Power Assets Holdings Ltd.
電能實業有限公司
於香港註冊成立的有限公司
Incorporated in Hong Kong with limited liability
股份代號 Stock Code: 6

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2013 INTERIM RESULTS

CHAIRMAN'S STATEMENT

Balanced and Steady Progress

Power Assets sustained its growth trend during the first half of 2013 as a result of the progress made in its global portfolio of businesses. The Group now has investments in the UK, Australia, mainland China, Canada, Thailand and New Zealand, in addition to Hong Kong, our home market. The contribution from our international businesses continued to increase, and accounts for more than half of our total earnings, validating the strategy to diversify into carefully chosen international markets.

During the six months under review, this diversified global portfolio of assets in power generation, transmission and distribution, as well as gas distribution in and outside of Hong Kong yielded increased earnings. Wales & West Utilities (WWU) and Transmission Operations Australia (TOA), the two investments made in last year, are developing in line with our expectations.

In June 2013, the Group entered into an agreement to acquire a 20% stake in AVR Afvalverwerking B.V. (AVR), the largest energy-from-waste company in the Netherlands, marking a new milestone in Power Assets' global investment journey.

HK Electric, our flagship Hong Kong business, maintained its standards of excellence in all dimensions – supply reliability, emissions performance, occupational safety and customer service. Milder weather conditions affected the company's revenues for the period but earnings were satisfactory. We are in discussions with the Hong Kong Government regarding HK Electric's Development Plan 2014-2018 and hope to steadily augment our annual electricity production with green energy through continued investment in wind and gas-fired generation capacity.

Half Year Results

The Group's unaudited profits for the six months ended 30 June 2013 increased by 10% to HK$4,772 million (2012: HK$4,333 million). Earnings from our operations outside Hong Kong were HK$3,026 million (2012: HK$2,579 million), representing a 17% increase over the corresponding period in the previous year. The Group's Hong Kong operations generated stable earnings at HK$1,746 million (2012: HK$1,754 million).

Interim Dividend

The board of directors has declared an interim dividend of HK$0.65 (2012: HK$0.62) per share, payable on 4 September 2013 to shareholders whose names appear in the Company's Register of Members on 26 August 2013, being the record date for determination of entitlement to the interim dividend.

Operations outside Hong Kong

The Group's strategy for long-term growth is diversification in markets outside Hong Kong, with a specific focus on stable, well-structured markets that have the potential to provide reliable revenue streams over the long term. We have primarily pursued the electricity and gas transmission and distribution businesses, supplemented by a select portfolio of generation businesses in high-growth markets.

Our investments in these markets yielded balanced performance in the six months ending 30 June 2013. The Group's larger markets, specifically the UK and Australia, achieved steady revenue growth while the long-term investments in smaller markets such as Thailand and New Zealand focussed on improving operational efficiencies.

In the UK, severe weather raised the demand for energy and contributed to an increase in the sales volume for UK Power Networks (UKPN). Tariff increases in 2013 for both UKPN and Northern Gas Networks enhanced the sales revenues of these two companies. The performance of Seabank Power Limited was satisfactory. WWU, the Group's latest UK acquisition, was effective in further enhancing the revenue stream of the UK business.

On the whole, our UK operations achieved stable growth in profit contribution despite a weakening of the pound sterling against the Hong Kong dollar and remained the Group's largest market outside Hong Kong.

The Group's Australian businesses yielded reliable profit contributions during the period under review. The construction of a transmission link to transport electricity from a wind farm to Victoria's power grid by TOA, the joint venture in renewable energy transmission set up in September 2012, proceeded on schedule.

In June, the Australian Tax Office filed a claim against Power Assets. This tax dispute has been going on for several years, and has been disclosed in previous financial reports. In response to the claim, the Group will vigorously defend its position.

During the six months under review the Group's mainland China operations saw the completion of major overhauls in the Zhuhai Power Plant. These overhauls necessitated planned outages, resulting in lower profit contributions in the short term. However, the overhauls will significantly increase efficiencies over the medium to long term.

