



Power Assets Holdings Ltd.  
電能實業有限公司

(Stock Code : 6)



## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	
		Restated	
Profit attributable to shareholders	<b>3,476</b>	3,237	+7%
Partial sale of HK Electric Investments	–	(532)	
Investment in HK Electric Investments	<b>367</b>	568	-35%
Investments outside Hong Kong	<b>3,184</b>	3,151	+1%
Others	<b>(75)</b>	50	N/A
Profit excluding partial sale of HK Electric Investments	<b>3,476</b>	3,769	-8%
Earnings per share	<b>\$1.63</b>	\$1.52	+7%
Dividend per share	<b>\$0.70</b>	\$0.68	+3%

This Interim Report has been posted in both the English and Chinese languages on the Company's website at [www.powerassets.com](http://www.powerassets.com). If, for any reason, shareholders who have chosen (or are deemed to have consented) to receive corporate communications through the Company's website have difficulty in gaining access to the Interim Report, they may request that a printed copy of this Interim Report be sent to them free of charge by mail.

Shareholders may at any time choose to receive all future corporate communications either in printed form or through the Company's website, by writing to the Company at Rooms 1913-1914, 19th Floor, Hutchison House, 10 Harcourt Road, Hong Kong or to the share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by emailing to the Company's email address at [mail@powerassets.com](mailto:mail@powerassets.com).



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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

FOK Kin Ning, Canning (*Chairman*)

TSAI Chao Chung, Charles (*Chief Executive Officer*)

CHAN Loi Shun

Andrew John HUNTER

Neil Douglas MCGEE

WAN Chi Tin

### Non-executive Directors

LI Tzar Kuoi, Victor

Frank John SIXT

### Independent Non-executive Directors

IP Yuk-keung, Albert

Ralph Raymond SHEA

WONG Chung Hin

WU Ting Yuk, Anthony

## Audit Committee

WONG Chung Hin (*Chairman*)

IP Yuk-keung, Albert

Ralph Raymond SHEA

## Remuneration Committee

WONG Chung Hin (*Chairman*)

FOK Kin Ning, Canning

Ralph Raymond SHEA

## Company Secretary

Alex NG

## Principal Bankers

Bank of China (Hong Kong) Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

The Hongkong and Shanghai Banking

Corporation Limited

Mizuho Bank, Ltd.

## Auditor

KPMG

## Website

[www.powerassets.com](http://www.powerassets.com)

## Registered Office

Rooms 1913-1914,

19th Floor, Hutchison House,

10 Harcourt Road, Hong Kong

Telephone: 2122 9122

Facsimile: 2180 9708

Email: [mail@powerassets.com](mailto:mail@powerassets.com)

## Share Registrar

Computershare Hong Kong Investor  
Services Limited

Shops 1712-1716,

17th Floor, Hopewell Centre,

183 Queen's Road East, Wanchai, Hong Kong

Website: [www.computershare.com](http://www.computershare.com)

Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## ADR (Level 1 Programme)

### Depository

Citibank, N.A.

Shareholder Services

P.O. Box 43077, Providence,

Rhode Island 02940-3077, U.S.A.

Website: [www.citi.com/dr](http://www.citi.com/dr)

Email: [citibank@shareholders-online.com](mailto:citibank@shareholders-online.com)

## Investor Relations

For institutional investors, please contact:

CHAN Loi Shun (*Executive Director*) or

Ivan CHAN (*Chief Financial Officer*)

For other investors, please contact:

Alex NG (*Company Secretary*)

Email: [mail@powerassets.com](mailto:mail@powerassets.com)

Telephone: 2122 9122

Facsimile: 2180 9708

Postal Address: G.P.O. Box 338, Hong Kong

Address: Rooms 1913-1914,

19th Floor, Hutchison House,

10 Harcourt Road, Hong Kong

## KEY DATES AND SHARE INFORMATION

### Key Dates

<b>Interim Results Announcement</b>	28 July 2016
<b>Interim Report Despatch Date</b>	On or before 17 August 2016
<b>Ex-dividend Date</b>	26 August 2016
<b>Record Date for Interim Dividend</b>	29 August 2016
<b>Payment of Interim Dividend (HK\$0.70 per share)</b>	7 September 2016
<b>Financial Year End</b>	31 December 2016

### Share Information

<b>Board Lot</b>	500 shares
<b>Market Capitalisation as at 30 June 2016</b>	HK\$151,639 million
<b>Ordinary Share to ADR Ratio</b>	1:1

### Stock Codes

The Stock Exchange of Hong Kong Limited	6
Bloomberg	6 HK
Thomson Reuters	0006.HK
ADR Ticker Symbol	HGKGY
CUSIP Number	739197200

# CHAIRMAN'S STATEMENT

## A measured approach to steady growth

It is my pleasure to present the 2016 interim results for the Power Assets Group.

Our systematic efforts to deliver long-term returns continued during the period under review, through investment in energy related infrastructure businesses yielding predictable revenues. This measured approach enabled the Group to perform in line with expectations during the first half of 2016.

In April, we extended our presence in North America through an investment in Husky Energy Inc. ("Husky"). The investment adheres to our strategy of focusing on stable and well-structured markets. The Group's portfolio now spans nine markets in Europe, Asia, Australia and North America. This geographic diversification minimises our exposure to the economic cycles of any one market to achieve steady performance.

We offer our expertise and bring our operational experience to our investments to sustain growth and excellence.

