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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2014 INTERIM RESULTS

CHAIRMAN'S STATEMENT

Pursuing long-term growth with global horizons

I am pleased to present the 2014 interim results for Power Assets.

Following a spin-off exercise completed on 29 January 2014, we have reduced our ownership of The Hongkong Electric Company, Limited ("HK Electric"). The spin-off has allowed the Group to focus exclusively on its long-term growth strategy of creating a low-risk, diversified portfolio of investments in the electricity and gas industries worldwide, in particular businesses which yield stable revenues within regulated, well-structured markets.

While actively pursuing portfolio expansion, we aspire to achieve global diversification with minimal risk. Our due diligence process includes detailed evaluation of all potential opportunities, covering every aspect of the operations of the potential investment to satisfy ourselves of its profitability and sustainability.

Our portfolio includes investments in the UK, mainland Europe, Asia, North America and Australasia covering generation, transmission and distribution, with the UK serving as our single largest market.

Half Year Results

The Group's unaudited profits for the six months ended 30 June 2014 amounted to HK$56,544 million. This includes a one-time gain of HK$52,928 million from the spin-off in January 2014. Excluding this one-time gain, the Group's unaudited profits were HK$3,616 million (2013: HK$4,772 million).

Interim Dividend

The board of directors has declared an interim dividend of HK$0.67 (2013: HK$0.65) per share, payable on 4 September 2014 to shareholders whose names appear in the Company's Register of Members on 26 August 2014.

Expansion of presence in Australian natural gas distribution market

During the period the Group formed a joint venture with Cheung Kong Infrastructure Holdings Limited and Cheung Kong (Holdings) Limited with a view to acquiring up to the entire interest in Envestra Limited, one of Australia's largest natural gas distribution companies, other than the 17.46% interest currently held by Cheung Kong Infrastructure. With Power Assets holding a one-third interest in the joint venture representing no less than 10.85% and up to 27.51% in Envestra Limited, the proposed acquisition is expected to enhance and complement our existing presence in the Australian market.

Envestra's natural gas distribution network serves over 1.2 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

Operations

As the overall economic climate improved globally, the Group achieved steady results during the period under review.

The UK remained the Group's strongest-performing market during the period. All of our four UK operating companies delivered satisfactory performance. UK Power Networks, Wales and West Utilities, and Seabank benefited from stable performance while Northern Gas Networks delivered higher returns as a result of efficiencies achieved through streamlining teams and operations and tighter cost controls.

UK Power Networks continued the next 8-year price control reset process with the industry regulator, Office of the Gas and Electricity Markets (Ofgem). In this process, revised business plans were submitted to Ofgem in March 2014 and the regulator's Initial Proposals are due to be published at the end of July 2014. During the period Wales and West Utilities achieved the Asset Management System standard (ISO55001) which was only released in January 2014. Our operating companies met or surpassed all the relevant performance and environmental standards set by Ofgem and continued to achieve strong customer satisfaction ratings.

In Australia, revenues increased on the back of higher tariffs but the overall contribution was impacted by a lower exchange rate of Australian dollar when compared with the same period of last year. SA Power Networks is developing proposals for the 2015-2020 regulatory period, which will be submitted to the Australian Energy Regulator in October 2014.

In mainland China, our power plants in Zhuhai and Jinwan continued to improve their emissions control facilities through measures such as the adoption of wet electrostatic precipitator technology and upgrades of flue gas desulphurisation equipment. These initiatives enabled them to meet the new National Environmental Protection standards that have come into effect in 2014. Our wind farms in Yunnan and Hebei implemented engineering innovations to increase productivity and reliability.

The Netherlands is home to a new member of the family: AVR, an energy-from-waste company acquired in August 2013. During the period under review AVR's operations were stable and the performance met expectations.

In New Zealand, Wellington Electricity completed its acquisition of transmission line assets linking a new 60 MW wind farm to its network.

Our generation businesses in Canada improved revenues through steam sales and plant efficiencies and delivered positive performance as a result of favourable natural gas market conditions. The Thailand generation business also delivered steady performance.

Our investment in Hong Kong maintained its track record of high standards in reliability, affordability and customer service. During the period, a major public consultation exercise was conducted by the Hong Kong government to determine the future fuel mix for electricity generation. We believe that increasing the proportion of natural gas used to generate power in Hong Kong will be the right option for maintaining electricity supply reliability and keeping tariffs competitive, while reducing pollutants and carbon emissions.