The Group's investments in Thailand, Canada and New Zealand maintained stable or slightly lower revenues and earnings, partly due to softer demand conditions.

The acquisition of a 20% stake in AVR in the Netherlands is expected to be completed in the third quarter of 2013, subject to regulatory approvals. The investment represents a further diversification of our asset portfolio into the energy-from-waste industry; and geographically into the European Continent.

Ongoing enhancement of operational efficiency and managerial effectiveness continued in the Group's international businesses. In Australia, SA Power Networks, CitiPower and Powercor Australia are building an electronic platform for employees to share ideas about regulation, environment, safety and other common challenges. UKPN launched the Future Leaders Programme to identify and groom employees for leadership roles.

Operations in Hong Kong

In our home market, HK Electric once again maintained its track record of excellence in world-class supply reliability and outstanding customer service.

Profit from HK Electric remained stable at HK$1,773 million (2012: HK$1,736 million). Unit sales of electricity were lower than the corresponding period in 2012 by 2.8%, primarily due to mild and drier weather in the early months, which exerted downward pressure on demand.

One of the long-term goals of Lamma Power Station (LPS) is green and clean electricity generation. In the first half of 2013, around 30% of its power output was from natural gas and renewable energy sources. In March 2013, the capacity expansion of the solar power system at LPS was completed on schedule. This will allow us to produce around 1.1 million units of green electricity at Hong Kong's largest solar power generation facility each year.

HK Electric submitted its strategic Development Plan 2014-2018 to the Government during the period under review. Pursuant to our vision to further expand our generation capacity for low-emission energy the Plan included proposals for an offshore wind farm and new gas-fired capacity to replace retiring coal-fired units. Gas-fired generating units are more fuel-efficient and produce lower levels of emissions than coal-fired units.

Following a full year of measurement of the adequacy and stability of wind resources at the proposed offshore wind farm at Southwest Lamma, a project feasibility study report was submitted to the Government for approval in April 2013. When completed in 2017, the wind farm is expected to provide for more than 1% of HK Electric's annual electricity production, saving 62,000 tonnes of coal and avoiding 150,000 tonnes of carbon dioxide emissions each year.

Our ongoing efforts to maintain excellent transmission and distribution systems, as well as proactive maintenance programme, allowed us to maintain our world-leading reliability rating of over 99.999%.

Customer service excellence remains a key operational target and once again in 2013 HK Electric is on track to meet or surpass all our pledged customer service standards.

We reached out to our stakeholders through a host of community and educational programmes during the period to promote energy efficiency, environmental protection and care for the elderly. The Power Assets volunteer team now consists of over 1,000 employees, more than half of the Group's workforce in Hong Kong.

In April, the Commission of Inquiry (COI) set up by the Government to investigate the collision of HK Electric's Lamma IV ferry with a public ferry near Lamma Island on 1 October 2012 released its findings. We have taken steps to implement all the recommendations in the COI's report applicable to our operations.

Outlook

We are confident that this balanced portfolio of carefully aligned investments will continue to generate sustained value for our shareholders. The Group's strong financial position and ample resources will support our efforts to identify opportunities to expand our asset portfolio in a prudent manner.

In Hong Kong, the interim review of the Scheme of Control Agreement governing the operations of HK Electric is in progress. We will maintain constructive dialogue with the Government and other stakeholders for a fruitful completion of the review by the end of this year. At the same time, we are in discussions with the Government with respect to our Development Plan 2014-2018, which sets out our capital investments in the coming five years, as we strive to further improve our reliability and environmental excellence.

I thank the board of directors and all employees for their diligence and commitment, and our shareholders and other stakeholders for their unyielding support.

Fok Kin Ning, Canning
Chairman

Hong Kong, 24 July 2013

FINANCIAL REVIEW

Capital Expenditure, Liquidity and Financial Resources

Capital expenditure during the period amounted to HK$779 million (2012: HK$1,038 million), which was primarily funded by cash from operations and external borrowings. Total external borrowings outstanding at 30 June 2013 were HK$25,571 million (31 December 2012: HK$24,599 million), comprising unsecured bank loans and debt securities in issue. In addition, the Group had undrawn committed bank facilities at 30 June 2013 of HK$5,270 million (31 December 2012: HK$8,033 million) and bank deposits and cash of HK$8,699 million (31 December 2012: HK$6,140 million).