## Acquisition of a Portfolio of Husky's Pipeline Assets in Canada

During the period under review, the Group entered into an agreement with Husky to acquire from the latter a 48.75% interest in a portfolio of its pipeline assets in Canada. Included in the portfolio are approximately 1,900 km of oil pipelines, 4.1 million barrels of oil storage capacity and other ancillary assets. A long-term revenue stream is ensured by means of a 20-year off-take contract.

The investment has significant potential for sustained growth over the long term as increasing demand will trigger the need for new pipeline and gathering systems. The transaction was completed on 15 July 2016.

## Half Year Results

The Group's unaudited profits for the six months ended 30 June 2016 amounted to HK\$3,476 million (2015: HK\$3,237 million, including a loss of HK\$532 million from the disposal of HK Electric Investments and HK Electric Investments Limited in June 2015).

## Interim Dividend

The board of directors has declared an interim dividend of HK\$0.70 (2015: HK\$0.68) per share, payable on 7 September 2016 to shareholders whose names appear in the Company's Register of Members on 29 August 2016.

After careful consideration, the Board decided earlier that it was in the best interests of the Group and its shareholders as a whole to preserve the Group's financial capacity for future acquisitions. Accordingly, the Board has resolved not to declare any special interim dividend for the time being. This decision was communicated to shareholders at the Group's Annual General Meeting on 12 May 2016.

## **Operations**

Against a backdrop of steady macroeconomic indicators such as inflation and GDP performance across different markets, the Group delivered positive operating results during the period under review.

Our four operating companies in the UK, our biggest market, achieved satisfactory results. UK Power Networks improved network performance against key service reliability metrics and significantly outperformed regulatory targets. Wales & West Utilities maintained its industry-leading position in customer satisfaction. Northern Gas Networks delivered strong operational and financial performance through targeted cost reductions and improved service levels. Seabank Power attained high availability and implemented an overhaul of Module 2 of the power plant to further enhance efficiency and reliability.

HK Electric, our Hong Kong-based flagship company, maintained its world-leading reliability performance. Progress was made with the construction of a new gas-fired combined cycle unit at the Lamma Power Station in order to increase the proportion of natural gas in its fuel mix. Discussions with the Hong Kong SAR Government on the post-2018 regulatory regime continued based upon the strength of the public views collected during a government consultation exercise held last year. We believe that the current contractual arrangement by the Scheme of Control Agreement has worked well to ensure reliable, safe and affordable power supply to customers while providing a reasonable rate of return to investors as we move toward a cleaner energy future.

In Australia, SA Power Networks conducted an extensive stakeholder engagement programme to submit a revised tariff proposal to the regulator. In May 2016, Victoria Power Networks received the Australian Energy Regulator's final determination for the current regulatory period, which was more favourable than the preliminary determination. Performance of Australian Gas Networks was in line with expectation. Transmission General Holdings Australia is on track with construction of the transmission assets for Ararat Wind Farm.

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

In mainland China, the focus of the power plants was on emissions reduction to meet stringent new standards. The Jinwan and Zhuhai plants in Guangdong Province successfully reduced non-carbon emissions following comprehensive equipment upgrades and the Siping plant in Jilin Province began its upgrade exercise. Despite lower wind yields, the renewable energy generated by the two wind farms in Dali (Yunnan Province) and Laoting (Hebei Province) amounted to 113 GWh offsetting 110,093 tonnes of carbon emissions.

Continental Europe experienced a mild winter which affected demand for heating. During the period, Dutch Enviro Energy Holdings B.V., the Netherlands-based energy-from-waste company, was on track on all its operating metrics, delivering 260 GWh of electricity, 209 kt of steam and 3,117 TJ of heat. In Portugal, Iberwind, the wind farm developer and operator acquired in 2015, achieved high availability levels of 97.6% and made progress with capital projects to increase installed capacity.

Canadian Power, the Group's business in Canada achieved improved operating efficiencies to deliver performance in line with budget. The Meridian power plant improved output and efficiency after a hot gas path replacement.

In New Zealand, Wellington Electricity Lines ran a major campaign designed to encourage the use of electric vehicles for both cost and environmental benefits, while optimising network use. Steady returns were generated by the Group's business in Thailand.

### **Outlook**

With economic uncertainties across various regions in the world, the Group maintains a healthy cash position to provide us with the flexibility to pursue any appropriate opportunities that might arise. We will do so prudently, concentrating on high quality investments in a diversified range of stable, well regulated energy markets. We are currently in good progress on a few potential sizable investments. Our goal remains on sustainable, long term growth for our investors.

On 23 June 2016, the UK, our largest market of operations, voted by referendum to leave the European Union. As most of our investments in the country are energy related infrastructure and regulated businesses, such as electricity and gas, which are necessities to our customers whether the country stays or exits the European Union, we do not expect the voting result would have any material impact on our fundamental businesses. Nevertheless there would be exchange rate uncertainty on our reported earnings when the financials are translated from the pound sterling to Hong Kong dollar. During the first half of 2016, contributions from the UK recorded a rise of 2% in pound sterling, and however recorded a drop of 4% in Hong Kong dollar.

Our focus in North America will be the integration of acquired assets of Husky following the acquisition. Across the other existing operating companies, we will aim to further improve customer satisfaction through excellence in customer service and green operations. In China, our primary strategy will be to upgrade the wind farms and cut coal plant emissions to close to zero to address competition and ongoing power market reform.

In Hong Kong, we will continue to discuss with the regulator on improving the post-2018 regulatory framework. To further reduce our reliance on coal, HK Electric is partnering with another energy company in the city to study the feasibility of building an offshore liquefied natural gas terminal using floating storage and regasification unit technology in Hong Kong. If the project receives Government approval, the terminal will improve HK Electric's access to and negotiating power in the natural gas market as well as the security of supply.