Outlook

In January 2014, the Group received HK$59 billion in cash from the spin-off of the Hong Kong electricity business, bringing total cash on hand as at 30 June 2014 to HK$64 billion. These funds will enhance the Group's financial strength and place it in an advantageous position as we plan for future investment.

The Group will continue to proactively search for suitable investment opportunities throughout the world, especially focusing on high-quality investments in stable, well-regulated power and gas markets such as Australasia, North America, UK and continental Europe. As the global economy continues to improve, the Group is optimistic about identifying suitable businesses that fit our overall investment criteria and maximize shareholder value over the long term.

In the UK and Australia, the respective regulators are in the process of setting the parameters for the operations and revenues of electricity distribution companies for the next regulatory period. Our operating companies will continue to engage with the regulators to complete the requisite submissions.

In Hong Kong, the public consultation on the future fuel mix for electricity generation will have a significant impact on the development of HK Electric. The Group supports and endorses HK Electric's proposal to increase the proportion of gas-fired generation.

I thank the board of directors and all our employees for their diligence and commitment, and our shareholders and other stakeholders for their long-term support of our strategy and aspirations.

Fok Kin Ning, Canning
Chairman

Hong Kong, 24 July 2014

FINANCIAL REVIEW

Financial Performance

Profit attributable to shareholders for the six months ended 30 June 2014 amounted to HK$56,544 million. This includes a one-time gain of HK$52,928 million from the spin-off of HK Electric in January 2014. Excluding this one-time gain, the Group's unaudited profits were HK$3,616 million (2013: HK$4,772 million), dropped by 24.2%, mainly due to a reduction of interest in HK Electric from 100% to 49.9%.

Investments in the United Kingdom delivered satisfactory results for the six months ended 30 June 2014 of HK$2,355 million (2013: HK$2,348 million). This was mainly contributed by stable performance, improved efficiency and tighter costs control.

Investments in Australia recorded slightly lower earnings of HK$394 million (2013: HK$442 million) due to lower exchange rate of the Australian dollar when compared with the same period of last year despite higher tariffs and regulated revenues.

The current period's performance of our coal-fired plants in mainland China was higher than the same period of last year mainly due to major overhauls in the Zhuhai Power Plant which were completed in the first half of last year.

Investment in the Netherlands, which was acquired in August 2013, commenced contribution to the Group with expected results. Investments in Canada, Thailand and New Zealand maintained stable earnings.

Our investment in Hong Kong electricity businesses, which our share has been reduced from 100% to 49.9% since 29 January 2014, contributed earnings of HK$666 million.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2014 interim dividend of HK$0.67 per share (2013: HK$0.65 per share) represented a 3.1% growth.

Capital Expenditure, Liquidity and Financial Resources

The Group's capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Total unsecured bank loans outstanding at 30 June 2014 were HK$11,357 million (31 December 2013: unsecured bank loans and debt securities in issue totalling HK$22,348 million). In addition, the Group had bank deposits and cash of HK$64,238 million (31 December 2013: HK$7,894 million) and no undrawn committed bank facility at 30 June 2014 (31 December 2013: HK$2,300 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, which arise mainly from dividends and other repatriation from investments, are generally placed on short term deposits denominated primarily in Australian dollars, Hong Kong dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

The Group’s financial profile remained strong during the period. Upon the spin-off of HK Electric, Standard & Poor’s (“S&P”) assessed the Company’s stand-alone credit profile to be “a+” as the lower recurring cash flow was mitigated by the lower debt stemming from the deconsolidation. However, as S&P has adopted a new group rating methodology which caps the rating of an entity to that of its controlling entity / major shareholders, the long term credit ratings of the Company was lowered from “A+” to “A-” with a stable outlook on 29 January 2014. As at 30 June 2014, the net cash position of the Group amounted to HK$52,881 million (31 December 2013: net debt HK$14,454 million).

The profile of the Group’s external borrowings as at 30 June 2014, after taking into account interest rate swaps, was as follows:

(1) 9% were in Euro, 40% were in Australian dollars and 51% were in pounds sterling;

(2) 100% were bank loans;

(3) 100% were repayable between 2 and 5 years;

(4) 78% were in fixed rate and 22% 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. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. 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 2014 amounted to HK$17,080 million (31 December 2013: HK$29,107 million).