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 are generally placed on short term deposits denominated primarily in United States dollars and Hong Kong 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 period. In June 2013, Standard & Poor's affirmed the "A+" long term credit ratings of Power Assets Holdings Limited and The Hongkong Electric Company, Limited with a stable outlook. As at 30 June 2013, the net debt of the Group was HK$16,872 million (31 December 2012: HK$18,459 million) with a net debt-to-net total capital ratio of 21% (31 December 2012: 23%).

The profile of the Group's external borrowings as at 30 June 2013, after taking into account interest rate and cross currency swaps, was as follows:

(1) 62% were in Hong Kong dollars, 17% were in Australian dollars and 21% were in Pounds Sterling;

(2) 55% were bank loans and 45% were capital market instruments;

(3) 17% were repayable within 1 year, 47% were repayable between 2 and 5 years and 36% were repayable beyond 5 years;

(4) 57% were in fixed rate and 43% were in floating rate.

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 and from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward contracts. As at 30 June 2013, over 90% of the Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. 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. 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 determined, converted into Hong Kong dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2013 amounted to HK$31,947 million (31 December 2012: HK$32,467 million).

Charges on Group Assets

At 30 June 2013, the Group's interest in an associate of HK$643 million (31 December 2012: HK$630 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 30 June 2013, the Group had given guarantees and indemnities totalling HK$923 million (31 December 2012: HK$979 million).

The Company had given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK$9,922 million (31 December 2012: HK$8,889 million). The entire amount, while being a contingent liability of the Company, is reflected in the consolidated balance sheet of the Group.

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 30 June 2013, excluding directors' emoluments, amounted to HK$537 million (2012: HK$452 million). As at 30 June 2013, the Group employed 1,828 (31 December 2012: 1,832) permanent employees. No share option scheme is in operation.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Expressed in Hong Kong dollars)

	Note	**2013 $ million**	2012 $ million
Turnover	4	**4,792**	4,903
Direct costs		**(2,032)**	(2,025)
		2,760	2,878
Other revenue and other net income		**672**	725
Other operating costs		**(420)**	(661)
Operating profit		**3,012**	2,942
Finance costs		**(343)**	(311)
Share of profits less losses of associates		**2,428**	2,213
Share of profits less losses of jointly controlled entities		**135**	199
Profit before taxation	5	**5,232**	5,043
Income tax:	6		
Current		**(392)**	(267)
Deferred		**40**	(110)
		(352)	(377)
Profit after taxation		**4,880**	4,666
Scheme of Control transfers to:	7		
Tariff Stabilisation Fund		**(107)**	(332)
Rate Reduction Reserve		**(1)**	(1)
		(108)	(333)
Profit attributable to equity shareholders of the Company			
Operations outside Hong Kong		**3,026**	2,579
Operations in Hong Kong		**1,746**	1,754
Profit for the period		**4,772**	4,333
Earnings per share			
Basic and diluted	8	**$2.24**	$2.03

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 19.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Expressed in Hong Kong dollars)

	2013	2012
	$ million	$ million
Profit for the period	**4,772**	4,333
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Share of other comprehensive income of associates:		
Other comprehensive income	**42**	(68)
Net deferred tax (charged)/credited to other comprehensive income	**(21)**	15
	21	(53)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including associates and jointly controlled entities	**(2,050)**	(18)
Net investment hedges	**641**	49
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**154**	(50)
Reclassification adjustments for amounts transferred to profit or loss	**3**	-
Amounts transferred to the initial carrying amount of hedged items	**4**	(5)
Net deferred tax (charged)/credited to other comprehensive income	**(26)**	12
	135	(43)
Share of other comprehensive income of associates:		
Other comprehensive income	**125**	(231)
Net deferred tax (charged)/credited to other comprehensive income	**(48)**	70
	77	(161)
	(1,176)	(226)
Total comprehensive income for the period attributable to equity shareholders of the Company	**3,596**	4,107
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POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2013
(Expressed in Hong Kong dollars)

