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

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2016 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

In the context of geopolitical and macroeconomic changes affecting the energy sector worldwide, Power Assets maintained its focus on selective investments in reliable assets for steady growth and recurring returns. Our performance has demonstrated not only the resilience of our strategy and investments, but also our capacity to accommodate and lead advancement in technology for a sustainable low carbon economy.

In July 2016 we made our largest investment since the spinning off of the Hong Kong electricity business three years ago, by acquiring a 48.75% interest in the mid-stream assets of Husky Energy Inc. ("Husky"). Husky operates approximately 1,900 kilometres of oil pipeline in the Lloydminster region and has oil storage capacity of 4.1 million barrels at Hardisty and Lloydminster. Our share of Husky's pipeline portfolio in Canada connects us to a growing market with consistent returns. This is in tune with our long-standing strategy of focussing on dependable investments in low-risk markets that deliver steady returns over the long-term economic cycle.

The Husky investment augments our energy portfolio and expands our presence in North America in the oil transmission and storage sector. The Group's operating companies are spread across North America, Europe, Asia, Australia and New Zealand and include power generation, electricity and gas distribution networks and oil transmission businesses.

In Hong Kong, good progress has been made in charting the way forward for the local electricity market post 2018. Discussions between The Hongkong Electric Company, Limited ("HK Electric") and the Hong Kong Government over the future regulatory regime are expected to yield positive outcomes. We support the company's view that it is in Hong Kong's best interest if the current scheme of control arrangement is maintained to incentivise long-term investments necessary to meet the Government's policy objectives.

Results and dividends

The Group's 2016 profits attributable to shareholders amounted to HK$6,417 million (2015: HK$7,732 million). Earnings per share was HK$3.01 (2015: HK$3.62).

The decrease in the Group's profit was primarily due to the weakening of the pound sterling, a lower UK deferred tax credit adjustment when compared with that of last year, a reduction of shareholding in the HK Electric Investments and HK Electric Investments Limited from 49.9% to 33.37% since 9 June 2015 and reversal of provisions and expenses in 2015.

The Directors have earlier declared a one-off special interim dividend in cash of HK$5 per share for 2016, paid out on 28 February 2017. The special interim dividend was distributed in order to address shareholder expectations while keeping in view the Group's need to preserve its financial capacity for future acquisitions.

The Directors will recommend a final dividend of HK$2.02 per share, payable on 25 May 2017 to those persons registered as shareholders on 16 May 2017. This, together with the interim dividend of HK$0.70 per share and special interim dividend of HK$5 per share, takes the total dividend for the year to HK$7.72 per share (2015: HK$2.70 per share).

Operational excellence in key markets

In 2016, Group companies recorded sustainable, organic revenue growth, while maintaining high standards of customer satisfaction. We are insulated from short term cyclicity by regulated revenue schemes or long-term, off-take contracts. All these factors contributed substantially to the Group's robust financial performance.

In the UK, our largest market, our businesses operate in essential services sectors under regulated income regimes. The four Group operating companies in the market earned steady revenues, achieving awards from the regulator for efficient operation and exemplary performance in customer service. The impact of the 'Brexit' decision was limited to reported earnings due to exchange rate uncertainty.

Our operating companies embraced the UK's decarbonisation policy. UK Power Networks became the first distributed generation system to install a commercial scale battery storage system and was at the forefront of research into distributed network system operations. These initiatives will enable us to accommodate disruptive generation from solar power and commercial scale battery installations. Northern Gas Networks is one of the founding organisations collaborating with the UK Government in the H21 Leeds City Gate study – aiming to significantly decarbonise parts of the existing gas system. Wales & West Utilities continues to support the development of biomethane and has connected 16 biomethane producers to the distribution network. Seabank Power completed a lifetime extension maintenance outage for its Module 2 generation unit in 2016 and participated in the UK's capacity auctions to augment the country's electricity supply during times of stress.