Charges on Group Assets

At 30 June 2014, the Group's interest in an associate of HK$557 million (31 December 2013: HK$529 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 30 June 2014, the Group had given guarantees and indemnities totalling HK$895 million (31 December 2013: HK$909 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$12,242 million (31 December 2013: HK$11,507 million). The entire amount, while being a contingent liability of the Company, is reflected in the Consolidated Statement of Financial Position 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 2014, excluding directors' emoluments, amounted to HK$91 million (2013: HK$537 million). As at 30 June 2014, the Group employed 14 (31 December 2013: 1,839) permanent employees. The reduction in the remuneration costs and the number of permanent employees arose due to the spin-off of HK Electric and the resulting transfer of most employees to HK Electric on 1 January 2014. 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 2014
(Expressed in Hong Kong dollars)

	Note	2014 $ million	2013 $ million Restated
Turnover	5	**1,432**	5,488
Direct costs		**(304)**	(2,032)
		1,128	3,456
Gain on disposal of subsidiaries	14	**52,928**	-
Other net income/(loss)		**573**	(24)
Other operating costs		**(816)**	(420)
Operating profit		**53,813**	3,012
Finance costs		**(229)**	(343)
Share of profits less losses of joint ventures		**2,301**	2,210
Share of profits less losses of associates		**789**	353
Profit before taxation	6	**56,674**	5,232
Income tax:	7		
Current		**(48)**	(392)
Deferred		**(2)**	40
		(50)	(352)
Profit after taxation		**56,624**	4,880
Scheme of Control transfers to:			
Tariff Stabilisation Fund		**(80)**	(107)
Rate Reduction Reserve		**-**	(1)
		(80)	(108)
Profit for the period attributable to equity shareholders of the Company		**56,544**	4,772
Earnings per share			
Basic and diluted	8	**$26.49**	$2.24

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 13.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(Expressed in Hong Kong dollars)

	2014 **$ million**	2013 $ million Restated
Profit for the period	**56,544**	4,772
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**(40)**	-
Share of other comprehensive income of joint ventures and associates	**(181)**	42
Income tax relating to items that will not be reclassified to profit or loss	**54**	(21)
	(167)	21
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**1,461**	(2,050)
Net investment hedges	**(514)**	641
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**35**	154
Reclassification adjustments for amounts transferred to profit or loss	**-**	3
Reclassification adjustments for disposal of subsidiaries	**(20)**	-
Amounts transferred to the initial carrying amount of hedged items	**-**	4
	15	161
Share of other comprehensive income of joint ventures and associates	**63**	125
Income tax relating to items that may be reclassified subsequently to profit or loss	**(33)**	(74)
	992	(1,197)
	825	(1,176)
Total comprehensive income for the period attributable to equity shareholders of the Company	**57,369**	3,596

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014
(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2014 $ million	(Audited) 31 December 2013 $ million
Non-current assets			
Fixed assets			
– Property, plant and equipment		**14**	44,063
– Assets under construction		**-**	3,058
– Interests in leasehold land held for own use under finance leases		**19**	2,001
		33	49,122
Interest in joint ventures	9	**39,309**	36,354
Interest in associates	10	**33,390**	8,257
Other non-current financial assets		**67**	67
Derivative financial instruments		**39**	283
Deferred tax assets		**25**	42
Employee retirement benefit assets		**4**	618
		72,867	94,743
Current assets			
Inventories		**-**	948
Trade and other receivables	11	**673**	1,647
Fuel Clause Recovery Account		**-**	1
Current tax recoverable		**4**	4
Bank deposits and cash		**64,238**	7,894
		64,915	10,494
Current liabilities			
Trade and other payables	12	**(2,821)**	(4,109)
Bank overdrafts – unsecured		**-**	(3)
Current portion of bank loans and other interest-bearing borrowings		**-**	(500)
Current tax payable		**-**	(340)
		(2,821)	(4,952)
Net current assets		**62,094**	5,542
Total assets less current liabilities		**134,961**	100,285
Non-current liabilities			
Bank loans and other interest-bearing borrowings		**(11,357)**	(21,845)
Derivative financial instruments		**(734)**	(549)
Customers' deposits		**-**	(1,900)
Deferred tax liabilities		**-**	(5,955)
Employee retirement benefit liabilities		**(118)**	(559)
		(12,209)	(30,808)
Rate Reduction Reserve		**-**	(3)
Tariff Stabilisation Fund		**-**	(36)
Net assets		**122,752**	69,438
Capital and reserves			
Share capital		**6,610**	2,134
Reserves		**116,142**	67,304
Total equity attributable to equity shareholders of the Company		**122,752**	69,438