	Note	**(Unaudited) 30 June 2013 $ million**	(Audited) 31 December 2012 $ million
Non-current assets			
Fixed assets			
− Property, plant and equipment		**44,159**	44,408
− Assets under construction		**2,821**	2,852
− Interests in leasehold land held for own use under finance leases		**2,029**	2,038
	9	**49,009**	49,298
Interest in associates	10	**35,124**	36,282
Interest in jointly controlled entities	11	**4,878**	5,229
Other non-current financial assets		**67**	67
Derivative financial instruments	16	**344**	646
Deferred tax assets		**60**	86
Employee retirement benefit assets		**209**	217
		89,691	91,825
Current assets			
Inventories		**1,042**	1,114
Trade and other receivables	12	**2,086**	1,740
Fuel Clause Recovery Account		**263**	820
Current tax recoverable		**5**	7
Bank deposits and cash	13	**8,699**	6,140
		12,095	9,821
Current liabilities			
Trade and other payables	14	**(3,372)**	(3,760)
Bank overdrafts – unsecured	13	**(19)**	(6)
Current portion of bank loans and other interest-bearing borrowings	15	**(4,389)**	(5,311)
Current tax payable		**(587)**	(333)
		(8,367)	(9,410)
Net current assets		**3,728**	411
Total assets less current liabilities		**93,419**	92,236
Non-current liabilities			
Bank loans and other interest-bearing borrowings	15	**(21,163)**	(19,282)
Derivative financial instruments	16	**(212)**	(708)
Customers' deposits		**(1,862)**	(1,839)
Deferred tax liabilities		**(5,873)**	(5,911)
Employee retirement benefit liabilities		**(1,048)**	(1,034)
		(30,158)	(28,774)
Rate Reduction Reserve		**(3)**	(2)
Tariff Stabilisation Fund		**(532)**	(425)
Net assets		**62,726**	63,035
Capital and reserves			
Share capital	17	**2,134**	2,134
Reserves		**60,592**	60,901
Total equity attributable to equity shareholders of the Company		**62,726**	63,035

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
$ million	**Share capital**	**Share premium**	**Exchange reserve**	**Hedging reserve**	**Revenue reserve**	**Proposed/ declared dividend**	**Total**
Balance at 1 January 2012	2,134	4,476	918	(787)	47,504	3,628	57,873
Changes in equity for the six months ended 30 June 2012:							
Profit for the period	-	-	-	-	4,333	-	4,333
Other comprehensive income	-	-	31	(204)	(53)	-	(226)
Total comprehensive income	-	-	31	(204)	4,280	-	4,107
Final dividend in respect of the previous year approved and paid	-	-	-	-	-	(3,628)	(3,628)
Interim dividend *(see note 19)*	-	-	-	-	(1,323)	1,323	-
Balance at 30 June 2012	2,134	4,476	949	(991)	50,461	1,323	58,352
Balance at 1 January 2013	**2,134**	**4,476**	**1,585**	**(1,124)**	**52,059**	**3,905**	**63,035**
Changes in equity for the six months ended 30 June 2013:							
Profit for the period	-	-	-	-	**4,772**	-	**4,772**
Other comprehensive income	-	-	**(1,409)**	**212**	**21**	-	**(1,176)**
Total comprehensive income	-	-	**(1,409)**	**212**	**4,793**	-	**3,596**
Final dividend in respect of the previous year approved and paid	-	-	-	-	-	**(3,905)**	**(3,905)**
Interim dividend *(see note 19)*	-	-	-	-	**(1,387)**	**1,387**	-
Balance at 30 June 2013	**2,134**	**4,476**	**176**	**(912)**	**55,465**	**1,387**	**62,726**

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013
(Expressed in Hong Kong dollars)

	2013 **$ million**	2012 $ million
Net cash generated from operating activities	**3,743**	3,668
Net cash generated from investing activities	**1,267**	732
Net cash used in financing activities	**(1,709)**	(2,292)
Net increase in cash and cash equivalents	**3,301**	2,108
Cash and cash equivalents at 1 January	**5,385**	4,522
Effect of foreign exchange rate changes	**(6)**	(15)
Cash and cash equivalents at 30 June	**8,680**	6,615

1. Review of unaudited interim financial statements

These unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial statements 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.