In Australia, all our regulated electricity distribution businesses are now under the new regulatory regime, and will consequently enjoy predictable revenues for its duration. Our Australian businesses have been proactive with customer oriented initiatives to tackle the growth of distributed generation, especially solar. SA Power Networks commenced trials of residential battery storage systems to manage solar energy for residential power grids. This exercise will not only yield valuable insights on the long-term management of distributed generation, but also provide customers with the ability to store, use and sell energy. Victoria Power Networks began to offer smart energy services that support the deployment of large scale renewable energy and infrastructure projects and help commercial, industrial and residential customers optimise their usage of self-generated and stored power. Australian Gas Networks is researching the possibility of producing renewable hydrogen for injection into its network to reduce carbon content. Australian Energy Operations completed the Ararat Wind Farm project in July 2016, and began contributing to Group revenues.

In Hong Kong, HK Electric met all of its operating parameters including its world-class reliability record of over 99.999% for twenty consecutive years. In order to meet air quality targets, the company is implementing a major replacement programme to increase the proportion of natural gas in the fuel mix with the construction of two new gas-fired combined cycle generating units. It also continued discussions with the Government on the post-2018 regulatory framework, which will shape the future development of Hong Kong's power sector. In the longer term, more gas-fired units will be built to replace retiring coal-fired units to support the Government's climate change agenda which is to reduce Hong Kong's carbon footprint by 65-70% in 2030 compared to the level in 2005. This will also help reduce the city's air emissions.

Achieving sustainable progress

Our European operating companies in Portugal and the Netherlands both deliver energy from sustainable sources and are the flagship green businesses in the Group's portfolio. Dutch Enviro Energy Holdings B.V., a market leader in the 'energy-from-waste' sector in the Netherlands, continued to increase the delivery of energy to neighbouring industries and households during the year. It is also studying the viability of delivering carbon dioxide to nearby greenhouses through carbon captured from its flue gas. Iberwind, the wind energy company in Portugal which the Group acquired in 2015, initiated a major repowering project to improve wind yield and efficiency.

In Canada, Canadian Power Holdings, working in conjunction with its partners, TransAlta Corporation and ATCO, reached an agreement with the Alberta and Federal governments to end coal-fired emission by 2030 and is embarking on a coal-to-gas conversion study for its largest generating facility, the Sheerness Coal-fired Power Station.

In mainland China, the Government is introducing gradual and progressive market reform to the power sector. We welcome these reforms and will work towards meeting new requirements. Our three coal-fired power plants in the mainland have successfully upgraded their emissions control equipment to meet the stringent near-zero emission environmental targets. Improvement works continued at the wind farms in the Yunnan and Hebei provinces to enhance productivity.

The Ratchaburi plant in Thailand delivered strong performance and achieved its efficiency target. Wellington Electricity in New Zealand performed ahead of budget during the year.

An undeviating strategy going forward

The sound performance of all the Group's operating companies in the current geopolitical climate is testament to the success of our business model based on stable income streams in well-regulated markets and high-quality, efficient operations. This is reinforced by strong management teams, excellence in operations, market-leading customer service, cost controls and returns from recently completed capital projects.

The Group continues to maintain a strong cash position in readiness for opportunities that meet our criteria, especially in developed markets like Australia, North America and Europe.

On behalf of the Board, I would like to thank shareholders for their continued support. My heartfelt gratitude and appreciation to all my colleagues across four continents and all our operating companies for their efforts. Their commitment has delivered another healthy year for the business.

Fok Kin Ning, Canning
Chairman
Hong Kong, 21 March 2017

FINANCIAL REVIEW

Financial Performance

Profit attributable to shareholders for 2016 amounted to HK$6,417 million (2015: HK$7,732 million). The decrease of profit was primarily due to weakening of pound sterling, lower deferred tax credit adjustment as a result of lower corporate tax rate reduction in the United Kingdom when compared with last year, lower return from HK Electric Investments and HK Electric Investments Limited and reversal of provisions and expenses in 2015.

