NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. General information

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

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interests in joint ventures and associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

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 power and utility-related businesses. 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". Comparatives for the year ended 31 December 2013 are restated as follows:

2. Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

	As previously reported $ million	Effect of change of principal activities $ million	As restated $ million
Consolidated statement of profit or loss for the year ended 31 December 2013			
Turnover	10,222	1,356	11,578
Other net income	1,567	(1,356)	211

(c) Basis of consolidation

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

(d) Subsidiaries

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

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

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

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

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

(e) Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

When the Group's share of losses exceeds its interest in a joint venture or an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture or the associate.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in a joint venture or an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in a joint venture or an associate is recognised immediately in profit or loss.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)). In respect of joint ventures or associates, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture or associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(l)).

2. Significant accounting policies (Continued)

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, joint ventures and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are subsequently recognised in the statement of financial position at cost less impairment losses (see note 2(l)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Hedging

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(iii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(j) Fixed assets, depreciation and amortisation

(i) Fixed assets are stated in the statement of financial position at cost less accumulated depreciation (see note 2(j)(vii)), amortisation (see note 2(j)(vi)) and impairment losses (see note 2(l)).

(ii) The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

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

(iv) Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

(vi) The cost of acquiring land held under a finance lease is amortised on a straight-line basis over the period of the unexpired lease term.

(Expressed in Hong Kong dollars unless otherwise indicated)

2. Significant accounting policies (Continued)

(j) Fixed assets, depreciation and amortisation (Continued)

(vii) Depreciation is calculated to write off the cost of fixed assets less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Years
Cable tunnels	100
Buildings	60
Ash lagoon and gas pipeline	60
Transmission and distribution equipment, overhead lines and cables	60
Generating plant and machinery	35
Gas turbines and gas turbine combined cycle	30
Mechanical meters	30
Photovoltaic systems	25
Wind turbines	20
Electronic meters, microwave and optical fibre equipment and trunk radio systems	15
Furniture and fixtures, sundry plant and equipment	10
Computers	5 to 10
Motor vehicles and marine craft	5 to 6
Workshop tools and office equipment	5

Immovable assets are amortised on a straight-line basis over the unexpired lease terms of the land on which the immovable assets are situated if the unexpired lease terms of the land are shorter than the estimated useful lives of the immovable assets.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets and operating lease charges

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries recognised at cost and joint ventures and associates recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

- For unquoted equity securities and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets carried at amortised cost share similar risk characteristics, such as similar past due status and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

Except for equity securities carried at cost, if in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and

- goodwill.

2. Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(m) Inventories

Coal, stores, fuel oil and natural gas are valued at cost measured on a weighted average basis.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories recognised as an expense includes the write-off and all losses of inventories.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(l)(ii)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

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

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

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

(r) Employee benefits

(i) Short term employee benefits

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

2. Significant accounting policies (Continued)

(r) Employee benefits (Continued)

(ii) Defined benefit retirement scheme obligations

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

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

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

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

(iii) Contributions to defined contribution retirement schemes

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

(s) Income tax

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

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

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

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

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

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

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

(t) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in profit or loss.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

(i) Regulation of earnings under the Scheme of Control Agreement

The earnings of The Hongkong Electric Company, Limited ("HK Electric"), a subsidiary until its disposal on 29 January 2014 (see note 32), are regulated by the Hong Kong SAR Government ("the Government") under a Scheme of Control Agreement ("SoCA") which provides for a permitted level of earnings based principally on a return on HK Electric's capital investment in electricity generation, transmission and distribution assets (the "Permitted Return"). The SoCA also provides for performance based incentives and penalties which encourage emission reduction, customer service quality, energy efficiency and the use of renewable energy. The Net Return of HK Electric under the SoCA is determined by deducting from the Permitted Return interest and excess capacity adjustments, if any, and adjusting for the abovementioned incentives and penalties.

(ii) Fuel Clause Recovery Account

Under the SoCA, any difference between the standard cost of fuel, as agreed with the Government, and the actual cost of fuel consumed is transferred to the Fuel Clause Recovery Account ("Fuel Cost Account Adjustments").

2. Significant accounting policies (Continued)

(u) Revenue recognition (Continued)

(ii) Fuel Clause Recovery Account (Continued)

Fuel Clause Charges (or Rebates) are charged (or given) to customers by adding to (or deducting from) the Basic Tariff to produce a Net Tariff payable by customers and are credited (or debited) to the Fuel Clause Recovery Account.

The balance on the Fuel Clause Recovery Account at the end of a financial year represents the difference between Fuel Clause Charges (or Rebates) and Fuel Cost Account Adjustments during the year, together with any balance brought forward from the prior year and interest thereon based on prevailing market interest rates. Any debit balance is carried forward as a deferred receivable to be recovered from Fuel Clause Charges and/or Fuel Cost Account Adjustments and any credit balance is carried forward as a deferred payable to be cleared by Fuel Clause Rebates and/or Fuel Cost Account Adjustments.

Fuel Clause Charges or Rebates are utilised to smooth increases in Net Tariffs paid by customers. The impact of tariff smoothing is to reduce the Net Tariffs payable by customers in certain years and increase the Net Tariffs in other years. However, the tariff smoothing has no impact on HK Electric's total earnings and the related balance on the Fuel Clause Recovery Account is expected to be recovered by Fuel Clause Charges and/or Fuel Cost Account Adjustments.

(iii) Income recognition

Electricity income is recognised based on the actual and accrued units of electricity consumed by customers during the year at the Basic Tariff, which is the unit charge agreed with the Government during the Annual Tariff Review for each financial year.

Electricity-related income is recognised when the related services are rendered.

Dividend income from unlisted investments is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on a time apportioned basis using the effective interest method.

(v) Translation of foreign currencies

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

Exchange gains and losses in respect of fixed assets under construction are, up to the date of commissioning, incorporated in the cost of the assets. All other exchange differences are dealt with in profit or loss.

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

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

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

(w) Borrowing costs

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

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

(x) Related parties

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

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

   (b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(y) Segment reporting

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

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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 and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	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. Turnover

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

	2014 $ million	2013 $ million Restated
Sales of electricity	**676**	10,176
Concessionary discount on sales of electricity	**–**	(6)
Electricity-related income	**6**	39
Interest income	**1,389**	1,315
Dividends	**50**	41
Others	**10**	13
	2,131	11,578
Share of revenue of joint ventures	**18,586**	16,992

5. Other net income

	2014 $ million	2013 $ million Restated
Interest income from financial assets not at fair value through profit or loss	**898**	89
Foreign exchange (loss)/gain on loans and receivables	**(156)**	81
Net profit on sale of fixed assets	**–**	2
Sundry income	**18**	39
	760	211

6. Segment information

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

– Sales of electricity: this segment supplies electricity in Hong Kong.

– Investments: this segment invests in power and utility-related businesses and is segregated further into four reportable segments (United Kingdom, Australia, Mainland China and Others) on a geographical basis.

– All other activities: this segment represents other activities carried out by the Group.

The basis of accounting for the Group's segment information is the same as that for the Group's financial statements. The financial information about the Group's segments is set out in Appendix 1 on pages 116 to 117.

7. Finance costs

	2014 $ million	2013 $ million
Interest on overdrafts, bank loans and other borrowings repayable within 5 years	**424**	559
Interest on other borrowings repayable over 5 years	**18**	226
Less: Interest capitalised to fixed assets	**(7)**	(73)
Interest transferred to fuel costs	**(1)**	(20)
Total interest expense on financial liabilities not at fair value through profit or loss	**434**	692

Interest expenses have been capitalised at an average rate of approximately 2.1% per annum (2013: 2.3% per annum) for assets under construction.

8. Profit before taxation

	2014 $ million	2013 $ million
Profit before taxation is arrived at after charging:		
Depreciation	**146**	1,923
Amortisation of leasehold land	**5**	58
Costs of inventories	**238**	5,291
Write down of inventories	**–**	14
Staff costs	**68**	587
Fixed assets written off	**2**	37
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	6
– other auditors	**1**	1
– non-audit work		
– KPMG	**–**	6
– other auditors	**6**	9

The consolidated profit attributable to equity shareholders of the Company includes a profit of $58,375 million (2013: $11,146 million) which has been dealt with in the financial statements of the Company.

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

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

	2014 $ million	2013 $ million
Current tax – Hong Kong Profits Tax		
Provision for the year	**51**	952
Current tax – operations outside Hong Kong		
Provision for the year	**7**	6
Tax credit for the year	**(47)**	(51)
	(40)	(45)
	11	907
Deferred tax (see note 24(b)(i))		
Origination and reversal of temporary differences	**2**	(93)
	13	814

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

Taxation for operations outside Hong Kong is similarly calculated using tax rates applicable in the relevant countries.

A subsidiary of the Company has paid to the Australian Taxation Office ("ATO"), a total of $458 million (A$72 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.