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

**Fok Kin Ning, Canning**  
*Chairman*

Hong Kong, 28 July 2016

# FINANCIAL REVIEW

## Financial Performance

The Group's unaudited profit for the six months ended 30 June 2016 amounted to HK\$3,476 million (2015: HK\$3,237 million, including a loss of HK\$532 million from the disposal of a 16.53% stake in HK Electric Investments and HK Electric Investments Limited (collectively known as "HKEI") in June 2015).

Investments in the United Kingdom achieved satisfactory results, contributing earnings of HK\$2,234 million (2015: HK\$2,334 million). The drop in earnings was mainly due to a weakening of the pound sterling.

Our Australian investments maintained stable profitability and contributed HK\$561 million (2015 restated: HK\$414 million). It was higher than last year mainly due to savings in operating expenses despite a lower exchange rate of Australian dollar when comparing with the same period of last year.

Investments in mainland China recorded lower earning, mainly due to the lower contribution from our Jinwan Power Plant for the suppressed utilisation of coal-fired units in Guangdong Province owing to the strong hydro power output from the Western China and the commissioning of new coal-fired units and nuclear power station, as well as the lower wind yield at both windfarms in Dali and Laoting throughout the period.

Investment in Portugal, which was acquired in November 2015, commenced contribution to the Group with expected results. Our investments in the Netherlands, Canada, Thailand and New Zealand continued to contribute stable earnings to the Group.

Our investment in HKEI recorded lower earnings of HK\$367 million (2015: HK\$568 million) mainly due to reduction of our shareholding from 49.9% to 33.37% since 9 June 2015.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2016 interim dividend of HK\$0.70 per share (2015: HK\$0.68 per share) representing a 2.9% growth.

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

The Group's capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Total unsecured bank loans outstanding at 30 June 2016 were HK\$9,064 million (31 December 2015: HK\$9,405 million). In addition, the Group had bank deposits and cash of HK\$65,946 million (31 December 2015: HK\$68,149 million) and no undrawn committed bank facility at 30 June 2016 (31 December 2015: Nil).

## **Treasury Policy, Financing Activities and Debt Structure**

The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation from investments, are generally placed on short term deposits denominated primarily in Australian dollars, Hong Kong dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the period. On 19 January 2016, Standard & Poor's pronounced that the long term credit ratings of the Company was "A-" with a stable outlook which remains unchanged since January 2014. As at 30 June 2016, the net cash position of the Group amounted to HK\$56,882 million (31 December 2015: HK\$58,744 million).

The profile of the Group's external borrowings as at 30 June 2016, after taking into account interest rate swaps, was as follows:

- (1) 9% were in Euro, 39% were in Australian dollars and 52% were in pounds sterling;
- (2) 100% were bank loans;
- (3) 100% were repayable between 2 and 5 years;
- (4) 77% were in fixed rate and 23% were in floating rate.

The Group's policy is to maintain a portion of its debt at fixed interest rates. Interest rate risk is managed by either securing fixed rate borrowings or by using interest rate derivatives.

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

Currency and interest rate risks are actively managed in accordance with the Group's treasury policy. Derivative financial instruments are used primarily for managing interest rate and foreign currency risks and not for speculative purposes. Treasury transactions are only executed with counterparties with acceptable credit ratings to control counterparty risk exposure.

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. The fair value of such borrowings at 30 June 2016 was HK\$9,112 million (31 December 2015: HK\$9,426 million). The fair value of forward foreign exchange contracts at 30 June 2016 was an asset of HK\$297 million (31 December 2015: asset HK\$203 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into Hong Kong dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2016 amounted to HK\$24,627 million (31 December 2015: HK\$21,967 million).

### **Charges on Group Assets**

At 30 June 2016, the Group's interest in an associate of HK\$393 million (31 December 2015: HK\$422 million) had been pledged as part of the security to secure financing facilities granted to the associate.

### **Contingent Liabilities**

As at 30 June 2016, the Group had given guarantees and indemnities totalling HK\$843 million (31 December 2015: HK\$792 million).

### **Employees**

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the six months ended 30 June 2016, excluding directors' emoluments, amounted to HK\$12 million (2015: HK\$11 million). As at 30 June 2016, the Group employed 12 (31 December 2015: 11) permanent employees. No share option scheme is in operation.

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

(Expressed in Hong Kong dollars)

	Note	2016 \$ million	2015 \$ million
<b>Revenue</b>	5	<b>629</b>	626
Direct costs		<u>(5)</u>	<u>(4)</u>
		<b>624</b>	622
Other net loss		<b>(11)</b>	(176)
Other operating costs		<u>(75)</u>	<u>(322)</u>
<b>Operating profit</b>		<b>538</b>	124
Finance costs		<b>(126)</b>	(140)
Share of profits less losses of joint ventures		<b>2,355</b>	2,458
Share of profits less losses of associates		<u>703</u>	<u>780</u>
<b>Profit before taxation</b>	6	<b>3,470</b>	3,222
Income tax	7	<u>6</u>	<u>15</u>
<b>Profit for the period attributable to equity shareholders of the Company</b>		<b><u>3,476</u></b>	<b><u>3,237</u></b>
<b>Earnings per share</b>			
Basic and diluted	8	<b><u>\$1.63</u></b>	<u>\$1.52</u>

The notes on pages 16 to 25 form part of these unaudited interim financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 19.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

(Expressed in Hong Kong dollars)

