



港燈

HK Electric

(Stock Code:6)

Interim Report 2009

Hongkong Electric Holdings Ltd.

Consistency  
Commitment  
Growth

This is



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Shareholders may at any time choose to receive all future corporate communications either in printed form or through the Company's website by writing to the Company at its registered office, 44 Kennedy Road, Hong Kong or the share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by emailing to the Company's email address at [mail@heh.com](mailto:mail@heh.com).

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Canning Fok Kin-ning (*Chairman*)  
Tso Kai-sum (*Group Managing Director*)  
Susan Chow Woo Mo-fong\*  
Andrew John Hunter  
Kam Hing-lam  
Victor Li Tzar-kuoi  
Neil Douglas McGee (*Group Finance Director*)  
Frank John Sixt  
Wan Chi-tin (*Director of Engineering (Planning & Development)*)  
Yuen Sui-see (*Director of Operations*)  
Chan Loi-shun (*Alternate Director to Kam Hing-lam*)

#### Non-executive Directors

Ronald Joseph Arculli  
Francis Lee Lan-yeo  
George Colin Magnus

#### Independent Non-executive Directors

Holger Kluge  
Ralph Raymond Shea  
Wong Chung-hin

\* Also Alternate Director to Canning Fok Kin-ning and Frank John Sixt

### Audit Committee

Wong Chung-hin (*Chairman*)  
Ronald Joseph Arculli  
Holger Kluge  
Ralph Raymond Shea

### Remuneration Committee

Canning Fok Kin-ning (*Chairman*)  
Ralph Raymond Shea  
Wong Chung-hin

### Company Secretary

Lillian Wong

### Registered Office

44 Kennedy Road, Hong Kong  
Telephone : 2843 3111 Facsimile : 2537 1013  
E-mail : mail@heh.com Website : www.heh.com

### Banker

The Hongkong and Shanghai Banking Corporation Limited

### Solicitors

JSM

### Auditors

KPMG

### Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

### Stock Codes

The Stock Exchange of Hong Kong Limited : 6  
Bloomberg : 6:HK  
Reuters : 0006.HK

### ADR Depositary

Citibank, N.A.  
Shareholder Services  
P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.

## KEY DATES

#### Interim Results Announcement

5th August 2009

#### Closure of Register of Members

7th September 2009 to 14th September 2009  
(both days inclusive)

#### Payment of Interim Dividend (HK\$0.62 per share)

15th September 2009

## **CHAIRMAN'S STATEMENT**

### **Half Year Results**

The Group's unaudited consolidated net profit, after tax and Scheme of Control transfers, for the first six months of 2009 was HK\$2,668 million, a decrease of 15.9% over the same period last year. Earnings from the Group's Hong Kong operations were HK\$1,785 million (2008: HK\$2,747 million). The lower Hong Kong earnings were primarily due to The Hongkong Electric Company, Limited (HEC) lower rate of permitted return and lower Hongkong Electric Holdings Limited deposit interest income. Earnings from the Group's operations outside Hong Kong for the period were HK\$883 million compared with HK\$424 million for the same period in 2008. The higher first half 2009 earnings from operations outside Hong Kong reflected a full six months operating results from the Ratchaburi power station in Thailand, the increased interest in Northern Gas Networks in the U.K., the inclusion of earnings from Wellington Electricity in New Zealand and to the contribution from the power station investments in Mainland China which were acquired in April this year.

### **Interim Dividend**

The Directors have today declared an interim dividend for 2009 of HK\$0.62 (2008: HK\$0.62) per share. The dividend will be payable on 15th September 2009, to shareholders whose names appear in the Company's register of members on 14th September 2009.

### **Hong Kong Operations**

HEC unit sales of electricity for the first six months of 2009 were marginally lower (-0.6%) than that recorded for the first six months of 2008. The lower unit sales were primarily due to warmer weather in January as compared with January last year and to the effect of various energy saving initiatives.

Emission reduction work at the Lamma power station continued during the first half of 2009. The Unit 5 flue gas desulphurisation (FGD) unit has been completed and commenced commercial operation at the beginning of July. Work on the Unit 4 FGD is well underway while civil work for the Unit 2 FGD has been completed. Retrofit of the low nitrogen oxide burner for Unit 5 has been completed while site modification and retrofit work for the Unit 4 burner is expected to start in September. The last of the FGD and low nitrogen oxide burner works is expected to be completed in the second quarter of 2010 by which time over 95% of the electricity generated at the Lamma power station will be either generated by gas or by coal fired units fitted with FGD's and low nitrogen oxide burners.