Our investments in the United Kingdom contributed earnings of HK$4,443 million (2015: HK$4,899 million), a drop of 9% as compared to last year. The reduction of earnings was primarily due to weakening of pound sterling and lower deferred tax credit adjustment.

Our investments in Australia yield reliable profit contributions of HK$973 million (2015: HK$887 million) which was higher than last year mainly due to lower interest expenses.

Our investments in mainland China recorded less favourable results primarily due to a drop in electricity sales but partly offset by savings in operating costs in Jinwan Power Plant and lower wind yield at Dali windfarm .

Our investments in Canada recorded higher earnings than last year mainly due to contributions from Husky Midstream partnership, which was acquired in July 2016.

Investment in Portugal, which was acquired in November 2015, contributed first full year results to the Group. Our investments in the Netherlands, Thailand and New Zealand continued to contribute stable earnings to the Group.

Our investment in HKEI recorded lower earnings of HK$1,201 million (2015: HK$1,364 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 full year dividends of HK$7.72 per share including a special dividend of HK$5 per share paid on 28 February 2017 (2015: HK$2.70 per share).

Financial Positions, Liquidity and Financial Resources

The Group's financial position remained strong. Capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Interest in joint ventures and associates increased by 1% to HK$66,941 million (2015: HK$66,548 million). In 2016, the Group acquired a 48.75% interest in a portfolio of oil pipeline assets in Canada of Husky Energy Inc.. Total unsecured bank loans outstanding at the year end were HK$8,514 million (2015: HK$9,405 million). In addition, the Group had bank deposits and cash of HK$61,710 million (2015: HK$68,149 million). Due to its strong cash position, the Group did not maintain any undrawn committed bank facility at the year end (2015: nil).

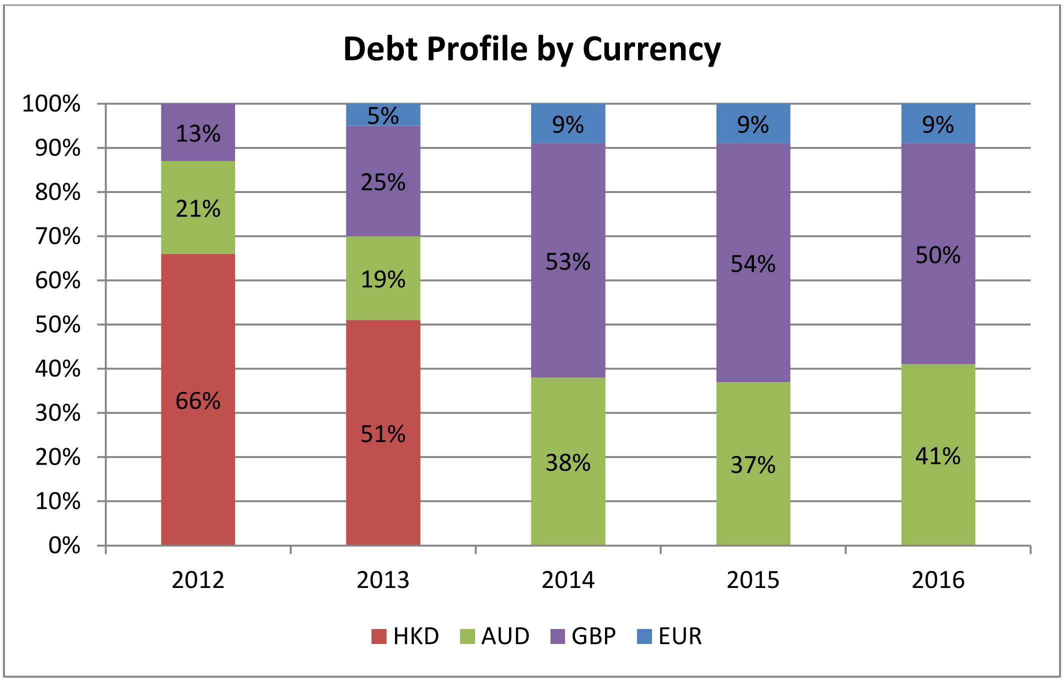
Treasury Policy, Financing Activities and Debt Structure