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

	2014 $ million	2013 $ million
Profit before taxation	**61,098**	11,591
Less: Share of profits less losses of joint ventures	**(4,709)**	(5,585)
Share of profits less losses of associates	**(2,252)**	(641)
	54,137	5,365
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**8,931**	883
Tax effect of non-deductible expenses	**159**	165
Tax effect of non-taxable income	**(9,088)**	(249)
Tax effect of temporary difference not recognised	**–**	1
Tax effect of unused tax losses not recognised	**11**	14
Actual tax expense	**13**	814

10. Directors' emoluments and senior management remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the Directors of the Company are as follows:

Name of Directors	Fees $ million	Salaries, allowances and other benefits $ million	Retirement scheme contributions $ million	Bonuses $ million	2014 Total emoluments $ million	2013 Total emoluments $ million
Executive Directors						
Fok Kin Ning, Canning [3] [4]						
Chairman	0.12	0.06	–	–	**0.18**	0.93
Tsai Chao Chung, Charles [14]						
Chief Executive Officer	0.06	2.54	0.37	1.35	**4.32**	–
Chan Loi Shun [5]	0.07	4.20	–	–	**4.27**	4.06
Andrew John Hunter	0.07	0.08	–	–	**0.15**	0.16
Neil Douglas McGee [12]	0.07	–	–	–	**0.07**	0.07
Wan Chi Tin [7]	0.07	0.43	–	–	**0.50**	10.88
Chow Woo Mo Fong, Susan [8]	0.01	–	–	–	**0.01**	0.16
Yuen Sui See [8]	0.01	0.29	–	–	**0.30**	6.76
Kam Hing Lam [8]	0.01	–	–	–	**0.01**	0.10
Non-executive Directors						
Li Tzar Kuoi, Victor [11] [17]	0.07	0.04	–	–	**0.11**	0.56
Frank John Sixt [11]	0.07	0.01	–	–	**0.08**	0.14
Ip Yuk-keung, Albert [1] [2] [15]	0.11	–	–	–	**0.11**	–
Ralph Raymond Shea [1] [2] [3]	0.16	0.01	–	–	**0.17**	0.20
Wong Chung Hin [1] [2] [3]	0.16	0.01	–	–	**0.17**	0.23
Wu Ting Yuk, Anthony [1] [16]	0.04	–	–	–	**0.04**	–
Tso Kai Sum [6]	0.01	0.47	–	–	**0.48**	6.60
Ronald Joseph Arculli [9]	0.01	0.01	–	–	**0.02**	0.19
Fong Chi Wai, Alex [10]	0.01	–	–	–	**0.01**	0.09
Holger Kluge [13]	0.05	–	–	–	**0.05**	0.14
Lee Lan Yee, Francis [10]	0.01	–	–	–	**0.01**	0.09
George Colin Magnus [10]	0.01	–	–	–	**0.01**	0.10
Total for the year 2014	**1.20**	**8.15**	**0.37**	**1.35**	**11.07**	
Total for the year 2013	1.63	20.98	0.04	8.81		31.46

Notes:

(1) Independent Non-executive Director.

(2) Member of the Audit Committee.

(3) Member of the Remuneration Committee.

(4) During the year, Mr. Fok Kin Ning, Canning received director's fees of $111,000 from HK Electric Investments Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

(5) During the year, Mr. Chan Loi Shun received director's emoluments of THB451,000 from Ratchaburi Power Company Limited and $2,284,000 from HK Electric Investments Limited, which are associates of the Group. The director's emoluments received were paid back to the Company.

(6) Retired from the office of Group Managing Director and re-designated from an Executive Director to a Non-executive Director and appointed as Deputy Chairman and Senior Adviser to the Board with effect from 1 January 2013, and resigned the positions with effect from 29 January 2014.

(7) Appointed as Group Managing Director with effect from 1 January 2013 and ceased the position on 29 January 2014, and remained as an Executive Director. During the year, Mr. Wan Chi Tin received director's fees of $65,000 from HK Electric Investments Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

(8) Resigned as an Executive Director with effect from 29 January 2014.

(9) Resigned as a Non-executive Director and ceased to be a member of the Audit Committee with effect from 29 January 2014.

(10) Resigned as an Independent Non-executive Director with effect from 29 January 2014.

(11) Re-designated from an Executive Director to a Non-executive Director with effect from 29 January 2014.

(12) Re-designated from a Non-executive Director to an Executive Director with effect from 29 January 2014.

(13) Retired as an Independent Non-executive Director and ceased to be a member of the Audit Committee with effect from 15 May 2014.

(14) Appointed as Chief Executive Officer with effect from 29 January 2014. During the year, Mr. Tsai Chao Chung, Charles received director's fees of THB451,000 from Ratchaburi Power Company Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

(15) Appointed as an Independent Non-executive Director with effect from 29 January 2014 and a member of the Audit Committee with effect from 3 June 2014.

(16) Appointed as an Independent Non-executive Director with effect from 3 June 2014.

(17) During the year, Mr. Li Tzar Kuoi, Victor received director's fees of $7,000 from HK Electric Investments Limited, which is an associate of the Group. The director's fees received were paid back to the Company.

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

The five highest paid individuals of the Group included two directors (2013: three) whose total emoluments are shown above. The remuneration of the other three individuals (2013: two) who comprises the five highest paid individuals of the Group is set out below:

	2014 $ million	2013 $ million
Salary and other benefits	**8.8**	8.1
Retirement scheme contributions	**0.6**	0.8
	9.4	8.9

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

	2014 Number	2013 Number
$0 – $500,000	**1**	–
$1,000,001 – $1,500,000	**3**	1
$2,000,001 – $2,500,000	**–**	1
$2,500,001 – $3,000,000	**2**	6
$3,000,001 – $3,500,000	**–**	1
$3,500,001 – $4,000,000	**–**	1
$4,000,001 – $4,500,000	**1**	2
$4,500,001 – $5,000,000	**–**	1

The remuneration of directors and senior management is as follows:

	The Group		**The Company**	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Short-term employee benefits	**23**	65	**14**	44
Post-employment benefits	**2**	3	**–**	1
	25	68	**14**	45

At 31 December 2014 and 2013, there was no amount due from directors and senior management.

11. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $61,005 million (2013: $11,165 million) and 2,134,261,654 ordinary shares (2013: 2,134,261,654 ordinary shares) in issue throughout the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2014 and 2013.

12. Fixed assets

The Group

$ 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
Cost:						
At 1 January 2013	14,038	62,804	2,852	79,694	2,818	82,512
Additions	3	329	1,621	1,953	20	1,973
Transfers between categories	51	1,363	(1,415)	(1)	1	–
Disposals	–	(301)	–	(301)	–	(301)
At 31 December 2013	14,092	64,195	3,058	81,345	2,839	84,184
At 1 January 2014	**14,092**	**64,195**	**3,058**	**81,345**	**2,839**	**84,184**
Additions	**–**	**6**	**80**	**86**	**–**	**86**
Transfers between categories	**3**	**61**	**(64)**	**–**	**–**	**–**
Disposals	**–**	**(5)**	**–**	**(5)**	**–**	**(5)**
Disposal of a subsidiary	**(14,069)**	**(64,251)**	**(3,074)**	**(81,394)**	**(2,809)**	**(84,203)**
At 31 December 2014	**26**	**6**	**–**	**32**	**30**	**62**
Accumulated amortisation and depreciation:						
At 1 January 2013	5,398	27,036	–	32,434	780	33,214
Written back on disposals	–	(247)	–	(247)	–	(247)
Charge for the year	250	1,787	–	2,037	58	2,095
At 31 December 2013	5,648	28,576	–	34,224	838	35,062
At 1 January 2014	**5,648**	**28,576**	**–**	**34,224**	**838**	**35,062**
Written back on disposals	**–**	**(3)**	**–**	**(3)**	**–**	**(3)**
Written back on disposal of a subsidiary	**(5,654)**	**(28,704)**	**–**	**(34,358)**	**(831)**	**(35,189)**
Charge for the year	**21**	**134**	**–**	**155**	**5**	**160**
At 31 December 2014	**15**	**3**	**–**	**18**	**12**	**30**
Net book value:						
At 31 December 2014	**11**	**3**	**–**	**14**	**18**	**32**
At 31 December 2013	8,444	35,619	3,058	47,121	2,001	49,122

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12. Fixed assets (Continued)

The Company

$ million	Plant, machinery and equipment
Cost:	
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Additions	**1**
At 31 December 2014	**1**
Accumulated amortisation and depreciation:	
At 1 January 2013, 31 December 2013 and 1 January 2014	–
Charge for the year	–
At 31 December 2014	–
Net book value:	
At 31 December 2014	**1**
At 31 December 2013	–

The Group's leasehold land at 31 December 2014 is held in Hong Kong and comprises long term and medium term leasehold land with carrying values of $1 million (2013: $41 million) and $17 million (2013: $1,960 million) respectively.