## **CHAIRMAN'S STATEMENT** *(Continued)*

Work on preparation of Environmental Impact Assessment (EIA) reports for a proposed 100 MW offshore wind farm is nearing completion with the target of submitting the EIA report to the Government later in the year.

System development and reliability work continued with upgrading work for the 275 kV and 132 kV cable networks as well as work on substation upgrading. The Marsh Road substation has been completed its design having incorporated environment friendly features.

During the first six months of 2009, HEC maintained its supply reliability at 99.999% continuing its strong record of world class supply reliability and met all of its stated customer service standards.

HEC six month results for 2009 are its first results under the new Scheme of Control agreement (SOC) which commenced on 1st January 2009. The new SOC is for a term of ten years with provision for extension for a further five years and provides for a rate of permitted return on average net fixed assets of 9.99% with the return for renewable energy assets set at 11%. While HEC's earnings have been impacted by the lower rate of permitted return under the new SOC, shareholders will have the benefit of the certainty and stability of a long term regulatory framework for HEC which the new SOC provides.

### **Operations Outside Hong Kong**

The Group now has interests in businesses in Mainland China, Australia, New Zealand, Thailand, Canada and the U.K. All of these businesses performed satisfactorily during the first half of 2009. The significant increase in earnings from operations outside Hong Kong for the first six months of 2009 compared with the same period in 2008 was primarily due to the inclusion of results from the Wellington Electricity business in New Zealand, a full six months operations of the Thai power station business, the increased interest in Northern Gas Networks and the results of the Mainland China power station interests which have performed ahead of our expectations since their acquisition in April 2009.

## **Outlook**

In Hong Kong we expect the level of electricity sales in 2009 to be substantially the same as that recorded for 2008. While coal prices have fallen from very high levels reached during 2008 they have not returned to the lower levels seen in previous years and will continue to pressure fuel costs. Emission reduction work at the Lamma power station will remain HEC's main priority during the remainder of 2009.

The benefit of our strategy of growing our earnings base from operations outside Hong Kong was reflected in the first half 2009 results with the higher contribution from our operations outside Hong Kong offsetting in part the impact of the lower rate of permitted return on HEC earnings in Hong Kong. We will continue to look for investment opportunities outside Hong Kong.

I would like to thank the board and the Group's employees for their support and hard work during the period.

**Canning Fok Kin-ning**

*Chairman*

Hong Kong, 5th August 2009

## **FINANCIAL REVIEW**

### **Capital Expenditure, Liquidity and Financial Resources**

Capital expenditure during the period amounted to HK\$727 million (2008: HK\$714 million), which was primarily funded by cash from operations. Total external borrowings outstanding at 30th June 2009 were HK\$12,684 million (31st December 2008: HK\$10,667 million), comprising unsecured bank loans and debt securities in issue. In addition, the Group had undrawn committed bank facilities of HK\$5,394 million (31st December 2008: HK\$7,450 million) and bank deposits and cash of HK\$4,128 million (31st December 2008: HK\$8,962 million).

### **Treasury Policies, Financing Activities and Capital Structure**

The Company 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. The Company aims to ensure that adequate financial resources are available for refinancing and business growth whilst managing the Group's currency, interest rates and counterparty credit risks.

As at 30th June 2009, the net debt of the Group was HK\$8,556 million (31st December 2008: HK\$1,705 million) with a net debt-to-equity ratio of 18% (31st December 2008: 4%).

The profile of the Group's external borrowings, after taking into account of interest rate swaps was as follows:

- (1) 70% were in Hong Kong dollars and 30% in Australian dollars;
- (2) 78% were bank loans and 22% were capital market instruments;
- (3) 7% were repayable within 1 year, 75% were repayable between 2 and 5 years and 18% were repayable beyond 5 years;
- (4) 52% were in fixed rate and 48% were in floating rate.



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 credit risk exposure.

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 or floating rate borrowings or by using interest rate derivatives. As at 30th June 2009, 52% of the Group's total borrowings were fixed rate.

The Group's principal foreign currency exposures arise from its overseas investments and from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward contracts. As at 30th June 2009, over 95% of the Group's transaction exposure was either denominated in US dollars or hedged into Hong Kong or US dollars. Where considered appropriate, currency exposure arising from overseas investments is mitigated by financing those investments in local currency borrowings. Foreign currency fluctuations will affect the translated value of the net assets of overseas investments and the resultant translation difference is included in the Group's reserve account.