	2016 \$ million	2015 \$ million
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>3,476</b>	3,237
<b>Other comprehensive income for the period</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of net defined benefit asset/liability	—	(14)
Share of other comprehensive income of joint ventures and associates	<b>(310)</b>	(297)
Income tax relating to items that will not be reclassified to profit or loss	<b>72</b>	42
	<b>(238)</b>	(269)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	<b>(2,249)</b>	(607)
Net investment hedges	<b>548</b>	217
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	<b>(272)</b>	268
Share of other comprehensive income of joint ventures and associates	<b>(664)</b>	(122)
Income tax relating to items that may be reclassified subsequently to profit or loss	<b>212</b>	(50)
	<b>(2,425)</b>	(294)
	<b>(2,663)</b>	(563)
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>	<b>813</b>	2,674

The notes on pages 16 to 25 form part of these unaudited interim financial statements.

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2016 \$ million	(Audited) 31 December 2015 \$ million
<b>Non-current assets</b>			
Property, plant and equipment and leasehold land			
— Property, plant and equipment		12	12
— Interests in leasehold land held for own use under finance leases		17	18
		<u>29</u>	<u>30</u>
Interest in joint ventures	9	29	30
Interest in associates	10	41,428	42,629
Other non-current financial assets	11	23,934	23,919
Derivative financial instruments		67	67
Deferred tax assets	16	422	167
Employee retirement benefit assets		49	—
		3	3
		<u>65,932</u>	<u>66,815</u>
<b>Current assets</b>			
Trade and other receivables	12	58	394
Bank deposits and cash	13	65,946	68,149
		<u>66,004</u>	<u>68,543</u>
<b>Current liabilities</b>			
Trade and other payables	14	(2,286)	(2,078)
Current tax payable		(62)	(41)
		<u>(2,348)</u>	<u>(2,119)</u>
<b>Net current assets</b>		<u>63,656</u>	<u>66,424</u>
<b>Total assets less current liabilities</b>		<u>129,588</u>	<u>133,239</u>
<b>Non-current liabilities</b>			
Bank loans and other interest-bearing borrowings	15	(9,064)	(9,405)
Derivative financial instruments	16	(282)	(70)
Deferred tax liabilities		(1)	(27)
Employee retirement benefit liabilities		(142)	(140)
		<u>(9,489)</u>	<u>(9,642)</u>
<b>Net assets</b>		<u>120,099</u>	<u>123,597</u>
<b>Capital and reserves</b>			
Share capital	17	6,610	6,610
Reserves		113,489	116,987
<b>Total equity attributable to equity shareholders of the Company</b>		<u>120,099</u>	<u>123,597</u>

The notes on pages 16 to 25 form part of these unaudited interim financial statements.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(Expressed in Hong Kong dollars)

\$ million	Attributable to equity shareholders of the Company					
	Share capital	Exchange reserve	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Total
Balance at 1 January 2015	6,610	(621)	(1,152)	113,961	4,290	123,088
Changes in equity for the six months ended 30 June 2015:						
Profit for the period	—	—	—	3,237	—	3,237
Other comprehensive income	—	(390)	96	(269)	—	(563)
Total comprehensive income	—	(390)	96	2,968	—	2,674
Final dividend in respect of the previous year approved and paid	—	—	—	—	(4,290)	(4,290)
Interim dividend (see note 19)	—	—	—	(1,451)	1,451	—
Balance at 30 June 2015	<u>6,610</u>	<u>(1,011)</u>	<u>(1,056)</u>	<u>115,478</u>	<u>1,451</u>	<u>121,472</u>
<b>Balance at 1 January 2016</b>	<b>6,610</b>	<b>(2,586)</b>	<b>(965)</b>	<b>116,227</b>	<b>4,311</b>	<b>123,597</b>
Changes in equity for the six months ended 30 June 2016:						
Profit for the period	—	—	—	3,476	—	3,476
Other comprehensive income	—	(1,701)	(724)	(238)	—	(2,663)
Total comprehensive income	—	(1,701)	(724)	3,238	—	813
Final dividend in respect of the previous year approved and paid	—	—	—	—	(4,311)	(4,311)
Interim dividend (see note 19)	—	—	—	(1,494)	1,494	—
<b>Balance at 30 June 2016</b>	<u><b>6,610</b></u>	<u><b>(4,287)</b></u>	<u><b>(1,689)</b></u>	<u><b>117,971</b></u>	<u><b>1,494</b></u>	<u><b>120,099</b></u>

The notes on pages 16 to 25 form part of these unaudited interim financial statements.

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016

(Expressed in Hong Kong dollars)

	2016 \$ million	2015 \$ million
Net cash generated from operating activities	1,031	1,070
Net cash generated from investing activities	3,205	19,509
Net cash used in financing activities	<u>(4,311)</u>	<u>(4,290)</u>
Net (decrease)/increase in cash and cash equivalents	(75)	16,289
Cash and cash equivalents at 1 January	66,097	46,854
Effect of foreign exchange rate changes	<u>(335)</u>	<u>27</u>
Cash and cash equivalents at 30 June	<u><u>65,687</u></u>	<u><u>63,170</u></u>

The notes on pages 16 to 25 form part of these unaudited interim financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 1. Review of unaudited interim financial statements

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

## 2. Basis of preparation

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

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

## 3. Changes in accounting policies

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

- Annual improvements to HKFRSs 2012-2014 cycle
- Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*
- Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*
- Amendments to HKAS 1, *Disclosure initiative*
- Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*
- HKAS 27, *Separate Financial Statements*