Financing costs capitalised during the year for electricity-related fixed assets amounted to $7 million (2013: $73 million).

Depreciation charges for the year included $9 million (2013: $114 million), relating to assets utilised in development activities, which has been capitalised.

13. Investments in subsidiaries

	The Company	
	2014 $ million	2013 $ million
Unlisted shares, at cost	**5,747**	3,443
Loan capital (see note below)	–	8,845
Amounts due from subsidiaries (see note below)	**107,445**	47,861
Amounts due to subsidiaries (see note below)	**(1,013)**	(1,093)
	112,179	59,056

Loan capital represented an investment of funds in HK Electric as permanent shareholders' investment. The loan capital was fully repaid by HK Electric on 6 February 2014.

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed repayment terms but the Company is unlikely to demand payment or repay these amounts within 12 months of the end of reporting period except for those amounts due from HK Electric which were fully repaid on 6 February 2014.

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

14. Interest in joint ventures

	The Group	
	2014 $ million	2013 $ million
Share of net assets of unlisted joint ventures	**32,410**	26,976
Loans to unlisted joint ventures (see note below)	**8,720**	9,197
Amounts due from unlisted joint ventures (see note below)	**188**	181
	41,318	36,354
Share of total assets of unlisted joint ventures	**101,684**	93,680

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 6.7% per annum to 11.0% per annum (2013: 6.5% per annum to 11.0% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $4,062 million (2013: $4,323 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures and they are treated as part of the investment in the joint ventures.

The amounts due from unlisted joint ventures are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

All the Group's joint ventures are unlisted corporate entities for which a quoted market price is not available.

Details of the Group's material joint ventures at the end of the reporting period are set out in Appendix 3 on page 120.

(a) Summarised financial information of material joint ventures

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Current assets	**5,604**	5,528	**665**	732	**1,090**	1,165	**5,220**	3,904	**1,754**	1,215
Non-current assets	**124,050**	122,172	**30,509**	31,012	**42,544**	43,934	**92**	1,284	**5,966**	6,230
Current liabilities	**(10,340)**	(9,718)	**(1,833)**	(1,748)	**(1,342)**	(1,289)	**(185)**	(265)	**(923)**	(647)
Non-current liabilities	**(76,647)**	(79,117)	**(20,853)**	(21,554)	**(37,656)**	(38,549)	**–**	–	**(2,860)**	(2,881)

14. Interest in joint ventures (Continued)

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

The above amounts of assets and liabilities include the following:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Cash and cash equivalents	**2,172**	1,939	**67**	11	**514**	523	**4,974**	3,759	**848**	447
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**(570)**	(495)	**–**	–	**–**	–	**(68)**	(60)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(60,560)**	(61,593)	**(17,109)**	(17,718)	**(30,170)**	(31,253)	**–**	–	**(2,856)**	(2,881)

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Revenue	**22,938**	21,327	**5,253**	4,852	**5,363**	4,933	**4,663**	4,722	**3,122**	3,449
Profit from continuing operations	**8,381**	9,823	**1,315**	1,977	**1,099**	1,932	**181**	273	**353**	178
Other comprehensive income for the year	**432**	(957)	**(105)**	(23)	**(1,074)**	(57)	**–**	–	**–**	–
Total comprehensive income for the year	**8,813**	8,866	**1,210**	1,954	**25**	1,875	**181**	273	**353**	178
Dividends received from the joint ventures during the year	**1,109**	1,120	**298**	1,309	**109**	89	**–**	655	**149**	181

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

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Depreciation and amortisation	**(2,732)**	(1,942)	**(887)**	(762)	**(1,061)**	(895)	**(853)**	(862)	**(325)**	(318)
Interest income	**423**	406	**1**	1	**3**	15	**28**	41	**5**	7
Interest expense	**(3,426)**	(3,147)	**(923)**	(597)	**(1,128)**	(1,055)	**–**	–	**(172)**	(193)
Income tax (expense)/credit	**(1,988)**	(473)	**(349)**	256	**(256)**	615	**(263)**	(265)	**(218)**	(217)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	UK Power Networks		Northern Gas Networks		Wales & West Gas Networks		Zhuhai Power		Jinwan Power	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Net assets of the joint ventures	**42,667**	38,865	**8,488**	8,442	**4,636**	5,261	**5,127**	4,923	**3,937**	3,917
Group's effective interest	**40.0%**	40.0%	**41.29%**	41.29%	**30.0%**	30.0%	**45.0%**	45.0%	**45.0%**	45.0%
Group's share of net assets of the joint ventures	**17,066**	15,546	**3,504**	3,485	**1,391**	1,578	**2,307**	2,215	**1,772**	1,763
Consolidation adjustments	**77**	79	**–**	–	**–**	–	**–**	–	**–**	–
Carrying amount of the Group's interest in joint ventures	**17,143**	15,625	**3,504**	3,485	**1,391**	1,578	**2,307**	2,215	**1,772**	1,763

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

	2014 $ million	2013 $ million
The Group's share of net assets	**6,293**	2,310
The Group's share of profit from continuing operations	**243**	57
The Group's share of other comprehensive income	**19**	72
The Group's share of total comprehensive income	**262**	129

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15. Interest in associates

	The Group 2014 $ million	2013 $ million
Share of net assets		
– Listed associate	**24,884**	–
– Unlisted associates	**3,421**	3,430
	28,305	3,430
Loans to unlisted associates (see note below)	**4,372**	4,752
Amounts due from associates (see note below)	**71**	75
	32,748	8,257

The market value (level 1 fair value measurement (see note 26(f))) of above listed associate, HK Electric Investments and HK Electric Investments Limited ("HKEI"), at 31 December 2014 is $22,575 million. All the Group's other associates are unlisted corporate entities for which a quoted market price is not available.

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 13.8% per annum (2013: 10.9% per annum to 13.8% per annum) and are not due within one year.

The loans to unlisted associates are subordinated loans. The rights in respect of these loans are subordinated to the rights of any other lenders to the associates and they are treated as part of the investment in the associates.

The amounts due from associates are unsecured, interest free and have no fixed repayment terms. They are neither past due nor impaired.

At 31 December 2014, the Group's interest in an associate of $504 million (2013: $529 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Details of each of the Group's material associates at the end of the reporting period are set out in Appendix 4 on page 121.

(a) Summarised financial information of material associates

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

	HKEI		SA Power Networks		Victoria Power Networks	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Current assets	**6,698**	–	**2,854**	2,121	**1,908**	2,439
Non-current assets	**106,113**	–	**37,901**	39,019	**49,032**	50,428
Current liabilities	**(3,858)**	–	**(4,267)**	(3,555)	**(5,149)**	(6,347)
Non-current liabilities	**(59,762)**	–	**(33,185)**	(34,549)	**(39,487)**	(40,048)

	HKEI		SA Power Networks		Victoria Power Networks	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Revenue	**10,504**	–	**8,748**	9,214	**8,186**	8,286
Profit from continuing operations	**3,201**	–	**1,472**	1,529	**408**	276
Other comprehensive income for the year	**(29)**	–	**(90)**	795	**32**	827
Total comprehensive income for the year	**3,172**	–	**1,382**	2,324	**440**	1,103
Dividends received from the associates during the year	**729**	–	**214**	222	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	HKEI		SA Power Networks		Victoria Power Networks	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million	**2014 $ million**	2013 $ million
Net assets of the associates	**49,191**	–	**3,303**	3,036	**6,304**	6,472
Group's effective interest	**49.9%**	–	**27.93%**	27.93%	**27.93%**	27.93%
Group's share of net assets of the associates	**24,546**	–	**922**	848	**1,760**	1,807
Consolidation adjustment	**338**	–	**–**	–	**–**	–
Carrying amount of the Group's interest in the associates	**24,884**	–	**922**	848	**1,760**	1,807

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

	2014 $ million	2013 $ million
The Group's share of net assets	**739**	775
The Group's share of profit from continuing operations	**130**	137
The Group's share of other comprehensive income	**1**	1
The Group's share of total comprehensive income	**131**	138

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(Expressed in Hong Kong dollars unless otherwise indicated)

16. Other non-current financial assets

	The Group	
	2014 $ million	2013 $ million
Unlisted available-for-sale equity securities, at cost	**67**	67

17. Inventories

	The Group	
	2014 $ million	2013 $ million
Coal, fuel oil and natural gas	**–**	592
Stores and materials	**–**	356
	–	948

18. Trade and other receivables

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Trade debtors (see note below)	**–**	649	**–**	–
Interest and other receivables	**583**	908	**–**	–
	583	1,557	**–**	–
Derivative financial instruments (see note 22)	**225**	2	**2**	–
Deposits and prepayments	**2**	88	**2**	2
	810	1,647	**4**	2

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

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

	The Group	
	2014 $ million	2013 $ million
Within 1 month	**–**	606
1 to 3 months	**–**	30
More than 3 months but less than 12 months	**–**	13
Total trade debtors	**–**	649