The contractual notional amounts of derivative financial instruments outstanding at 30th June 2009 amounted to HK\$7,180 million (31st December 2008: HK\$7,763 million).

### **Charges on Group Assets**

The shares of an associate were pledged as part of the security arrangements for project financing facilities for that associate. The carrying value of the associate as at 30th June 2009 was HK\$645 million (31st December 2008: HK\$552 million).

### **Contingent Liabilities**

As at 30th June 2009, the Group had given guarantees and indemnities totalling HK\$1,588 million (31st December 2008: HK\$1,262 million).

## **FINANCIAL REVIEW** *(Continued)*

### **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 six months ended 30th June 2009, excluding directors' emoluments, amounted to HK\$451 million (30th June 2008: HK\$446 million). As at 30th June 2009, the Group employed 1,863 (30th June 2008: 1,870) permanent employees. No share option scheme is in operation.

The Group provides training for employees in management and functional skills, language skills, computer knowledge and technology relevant to the Group's industry through both classroom training and e-learning platforms. Training schemes for university graduates, trainee technicians and apprentices and other job-related programmes are also provided to employees to develop and enhance their skills and abilities.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2009

	Note	Six months ended 30th June	
		2009	2008
		HK\$ million	HK\$ million
<b>Turnover</b>	4	<b>4,718</b>	5,878
Direct costs		<u>(1,834)</u>	<u>(2,071)</u>
		<b>2,884</b>	3,807
Other revenue and net income		<b>387</b>	538
Other operating costs		<b>(398)</b>	(496)
Finance costs		<u>(152)</u>	<u>(253)</u>
<b>Operating profit</b>		<b>2,721</b>	3,596
Share of profits less losses of associates		<b>429</b>	294
Share of profits less losses of jointly controlled entities		<u>180</u>	<u>—</u>
<b>Profit before taxation</b>	5	<b>3,330</b>	3,890
Income tax	6	<u>(384)</u>	<u>(227)</u>
<b>Profit after taxation</b>		<b>2,946</b>	3,663
Scheme of Control transfers to:	7		
Tariff Stabilisation Fund		<u>(278)</u>	<u>(492)</u>
Rate Reduction Reserve		<u>—</u>	<u>—</u>
		<u>(278)</u>	<u>(492)</u>
<b>Profit attributable to equity shareholders of the Company</b>			
Hong Kong operations		<u>1,785</u>	<u>2,747</u>
Operations outside Hong Kong		<u>883</u>	<u>424</u>
<b>Profit for the period</b>		<u><b>2,668</b></u>	<u>3,171</u>
<b>Earnings per share</b>			
— basic and diluted	8	<b>HK\$1.25</b>	HK\$1.49

The notes on pages 13 to 22 form part of this unaudited interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30th June 2009*

	Six months ended 30th June	
	2009	2008
	HK\$ million	HK\$ million
<b>Profit for the period</b>	<b>2,668</b>	<b>3,171</b>
<b>Other comprehensive income for the period (after tax):</b>		
Exchange differences on translation of financial statements of:		
Subsidiaries	525	47
Associates/Jointly Controlled Entities	274	177
	<b>799</b>	<b>224</b>
Cash flow hedge:		
Effective portion of changes in fair value	331	58
Transferred to income statement	—	(4)
Transferred to initial carrying amount of hedged items	4	(2)
Deferred tax	(90)	(18)
	<b>245</b>	<b>34</b>
Defined benefit retirement schemes:		
Actuarial gains/(losses)	147	(394)
Deferred tax	(42)	56
	<b>105</b>	<b>(338)</b>
	<b>1,149</b>	<b>(80)</b>
<b>Total comprehensive income for the period</b>	<b>3,817</b>	<b>3,091</b>
<b>Total comprehensive income attributable to equity shareholders of the Company</b>	<b>3,817</b>	<b>3,091</b>

The notes on pages 13 to 22 form part of this unaudited interim financial report.