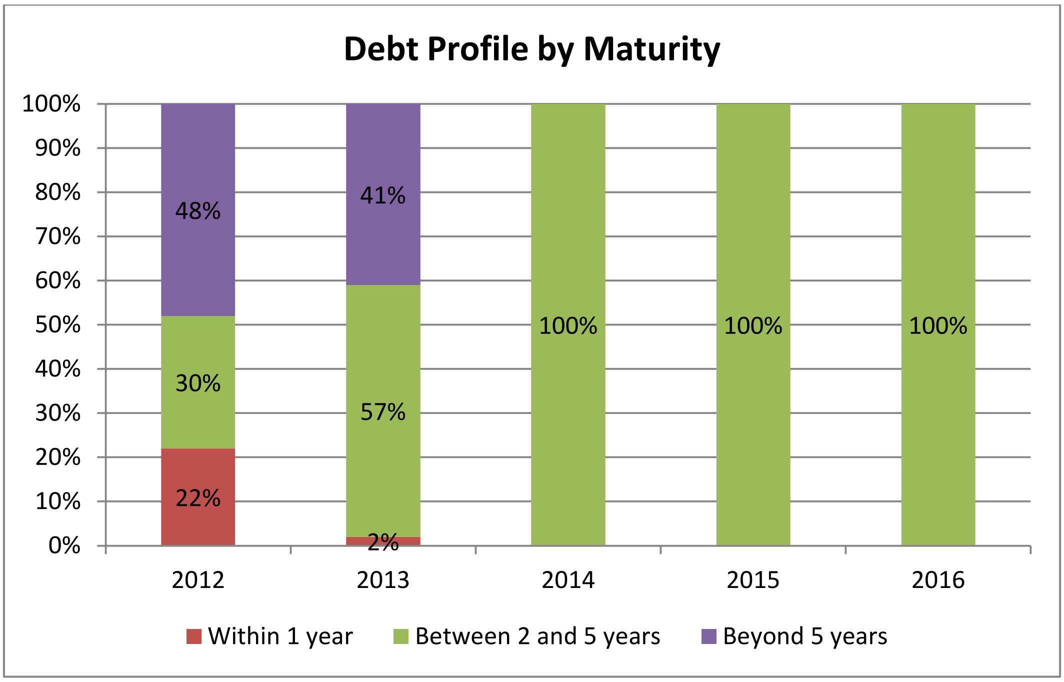
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds, which arise mainly from dividends and other repatriation 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.