19. Bank deposits and cash

(a) Bank deposits and cash comprise:

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**46,820**	5,256	**–**	–
Cash at bank and on hand	**34**	41	**25**	10
Bank overdrafts	**–**	(3)	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**46,854**	5,294		
Bank overdrafts	**–**	3	**–**	–
Deposit with banks and other financial institutions with more than 3 months to maturity when placed	**14,437**	2,597	**–**	–
Bank deposits and cash in the statement of financial position	**61,291**	7,894	**25**	10

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

	Note	**2014 $ million**	2013 $ million
Profit before taxation		**61,098**	11,591
Adjustments for:			
Share of profits less losses of joint ventures		**(4,709)**	(5,585)
Share of profits less losses of associates		**(2,252)**	(641)
Interest income	4,5	**(2,287)**	(1,404)
Dividend income from unlisted available-for-sale equity securities	4	**(50)**	(41)
Finance costs	7	**435**	712
Depreciation	8	**146**	1,923
Amortisation of leasehold land	8	**5**	58
Fixed assets written off	8	**2**	37
Other non-cash items		**–**	181
Net profit on sale of fixed assets	5	**–**	(2)
Exchange loss/(gain)		**25**	(84)
Financial instrument revaluation loss		**42**	–
Gain on disposal of subsidiaries	32	**(52,928)**	–
Changes in working capital:			
Decrease in inventories		**63**	170
Increase in trade and other receivables		**(43)**	(21)
Decrease in Fuel Clause Recovery Account		**102**	819
Increase in trade and other payables		**946**	540
Decrease in amounts due from joint ventures		**4**	–
Increase in amounts due from associates		**(2)**	–
Increase/decrease in net employee retirement benefit liabilities/assets		**5**	46
Cash generated from operations		**602**	8,299

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(Expressed in Hong Kong dollars unless otherwise indicated)

20. Trade and other payables

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Creditors measured at amortised cost (see note below)	**2,621**	4,107	**275**	72
Derivative financial instruments (see note 22)	**77**	2	**45**	–
	2,698	4,109	**320**	72

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

Creditors' ageing is analysed as follows:

	The Group	
	2014 $ million	2013 $ million
Due within 1 month or on demand	**29**	830
Due after 1 month but within 3 months	**41**	286
Due after 3 months but within 12 months	**2,551**	2,991
	2,621	4,107

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

	The Group	
	2014 $ million	2013 $ million
Bank loans	**10,204**	10,883
Hong Kong dollar notes	**–**	5,480
United States dollar notes	**–**	5,982
	–	11,462
Current portion	**–**	(500)
	–	10,962
Total	**10,204**	21,845

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 26(b). As at 31 December 2014 and 2013, none of the covenants relating to drawn down facilities had been breached.

None of the non-current interest-bearing borrowings is expected to be settled within one year. All the above borrowings are unsecured.

The non-current borrowings are repayable as follows:

	The Group	
	2014 $ million	2013 $ million
After 1 year but within 2 years	**3,901**	500
After 2 years but within 5 years	**6,303**	12,081
After 5 years	**–**	9,264
	10,204	21,845

22. Derivative financial instruments

	The Group			
	2014		2013	
	Assets $ million	**Liabilities $ million**	Assets $ million	Liabilities $ million
Derivative financial instruments used for hedging:				
Cash flow hedges				
Interest rate swaps	**–**	**(78)**	41	(143)
Forward foreign exchange contracts	**–**	**–**	2	(3)
Fair value hedges				
Cross currency interest rate swaps	**–**	**–**	242	–
Net investment hedges				
Forward foreign exchange contracts	**223**	**(114)**	–	(405)
Derivative financial instruments not qualifying as accounting hedges:				
Forward foreign exchange contracts	**2**	**(45)**	–	–
	225	**(237)**	285	(551)
Analysed as:				
Current	**225**	**(77)**	2	(2)
Non-current	**–**	**(160)**	283	(549)
	225	**(237)**	285	(551)

	The Company			
	2014		2013	
	Assets $ million	**Liabilities $ million**	Assets $ million	Liabilities $ million
Derivative financial instruments not qualifying as accounting hedges:				
Forward foreign exchange contracts	**2**	**(45)**	–	–
Analysed as:				
Current	**2**	**(45)**	–	–
Non-current	**–**	**–**	–	–
	2	**(45)**	–	–

23. Employee retirement benefits

The Group offers three retirement schemes which together cover all permanent staff.

One of the schemes ("the Pension Scheme") provides pension benefits based on the employee's final basic salary and length of service. This scheme is accounted for as a defined benefit retirement scheme.

Another scheme is defined contribution in nature and offers its members choices to invest in various investment funds. One of the investment funds provides a guaranteed return; the scheme is accounted for as a defined benefit retirement scheme in respect of this investment fund ("the Guaranteed Return Scheme"). In respect of other investment funds which do not offer a guaranteed return, the scheme is accounted for as a defined contribution retirement scheme (see note 23(b)).

Both these schemes are established under trust and are registered under the Hong Kong Occupational Retirement Schemes Ordinance. The assets of the schemes are held independently of the Group's assets in separate trustee administered funds. The responsibility for the governance of the schemes – including investment and contribution decisions – lies with the independent trustees in accordance with the trust deeds of the schemes.

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

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

The funding policy in respect of the Pension Scheme is based on valuations prepared periodically by independent professionally qualified actuaries at Towers Watson Hong Kong Limited. The policy for employer's contributions is to fund the scheme in accordance with the actuary's recommendations on an on-going basis. The principal actuarial assumptions used include discount rate and future pension increase rate which are disclosed in note 23(a)(viii) together with appropriate provisions for mortality rates. The most recent actuarial valuation of the Pension Scheme was carried out by the appointed actuary, represented by Ms. Wing Lui, FSA, as at 31 December 2013. The valuation revealed that the assets of the Pension Scheme were sufficient to cover the aggregate vested liabilities as at the valuation date.

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

The retirement scheme expense/income recognised in profit or loss for the year ended 31 December 2014 was determined in accordance with HKAS 19 (2011), *Employee benefits*.

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

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Present value of defined benefit obligations	**(428)**	(4,388)	**(423)**	(417)
Fair value of assets of the Schemes	**310**	4,447	**301**	300
	(118)	59	**(122)**	(117)
Represented by:				
Employee retirement benefit assets	**4**	618	**–**	–
Employee retirement benefit liabilities	**(122)**	(559)	**(122)**	(117)
	(118)	59	**(122)**	(117)

The assets of the Schemes did not include ordinary shares issued by the Company for the years ended 31 December 2014 and 2013.

A portion of the above asset/liability is expected to be realised/settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future changes in actuarial assumptions and market conditions.

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

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
At 1 January	**4,388**	5,232	**417**	537
Current service cost	**7**	109	**–**	5
Interest cost	**17**	41	**10**	4
Employee contributions paid to the Schemes	**1**	18	**–**	1
Actuarial loss/(gain) due to:				
– Changes in liability experience	**1**	(34)	**(1)**	(19)
– Changes in financial assumptions	**33**	(873)	**14**	(91)
– Changes in demographic assumptions	**–**	179	**–**	29
Benefits paid	**(28)**	(284)	**(17)**	(52)
Intra-group transfer of members	**–**	–	**–**	3
Disposal of a subsidiary	**(3,991)**	–	**–**	–
At 31 December	**428**	4,388	**423**	417

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

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
At 1 January	**4,447**	4,415	**300**	324
Interest income on the Schemes' assets	**14**	35	**7**	3
Return on Schemes' assets, excluding interest income	**(7)**	194	**11**	18
Employer contributions paid to the Schemes	**6**	69	**–**	3
Employee contributions paid to the Schemes	**1**	18	**–**	1
Benefits paid	**(28)**	(284)	**(17)**	(52)
Intra-group transfer of members	**–**	–	**–**	3
Disposal of a subsidiary	**(4,123)**	–	**–**	–
At 31 December	**310**	4,447	**301**	300

The Group expects to contribute below $1 million to its defined benefit retirement schemes in 2015.

23. Employee retirement benefits (Continued)

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

(iv) The expenses recognised in the consolidated statement of profit or loss, prior to any capitalisation of employment costs attributable to fixed assets additions, are as follows:

	2014 $ million	2013 $ million
Current service cost	7	109
Net interest on net defined benefit asset/liability	3	6
	10	115

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

	2014 $ million	2013 $ million
Direct costs	4	75
Other operating costs	6	40
	10	115

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

	2014 $ million	2013 $ million
At 1 January	986	1,908
Remeasurement of net defined benefit asset/liability recognised in the consolidated statement of comprehensive income during the year	41	(922)
Disposal of a subsidiary	(869)	–
At 31 December	158	986

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

	The Group		The Company	
	2014 $ million	2013 $ million	2014 $ million	2013 $ million
Hong Kong equities	37	430	37	37
European equities	20	271	20	24
North American equities	49	564	47	46
Other Asia Pacific equities	17	208	17	19
Global bonds	182	2,847	175	170
Deposits, cash and others	5	127	5	4
	310	4,447	301	300

Strategic investment decisions are taken with respect to the risk and return profiles. There has been no change in the process used by the Group to manage its risks from prior periods.