## UNAUDITED CONSOLIDATED BALANCE SHEET

At 30th June 2009

	Note	(Unaudited) 30th June 2009 HK\$ million	(Audited) 31st December 2008 HK\$ million
<b>Non-current assets</b>			
Fixed assets			
— Property, plant and equipment		41,832	41,711
— Assets under construction		2,277	2,510
— Interests in leasehold land held for own use under operating leases		<u>2,238</u>	<u>2,267</u>
	9	<u>46,347</u>	46,488
Interest in associates		11,919	9,921
Interest in jointly controlled entities		5,095	159
Other non-current financial assets		726	66
Derivative financial instruments		31	29
Deferred tax assets		<u>8</u>	<u>11</u>
		<u>64,126</u>	<u>56,674</u>
<b>Current assets</b>			
Inventories		634	659
Trade and other receivables	10	1,466	1,147
Fuel Clause Recovery Account		855	998
Current tax assets		30	8
Bank deposits and cash	11	<u>4,128</u>	<u>8,962</u>
		<u>7,113</u>	<u>11,774</u>
<b>Current liabilities</b>			
Trade and other payables	12	(892)	(1,173)
Current portion of bank loans and other borrowings		(895)	(1,687)
Current tax liabilities		<u>(268)</u>	<u>(196)</u>
		<u>(2,055)</u>	<u>(3,056)</u>
<b>Net current assets</b>		<u>5,058</u>	<u>8,718</u>
<b>Total assets less current liabilities</b>		<u>69,184</u>	<u>65,392</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		(11,789)	(8,980)
Derivative financial instruments		(81)	(110)
Customers' deposits		(1,665)	(1,634)
Deferred tax liabilities		(5,546)	(5,479)
Employee retirement benefit liabilities		<u>(1,536)</u>	<u>(1,537)</u>
		<u>(20,617)</u>	<u>(17,740)</u>
<b>Rate Reduction Reserve</b>		<u>(14)</u>	<u>(14)</u>
<b>Tariff Stabilisation Fund</b>		<u>(589)</u>	<u>(311)</u>
<b>Net Assets</b>		<u>47,964</u>	<u>47,327</u>
<b>Capital and Reserves</b>			
Share capital	13	2,134	2,134
Reserves		<u>45,830</u>	<u>45,193</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>47,964</u>	<u>47,327</u>

The notes on pages 13 to 22 form part of this unaudited interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2009

HK\$ million	Attributable to Equity Shareholders of the Company						Total Equity
	Share Capital	Share Premium	Exchange Reserve	Hedging Reserve	Revenue Reserve	Proposed/ Declared Dividend	
Balance at 1st January 2008	2,134	4,476	655	232	37,555	3,052	48,104
Changes in equity for the six months ended 30th June 2008:							
Total comprehensive income for the period	—	—	224	34	2,833	—	3,091
Final dividend in respect of the previous year approved and paid	—	—	—	—	—	(3,052)	(3,052)
Interim dividend ( <i>see note 14</i> )	—	—	—	—	(1,323)	1,323	—
Balance at 30th June 2008	<u>2,134</u>	<u>4,476</u>	<u>879</u>	<u>266</u>	<u>39,065</u>	<u>1,323</u>	<u>48,143</u>
Balance at 1st January 2009	2,134	4,476	(609)	(481)	38,627	3,180	47,327
Changes in equity for the six months ended 30th June 2009:							
Total comprehensive income for the period	—	—	799	245	2,773	—	3,817
Final dividend in respect of the previous year approved and paid	—	—	—	—	—	(3,180)	(3,180)
Interim dividend ( <i>see note 14</i> )	—	—	—	—	(1,323)	1,323	—
Balance at 30th June 2009	<u>2,134</u>	<u>4,476</u>	<u>190</u>	<u>(236)</u>	<u>40,077</u>	<u>1,323</u>	<u>47,964</u>

The notes on pages 13 to 22 form part of this unaudited interim financial report.

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2009

	Six months ended 30th June	
	2009	2008
	HK\$ million	HK\$ million
Net cash generated from operating activities	3,081	4,005
Net cash (used in)/from investing activities	(4,393)	3,171
Net cash used in financing activities	<u>(1,750)</u>	<u>(2,552)</u>
Net (decrease)/increase in cash and cash equivalents	(3,062)	4,624
Cash and cash equivalents at 1st January	7,135	8,078
Effect of foreign exchanges rates changes	<u>(31)</u>	<u>—</u>
Cash and cash equivalents at 30th June	<u><b>4,042</b></u>	<u><b>12,702</b></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and cash equivalents	4,042	12,703
Bank overdrafts — unsecured	<u>—</u>	<u>(1)</u>
	<u><b>4,042</b></u>	<u><b>12,702</b></u>

The notes on pages 13 to 22 form part of this unaudited interim financial report.