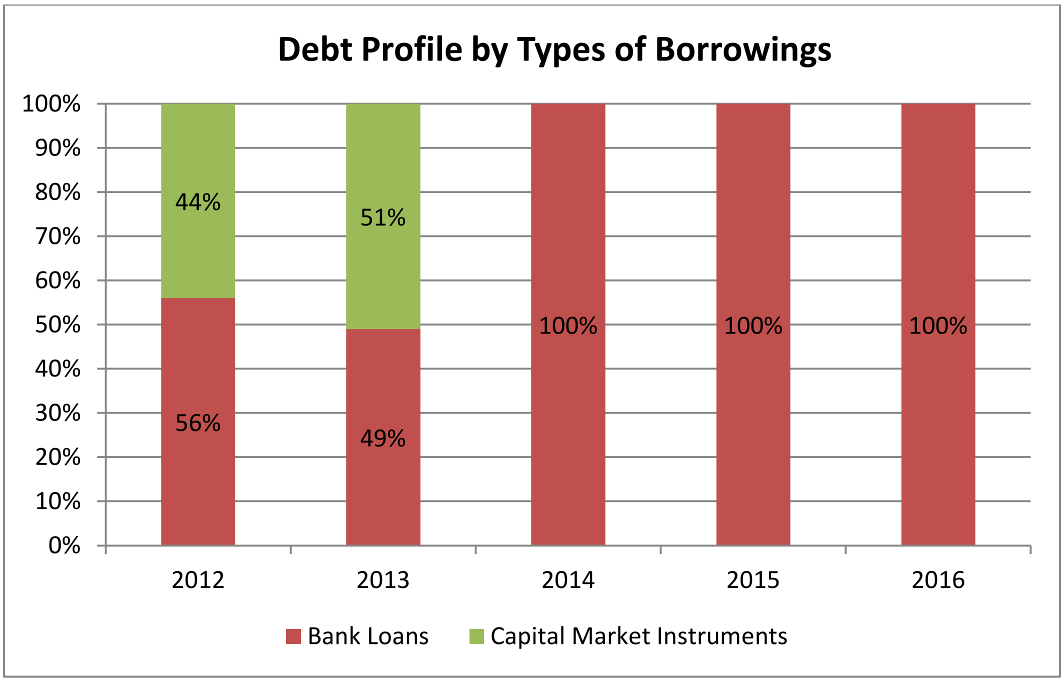
The Group's financial profile remained strong during the year. On 19 January 2016, Standard & Poor's pronounced that the long term credit ratings of the Company was "A-" with a stable outlook which remains unchanged since January 2014.

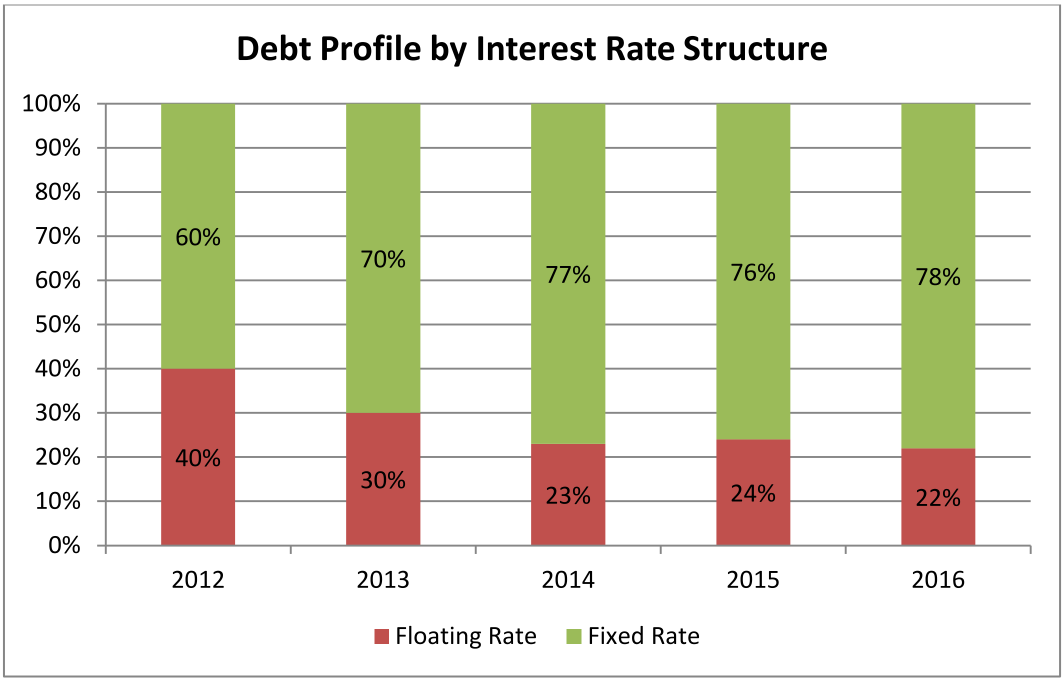
As at 31 December 2016, the net cash position of the Group was HK$53,196 million (2015: HK$58,744 million).