(viii) The principal actuarial assumptions used as at 31 December (expressed as a weighted average) are as follows:

	The Group and the Company	
	2014	2013
Discount rate		
– The Pension Scheme	**2.3%**	2.6%
– The Guaranteed Return Scheme	**1.8%**	2.2%
Long term salary increase rate	**Not applicable**	5.0%
Future pension increase rate	**2.5%**	2.5%

(ix) Sensitivity analysis

(a) The Pension Scheme

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Actuarial assumptions				
Discount rate				
– increase by 0.25%	**(9)**	(62)	**(9)**	(9)
– decrease by 0.25%	**9**	65	**9**	9
Pension increase rate				
– increase by 0.25%	**9**	58	**9**	9
– decrease by 0.25%	**(8)**	(56)	**(8)**	(8)
Mortality rate applied to specific age				
– set forward one year	**(13)**	(67)	**(13)**	(12)
– set backward one year	**13**	68	**13**	12

(b) The Guaranteed Return Scheme

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Actuarial assumptions				
Discount rate				
– increase by 0.25%	**(3)**	(50)	**(2)**	(2)
– decrease by 0.25%	**3**	52	**2**	2
Interest to be credited				
– increase by 0.25%	**3**	51	**2**	2

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the statement of financial position.

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(Expressed in Hong Kong dollars unless otherwise indicated)

23. Employee retirement benefits (Continued)

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

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

	The Group		The Company	
	2014 No. of years	2013 No. of years	**2014 No. of years**	2013 No. of years
The Pension Scheme	**11.8**	14.1	**11.8**	12.2
The Guaranteed Return Scheme	**8.0**	8.0	**7.2**	8.3

(b) Defined contribution retirement scheme

	2014 $ million	2013 $ million
Expenses recognised in profit or loss	**4**	34

No forfeited contributions have been received during the year (2013: $2 million).

24. Income tax in the statement of financial position

(a) Current taxation in the statement of financial position

	The Group	
	2014 $ million	2013 $ million
Tax provision for the year	**58**	958
Provisional tax paid	**(7)**	(622)
Disposal of a subsidiary	**(51)**	–
Tax provision relating to prior years	**2**	–
	2	336
Current tax payable	**2**	340
Current tax recoverable	**–**	(4)
	2	336

(b) Deferred tax assets and liabilities

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

The Group

$ million	Depreciation allowances in excess of the related depreciation	Fuel Clause Recovery Account	Defined benefit retirement schemes	Others	Total
At 1 January 2013	5,966	136	(187)	(90)	5,825
Charged/(credited) to profit or loss	38	(136)	5	–	(93)
Charged to other comprehensive income	–	–	137	44	181
At 31 December 2013	6,004	–	(45)	(46)	5,913
At 1 January 2014	**6,004**	**–**	**(45)**	**(46)**	**5,913**
Charged/(credited) to profit or loss	**19**	**(17)**	**–**	**–**	**2**
(Credited)/charged to other comprehensive income	**–**	**–**	**(7)**	**40**	**33**
Disposal of a subsidiary	**(6,023)**	**17**	**52**	**2**	**(5,952)**
At 31 December 2014	**–**	**–**	**–**	**(4)**	**(4)**

(ii) Reconciliation to the statement of financial position:

	The Group	
	2014 $ million	2013 $ million
Net deferred tax assets recognised in the statement of financial position	**(4)**	(42)
Net deferred tax liabilities recognised in the statement of financial position	**–**	5,955
	(4)	5,913

The Group and the Company had no material unprovided deferred tax assets or liabilities as at 31 December 2014 and 2013.

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25. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

$ million	Share capital (note 25(c))	Share premium	Hedging reserve (note 25(d)(ii))	Revenue reserve (note 25(d)(iii))	Proposed/ declared dividend (note 25(b))	Total
Balance at 1 January 2013	2,134	4,476	(3)	42,411	3,905	52,923
Changes in equity for 2013:						
Profit for the year	–	–	–	11,146	–	11,146
Other comprehensive income	–	–	3	99	–	102
Total comprehensive income	–	–	3	11,245	–	11,248
Final dividend in respect of the previous year approved and paid (see note 25(b)(ii))	–	–	–	–	(3,905)	(3,905)
Interim dividend paid (see note 25(b)(i))	–	–	–	(1,387)	–	(1,387)
Proposed final dividend (see note 25(b)(i))	–	–	–	(4,055)	4,055	–
Balance at 31 December 2013 and 1 January 2014	**2,134**	**4,476**	**–**	**48,214**	**4,055**	**58,879**
Changes in equity for 2014:						
Profit for the year	**–**	**–**	**–**	**58,375**	**–**	**58,375**
Other comprehensive income	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Total comprehensive income	**–**	**–**	**–**	**58,373**	**–**	**58,373**
Transfers on 3 March 2014 (see note 25(c))	**4,476**	**(4,476)**	**–**	**–**	**–**	**–**
Final dividend in respect of the previous year approved and paid (see note 25(b)(ii))	**–**	**–**	**–**	**–**	**(4,055)**	**(4,055)**
Interim dividend paid (see note 25(b)(i))	**–**	**–**	**–**	**(1,430)**	**–**	**(1,430)**
Proposed final dividend (see note 25(b)(i))	**–**	**–**	**–**	**(4,290)**	**4,290**	**–**
Balance at 31 December 2014	**6,610**	**–**	**–**	**100,867**	**4,290**	**111,767**

All of the Company's revenue reserve is available for distribution to equity shareholders. After the end of reporting period, the Directors proposed a final dividend of $2.01 (2013: $1.90) per ordinary share, amounting to $4,290 million (2013: $4,055 million).

(b) Dividends

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

	2014 $ million	2013 $ million
Interim dividend declared and paid of $0.67 per ordinary share (2013: $0.65 per ordinary share)	**1,430**	1,387
Final dividend proposed after the end of reporting period of $2.01 per ordinary share (2013: $1.90 per ordinary share)	**4,290**	4,055
	5,720	5,442

The final dividend proposed after the end of reporting period is based on 2,134,261,654 ordinary shares (2013: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

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

	2014 $ million	2013 $ million
Final dividend in respect of the previous financial year, approved and paid during the year, of $1.90 per ordinary share (2013: $1.83 per ordinary share)	**4,055**	3,905

(c) Share capital

		The Company	
	Number of shares	**2014 $ million**	2013 $ million
Issued and fully paid:			
Voting ordinary shares:			
At the beginning of the year	2,134,261,654	**2,134**	2,134
Transfers from share premium	–	**4,476**	–
At the end of the year	2,134,261,654	**6,610**	2,134

As at 31 December 2013, 3,300,000,000 ordinary shares, with par value of $1 each, were authorised for issue. The new Companies Ordinance (Cap. 622) that came into effect on 3 March 2014 abolishes authorised share capital, par value and share premium, in respect of the share capital of Hong Kong companies. As a result, the amount of share premium of the Company is amalgamated with the share capital.

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

25. Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in notes 2(i)(iii) and 2(v).

(ii) Hedging reserve

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

(iii) Revenue reserve

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

(e) Capital management

The Group's primary objectives when managing capital are:

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

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

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

During 2014, the Group's strategy, which was unchanged from 2013, was to control its level of debt in order to secure access to finance at a reasonable cost. In order to maintain or adjust the level of debt, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

As at 31 December 2014, the net cash position of the Group amounted to $51,087 million (2013: net debt $14,454 million and net debt-to-net capital ratio was at 17%).

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

26. Financial risk management

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

(a) Credit risk

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. Except for the financial guarantees given by the Group as set out in note 28, the Group has not provided any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of reporting period is disclosed in note 28.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

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

Offsetting financial assets and financial liabilities

The Group's derivative transactions are executed with financial institutions and governed by either International Swaps and Derivatives Association Master Agreements or the general terms and conditions of these financial institutions, with a conditional right of set off under certain circumstances that would result in all outstanding transactions being terminated and net settled.

As these financial institutions currently have no legal enforceable right to set off the recognised amounts and the Group does not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously, all such financial instruments are recorded on gross basis at the end of reporting period.