The interim financial statements and selected explanatory notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Change in accounting policies

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKAS 19 (2011), *Employee benefits*
- New and revised standards on consolidation, joint arrangements, associates and disclosures
  - (i) HKFRS 10, *Consolidated financial statements*
  - (ii) HKFRS 11, *Joint arrangements*
  - (iii) HKFRS 12, *Disclosure of interests in other entities*
  - (iv) HKAS 27, *Separate financial statements (2011)*
  - (v) HKAS 28, *Investments in associates and joint ventures*
- Amendments to HKFRS 7, *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities*
- HKFRS 13, *Fair value measurement*
- Improvements to HKFRSs (2009-2011)

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

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

HKAS 19 (2011), *Employee benefits*

Upon adoption of HKAS 19 (2011), the interest cost and expected return on plan assets used in previous version of HKAS 19 are replaced with a net interest income/expense, which is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit asset/liability. The adoption of HKAS 19 (2011) does not have a material financial impact on the Group. Additional disclosures will be included in the annual financial statements.

3. Change in accounting policies *(continued)*

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

HKFRS 10 replaces the parts of HKAS 27 (Revised) Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purposes Entities. HKFRS 10 adopts 'control' as the only basis for consolidation of subsidiaries and introduces a new definition of 'control' that contains three elements: (i) power over an investee; (ii) exposure, or rights, to variable return from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the investor's returns.

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

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

All subsidiaries of the Group satisfy the requirements for 'control' and are included in the consolidated financial statements. Investment in associates and jointly controlled entities are accounted for by the equity method. The adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) does not have a material financial impact on the Group. Additional disclosures will be included in the annual financial statements.

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

The adoption of amendments to HKFRS 7 does not result in a change in the accounting policy relating to financial assets and financial liabilities. The amendments to HKFRS 7 require entities to disclose information about financial instruments under an enforceable master netting arrangement or similar agreement. Additional disclosures will be included in the annual financial statements.

HKFRS 13, *Fair value measurement*

The adoption of HKFRS 13 did not result in a change in the accounting policy relating to fair value measurement. HKFRS 13 defines fair values, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In accordance with HKFRS 13, some of the disclosures for financial instruments required for annual financial statements are included in note 18 of these interim financial statements.

3. Change in accounting policies *(continued)*

Improvements to HKFRSs (2009-2011)

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

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

4. Turnover and segmental reporting

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

	2013							
	Sales of electricity	Infrastructure investments						
$ million	Hong Kong	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the six months ended 30 June								
Revenue								
Turnover	**4,784**	**-**	**-**	**-**	**-**	**-**	**8**	**4,792**
Other revenue and other net income	**14**	**-**	**-**	**40**	**3**	**43**	**(80)**	**(23)**
Reportable segment revenue	**4,798**	**-**	**-**	**40**	**3**	**43**	**(72)**	**4,769**
Result								
Segment earnings	**3,386**	**-**	**-**	**27**	**3**	**30**	**(114)**	**3,302**
Depreciation and amortisation	**(986)**	**-**	**-**	**-**	**-**	**-**	**1**	**(985)**
Interest income	**-**	**268**	**304**	**-**	**84**	**656**	**39**	**695**
Operating profit	**2,400**	**268**	**304**	**27**	**87**	**686**	**(74)**	**3,012**
Finance costs	**(142)**	**(48)**	**(153)**	**-**	**-**	**(201)**	**-**	**(343)**
Share of profits less losses of associates and jointly controlled entities	**-**	**2,098**	**291**	**148**	**25**	**2,562**	**1**	**2,563**
Profit before taxation	**2,258**	**2,318**	**442**	**175**	**112**	**3,047**	**(73)**	**5,232**
Income tax	**(377)**	**30**	**(1)**	**(4)**	**-**	**25**	**-**	**(352)**
Profit after taxation	**1,881**	**2,348**	**441**	**171**	**112**	**3,072**	**(73)**	**4,880**
Scheme of Control transfers	**(108)**	**-**	**-**	**-**	**-**	**-**	**-**	**(108)**
Reportable segment profit	**1,773**	**2,348**	**441**	**171**	**112**	**3,072**	**(73)**	**4,772**
At 30 June								
Reportable segment assets	**52,508**	**24,122**	**7,698**	**5,192**	**3,145**	**40,157**	**9,121**	**101,786**
Reportable segment liabilities	**(27,427)**	**(5,359)**	**(4,720)**	**(3)**	**(1)**	**(10,083)**	**(1,550)**	**(39,060)**