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

## 4. Segment reporting

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

S million	2016							Total
	Investment in HKEI*	Investments				Sub-total	All other activities	
		United Kingdom	Australia	Mainland China	Others			
<b>For the six months ended 30 June</b>								
<b>Revenue</b>								
Revenue	—	293	222	—	108	623	6	629
Other net loss	—	—	—	—	3	3	(262)	(259)
<b>Reportable segment revenue</b>	<b>—</b>	<b>293</b>	<b>222</b>	<b>—</b>	<b>111</b>	<b>626</b>	<b>(256)</b>	<b>370</b>
<b>Result</b>								
Segment earnings	—	293	222	(11)	111	615	(324)	291
Depreciation and amortisation	—	—	—	—	—	—	(1)	(1)
Bank deposit interest income	—	—	—	—	—	—	248	248
Operating profit	—	293	222	(11)	111	615	(77)	538
Finance costs	—	(51)	(66)	—	(9)	(126)	—	(126)
Share of profits less losses of joint ventures and associates	367	1,966	425	150	148	2,689	2	3,058
Profit before taxation	367	2,208	581	139	250	3,178	(75)	3,470
Income tax	—	26	(20)	—	—	6	—	6
<b>Reportable segment profit</b>	<b>367</b>	<b>2,234</b>	<b>561</b>	<b>139</b>	<b>250</b>	<b>3,184</b>	<b>(75)</b>	<b>3,476</b>
<b>At 30 June</b>								
<b>Reportable segment assets</b>	<b>16,344</b>	<b>29,684</b>	<b>10,796</b>	<b>3,962</b>	<b>5,105</b>	<b>49,547</b>	<b>66,045</b>	<b>131,936</b>
<b>Reportable segment liabilities</b>	<b>—</b>	<b>(4,829)</b>	<b>(3,962)</b>	<b>(4)</b>	<b>(971)</b>	<b>(9,766)</b>	<b>(2,071)</b>	<b>(11,837)</b>

## 4. Segment reporting (Continued)

\$ million	2015							All other activities Restated	Total
	Investment in HKEI*	Investments					Sub-total Restated		
		United Kingdom	Australia Restated	Mainland China	Others				
For the six months ended 30 June									
Revenue									
Revenue	—	310	237	—	74	621	5	626	
Other net income	—	—	—	—	3	3	5	8	
Reportable segment revenue	<u>—</u>	<u>310</u>	<u>237</u>	<u>—</u>	<u>77</u>	<u>624</u>	<u>10</u>	<u>634</u>	
Result									
Segment earnings	—	310	231	(11)	77	607	(299)	308	
Loss on partial disposal of an associate	—	—	—	—	—	—	(532)	(532)	
Bank deposit interest income	—	—	—	—	—	—	348	348	
Operating profit	—	310	231	(11)	77	607	(483)	124	
Finance costs	—	(54)	(77)	—	(9)	(140)	—	(140)	
Share of profits less losses of joint ventures and associates	568	2,050	273	261	85	2,669	1	3,238	
Profit before taxation	568	2,306	427	250	153	3,136	(482)	3,222	
Income tax	—	28	(13)	—	—	15	—	15	
Reportable segment profit	<u>568</u>	<u>2,334</u>	<u>414</u>	<u>250</u>	<u>153</u>	<u>3,151</u>	<u>(482)</u>	<u>3,237</u>	
At 30 June									
Reportable segment assets	<u>16,413</u>	<u>30,475</u>	<u>11,335</u>	<u>4,407</u>	<u>3,706</u>	<u>49,923</u>	<u>68,219</u>	<u>134,555</u>	
Reportable segment liabilities	<u>—</u>	<u>(5,604)</u>	<u>(3,860)</u>	<u>(2)</u>	<u>(896)</u>	<u>(10,362)</u>	<u>(2,721)</u>	<u>(13,083)</u>	

Note:

\* As at 1 January 2015, the Group has a 49.9% equity interest in HK Electric Investments and HK Electric Investments Limited (collectively as "HKEI"), which is listed on The Stock Exchange of Hong Kong Limited. On 9 June 2015, the Group disposed of a 16.53% stake in HKEI and retained approximately 33.37% stake in HKEI.

## 5. Revenue

Group revenue represents interest income from loans granted to joint ventures and associates, dividends from other financial assets and engineering and consulting services fees.

	Six months ended 30 June	
	2016 \$ million	2015 \$ million
Interest income	623	621
Others	6	5
	<u>629</u>	<u>626</u>
Share of revenue of unlisted joint ventures	<u>8,374</u>	<u>8,997</u>

## 6. Profit before taxation

	Six months ended 30 June	
	2016	2015
	\$ million	\$ million
Profit before taxation is arrived at after charging:		
Finance costs — interest on borrowings	126	140
Amortisation of leasehold land	1	—
	<u>127</u>	<u>140</u>

## 7. Income tax

	Six months ended 30 June	
	2016	2015
	\$ million	\$ million
Current tax	(6)	(15)
Deferred tax	—	—
	<u>(6)</u>	<u>(15)</u>

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

## 8. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$3,476 million for the six months ended 30 June 2016 (2015: \$3,237 million) and 2,134,261,654 ordinary shares (2015: 2,134,261,654 ordinary shares) in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2016 and 2015.