26. Financial risk management (Continued)

(a) Credit risk (Continued)

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

The Group

$ million	Note	2014 Gross amounts of financial instruments in the statement of financial position	2014 Related financial instruments that are not offset	2014 Net amount	2013 Gross amounts of financial instruments in the statement of financial position	2013 Related financial instruments that are not offset	2013 Net amount
Financial assets	22						
Cross currency interest rate swaps		–	–	–	242	(1)	241
Interest rate swaps		–	–	–	41	(21)	20
Forward foreign exchange contracts		225	(106)	119	2	(1)	1
Total		225	(106)	119	285	(23)	262
Financial liabilities	22						
Interest rate swaps		78	(15)	63	143	–	143
Forward foreign exchange contracts		159	(91)	68	408	(23)	385
Total		237	(106)	131	551	(23)	528

The Company

$ million	Note	2014 Gross amounts of financial instruments in the statement of financial position	2014 Related financial instruments that are not offset	2014 Net amount	2013 Gross amounts of financial instruments in the statement of financial position	2013 Related financial instruments that are not offset	2013 Net amount
Financial assets	22						
Forward foreign exchange contracts		2	(2)	–	–	–	–
Total		2	(2)	–	–	–	–
Financial liabilities	22						
Forward foreign exchange contracts		45	(2)	43	–	–	–
Total		45	(2)	43	–	–	–

(b) Liquidity risk

The Group operates a central cash management system for all its subsidiaries in order to achieve a better control of risk and minimise the costs of funds. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. The Group had bank deposits and cash $61,291 million (2013: $7,894 million) and no undrawn committed bank facilities at 31 December 2014 (2013: $2,300 million).

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

The Group

	2014 Contractual undiscounted cash outflow/(inflow)				
$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	**219**	**4,019**	**6,448**	**–**	**10,686**
Trade and other payables	**2,567**	**–**	**–**	**–**	**2,567**
Derivative financial instruments					
Net settled					
Interest rate swaps	**63**	**34**	**43**	**–**	**140**
Gross settled					
Forward foreign exchange contracts:					
– outflow	**9,385**	**3,639**	**–**	**1,820**	**14,844**
– inflow	**(9,528)**	**(3,597)**	**–**	**(1,815)**	**(14,940)**
	2,706	**4,095**	**6,491**	**5**	**13,297**

26. Financial risk management (Continued)

(b) Liquidity risk (Continued)

The Group

$ million	2013 Contractual undiscounted cash outflow/(inflow) Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Bank loans and other borrowings and interest accruals	1,182	1,148	13,511	10,558	26,399
Trade and other payables	4,009	–	–	–	4,009
Derivative financial instruments					
Net settled					
Interest rate swaps	165	67	79	–	311
Gross settled					
Forward foreign exchange contracts held as cash flow hedging instruments:					
– outflow	4,292	488	–	–	4,780
– inflow	(4,292)	(488)	–	–	(4,780)
Forward foreign exchange contracts:					
– outflow	1,779	2,538	3,807	1,904	10,028
– inflow	(1,778)	(2,403)	(3,597)	(1,815)	(9,593)
Cross currency interest rate swaps:					
– outflow	117	117	350	233	817
– inflow	(247)	(247)	(676)	(527)	(1,697)
	5,227	1,220	13,474	10,353	30,274

The Company

$ million	**2014 Contractual undiscounted cash outflow/(inflow) Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities					
Trade and other payables	**275**	**–**	**–**	**–**	**275**
Derivative financial instruments					
Gross settled					
Forward foreign exchange contracts:					
– outflow	**3,403**	**–**	**–**	**–**	**3,403**
– inflow	**(3,361)**	**–**	**–**	**–**	**(3,361)**
	317	**–**	**–**	**–**	**317**

The Company

$ million	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	2013 Contractual undiscounted cash outflow/(inflow)				
Non-derivative financial liabilities					
Trade and other payables	72	–	–	–	72
Derivative financial instruments					
Gross settled					
Forward foreign exchange contracts:					
– outflow	1,743	–	–	–	1,743
– inflow	(1,743)	–	–	–	(1,743)
	72	–	–	–	72

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk on its interest-bearing assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

(i) Hedging

The Group's policy is to maintain a balanced combination of fixed and variable rate debt to reduce its interest rate exposure. The Group also uses cross currency interest rate swaps and interest rate derivatives to manage the exposure in accordance with its treasury policy. At 31 December 2014, the Group had cross currency interest rate swaps with a total notional amount of $Nil (2013: $5,826 million) and interest rate swaps with a total notional amount of $7,886 million (2013: $8,473 million).

(ii) Interest rate profile

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

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(Expressed in Hong Kong dollars unless otherwise indicated)

26. Financial risk management (Continued)

(c) Interest rate risk (Continued)

(ii) Interest rate profile (Continued)

	The Group			
	2014		2013	
	Weighted average interest rate %	$ million	Weighted average interest rate %	$ million
Net fixed rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**10.2**	**11,935**	10.2	12,738
Deposits with banks and other financial institutions	**1.4**	**61,257**	1.6	1,053
Bank loans and other borrowings	**3.5**	**(7,867)**	3.6	(15,448)
		65,325		(1,657)
Net variable rate assets/(liabilities)				
Loans to unlisted joint ventures/associates	**6.7**	**1,157**	6.5	1,211
Cash at bank and on hand	**<0.1**	**34**	<0.1	41
Deposits with banks and other financial institutions	**–**	**–**	1.6	6,800
Bank overdrafts - unsecured	**–**	**–**	5.0	(3)
Bank loans and other borrowings	**1.8**	**(2,337)**	1.5	(6,897)
Customers' deposits	**–**	**–**	<0.1	(1,900)
		(1,146)		(748)

	The Company			
	2014		2013	
	Weighted average interest rate %	$ million	Weighted average interest rate %	$ million
Variable rate assets				
Cash at bank and on hand	**<0.1**	**25**	<0.1	10
		25		10

(iii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/ increased the Group's profit for the year and revenue reserve by approximately $13 million (2013: increased/decreased by approximately $2 million). Other components of consolidated equity would have increased/decreased by approximately $126 million (2013: increased/decreased by approximately $200 million) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis has been performed on the same basis as for 2013.

(d) Currency risk

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

(i) Investments outside Hong Kong

Currency exposure arising from investments outside Hong Kong is mitigated in part either by funding a portion of the investment through external borrowings in the same currency as the underlying investment or by hedging with forward foreign exchange contracts. The fair value of such borrowings at 31 December 2014 was $10,241 million (2013: $10,937 million). The fair value of forward foreign exchange contracts at 31 December 2014 was an asset of $109 million (2013: liability $405 million).

(ii) Recognised assets and liabilities

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

The Group

	2014 Exposure to foreign currencies				
'million	USD	RMB	GBP	AUD	NZD
Trade and other receivables	1	–	3	1	2
Bank deposits and cash	678	67	45	32	7
Trade and other payables	–	–	–	(1)	–
Gross exposure arising from recognised assets and liabilities	679	67	48	32	9
Notional amounts of forward foreign exchange contracts not qualified as economic hedges	–	–	277	–	–
Overall exposure	679	67	325	32	9

(Expressed in Hong Kong dollars unless otherwise indicated)

26. Financial risk management (Continued)

(d) Currency risk (Continued)

(ii) Recognised assets and liabilities (Continued)

The Group

	2013 Exposure to foreign currencies				
'million	USD	JPY	GBP	AUD	NZD
Trade and other receivables	1	–	4	1	2
Bank deposits and cash	570	5	154	40	3
Trade and other payables	(64)	(1,083)	(1)	–	–
Interest-bearing borrowings	(750)	–	–	–	–
Gross exposure arising from recognised assets and liabilities	(243)	(1,078)	157	41	5
Notional amounts of cross currency interest rate swaps used as economic hedges	750	–	–	–	–
Notional amounts of forward foreign exchange contracts used as economic hedges	226	395	–	–	–
Overall exposure	733	(683)	157	41	5

The Company

	2014 Exposure to foreign currencies	
'million	**USD**	**GBP**
Bank deposits and cash	**1**	**–**
Gross exposure arising from recognised assets and liabilities	**1**	**–**
Notional amounts of forward foreign exchange contracts not qualified as economic hedges	**–**	**277**
Overall exposure	**1**	**277**

	2013 Exposure to foreign currencies	
'million	USD	GBP
Notional amounts of forward foreign exchange contracts used as economic hedges	225	–
Overall exposure	225	–

(iii) Sensitivity analysis

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

The Group

$ million	2014 Effect on profit for the year and revenue reserve increase/ (decrease)	2014 Effect on other components of equity increase/ (decrease)	2013 Effect on profit for the year and revenue reserve increase/ (decrease)	2013 Effect on other components of equity increase/ (decrease)
Japanese yen	**–**	**–**	(1)	4
Sterling pounds	**58**	**–**	199	–
Australian dollars	**20**	**–**	28	–
New Zealand dollars	**5**	**–**	3	–

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

This sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of reporting period, and that all other variables, in particular interest rates, remain constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit for the year and other components of equity measured in their respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis as for 2013.

(e) Equity price risk

The Group is exposed to equity price changes arising from unlisted available-for-sale equity securities which are held for strategic purposes (see note 16).

All of the Group's unlisted investments are held for long term strategic purposes. Their performance is reviewed regularly based on information available to the Group.