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

*(Expressed in Hong Kong Dollars)*

### **1. Review of Unaudited Interim Financial Report**

This unaudited interim financial report has been reviewed by the Audit Committee.

### **2. Basis of Preparation**

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual audited financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2008 annual audited financial statements. The condensed consolidated interim unaudited financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31st December 2008 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory audited financial statements for the year ended 31st December 2008 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17th March 2009.



### 3. Changes in Accounting Policies

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

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*

Certain of the changes to HKFRSs which are effective for the current accounting period comprise a number of minor amendments to a range of HKFRSs and the amendments to HKAS 23 and have had no material impact on the Group's unaudited interim financial report as the amendments were consistent with policies already adopted by the Group. The amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of the changes on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise then in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this unaudited interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

#### 4. Turnover and Segmental Reporting

The analyses of the principal activities of the operations of the Group during the financial period are as follows:

\$ million	2009			Total
	Sales of Electricity	Infrastructure Investments	All Other Segments	
<b>For the six months ended 30th June</b>				
<b>Revenue</b>				
Group turnover	4,700	—	18	4,718
Other revenue and net income	14	2	1	17
<b>Reportable segment revenue</b>	<b>4,714</b>	<b>2</b>	<b>19</b>	<b>4,735</b>
<b>Result</b>				
Segment earnings	3,274	(6)	27	3,295
Depreciation and amortization	(792)	—	—	(792)
Interest income	—	324	46	370
Finance costs	(43)	(109)	—	(152)
Operating profit	2,439	209	73	2,721
Share of profits less losses of associates/jointly controlled entities	—	608	1	609
Profit before taxation	2,439	817	74	3,330
Income tax	(407)	17	6	(384)
Profit after taxation	2,032	834	80	2,946
Scheme of Control transfers	(278)	—	—	(278)
<b>Reportable segment profit</b>	<b>1,754</b>	<b>834</b>	<b>80</b>	<b>2,668</b>
<b>At 30th June</b>				
<b>Reportable segment assets</b>	<b>49,245</b>	<b>17,843</b>	<b>4,151</b>	<b>71,239</b>
<b>Reportable segment liabilities</b>	<b>(18,990)</b>	<b>(3,945)</b>	<b>(340)</b>	<b>(23,275)</b>

#### 4. Turnover and Segmental Reporting (Continued)

\$ million	2008			Total
	Sales of Electricity	Infrastructure Investments	All Other Segments	
<b>For the six months ended 30th June</b>				
<b>Revenue</b>				
Group turnover	5,855	—	23	5,878
Other revenue and net income	14	7	13	34
<b>Reportable segment revenue</b>	<b>5,869</b>	<b>7</b>	<b>36</b>	<b>5,912</b>
<b>Result</b>				
Segment earnings	4,358	7	(6)	4,359
Depreciation and amortization	(1,013)	(1)	—	(1,014)
Interest income	—	308	196	504
Finance costs	(88)	(165)	—	(253)
Operating profit	3,257	149	190	3,596
Share of profits less losses of associates/jointly controlled entities	—	293	1	294
Profit before taxation	3,257	442	191	3,890
Income tax	(232)	6	(1)	(227)
Profit after taxation	3,025	448	190	3,663
Scheme of Control transfers	(492)	—	—	(492)
<b>Reportable segment profit</b>	<b>2,533</b>	<b>448</b>	<b>190</b>	<b>3,171</b>
<b>At 31st December</b>				
<b>Reportable segment assets</b>	<b>49,309</b>	<b>10,156</b>	<b>8,983</b>	<b>68,448</b>
<b>Reportable segment liabilities</b>	<b>(17,474)</b>	<b>(3,341)</b>	<b>(306)</b>	<b>(21,121)</b>

## 5. Profit before Taxation

	<b>Six months ended 30th June</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$ million</b>	<b>\$ million</b>
Profit before taxation is shown after charging/(crediting):		
Finance costs		
Interest on borrowings	181	305
Less: interest capitalised to fixed assets	(22)	(46)
interest transferred to fuel cost	(7)	(6)
	<b>152</b>	<b>253</b>
Depreciation		
Depreciation charges for the period	815	1,041
Less: depreciation capitalised	(52)	(56)
	<b>763</b>	<b>985</b>
Amortisation of leasehold land	29	29
Net profit on disposal of fixed assets	<b>1</b>	<b>1</b>

## 6. Income Tax

	<b>Six months ended 30th June</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$ million</b>	<b>\$ million</b>
<b>Current Tax</b>		
The Company and its subsidiaries — Hong Kong	334	475
— Overseas	(17)	(5)
	<b>317</b>	<b>470</b>
<b>Deferred Tax</b>		
The Company and its subsidiaries — Hong Kong		
Origination and reversal of temporary differences	67	67
Effect of decrease in tax rate on deferred tax balances at 1st January	—	(310)
	<b>67</b>	<b>(243)</b>
<b>Total</b>	<b>384</b>	<b>227</b>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30th June 2009. Taxation for overseas subsidiaries is similarly calculated using tax rates applicable in the relevant countries.