## 9. Property, plant and equipment and leasehold land

\$ million	Site formation and buildings	Plant, machinery and equipment	Sub-total	Interests in leasehold land held for own use under finance leases	Total
Net book value at 1 January 2016	10	2	12	18	30
Depreciation and amortisation	—	—	—	(1)	(1)
<b>Net book value at 30 June 2016</b>	<b>10</b>	<b>2</b>	<b>12</b>	<b>17</b>	<b>29</b>
Cost	26	5	31	30	61
Accumulated depreciation and amortisation	(16)	(3)	(19)	(13)	(32)
<b>Net book value at 30 June 2016</b>	<b>10</b>	<b>2</b>	<b>12</b>	<b>17</b>	<b>29</b>

## 10. Interest in joint ventures

	30 June 2016 \$ million	31 December 2015 \$ million
Share of net assets of unlisted joint ventures	32,352	33,281
Loans to unlisted joint ventures	8,783	9,175
Amounts due from unlisted joint ventures	293	173
	<b>41,428</b>	<b>42,629</b>
Share of total assets of unlisted joint ventures	<b>101,510</b>	<b>104,655</b>

## 11. Interest in associates

	30 June 2016 \$ million	31 December 2015 \$ million
Share of net assets		
— Listed associate	16,344	16,583
— Unlisted associates	3,571	3,395
	<b>19,915</b>	<b>19,978</b>
Loans to unlisted associates	3,944	3,868
Amounts due from associates	75	73
	<b>23,934</b>	<b>23,919</b>

## 12. Trade and other receivables

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

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
1 to 3 months	—	1
Trade debtors	—	1
Interest and other receivables	<b>45</b>	241
Derivative financial instruments	—	144
Deposits and prepayments	<b>13</b>	8
	<b>58</b>	394

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

## 13. Bank deposits and cash

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	<b>65,452</b>	66,044
Cash at bank and on hand	<b>235</b>	53
Cash and cash equivalents in the consolidated cash flow statement	<b>65,687</b>	66,097
Deposits with banks and other financial institutions with more than 3 months to maturity when placed	<b>259</b>	2,052
	<b>65,946</b>	68,149

## 14. Trade and other payables

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Due within 1 month or on demand	<b>23</b>	26
Due after 1 month but within 3 months	<b>73</b>	6
Due after 3 months but within 12 months	<b>2,113</b>	2,002
Creditors measured at amortised cost	<b>2,209</b>	2,034
Derivative financial instruments	<b>77</b>	44
	<b>2,286</b>	2,078

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

	30 June 2016 \$ million	31 December 2015 \$ million
Bank loans	<u>9,064</u>	<u>9,405</u>

## 16. Derivative financial instruments

	30 June 2016		31 December 2015	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
<b>Derivative financial instruments used for hedging:</b>				
Cash flow hedges				
Interest rate swaps	—	(234)	89	(51)
Net investment hedges				
Forward foreign exchange contracts	422	(125)	222	(19)
<b>Derivative financial instruments not qualifying as accounting hedges:</b>				
Forward foreign exchange contracts	—	—	—	(44)
	<u>422</u>	<u>(359)</u>	<u>311</u>	<u>(114)</u>
Analysed as:				
Current	—	(77)	144	(44)
Non-current	422	(282)	167	(70)
	<u>422</u>	<u>(359)</u>	<u>311</u>	<u>(114)</u>

## 17. Share capital

	Number of shares	30 June 2016 \$ million	31 December 2015 \$ million
<i>Issued and fully paid:</i>			
Voting ordinary shares	2,134,261,654	<u>6,610</u>	<u>6,610</u>

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

## 18. Fair value measurement

### (a) Recurring fair value measurements

	Level 2	
	30 June 2016 \$ million	31 December 2015 \$ million
<b>Financial assets</b>		
Derivative financial instruments:		
— Interest rate swaps	—	89
— Forward foreign exchange contracts	<u>422</u>	<u>222</u>
	<u><b>422</b></u>	<u><b>311</b></u>
<b>Financial liabilities</b>		
Derivative financial instruments:		
— Interest rate swaps	<u>(234)</u>	<u>(51)</u>
— Forward foreign exchange contracts	<u>(125)</u>	<u>(63)</u>
	<u><b>(359)</b></u>	<u><b>(114)</b></u>

### (b) 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 the reporting period. The fair value of interest rate swaps is measured by discounting the future cash flows of the contracts at the current market interest rate.

### (c) 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 30 June 2016 and 31 December 2015.

## 19. Interim dividend

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

	Six months ended 30 June	
	2016 \$ million	2015 \$ million
Interim dividend of \$0.70 per ordinary share (2015: \$0.68 per ordinary share)	<u><b>1,494</b></u>	<u><b>1,451</b></u>

## 20. Capital commitments

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

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Contracted for:		
Investment in a joint venture	<u><b>6,669</b></u>	<u>10</u>
Authorised but not contracted for:		
Capital expenditure for property, plant and equipment	<b>1</b>	1
Investment in a joint venture	<u><b>146</b></u>	<u>141</u>
	<u><b>147</b></u>	<u>142</u>

## 21. Contingent liabilities

	<b>30 June 2016 \$ million</b>	31 December 2015 \$ million
Financial guarantees issued in respect of banking facilities available to a joint venture	<b>98</b>	97
Other guarantees given in respect of a joint venture	<u><b>745</b></u>	<u>695</u>
	<u><b>843</b></u>	<u>792</u>

## 22. Material related party transactions

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

### (a) Shareholder

Outram Limited ("Outram"), a subsidiary of the Company, reimbursed 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, \$15 million (2015: \$15 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the period. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

## **(b) Joint ventures**

- (i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to \$400 million for the six months ended 30 June 2016 (2015: \$384 million). The outstanding balances with joint ventures are disclosed in note 10.
- (ii) Tax credit claimed under the consortium relief received/receivable from joint ventures in the United Kingdom amounted to \$26 million for the six months ended 30 June 2016 (2015: \$28 million).