These unlisted investments do not have a quoted market price in an active market and are stated at cost. Any increase or decrease in impairment losses in respect of these investments would affect the Group's net profit. As at the end of reporting period, none of these unlisted investments was considered to be impaired. The review has been performed on the same basis as for 2013.

26. Financial risk management (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

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

Recurring fair value measurements

	The Group Fair value measurements using significant observable inputs (Level 2)	
	2014 **$ million**	2013 $ million
Financial assets		
Derivative financial instruments:		
– Interest rate swaps	**–**	41
– Forward foreign exchange contracts	**225**	2
– Cross currency interest rate swaps	**–**	242
	225	285
Financial liabilities		
Derivative financial instruments:		
– Interest rate swaps	**(78)**	(143)
– Forward foreign exchange contracts	**(159)**	(408)
Fixed rate notes subject to fair value hedges	**–**	(4,456)
	(237)	(5,007)

(ii) Valuation techniques and inputs in fair value measurements

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

(ii) Fair values of financial assets and liabilities carried at other than fair value

Unlisted available-for-sale equity securities, amounts due from joint ventures and associates, trade and other receivables, trade and other payables and external borrowings are carried at cost or amortised cost which are not materially different from their fair values as at 31 December 2014 and 2013.

27. Capital commitments

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

	The Group	
	2014 $ million	2013 $ million
Contracted for:		
Capital expenditure for fixed assets	**–**	783
Authorised but not contracted for:		
Capital expenditure for fixed assets	**1**	10,555
Investment in a joint venture	**189**	206
	190	10,761

28. Contingent liabilities

	The Group		The Company	
	2014 $ million	2013 $ million	**2014 $ million**	2013 $ million
Financial guarantees issued in respect of banking facilities available to:				
– Subsidiaries	**–**	–	**10,241**	10,938
Other guarantees given in respect of:				
– Subsidiaries	**–**	–	**133**	569
– Joint venture	**836**	909	**836**	909
	836	909	**11,210**	12,416

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

As at the end of reporting period, the Company had issued guarantees to banks in respect of banking facilities granted to wholly-owned subsidiaries. In addition, the Company had provided performance guarantees for a joint venture. The Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of reporting period under the issued guarantees is disclosed above. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

29. Material related party transactions

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

(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 $27 million. The project was completed in December 2014.

(ii) Outram Limited ("Outram"), a subsidiary of the Company, reimbursed CKI $34 million (2013: $33 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Joint ventures

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $843 million (2013: $729 million) for the year. The outstanding balances with joint ventures are disclosed in note 14.

(ii) Tax credit claimed under the consortium relief received/receivable from a joint venture in the United Kingdom amounted to $47 million (2013: $51 million) for the year.

(c) Associates

(i) Interest income received/receivable from associates in respect of the loans to associates amounted to $546 million (2013: $586 million) for the year. The outstanding balances with associates are disclosed in note 15.

(ii) Other operating costs included support service charge recovered by an associate amounted to $36 million (2013: $Nil) for the total costs incurred in the provision or procurement of the general office administration and other support services and office facilities. The outstanding balance with the associate was $2 million (2013: $Nil).

(iii) The Company entered into a gas sales contract (the "Gas Supply Contract") with Guangdong Dapeng LNG Company Limited to purchase natural gas and on-sold the gas to its associate at cost. During the period, the aggregate amounts paid by the associate in discharge of obligations owing by the Company were $145 million. The contract was novated to the associate on 1 April 2014. The amounts charged were based on gas prices which were determined based on the gas price formula under the Gas Supply Contract.

30. Substantial shareholder of the Company

The Company is a Hong Kong listed company and its shares are widely held by the public. Cheung Kong Infrastructure Holdings Limited currently holds approximately 38.87% of the issued share capital of the Company and is a substantial shareholder of the Company.

31. Critical accounting judgements and estimates

The methods, estimates and judgements the Directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements on matters that are inherently uncertain. In addition to notes 9, 23, 26 and 28 which contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement scheme assets and liabilities, financial instruments and tax disputes with the ATO, certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Impairment

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

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

(b) Associates

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

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

32. Disposal of subsidiaries

The Company completed the spin-off and separate listing of the Group's Hong Kong electricity business which is operated by HK Electric, by way of the listing of the share stapled units jointly issued by 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:

	2014 $ 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 the Company	**(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**
Analysis of net cash inflow of cash and cash equivalents arising on disposal:	
Cash consideration	**32,026**
Cash and cash equivalents disposed	**(1,148)**
Direct costs for disposal	**(114)**
	30,764

33. Possible impact of amendments and new standards issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
• Amendments to HKAS 19, *Defined benefit plans: Employee contribution*	1 July 2014
• Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
• Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
• Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
• Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
• Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
• Amendments to HKFRS 10 and HKFRS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
• HKAS 27, *Separate Financial Statements*	1 January 2016
• HKFRS 15, *Revenue from contracts with customers*	1 January 2017
• HKFRS 9 (2014), *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the above developments are relevant to the Group's financial statements but the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for HKFRS 9. The Group is presently studying the implications of applying HKFRS 9 but it is impracticable to quantify its effect as at the date of publication of these consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 1

Segment information

	2014							
	Sales of electricity	Investments						
$ million	Hong Kong	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the year ended 31 December								
Revenue								
Turnover	682	674	546	50	169	1,439	10	2,131
Other net income/(loss)	2	–	–	–	6	6	(146)	(138)
Reportable segment revenue	684	674	546	50	175	1,445	(136)	1,993
Result								
Segment earnings	484	674	546	23	175	1,418	(1,006)	896
Gain on disposal of subsidiaries	–	–	–	–	–	–	52,928	52,928
Depreciation and amortisation	(149)	–	–	–	–	–	(2)	(151)
Bank deposit interest income	1	–	–	–	–	–	897	898
Operating profit	336	674	546	23	175	1,418	52,817	54,571
Finance costs	(20)	(117)	(276)	–	(21)	(414)	–	(434)
Share of profits less losses of joint ventures and associates	1,597	4,257	638	288	179	5,362	2	6,961
Profit before taxation	1,913	4,814	908	311	333	6,366	52,819	61,098
Income tax	(53)	47	–	(5)	–	42	(2)	(13)
Profit after taxation	1,860	4,861	908	306	333	6,408	52,817	61,085
Scheme of Control transfers	(80)	–	–	–	–	–	–	(80)
Reportable segment profit	1,780	4,861	908	306	333	6,408	52,817	61,005
At 31 December								
Assets								
Fixed assets	–	–	–	–	–	–	32	32
Other assets	–	–	227	67	–	294	591	885
Interest in joint ventures and associates	24,886	29,158	11,358	4,676	3,980	49,172	8	74,066
Bank deposits and cash	–	–	–	–	–	–	61,291	61,291
Reportable segment assets	24,886	29,158	11,585	4,743	3,980	49,466	61,922	136,274
Liabilities								
Segment liabilities	–	(241)	(48)	(4)	(43)	(336)	(2,644)	(2,980)
Current and deferred taxation	–	–	–	–	–	–	(2)	(2)
Interest-bearing borrowings	–	(5,360)	(3,901)	–	(943)	(10,204)	–	(10,204)
Reportable segment liabilities	–	(5,601)	(3,949)	(4)	(986)	(10,540)	(2,646)	(13,186)
For the year ended 31 December								
Other information								
Capital expenditure	85	–	–	–	–	–	1	86

$ million	Sales of electricity Hong Kong	Investments United Kingdom Restated	Investments Australia Restated	Investments Mainland China Restated	Investments Others Restated	Investments Sub-total Restated	All other activities	Total Restated
	2013							
For the year ended 31 December								
Revenue								
Turnover	10,209	553	585	41	177	1,356	13	11,578
Other net income	31	–	–	–	6	6	85	122
Reportable segment revenue	10,240	553	585	41	183	1,362	98	11,700
Result								
Segment earnings	7,446	553	585	14	183	1,335	(832)	7,949
Depreciation and amortisation	(1,983)	–	–	–	–	–	2	(1,981)
Bank deposit interest income	1	–	–	–	–	–	88	89
Operating profit	5,464	553	585	14	183	1,335	(742)	6,057
Finance costs	(286)	(106)	(295)	–	(5)	(406)	–	(692)
Share of profits less losses of joint ventures and associates	–	5,367	548	256	53	6,224	2	6,226
Profit before taxation	5,178	5,814	838	270	231	7,153	(740)	11,591
Income tax	(859)	51	–	(4)	–	47	(2)	(814)
Profit after taxation	4,319	5,865	838	266	231	7,200	(742)	10,777
Scheme of Control transfers	388	–	–	–	–	–	–	388
Reportable segment profit	4,707	5,865	838	266	231	7,200	(742)	11,165
At 31 December								
Assets								
Fixed assets	49,137	–	–	–	–	–	(15)	49,122
Other assets	2,903	41	42	67	–	150	557	3,610
Interest in joint ventures and associates	–	28,173	7,530	4,645	4,255	44,603	8	44,611
Bank deposits and cash	1,060	–	–	–	–	–	6,834	7,894
Reportable segment assets	53,100	28,214	7,572	4,712	4,255	44,753	7,384	105,237
Liabilities								
Segment liabilities	(4,424)	(504)	(171)	(4)	(17)	(696)	(1,997)	(7,117)
Current and deferred taxation	(6,295)	–	–	–	–	–	–	(6,295)
Interest-bearing borrowings	(11,465)	(5,599)	(4,236)	–	(1,048)	(10,883)	–	(22,348)
Rate Reduction Reserve	(3)	–	–	–	–	–	–	(3)
Tariff Stabilisation Fund	(36)	–	–	–	–	–	–	(36)
Reportable segment liabilities	(22,223)	(6,103)	(4,407)	(4)	(1,065)	(11,579)	(1,997)	(35,799)
For the year ended 31 December								
Other information								
Capital expenditure	1,973	–	–	–	–	–	–	1,973