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(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 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 13)*	-	-	-	-	(1,387)	1,387	-
Balance at 30 June 2013	2,134	4,476	176	(912)	55,465	1,387	62,726
Balance at 1 January 2014	**2,134**	**4,476**	**982**	**(759)**	**58,550**	**4,055**	**69,438**
Changes in equity for the six months ended 30 June 2014:							
Profit for the period	**-**	**-**	**-**	**-**	**56,544**	**-**	**56,544**
Other comprehensive income	**-**	**-**	**947**	**45**	**(167)**	**-**	**825**
Total comprehensive income	**-**	**-**	**947**	**45**	**56,377**	**-**	**57,369**
Transfers on 3 March 2014	**4,476**	**(4,476)**	**-**	**-**	**-**	**-**	**-**
Final dividend in respect of the previous year approved and paid	**-**	**-**	**-**	**-**	**-**	**(4,055)**	**(4,055)**
Interim dividend *(see note 13)*	**-**	**-**	**-**	**-**	**(1,430)**	**1,430**	**-**
Balance at 30 June 2014	**6,610**	**-**	**1,929**	**(714)**	**113,497**	**1,430**	**122,752**

1. Review of unaudited interim financial statements

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

2. Basis of preparation

These unaudited 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 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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").

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

This change in accounting policy has been applied retrospectively with consequential adjustments to comparatives for the period ended 30 June 2013 as follows:

	As previously reported	**Effect of adoption of HKFRS 11**	**As restated**
	$ million	**$ million**	**$ million**
Consolidated statement of profit or loss for the period ended 30 June 2013			
Share of profits less losses of joint ventures	135	2,075	2,210
Share of profits less losses of associates	2,428	(2,075)	353

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

2. Basis of preparation (continued)

Upon the spin-off of the Group's Hong Kong electricity business in January 2014, the principal activities of the Group changed from generation and supply of electricity to investment in electricity and gas operations. Interest income from loans to joint ventures and associates as well as dividends from other financial assets are included in "Turnover" instead of "Other net income/ (loss)". Comparatives for the period ended 30 June 2013 are restated as follows:

	As previously reported	Effect of change of principal activities	As restated
	$ million	$ million	$ million
Consolidated statement of profit or loss for the period ended 30 June 2013			
Turnover	4,792	696	5,488
Other net income / (loss)	672	(696)	(24)

3. Changes in accounting policies

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21	Levies

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

4. Segment reporting

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

$ million	Sales of electricity Hong Kong	Investments United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
	2014							
For the six months ended 30 June								
Revenue								
Turnover	**682**	**339**	**275**	**45**	**86**	**745**	**5**	**1,432**
Gain on disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**52,928**	**52,928**
Other net income	**2**	**-**	**-**	**-**	**3**	**3**	**115**	**120**
Reportable segment revenue	**684**	**339**	**275**	**45**	**89**	**748**	**53,048**	**54,480**
Result								
Segment earnings	**484**	**339**	**275**	**33**	**89**	**736**	**(638)**	**582**
Gain on disposal of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**52,928**	**52,928**
Depreciation and amortisation	**(149)**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(150)**
Bank and other interest income	**1**	**-**	**-**	**-**	**-**	**-**	**452**	**453**
Operating profit	**336**	**339**	**275**	**33**	**89**	**736**	**52,741**	**53,813**
Finance costs	**(20)**	**(59)**	**(139)**	**-**	**(11)**	**(209)**	**-**	**(229)**
Share of profits less losses of joint ventures and associates	**483**	**2,067**	**258**	**224**	**57**	**2,606**	**1**	**3,090**
Profit before taxation	**799**	**2,347**	**394**	**257**	**135**	**3,133**	**52,742**	**56,674**
Income tax	**(53)**	**8**	**-**	**(4)**	**-**	**4**	**(1)**	**(50)**
Profit after taxation	**746**	**2,355**	**394**	**253**	**135**	**3,137**	**52,741**	**56,624**
Scheme of Control transfers	**(80)**	**-**	**-**	**-**	**-**	**-**	**-**	**(80)**
Reportable segment profit	**666**	**2,355**	**394**	**253**	**135**	**3,137**	**52,741**	**56,544**
At 30 June								
Reportable segment assets	**24,467**	**31,057**	**8,191**	**4,778**	**4,328**	**48,354**	**64,961**	**137,782**
Reportable segment liabilities	**-**	**(6,626)**	**(4,706)**	**(3)**	**(1,088)**	**(12,423)**	**(2,607)**	**(15,030)**