## **(c) Associates**

- (i) Interest income received/receivable from associates in respect of the loans to associates amounted to \$223 million for the six months ended 30 June 2016 (2015: \$237 million). The outstanding balances with associates are disclosed in note 11.
- (ii) Other operating costs included support service charge recovered by an associate amounted to \$18 million (2015: \$18 million) 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 at 30 June 2016 with the associate was \$3 million (31 December 2015: \$4 million).

## **23. Events after the reporting period**

On 26 April 2016, the Company and CKI jointly announced that they have entered into an agreement with Husky Energy Inc. ("Husky") to acquire a portfolio of Husky's oil pipeline assets in Canada for which the Group will have a 48.75% interest in the project. Husky is one of Canada's largest integrated energy companies. It is headquartered in Calgary, Alberta, Canada and its common shares are publicly traded on the Toronto Stock Exchange.

The acquisition was completed on 15 July 2016. The Group's interest in the joint venture of approximately C\$866 million would be recorded as a result of the acquisition completion.

## **24. Comparative figures**

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

# CORPORATE GOVERNANCE

## Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2016, except as noted hereunder.

The Company does not have a nomination committee as provided for in code provision A.5. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time having regard to the Group's Board Diversity Policy. The Board as a whole is also responsible for reviewing the succession plan for the Directors, in particular the Chairman and the Chief Executive Officer.

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

## Board of Directors

The Board, led by the Chairman, is responsible for the approval and monitoring of Group-wide strategies and policies, approval of annual budgets and business plans, evaluation of the performance of the Group, and oversight of management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

As at 30 June 2016, the Board consists of a total of twelve Directors, comprising six Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. All Directors are required to retire from office by rotation and are subject to re-election by shareholders at the annual general meeting once every three years pursuant to the articles of association of the Company.

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The Chairman is responsible for providing leadership to, and overseeing the functioning and effective running of, the Board to ensure that the Board acts in the best interests of the Group. In addition to board meetings, the Chairman schedules two meetings annually with Non-executive Directors without the presence of Executive Directors. The Chief Executive Officer, working with the executive management team, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations.

The Board meets at least four times a year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters by way of written resolutions, which are circulated to Directors together with supporting explanatory write-up and coupled with briefings from the Chief Executive Officer or the Company Secretary as required.

The Company Secretary of the Company supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is responsible for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other related laws, rules and regulations.

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

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 of the Listing Rules as the Group's code of conduct regarding directors' securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

## CORPORATE GOVERNANCE *(Continued)*

Senior managers, and other nominated managers and staff who, because of their respective positions in the Company, are likely to possess unpublished inside information regarding the Company and its securities are also required to comply with the Model Code.

### Changes of Information of Directors

The changes in the information of Directors since the publication of the 2015 annual report and up to 9 August 2016 (the latest practicable date prior to the printing of this interim report) are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

#### Name of Director

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Fok Kin Ning, Canning	Ceased to act as an Alternate Director to Mrs. Chow Woo Mo Fong, Susan of Hutchison Telecommunications Hong Kong Holdings Limited
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Wan Chi Tin	Appointed as a member of the Audit Committee of The University of Hong Kong
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	Ceased to be a Council Member of the Hong Kong Institution of Engineers
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Ip Yuk-keung, Albert	Appointed as a Council Member of The Hong Kong University of Science and Technology
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Wong Chung Hin	Resigned as an Independent Non-executive Director of The Bank of East Asia, Limited
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Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### Internal Control

The Board has overall responsibility for the Group's system of internal control and reviews its effectiveness through the Audit Committee to ensure that policies and procedures in place for the identification and management of risks are adequate.

The Group's internal audit function, which is shared with that of HK Electric Investments Limited, reports to an Executive Director and the Audit Committee, and provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the operations of the Group's business units. Staff members are from a wide range of disciplines including accounting, engineering and information technology. Using risk assessment methodology and taking into account the scope and nature of the Group's activities and changes in operating environment, Internal Audit prepares its yearly audit plan which is reviewed and approved by the Audit Committee. Internal Audit's reports on the Group's operations are also reviewed and considered by the Audit Committee. The scope of work on the Group's business units performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the business units and the progress is reported to the Audit Committee.

### **Remuneration Committee**

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

The Remuneration Committee reports directly to the Board of Directors and its principal responsibilities include the review and consideration of the Company's policy for remuneration of Directors and senior management, and the determination of their individual remuneration packages. The terms of reference of the Remuneration Committee are published on the Company's website and the website of Hong Kong Exchanges and Clearing Limited ("HKEX").

### **Audit Committee**

The Audit Committee comprises three Independent Non-executive Directors. It is chaired by Mr. Wong Chung Hin and the other members are Mr. Ip Yuk-keung, Albert and Mr. Ralph Raymond Shea.

The Audit Committee reports directly to the Board of Directors and its principal responsibilities include the review of the Group's financial reporting, risk management and internal control systems, the interim and annual financial statements, and corporate and compliance issues. The Audit Committee also meets regularly with the Company's external auditor to discuss the audit process and accounting issues. The terms of reference of the Audit Committee are published on the Company's website and the HKEX's website.