The profile of the Group's external borrowings as at 31 December 2016, after taking into account interest rate swaps, is set out in the tables below:









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

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

The Group's principal foreign currency exposures arise from its investments outside Hong Kong. Foreign currency transaction exposure also arises from settlement to vendors which is not material and is managed mainly through purchases in the spot market or utilisation of foreign currency receipts of the Group. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. The fair value of such borrowings at 31 December 2016 was HK$8,553 million (2015: HK$9,426 million). The fair value of forward foreign exchange contracts at 31 December 2016 was an asset of HK$870 million (2015: asset of 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 placed as foreign currency deposits, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2016 amounted to HK$24,358 million (2015: HK$21,967 million).

Charges on Assets

At 31 December 2016, the Group's interest in an associate of HK$321 million (2015: HK$422 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2016, the Group had given guarantees and indemnities totalling HK$821 million (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 year ended 31 December 2016, excluding directors' emoluments, amounted to HK$24 million (2015: HK$24 million). As at 31 December 2016, the Group employed 12 (2015: 11) permanent employees. No share option scheme is in operation.

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Hong Kong dollars)

	Note	**2016** **$ million**	2015 $ million
Revenue	4	**1,288**	1,308
Direct costs		**(6)**	(8)
		1,282	1,300
Other net loss	5	**(221)**	(207)
Other operating costs		**(809)**	145
Operating profit		**252**	1,238
Finance costs		**(248)**	(264)
Share of profits less losses of joint ventures		**4,705**	4,958
Share of profits less losses of associates		**1,696**	1,789
Profit before taxation	6	**6,405**	7,721
Income tax:	7		
Current		**(7)**	11
Deferred		**19**	-
		12	11
Profit for the year attributable to equity shareholders of the Company		**6,417**	7,732
Earnings per share			
Basic and diluted	8	**$3.01**	$3.62

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

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Hong Kong dollars)

	2016 **$ million**	2015 $ million
Profit for the year attributable to equity shareholders of the Company	**6,417**	7,732
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**(3)**	(17)
Share of other comprehensive income of joint ventures and associates	**(1,418)**	410
Income tax relating to items that will not be reclassified to profit or loss	**242**	(97)
	(1,179)	296
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**(5,738)**	(3,004)
Net investment hedges	**1,607**	1,039
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	**(33)**	116
Share of other comprehensive income of joint ventures and associates	**(546)**	149
Income tax relating to items that may be reclassified subsequently to profit or loss	**91**	(78)
	(4,619)	(1,778)
	(5,798)	(1,482)
Total comprehensive income for the year attributable to equity shareholders of the Company	**619**	6,250

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016
(Expressed in Hong Kong dollars)

	Note	**2016 $ million**	2015 $ million
Non-current assets			
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
		29	30
Interest in joint ventures	9	**42,739**	42,629
Interest in associates	10	**24,202**	23,919
Other non-current financial assets		**67**	67
Derivative financial instruments		**846**	167
Deferred tax assets		**19**	-
Employee retirement benefit assets		**4**	3
		67,906	66,815
Current assets			
Trade and other receivables	11	**161**	394
Bank deposits and cash		**61,710**	68,149
		61,871	68,543
Current liabilities			
Trade and other payables	12	**(2,595)**	(2,078)
Current tax payable		**(46)**	(41)
		(2,641)	(2,119)
Net current assets		**59,230**	66,424
Total assets less current liabilities		**127,136**	133,239
Non-current liabilities			
Bank loans and other interest-bearing borrowings		**(8,514)**	(9,405)
Derivative financial instruments		**(52)**	(70)
Deferred tax liabilities		**(14)**	(27)
Employee retirement benefit liabilities		**(145)**	(140)
		(8,725)	(9,642)
Net assets		**118,411**	123,597
Capital and reserves			
Share capital		**6,610**	6,610
Reserves		**111,801**	116,987
Total equity attributable to equity shareholders of the Company		**118,411**	123,597

POWER ASSETS HOLDINGS LIMITED
NOTES TO ANNUAL RESULTS
(Expressed in Hong Kong dollars)

1. Review of annual results

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

2. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes 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 and the requirements of the Hong Kong Company 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.