4. Segment reporting (continued)

$ million	2013							
	Sales of electricity	Investments						
	Hong Kong	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
		Restated	Restated	Restated	Restated	Restated	Restated	Restated
For the six months ended 30 June								
Revenue								
Turnover	4,784	268	304	40	84	696	8	5,488
Other net income/(loss)	14	-	-	-	3	3	(80)	(63)
Reportable segment revenue	4,798	268	304	40	87	699	(72)	5,425
Result								
Segment earnings	3,386	268	304	27	87	686	(114)	3,958
Depreciation and amortisation	(986)	-	-	-	-	-	1	(985)
Bank and other interest income	-	-	-	-	-	-	39	39
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 joint ventures and associates	-	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	-	(4)	-	26	(1)	(352)
Profit after taxation	1,881	2,348	442	171	112	3,073	(74)	4,880
Scheme of Control transfers	(108)	-	-	-	-	-	-	(108)
Reportable segment profit	1,773	2,348	442	171	112	3,073	(74)	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)

5. Turnover

Group turnover represents interest income from loans granted to joint ventures and associates, and dividend from other financial assets.

	Six months ended 30 June	
	2014	2013
	$ million	$ million
		Restated
Sales of electricity	**676**	4,765
Electricity-related income	**6**	19
Interest income	**700**	656
Dividend	**45**	40
Others	**5**	8
	1,432	5,488
Share of revenue of joint ventures	**9,400**	7,925

6. Profit before taxation

	Six months ended 30 June	
	2014	2013
	$ million	$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings	**230**	384
Less: Interest capitalised to fixed assets	**-**	(31)
Interest transferred to fuel cost	**(1)**	(10)
	229	343
Depreciation		
Depreciation charges for the period	**155**	1,015
Less: Depreciation capitalised to fixed assets	**(9)**	(59)
	146	956
Amortisation of leasehold land	**4**	29

7. Income tax

	Six months ended 30 June	
	2014	2013
	$ million	$ million
Current tax	**48**	392
Deferred tax	**2**	(40)
	50	352

Taxation is provided for at the applicable tax rate on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

A subsidiary of the Company has paid to the Australian Taxation Office ("ATO"), a total of $490 million (A$67 million) being 50% (which percentage is based on ATO customary practice) of the tax in dispute, including interest and penalties, claimed by the ATO pending resolution of a dispute regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and will vigorously defend its position.

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $56,544 million for the six months ended 30 June 2014 (2013: $4,772 million) and 2,134,261,654 ordinary shares (2013: 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 2014 and 2013.

9. Interest in joint ventures

	30 June 2014	31 December 2013
	$ million	$ million
Share of net assets	**29,543**	26,976
Loans to unlisted joint ventures	**9,497**	9,197
Amounts due from unlisted joint ventures	**269**	181
	39,309	36,354
Share of total assets of joint ventures	**99,190**	93,680

10. Interest in associates

	30 June 2014 $ million	31 December 2013 $ million
Share of net assets	**28,275**	3,430
Loans to unlisted associates	**5,035**	4,752
Amounts due from unlisted associates	**80**	75
	33,390	8,257

11. 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 2014 $ million	31 December 2013 $ million
Within 1 month	**1**	606
1 to 3 months	**-**	30
More than 3 months but less than 12 months	**-**	13
Trade debtors	**1**	649
Other receivables	**666**	908
	667	1,557
Derivative financial instruments		
− held as cash flow/fair value hedging instruments	**4**	2
Deposits and prepayments	**2**	88
	673	1,647

Trade with customers is carried out on credit and invoices are normally due within 1 month after issued.