## **CORPORATE GOVERNANCE** *(Continued)*

### **Communication with Shareholders**

The Company has established a range of communication channels between itself and its shareholders and investors. These include the annual general meeting, the annual and interim reports, notices, letters, announcements and circulars, results highlights published in newspapers, news releases, the Company's website at [www.powerassets.com](http://www.powerassets.com) and meetings with investors and analysts. All shareholders have the opportunity to put questions to the Board at general meetings, and at other times by e-mailing or writing to the Company.

Shareholders may at any time notify the Company by mail or email of any change in their choice of language (English or Chinese or both) or means of receiving (printed copies or through the Company's website) corporate communications from the Company.

The Company handles share registration and related matters for shareholders through Computershare Hong Kong Investor Services Limited, the Company's share registrar.

The Board has adopted a communication policy which provided a framework to promote effective communication with shareholders.

### **Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 30 June 2016, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

## Long Positions in Shares of the Company

Name of Director	Capacity	Nature of Interests	Number of Shares Held	Approximate % of Shareholding
Li Tzar Kuoi, Victor	Interest of child or spouse	Family	151,000	0.01%
Tsai Chao Chung, Charles	Beneficial owner	Personal	4,022	≈0%

## Long Positions in Shares of Associated Corporation HK Electric Investments and HK Electric Investments Limited

Name of Director	Capacity	Nature of Interests	Number of Share Stapled Units Held	Approximate % of Issued Share Stapled Units
Li Tzar Kuoi, Victor	Interest of controlled corporations	Corporate	7,870,000 (Note)	0.08%
Fok Kin Ning, Canning	Interest of controlled corporation	Corporate	2,000,000	0.02%
Tsai Chao Chung, Charles	Beneficial owner	Personal	880	≈0%

Note:

Such share stapled units of HK Electric Investments and HK Electric Investments Limited ("HKEI") comprise:

- (a) 2,700,000 share stapled units of HKEI held by Lankford Profits Limited, a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF; and
- (b) 5,170,000 share stapled units of HKEI held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE *(Continued)*

### Interests and Short Positions of Shareholders

As at 30 June 2016, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

### Substantial Shareholders

#### Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Interman Development Inc.	Beneficial owner	186,736,842 <i>(Note 1)</i>	8.75%
Venniton Development Inc.	Beneficial owner	197,597,511 <i>(Note 1)</i>	9.26%
Univest Equity S.A.	Beneficial owner	279,011,102 <i>(Note 1)</i>	13.07%
Monitor Equities S.A.	Beneficial owner & interest of controlled corporation	287,211,674 <i>(Note 1)</i>	13.46%
Hyford Limited	Interest of controlled corporations	829,599,612 <i>(Note 2)</i>	38.87%
Cheung Kong Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 2)</i>	38.87%
Hutchison Infrastructure Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Hutchison International Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Hutchison Whampoa Limited	Interest of controlled corporations	829,599,612 <i>(Note 3)</i>	38.87%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%
CK Hutchison Global Investments Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%
CK Hutchison Holdings Limited	Interest of controlled corporations	829,599,612 <i>(Note 4)</i>	38.87%

## Other Persons

### Long Positions in Shares of the Company

Name	Capacity	Number of Shares Held	Approximate % of Shareholding
Capital Research and Management Company	Investment Manager	171,933,200 (Note 5)	8.06%
The Capital Group Companies, Inc.	Investment Manager	171,933,200 (Note 5)	8.06%

#### Notes:

- (1) *These are direct or indirect wholly-owned subsidiaries of Hyford Limited ("Hyford") and their interests are duplicated in the same 829,599,612 shares of the Company held by Hyford described in Note (2) below.*
- (2) *Cheung Kong Infrastructure Holdings Limited ("CKI") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (1) above as it holds more than one-third of the issued share capital of Hyford indirectly. Its interests are duplicated in the interest of Hutchison Whampoa Limited ("HWL") in the Company described in Note (3) below.*
- (3) *HWL is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued shares of Hutchison International Limited, which holds more than one-third of the issued share capital of Hutchison Infrastructure Holdings Limited ("HIH"). HIH holds more than one-third of the issued share capital of CKI.*
- (4) *CK Hutchison Holdings Limited ("CKH Holdings") is deemed to be interested in the 829,599,612 shares of the Company as referred to in Note (3) above as it holds more than one-third of the issued shares of Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited respectively, each of which in turn holds more than one-third of the issued shares of HWL.*
- (5) *Capital Research and Management Company ("CRMC") is a wholly-owned subsidiary of The Capital Group Companies, Inc. ("CGCI"). As such, the interests of CRMC are notified by CGCI and are duplicated in the same 171,933,200 shares of the Company notified by CGCI.*

Save as disclosed above, as at 30 June 2016, there was no other person (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## OTHER INFORMATION

### Interim Dividend

The Board of Directors has declared an interim dividend for 2016 of HK\$0.70 per share. The dividend will be payable on 7 September 2016 to shareholders whose names appear in the Company's Register of Members at the close of business on Monday, 29 August 2016, being the record date for determination of entitlement to the interim dividend. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 29 August 2016.

### Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the six months ended 30 June 2016.

### Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the provision of financial assistance by the Group to certain affiliated companies, a combined statement of financial position of the affiliated companies as at 30 June 2016 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

Combined statement of financial position of the affiliated companies  
as at 30 June 2016

	HK\$ million
Non-current assets	294,608
Current assets	19,381
Current liabilities	(40,879)
Non-current liabilities	(199,269)
Net assets	<u>73,841</u>
Share capital	20,188
Reserves	<u>53,653</u>
Capital and reserves	<u>73,841</u>

As at 30 June 2016, the consolidated attributable interest of the Group in these affiliated companies amounted to HK\$40,921 million.