## 7. Scheme of Control Transfers

The Scheme of Control transfers are mid-year notional transfers. The actual Scheme of Control transfers can only be determined in accordance with the Scheme of Control at the year end.

## 8. Earnings per Share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,668 million (six months ended 30th June 2008: \$3,171 million) and 2,134,261,654 ordinary shares (2008: 2,134,261,654 ordinary shares) in issue during the interim period.

## 9. Fixed Assets

During the six months ended 30th June 2009, the Group acquired items of property, plant and machinery with a cost of \$727 million (six months ended 30th June 2008: \$714 million). Items of property, plant and machinery with a net book value of \$24 million were disposed of during the six months ended 30th June 2009 (six months ended 30th June 2008: \$18 million).

## 10. Trade and Other Receivables

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<b>30th June 2009 \$ million</b>	31st December 2008 \$ million
Current	<b>758</b>	625
1 to 3 months overdue	<b>20</b>	31
More than 3 months overdue but less than 12 months overdue	<b>6</b>	14
Trade debtors	<b>784</b>	670
Other receivables	<b>564</b>	444
	<b>1,348</b>	1,114
Other financial assets	<b>76</b>	—
Derivative financial instruments	<b>15</b>	2
Deposit and prepayments	<b>27</b>	31
	<b>1,466</b>	1,147

Electricity bills issued to domestic, small industrial, commercial and miscellaneous customers of electricity supplies are due upon presentation whereas maximum demand customers are allowed a credit period of 16 working days. If settlements by maximum demand customers are received after the credit period, The Hongkong Electric Company, Limited is entitled to add a surcharge of 5% to the respective bills.

## 11. Bank Deposits and Cash

	<b>30th June 2009 \$ million</b>	31st December 2008 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed Cash at bank and in hand	<b>4,019</b> <b>23</b>	7,104 31
Cash and cash equivalents for the purpose of cash flow statement	<b>4,042</b>	7,135
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	<b>86</b>	1,827
	<b>4,128</b>	8,962

## 12. Trade and Other Payables

	<b>30th June 2009 \$ million</b>	31st December 2008 \$ million
Due within 1 month or on demand	<b>244</b>	572
Due after 1 month but within 3 months	<b>141</b>	247
Due after 3 months but within 12 months	<b>503</b>	342
	<b>888</b>	1,161
Derivative financial instruments	<b>4</b>	12
	<b>892</b>	1,173

### 13. Share Capital

	<b>Number of Shares</b>	<b>30th June 2009 \$ million</b>	<b>31st December 2008 \$ million</b>
Authorised:			
Ordinary shares of \$1 each	<u>3,300,000,000</u>	<u>3,300</u>	<u>3,300</u>
Issued and fully paid:			
Ordinary shares of \$1 each	<u>2,134,261,654</u>	<u>2,134</u>	<u>2,134</u>

There were no movements in the share capital of the Company during the period.

### 14. Interim Dividend

The interim dividend declared by the Board of Directors is as follows:

	<b>Six months ended 30th June</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$ million</b>	<b>\$ million</b>
Interim dividend of HK\$0.62 per share (2008: HK\$0.62 per share)	<u>1,323</u>	<u>1,323</u>

## 15. Commitments

The Group's outstanding commitments not provided for in the interim financial report were as follows:

	<b>30th June 2009</b>	31st December 2008
	<b>\$ million</b>	\$ million
Contracted for:		
Capital expenditure	<b>1,408</b>	1,263
Investment in associates/jointly controlled entities	<b>37</b>	37
Others	<b>—</b>	1
	<b><u>1,445</u></b>	<u>1,301</u>
Authorised but not contracted for:		
Capital expenditure	<b><u>11,002</u></b>	<u>11,821</u>