4. Turnover and segmental reporting *(continued)*

$ million	2012 Sales of electricity Hong Kong	Infrastructure investments United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the six months ended 30 June								
Revenue								
Turnover	4,891	-	-	-	-	-	12	4,903
Other revenue and other net income	17	-	-	-	-	-	(4)	13
Reportable segment revenue	4,908	-	-	-	-	-	8	4,916
Result								
Segment earnings	3,535	-	-	(11)	4	(7)	(366)	3,162
Depreciation and amortisation	(933)	-	-	-	-	-	1	(932)
Interest income	-	237	312	-	112	661	51	712
Operating profit	2,602	237	312	(11)	116	654	(314)	2,942
Finance costs	(121)	(32)	(158)	-	-	(190)	-	(311)
Share of profits less losses of associates and jointly controlled entities	-	1,901	280	214	16	2,411	1	2,412
Profit before taxation	2,481	2,106	434	203	132	2,875	(313)	5,043
Income tax	(412)	32	-	-	-	32	3	(377)
Profit after taxation	2,069	2,138	434	203	132	2,907	(310)	4,666
Scheme of Control transfers	(333)	-	-	-	-	-	-	(333)
Reportable segment profit	1,736	2,138	434	203	132	2,907	(310)	4,333
At 30 June								
Reportable segment assets	53,315	20,731	7,828	5,445	3,303	37,307	6,606	97,228
Reportable segment liabilities	(29,054)	(3,230)	(5,285)	(3)	(4)	(8,522)	(1,300)	(38,876)

5. Profit before taxation

	Six months ended 30 June	
	2013	2012
	$ million	$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings	**384**	355
Less: Interest capitalised to fixed assets	**(31)**	(34)
Interest transferred to fuel cost	**(10)**	(10)
	343	311
Depreciation		
Depreciation charges for the period	**1,015**	958
Less: Depreciation capitalised to fixed assets	**(59)**	(55)
	956	903
Amortisation of leasehold land	**29**	29
	=====	=====

6. Income tax

	Six months ended 30 June	
	2013	2012
	$ million	$ million
Current tax		
The Company and its subsidiaries		
− Operations outside Hong Kong	**(24)**	(31)
− Operations in Hong Kong	**416**	298
	392	267
Deferred tax		
The Company and its subsidiaries		
origination and reversal of temporary differences	**(40)**	110
	352	377
	=====	=====

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the six months ended 30 June 2013. Taxation for operations outside Hong Kong is similarly calculated using tax rates applicable in the relevant countries.

In 2012, a subsidiary of the Company has made a payment of A$63 million to the Australian Tax Office ("ATO") being 50% (which percentage is based on ATO customary practice) of the tax in dispute, including interest and penalties, claimed by the ATO pending resolution of a dispute regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and will vigorously defend its position.

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 $4,772 million for the six months ended 30 June 2013 (2012: $4,333 million) and 2,134,261,654 ordinary shares (2012: 2,134,261,654 ordinary shares) in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2013 and 2012.