12. Trade and other payables

	30 June 2014 $ million	31 December 2013 $ million
Due within 1 month or on demand	**28**	830
Due after 1 month but within 3 months	**43**	286
Due after 3 months but within 12 months	**2,668**	2,991
Creditors measured at amortised cost	**2,739**	4,107
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	**82**	2
	2,821	4,109

13. Interim dividend

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

	Six months ended 30 June 2014 $ million	2013 $ million
Interim dividend of $0.67 per ordinary share (2013: $0.65 per ordinary share)	1,430	1,387

14. Disposal of subsidiaries

The Company completed the spin-off and separate listing of the Group's Hong Kong electricity business which is operated by The Hongkong Electric Company, Limited ("HK Electric"), by way of the listing of the share stapled units jointly issued by HK Electric Investments and HK Electric Investments Limited ("HKEI") on the Main Board of The Stock Exchange of Hong Kong Limited on 29 January 2014. The Group's total consideration of the disposal of 100% holding of HK Electric includes cash and 49.9% interests in the total issued share stapled units of HKEI. The Group ceased to have control over HKEI. Thereafter, HKEI became an associated company of the Group. Details of the net assets disposed and the gain on disposal are as follows:

	$ million
Fixed assets	49,014
Net employee retirement benefit assets	132
Net derivative financial instruments	278
Inventories	848
Trade and other receivables	1,203
Cash and bank balances	1,148
External borrowings	(11,500)
Amount due to Power Assets Holdings Limited	(27,445)
Trade and other payables	(2,375)
Fuel Clause Recovery Account	(101)
Current tax payable	(186)
Customers' deposits	(1,910)
Deferred tax liabilities	(5,952)
Tariff Stabilisation Fund	(119)
Net assets	3,035
	=======
Cash	32,026
Interests in HKEI	24,031
	56,057
Direct costs for disposal	(114)
Consideration received	55,943
	=======
Gain on disposal of subsidiaries before release of hedging reserve	52,908
Release of hedging reserve	20
Gain on disposal of subsidiaries	52,928
	=======

15. 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 2014 of HK$0.67 per share. The dividend will be payable on 4 September 2014 to shareholders whose names appear in the Company's Register of Members at the close of business on Tuesday, 26 August 2014, 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 Tuesday, 26 August 2014.

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 2014.

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 2014, 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 having regard to the Group's Board Diversity Policy. The Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer (which was re-titled from Group Managing Director on 29 January 2014).

Mr. Holger Kluge, who was an Independent Non-executive Director, retired from the Board with effect from the conclusion of the annual general meeting of the Company held in May 2014. Following the retirement of Mr. Kluge, the Company had three Independent Non-executive Directors and its Audit Committee had two Independent Non-executive Directors, which fell below the required numbers under Rules 3.10A and 3.21 of the Listing Rules. In order to meet such requirements, Mr. Wu Ting Yuk, Anthony was appointed as an Independent Non-executive Director of the Company on 3 June 2014, and Mr. Ip Yuk-keung, Albert, an Independent Non-executive Director of the Company, was appointed as a member of the Audit Committee with effect from the same day. Following the above appointments, the numbers of Independent Non-executive Directors and Audit Committee members of the Company are in compliance with Rules 3.10A and 3.21 of the Listing Rules.

The Group is committed to achieving and maintaining standards of openness, probity and accountability. In line with this commitment and in compliance with the Corporate Governance Code, the Audit Committee has reviewed the procedures for reporting possible improprieties in financial reporting, internal control or other matters. In addition, the Company has established the policy on handling of inside information and securities dealing for compliance by the Company's employees.

Board Composition

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

Executive directors	:	Mr. FOK Kin Ning, Canning (Chairman), Mr. TSAI Chao Chung, Charles (Chief Executive Officer), Mr. CHAN Loi Shun, Mr. Andrew John HUNTER, Mr. Neil Douglas MCGEE and Mr. WAN Chi Tin
Non-executive directors	:	Mr. LI Tzar Kuoi, Victor and Mr. Frank John SIXT
Independent non-executive directors	:	Mr. IP Yuk-keung, Albert, Mr. Ralph Raymond SHEA, Mr. WONG Chung Hin and Mr. WU Ting Yuk, Anthony