## 16. Contingent Liabilities

	<b>30th June 2009</b>	31st December 2008
	<b>\$ million</b>	\$ million
Financial guarantees issued in respect of banking facilities available to		
Associates	<b>969</b>	836
Jointly controlled entities	<b>399</b>	206
Other guarantees and indemnities	<b>220</b>	220
	<b><u>1,588</u></b>	<u>1,262</u>



## 17. Material Related Party Transactions

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

### (a) Shareholder

On 5th February 2009, the Company entered into an agreement with Cheung Kong Infrastructure Holdings Limited, a substantial shareholder holding approximately 38.87% of the issued shares of the Company, to purchase the entire issued share capital of Outram Limited, which held a 45% equity interest in three joint ventures owning power plants in the People's Republic of China. The consideration for the transaction was \$5,680 million. The transaction constituted a connected transaction for the Company. The acquisition was completed on 2nd April 2009.

### (b) Associates

Interest income received/receivable from associates in respect of the loans to associates amounted to \$308 million for the period (six months ended 30th June 2008: \$308 million). At 30th June 2009, the total outstanding interest bearing loan balances due from associates were \$6,022 million (at 31st December 2008: \$5,165 million).

### (c) Key Management Personnel Compensation

Remuneration for key management personnel, including amounts paid to the Company's directors, is as follows:

	Six months ended 30th June	
	2009	2008
	\$ million	\$ million
Short-term employee benefits	30	32
Post-employment benefits	2	2
	<u>32</u>	<u>34</u>

## **OTHER INFORMATION**

### **Closure of Register of Members**

The Board of Directors of the Company has declared on 5th August 2009 an interim dividend for 2009 of HK\$0.62 per share. The dividend will be paid on 15th September 2009 to shareholders whose names appear in the Company's register of members on 14th September 2009.

The register of members will be closed from Monday, 7th September 2009 to Monday, 14th September 2009, both days inclusive, for the purpose of ascertaining shareholders entitled to the interim dividend. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 4th September 2009.

### **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 six months ended 30th June 2009.

### **Code on Corporate Governance Practices**

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices 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 six months ended 30th June 2009.

### **Model Code for Securities Transactions by Directors**

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 six months ended 30th June 2009.

## Audit Committee

The Audit Committee of the Company comprises three Independent Non-executive Directors and one Non-executive Director. It is chaired by Mr. Wong Chung-hin and the other members are Messrs. Ronald Joseph Arculli, Holger Kluge and Ralph Raymond Shea.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review and supervision of the Group's financial reporting and internal control systems and the review of the Company's financial statements. It also meets regularly with the Company's external auditors to discuss the audit process and accounting issues. The terms of reference of the Audit Committee are published on the Company's website.

## Remuneration Committee

The Remuneration Committee of the Company comprises three members, two of whom are Independent Non-executive Directors. It is chaired by Mr. Canning Fok Kin-ning and the other members are Messrs. Ralph Raymond Shea and Wong Chung-hin.

The principal responsibilities of the Remuneration Committee include reviewing and considering the Company's policy for remuneration of Executive Directors and senior management, and determining their remuneration packages. The terms of reference of the Remuneration Committee are published on the Company's website.

## Changes in Information of Directors

The changes in the information of Directors since the publication of the 2008 annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

### Name of Director

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Canning Fok Kin-ning	Chairman and Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited*
Susan Chow Woo Mo-fong	Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited*
Holger Kluge	Ceased to be a Director of Husky Energy Inc. on 21st April 2009
Frank John Sixt	Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited*

\* Listed on the main board of The Stock Exchange of Hong Kong Limited on 8th May 2009.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## OTHER INFORMATION *(Continued)*

### Interests of Directors in Shares and Underlying Shares of the Company

At 30th June 2009, the interests of the Directors in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SF Ordinance”)) as recorded in the register required to be kept under Section 352 of the SF Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“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	Total	Approximate % of Shareholding
Francis Lee Lan-ye	Beneficial owner	Personal	739	739	≈0%
Yuen Sui-see	Beneficial owner	Personal	1,500	1,500	≈0%
Ronald Joseph Arculli	Interest of controlled corporation	Corporate	2,011	2,011	≈0%
Victor Li Tzar-kuoi	Interest of child or spouse	Family	151,000 )	829,750,612	≈38.87%
	Beneficiary of trusts	Other	829,599,612 ) (Notes 1 and 2) )		

Notes:

- (1) *These shares are held by subsidiaries of Cheung Kong Infrastructure Holdings Limited (“CKI”).*

