

# Financial Summary

## Commentary on the Consolidated Profit and Loss Account and Balance Sheet

Consolidated Profit and Loss Account	2007 HK\$M	2006 HK\$M	Increase/ (Decrease) HK\$M	%	Commentary
Turnover	<b>12,524</b>	12,181	343	2.8	The increase is mainly due to higher electricity sales and no special rebate in 2007.
Other Revenue and Other Net Income	<b>1,547</b>	1,044	503	48.2	The increase is mainly due to an actuarial adjustment to retirement scheme and higher interest income from cash deposits partly offset by classification of the investment in Northern Gas Networks Limited as an associate with effect from 2007 with its income accounted for under the equity method.
Direct and Other Operating Costs	<b>5,202</b>	4,891	311	6.4	The increase is mainly due to higher Government rates and depreciation.
Finance Costs	<b>634</b>	420	214	51.0	The increase is mainly due to less interest capitalised and higher interest rates.
Share of Profits less Losses of Associates	<b>524</b>	229	295	128.8	The increase is mainly due to higher earnings from the Australian electricity businesses and share of earnings from Northern Gas Networks Limited.
Income Tax	<b>1,296</b>	1,301	(5)	-0.4	The decrease is mainly due to reversal of over-provision of income tax in prior years.
Scheme of Control Transfers	<b>15</b>	–	15	–	Scheme of Control (“SOC”) Transfers are calculated in accordance with the SOC Agreement.
<b>Profit Attributable to Equity Shareholders</b>					
– Hong Kong Operations	<b>6,727</b>	6,173	554	9.0	The increase is mainly due to higher electricity sales, no special rebate, actuarial adjustment to retirement scheme and higher interest income from cash deposits partly offset by higher costs.
– International Operations	<b>721</b>	669	52	7.8	The increase is mainly due to higher earnings from the Australian electricity businesses and a stronger Australian dollar.
<b>Profit for the Year</b>	<b>7,448</b>	6,842	606	8.9	

Consolidated Balance Sheet	2007 HK\$M	2006 HK\$M	Increase/ (Decrease) HK\$M	%	Commentary
<b>Fixed Assets</b>	<b>46,058</b>	46,496	(438)	-0.9	The Group's capital expenditure for 2007 amounted to HK\$1,747 million, invested principally in generation, transmission and distribution assets. Depreciation and amortisation charges for the year were HK\$2,144 million. Total disposals of fixed assets amounted to HK\$41 million (net book value).
<b>Interest in Associates</b>	<b>9,071</b>	6,339	2,732	43.1	The increase is mainly due to classification of the investment in Northern Gas Networks Limited as an associate from 2007 instead of as available-for-sale investment, a stronger Australian dollar and the acquisition of new investments.
<b>Other Assets</b>	<b>15,546</b>	14,944	602	4.0	The increase is mainly due to higher cash deposits and employee retirement benefit assets partly offset by reclassification of the investment in Northern Gas Networks Limited as an associate from 2007.
<b>Bank Loans and Other Borrowings</b>	<b>13,495</b>	14,689	(1,194)	-8.1	The decrease is mainly due to less financing requirements for the Hong Kong electricity business.
<b>Current and Deferred Taxation</b>	<b>5,868</b>	5,983	(115)	-1.9	The decrease is mainly due to settlement of provisional profits tax in 2007.
<b>Other Liabilities</b>	<b>3,193</b>	3,022	171	5.7	The increase is mainly due to the higher employee retirement benefit liabilities and customers' deposits balance.
<b>Development Fund and Rate Reduction Reserve</b>	<b>15</b>	-	15	-	The balances are calculated in accordance with the SOC Agreement.
<b>Net Assets</b>	<b>48,104</b>	44,085	<b>4,019</b>	9.1	
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<b>Net Gains Not Recognised in Consolidated Profit and Loss Account</b>			<b>519</b>		Exchange differences arising on the translation of the Group's investment in overseas subsidiaries and associates, cash flow hedge derivative financial instruments and actuarial gains and losses on employee retirement schemes which were credited directly to reserves.
			↑		
<b>Dividends Paid</b>			<b>(3,948)</b>		Previous year's final dividend and current year's interim dividend, which were approved and paid during 2007.
			↑		
<b>Profit for the Year</b>			<b>7,448</b>		