9. Fixed assets

$ million	**Site formation and buildings**	**Plant, machinery and equipment**	**Assets under construction**	**Sub-total**	**Interests in leasehold land held for own use under finance leases**	**Total fixed assets**
Net book value at 1 January 2013	8,640	35,768	2,852	47,260	2,038	49,298
Additions	-	125	634	759	20	779
Transfers between categories	29	636	(665)	-	-	-
Disposals	-	(24)	-	(24)	-	(24)
Depreciation/amortisation	(125)	(890)	-	(1,015)	(29)	(1,044)
Net book value at 30 June 2013	**8,544**	**35,615**	**2,821**	**46,980**	**2,029**	**49,009**
Cost	14,067	63,469	2,821	80,357	2,838	83,195
Accumulated amortisation and depreciation	(5,523)	(27,854)	-	(33,377)	(809)	(34,186)
Net book value at 30 June 2013	**8,544**	**35,615**	**2,821**	**46,980**	**2,029**	**49,009**

10. Interest in associates

	30 June 2013 $ million	31 December 2012 $ million
Share of net assets	**22,418**	22,357
Loans to unlisted associates	**12,188**	13,468
Amounts due from unlisted associates	**518**	457
	35,124	36,282

11. Interest in jointly controlled entities

	30 June 2013 $ million	31 December 2012 $ million
Share of net assets	**4,874**	5,225
Amounts due from unlisted jointly controlled entities	**4**	4
	4,878	5,229

12. Trade and other receivables

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

	30 June 2013 $ million	31 December 2012 $ million
Within 1 month	**918**	660
1 to 3 months	**28**	28
More than 3 months but less than 12 months	**9**	11
Trade debtors	**955**	699
Other receivables	**1,088**	976
	2,043	1,675
Derivative financial instruments		
− held as cash flow/fair value hedging instruments	**5**	2
Deposits and prepayments	**38**	63
	2,086	1,740

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

13. Bank deposits and cash

	30 June 2013 $ million	31 December 2012 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**8,685**	5,370
Cash at bank and on hand	**14**	21
Bank overdrafts	**(19)**	(6)
Cash and cash equivalents in the consolidated cash flow statement	**8,680**	5,385
Bank overdrafts	**19**	6
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	**-**	749
	8,699	6,140

14. Trade and other payables

	30 June 2013 $ million	31 December 2012 $ million
Due within 1 month or on demand	**503**	815
Due after 1 month but within 3 months	**160**	410
Due after 3 months but within 12 months	**2,672**	2,514
Creditors measured at amortised cost	**3,335**	3,739
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	**37**	21
	3,372	3,760

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

	30 June 2013 $ million	31 December 2012 $ million
Bank loans	**14,026**	13,424
Current portion	**(4,389)**	(5,311)
	9,637	8,113
Hong Kong dollar notes	**5,478**	4,787
United States dollar notes	**6,048**	6,382
	11,526	11,169
Total	**21,163**	19,282

16. Derivative financial instruments

	30 June 2013 $ million	31 December 2012 $ million
Derivative financial instruments used for hedging:		
– Cross currency swaps	**308**	646
– Interest rate swaps	**(212)**	(362)
– Foreign exchange forward contracts	**4**	(365)
Total	**100**	(81)
Current portion of derivative financial instruments	**32**	19
	132	(62)
Represented by:		
Derivative financial instruments assets	**344**	646
Derivative financial instruments liabilities	**(212)**	(708)
	132	(62)

17. Share capital

	Number of shares	**30 June 2013 $ million**	31 December 2012 $ million
Authorised:			
Ordinary shares of $1 each	3,300,000,000	**3,300**	3,300
Issued and fully paid:			
Ordinary shares of $1 each	2,134,261,654	**2,134**	2,134

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

18. Fair value measurement

(i)

	Level 2	
	30 June 2013 $ million	31 December 2012 $ million
Recurring fair value measurements		
Assets		
Derivative financial instruments:		
− Forward exchange contracts	**41**	2
− Cross currency swaps	**308**	646
	349	648
Liabilities		
Derivative financial instruments:		
− Interest rate swaps	**(212)**	(362)
− Forward exchange contracts	**(37)**	(367)
Fixed rate notes subject to fair value hedges	**(4,523)**	(4,860)
	(4,772)	(5,589)

(ii) Fair values of financial instruments carried at other than fair value

Unlisted available-for-sale equity securities, amounts due from 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 30 June 2013 and 31 December 2012.

