(2)
Tariff Stabilisation Fund	**–**	–	–	(36)	(425)
Net assets	**118,411**	123,597	123,088	69,438	63,035
Share capital	**6,610**	6,610	6,610	2,134	2,134
Reserves	**111,801**	116,987	116,478	67,304	60,901
Capital and reserves	**118,411**	123,597	123,088	69,438	63,035

CORPORATE INFORMATION

Board of Directors

Executive Directors

FOK Kin Ning, Canning *(Chairman)*
TSAI Chao Chung, Charles *(Chief Executive Officer)*
CHAN Loi Shun
Andrew John HUNTER
Neil Douglas MCGEE
WAN Chi Tin

Non-executive Directors

LI Tzar Kuoi, Victor
Frank John SIXT
(Resigned with effect from 1 January 2017)

Independent Non-executive Directors

IP Yuk-keung, Albert
Ralph Raymond SHEA
WONG Chung Hin
WU Ting Yuk, Anthony

Audit Committee

WONG Chung Hin *(Chairman)*
IP Yuk-keung, Albert
Ralph Raymond SHEA

Remuneration Committee

WONG Chung Hin *(Chairman)*
FOK Kin Ning, Canning
Ralph Raymond SHEA

Company Secretary

Alex NG

Principal Bankers

Bank of China (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Ltd.

Auditor

KPMG

Website

www.powerassets.com

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Share Registrar

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

ADR (Level 1 Programme) Depositary

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

Investor Relations

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Ivan CHAN *(Chief Financial Officer)*

For other investors, please contact:
Alex NG *(Company Secretary)*

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10 Harcourt Road, Hong Kong

FINANCIAL CALENDAR AND SHARE INFORMATION

Financial Calendar

Interim Results Announcement	28 July 2016
Annual Results Announcement	21 March 2017
Annual Report Despatch Date	On or before 31 March 2017
Closure of Register of Members – Annual General Meeting	5 May 2017 to 10 May 2017 (both days inclusive)
Annual General Meeting	10 May 2017
Ex-dividend Date	15 May 2017
Record Date for Final Dividend	16 May 2017
Dividend per Share	
Interim : HK$0.70	7 September 2016
Special Interim : HK$5.00	28 February 2017
Final : HK$2.02	25 May 2017

Share Information

Board Lot	500 shares
Market Capitalisation as at 31 December 2016	HK$145,877 million
Ordinary Share to ADR ratio	1:1

Stock Codes

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

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

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

Shareholders may at any time change their choice of language of all future corporate communications, or choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong or to the share registrar, Computershare Hong Kong Investor Services Limited at the address above-mentioned or by emailing to the Company's email address at mail@powerassets.com.

Power Assets Holdings Ltd.
電能實業有限公司

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