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 2

Principal subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2014 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ace Keen Limited	US$1	100*	British Virgin Islands	Property holding
Associated Technical Services Limited	HK$1,000,000	100	Hong Kong	Consulting
Beta Central Profits Limited	GBP277,303,283	100*	United Kingdom	Investment holding
Champion Race Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Constant Wealth Limited	US$1	100	British Virgin Islands	Financing
Devin International Limited	US$1 and GBP711,200,000	100*	British Virgin Islands	Investment holding
Goldteam Resources Limited	US$1 and NZ$86,000,000	100*	British Virgin Islands	Investment holding
HEI Leting Limited	HK$1	100*	Hong Kong	Investment holding
HK Electric Investments Manager Limited	HK$1	100*	Hong Kong	Trust administration
Hong Kong Electric International Finance (Australia) Pty Ltd	A$71,686,777	100*	Australia	Financing
Hongkong Electric (Natural Gas) Limited	US$1	100	British Virgin Islands	Investment holding
Hongkong Electric Yunnan Dali Wind Power Company Limited	HK$1	100*	Hong Kong	Investment holding
Jewel Star Investment Limited	HK$1 and A$177,625,751	100*	Hong Kong	Financing
Kind Eagle Investment Limited	HK$666,553,298	100	Hong Kong	Investment holding
More Advance Development Limited	HK$331,801,191	100*	Hong Kong	Investment holding and financing

* Indirectly held

Name of company	Issued share capital	Percentage of equity held by the Company	Place of incorporation/ operation	Principal activity
Ocean Dawn Investments Limited	US$1	100	British Virgin Islands	Investment holding
Optimal Glory Limited	US$1	100*	British Virgin Islands/ Hong Kong	Financing
Outram Limited	US$1	100*	British Virgin Islands	Investment holding
PAH Gas Infrastructure Limited	GBP330,420,782	100*	United Kingdom	Investment holding
PAI Investment Holdings Limited	HK$2	100*	Hong Kong	Provision of management services
PAI International Power (Mauritius) Limited	US$2	100*	Mauritius	Investment holding
PAI Tap Limited S.A.	C$70,161,538	100*	Belgium	Investment holding
Power Assets (Electric Vehicles) Company Limited	HK$1	100	Hong Kong	Leasing of electric vehicles
Power Assets Investments Limited	US$50,901	100	British Virgin Islands	Investment holding
Precious Glory Limited	HK$7,083,364,747	100*	Hong Kong	Investment holding and financing
Premier Zone Limited	US$1	100*	British Virgin Islands/ Hong Kong	Property holding
Quickview Limited	US$1	100	British Virgin Islands	Investment holding
Sigerson Business Corp.	US$101	100*	British Virgin Islands	Investment holding
Smarter Corporate Limited	US$1	100*	British Virgin Islands	Property holding
Superb Year Limited	US$2	100*	British Virgin Islands	Investment holding
Sure Grade Limited	US$1	100	British Virgin Islands	Investment holding
Vanora Holdings Limited	US$1	100*	British Virgin Islands	Financing
Well Joint Investment Limited	HK$2,457,616,097	100*	Hong Kong	Investment holding

* Indirectly held

(Expressed in Hong Kong dollars unless otherwise indicated)

Appendix 3

Principal joint ventures

The following list contains only the particulars of joint ventures as at 31 December 2014 which principally affected the results or assets of the Group:

Name of joint venture	Issued or registered share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
Australian Gas Networks Limited (note (a))	A$879,082,753	27.51%	Australia	Gas distribution	Equity
AVR-Afvalverwerking B.V. (note (b))	EUR1	20%	The Netherlands	Producing energy from waste	Equity
Canadian Power Holdings Inc. (note (c))	C$139,000,000 Ordinary shares C$23,000,000 Preferred shares	50%	Canada	Electricity generation	Equity
Electricity First Limited (note (d))	GBP4	50%	United Kingdom	Electricity generation	Equity
Guangdong Zhuhai Jinwan Power Company Limited (note (e))	RMB822,250,000 and US$83,340,993	45%	People's Republic of China	Electricity generation	Equity
Guangdong Zhuhai Power Station Company Limited (note (f))	RMB1,765,000,000 and US$166,000,000	45%	People's Republic of China	Electricity generation	Equity
Northern Gas Networks Holdings Limited (note (g))	GBP71,670,980	41.29%	United Kingdom	Gas distribution	Equity
Transmission Operations (Australia) Pty Limited (note (h))	A$8,703,450	50%	Australia	Electricity transmission	Equity
UK Power Networks Holdings Limited (note (i))	GBP6,000,000 A Ordinary shares GBP4,000,000 B Ordinary shares GBP360,000,000 A Preference shares GBP240,000,000 B Preference shares	40%	United Kingdom	Electricity distribution	Equity
Wales & West Gas Networks (Holdings) Limited (note (j))	GBP290,272,506	30%	United Kingdom	Gas distribution	Equity
Wellington Electricity Distribution Network Limited (note (k))	NZ$172,000,100	50%	New Zealand	Electricity distribution	Equity

Notes:

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

(b) AVR-Afvalverwerking B.V. is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste.

(c) Canadian Power Holdings Inc. holds a 49.99% partnership interest in TransAlta Cogeneration L.P. TransAlta Cogeneration L.P. owns interests in four gas-fired cogeneration facilities in Alberta and Ontario, Canada and in a coal-fired, generation facility in Alberta, Canada. Canadian Power Holdings Inc. also holds a 100% interest in the Meridian gas-fired combined cycle cogeneration plant in Saskatchewan, Canada.

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

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

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

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

(h) Transmission Operations (Australia) Pty Limited operates a transmission line and a terminal station to transport the electricity generated from a wind farm in Victoria, Australia to the main power grid.

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

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

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

Appendix 4

Principal associates

The following list contains only the particulars of associates as at 31 December 2014 which principally affected the results or assets of the Group:

Name of associate	Issued share capital	Percentage of the Group's effective interest	Place of incorporation/ operation	Principal activity	Measurement method
HK Electric Investments and HK Electric Investments Limited (note (a))	8,836,200,000 share stapled units being the combination of 8,836,200,000 Units, HK$4,418,100 Ordinary shares and HK$4,418,100 Preference shares	49.9%	Cayman Islands/ Hong Kong	Investment holding	Equity
Huaneng Hongkong Electric Dali Wind Power Company Limited (note (b))	RMB150,690,000	45%	People's Republic of China	Electricity generation	Equity
Huaneng Laoting Wind Power Company Limited (note (c))	RMB185,280,000	45%	People's Republic of China	Electricity generation	Equity
Ratchaburi Power Company Limited (note (d))	THB7,325,000,000	25%	Thailand	Electricity generation	Equity
SA Power Networks Partnership (note (e))	N/A	27.93%	Australia	Electricity distribution	Equity
Secan Limited	HK$10	20%	Hong Kong	Property development	Equity
Victoria Power Networks Pty Limited (note (f))	A$315,498,640	27.93%	Australia	Electricity distribution	Equity

Notes:

(a) HK Electric Investments and HK Electric Investments Limited ("HKEI") holds 100% of HK Electric. HK Electric is responsible for the generation, transmission, distribution and supply of electricity to Hong Kong and Lamma Islands.

(b) Huaneng Hongkong Electric Dali Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(c) Huaneng Laoting Wind Power Company Limited is engaged in wind power development, operation, management and supply of electricity in the People's Republic of China.

(d) Ratchaburi Power Company Limited is engaged in the development, financing, operation and maintenance of a power generating station in Thailand.

(e) SA Power Networks Partnership operates and manages the electricity distribution business in the state of South Australia in Australia.

(f) Victoria Power Networks Pty Limited is the holding company of Powercor Australia Limited ("Powercor") and CitiPower I Pty Limited ("CitiPower"). Powercor operates and manages an electricity distribution business in western Victoria, Australia. CitiPower distributes electricity to the Melbourne Central business district in Australia.