(iii) Measurement of fair values

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

19. Interim dividend

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

	Six months ended 30 June	
	2013	2012
	$ million	$ million
Interim dividend of $0.65 per ordinary share (2012: $0.62 per ordinary share)	**1,387**	1,323
	=====	=====

20. Capital commitments

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

	30 June 2013	31 December 2012
	$ million	$ million
Contracted for:		
Capital expenditure for fixed assets	**1,101**	1,125
Investment in an associate	**1,918**	-
	3,019	1,125
	=====	=====
Authorised but not contracted for:		
Capital expenditure for fixed assets	**8,253**	8,764
Investment in an associate	**189**	245
	8,442	9,009
	=====	=====

21. Contingent liabilities

	30 June 2013	31 December 2012
	$ million	$ million
Guarantees given in respect of:		
− Associates	**923**	979
	=====	=====

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

22. Material related party transactions

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

(a) Shareholder

(i) On 17 June 2011, a wholly owned subsidiary of the Company entered into an agreement with a wholly owned subsidiary of Cheung Kong Infrastructure Holdings Limited ("CKI"), a substantial shareholder holding approximately 38.87% of the issued shares of the Company. Pursuant to the agreement, the subsidiary of the Company undertook a turnkey solution project for the subsidiary of CKI at a consideration of $26 million. The project was expanded in 2013 with revised consideration of $27 million and is expected to be completed in March 2014. The transaction constitutes a connected transaction under the Listing Rules for the Company.

(ii) Outram Limited ("Outram"), a subsidiary of the Company, reimbursed CKI $16 million (2012: $14 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the period. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $656 million for the six months ended 30 June 2013 (2012: $660 million). At 30 June 2013, the total outstanding interest-bearing loan balances were $12,188 million (31 December 2012: $13,468 million). The outstanding balances with associates are disclosed in note 10.

(ii) Tax credit claimed under the consortium relief received/receivable from an associate in the United Kingdom amounted to $30 million for the six months ended 30 June 2013 (2012: $32 million).

23. Comparative figures

Certain comparative figures have been reclassified to conform to current period's presentation.

POWER ASSETS HOLDINGS LIMITED
OTHER INFORMATION

Interim Dividend

The board of directors has declared an interim dividend for 2013 of HK$0.65 per share. The dividend will be payable on 4 September 2013 to shareholders whose names appear in the Company's Register of Members at the close of business on Monday, 26 August 2013, being the record date for determination of entitlement 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 share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 26 August 2013.

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 30 June 2013.

Corporate Governance Practices

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 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 six months ended 30 June 2013, except as noted hereunder.

The Company does not have a nomination committee as provided for in code provision A.5. 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 to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Group Managing Director.

One of the Non-executive Directors, Mr. Ronald Joseph Arculli, was unable to attend the annual general meeting of the Company held in May 2013 as provided for in code provision A.6.7 as he was on an overseas engagement.

Board Composition

As at the date of this announcement, the Directors of the Company are:

Executive directors	:	Mr. FOK Kin Ning, Canning (Chairman), Mr. WAN Chi Tin (Group Managing Director), Mr. CHAN Loi Shun (also Alternate Director to Mr. KAM Hing Lam), Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Andrew John HUNTER, Mr. KAM Hing Lam, Mr. LI Tzar Kuoi, Victor, Mr. Frank John SIXT and Mr. YUEN Sui See
Non-executive directors	:	Mr. TSO Kai Sum (Deputy Chairman), Mr. Ronald Joseph ARCULLI and Mr. Neil Douglas MCGEE
Independent non-executive directors	:	Mr. FONG Chi Wai, Alex, Mr. Holger KLUGE, Mr. LEE Lan Yee, Francis, Mr. George Colin MAGNUS, Mr. Ralph Raymond SHEA and Mr. WONG Chung Hin