*The discretionary beneficiaries of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”) are, inter alia, Mr. Victor Li Tzar-kuoi, his wife and children, and Mr. Richard Li Tzar-kai. Each of Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”, which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”, which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust (“UT1”) but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings (“TUT1 related companies”) hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited (“CKH”). Certain subsidiaries of CKH in turn together hold more than one-third of the issued share capital of Hutchison Whampoa Limited (“HWL”). A subsidiary of HWL in turn holds more than one-third of the issued share capital of CKI.*

*The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Each of Mr. Li Ka-shing, Mr. Victor Li Tzar-kuoi and Mr. Richard Li Tzar-kai is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Victor Li Tzar-kuoi and Mr. Richard Li Tzar-kai as a holder of the shares of Unity Holdco as aforesaid.*

*By virtue of the above and as a discretionary beneficiary of each of DT1 and DT2 and as a Director of CKH, Mr. Victor Li Tzar-kuoi is taken to have a duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies, the shares of HWL held by the subsidiaries of CKH, the shares of CKI held by the subsidiary of HWL and the shares of the Company held by the subsidiaries of CKI under the SF Ordinance as a Director of the Company. Although Mr. Richard Li Tzar-kai is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of CKH and has no duty of disclosure in relation to the shares of CKH held by TUT1 as trustee of UT1 and TUT1 related companies under the SF Ordinance.*

- (2) *Mr. Victor Li Tzar-kuoi, by virtue of his interests as described in Note (1) above and as a Director of the Company, is also deemed to be interested in the shares of subsidiaries and associated companies of the Company held through the Company under the SF Ordinance.*

Save as disclosed above, at 30th June 2009, 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 SF Ordinance) as recorded in the register required to be kept by the Company under Section 352 of the SF Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION *(Continued)*

### Interests of Substantial Shareholders and Other Person in Shares and Underlying Shares of the Company

According to the register kept under Section 336 of the SF Ordinance and information received by the Company, at 30th June 2009, shareholders (other than Directors or chief executives of the Company) who had interests in the shares and underlying shares of the Company 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 <i>(Note 1)</i>	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511 <i>(Note 1)</i>	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102 <i>(Note 1)</i>	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 <i>(Note 1)</i>	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612 <i>(Note 2)</i>	38.87%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 2)</i>	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%
Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust	Trustee	829,599,612 <i>(Note 5)</i>	38.87%
Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust	Trustee & beneficiary of a trust	829,599,612 <i>(Note 6)</i>	38.87%
Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust	Trustee & beneficiary of a trust	829,599,612 <i>(Note 6)</i>	38.87%
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	829,599,612 <i>(Note 6)</i>	38.87%

## Other Person

### Long Position in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Capital Research and Management Company	Investment Manager	169,685,500	7.95%

#### 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 share capital 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) *Cheung Kong (Holdings) Limited (“CKH”) is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (3) above as certain subsidiaries of CKH hold more than one-third of the issued share capital of HWL.*
- (5) *Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust (“UT1”) is deemed to be interested in those shares of the Company described in Note (4) above as TUT1 as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of CKH.*
- (6) *By virtue of the SF Ordinance, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and another discretionary trust (“DT2”) for the purpose of the SF Ordinance, Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of DT1 and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of DT2 is deemed to be interested in the same block of shares TUT1 as trustee of UT1 is deemed to be interested in as referred to in Note (5) above as all issued and outstanding units in UT1 are held by TDT1 as trustee of DT1 and by TDT2 as trustee of DT2. More than one-third of the issued share capital of TUT1 and of the trustees of the said discretionary trusts are owned by Li Ka-Shing Unity Holdings Limited (“Unity Holdco”). Mr. Li Ka-shing owns one-third of the issued share capital of Unity Holdco.*

Save as disclosed above, at 30th June 2009, 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 SF Ordinance.

## OTHER INFORMATION *(Continued)*

### 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 balance sheet of the affiliated companies as at 30th June 2009 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

#### Combined Balance Sheet of the Affiliated Companies

*as at 30th June 2009*

HK\$ million

Non-current assets	69,183
Current assets	3,748
Current liabilities	(10,895)
Non-current liabilities	<u>(51,921)</u>
Net assets	<u><u>10,115</u></u>
Share capital	5,826
Reserves	<u>4,289</u>
Capital and reserves	<u><u>10,115</u></u>

As at 30th June 2009, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$8,604 million.