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 11, *Accounting for acquisition of interests in joint operations*
- Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*
- Amendments to HKAS 27, *Equity method in separate financial statements*
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investments entities: Applying the consolidation exception*
- Amendments to HKAS 1, *Disclosure initiative*

The adoption of these amendments to HKFRSs has no material impact on the Group's results 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.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company's financial statements for the year ended 31 December 2015 has been delivered to the Registrar of Companies and the Company's financial statements for the year ended 31 December 2016 will be delivered to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Company for the year ended 31 December 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The financial statements for the year ended 31 December 2016 have yet to be reported on by the Company's auditor.

3. Segment reporting

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

	2016							
		Investments						
$ million	**Investment in HKEI***	**United Kingdom**	**Australia**	**Mainland China**	**Others**	**Sub-total**	**All other activities**	**Total**
For the year ended 31 December								
Revenue								
Revenue	-	556	453	44	227	1,280	8	1,288
Other net income/(loss)	-	-	-	-	6	6	(777)	(771)
Reportable segment revenue	-	556	453	44	233	1,286	(769)	517
Result								
Segment earnings	-	556	453	20	233	1,262	(1,559)	(297)
Depreciation and amortisation	-	-	-	-	-	-	(1)	(1)
Bank deposit interest income	-	-	-	-	-	-	550	550
Operating profit	-	556	453	20	233	1,262	(1,010)	252
Finance costs	-	(95)	(135)	-	(18)	(248)	-	(248)
Share of profits less losses of joint ventures and associates	1,201	3,932	696	292	276	5,196	4	6,401
Profit before taxation	1,201	4,393	1,014	312	491	6,210	(1,006)	6,405
Income tax	-	50	(41)	(4)	7	12	-	12
Reportable segment	1,201	4,443	973	308	498	6,222	(1,006)	6,417
At 31 December								
Assets								
Property, plant and equipment and leasehold land	-	-	-	-	-	-	29	29
Other assets	-	771	125	67	49	1,012	85	1,097
Interest in joint ventures and associates	16,881	25,756	10,498	3,888	9,911	50,053	7	66,941
Bank deposits and cash	-	-	-	-	-	-	61,710	61,710
Reportable segment	16,881	26,527	10,623	3,955	9,960	51,065	61,831	129,777
Liabilities								
Segment liabilities	-	(97)	(8)	(3)	(67)	(175)	(2,617)	(2,792)
Current and deferred taxation	-	-	(91)	-	(12)	(103)	43	(60)
Interest-bearing borrowings	-	(4,264)	(3,445)	-	(805)	(8,514)	-	(8,514)
Reportable segment liabilities	-	(4,361)	(3,544)	(3)	(884)	(8,792)	(2,574)	(11,366)
For the year ended 31 December								
Other information								
Capital expenditure	-	-	-	-	-	-	-	-

3. Segment reporting (continued)

	2015							
		Investments						
$ million	Investment in HKEI*	United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
For the year ended 31 December								
Revenue								
Revenue	-	627	457	59	155	1,298	10	1,308
Other net income/(loss)	-	-	-	-	6	6	(293)	(287)
Reportable segment revenue	-	627	457	59	161	1,304	(283)	1,021
Result								
Segment earnings	-	627	457	36	161	1,281	(121)	1,160
Loss on partial disposal of an associate	-	-	-	-	-	-	(532)	(532)
Depreciation and amortisation	-	-	-	-	-	-	(2)	(2)
Bank deposit interest income	-	-	-	-	-	-	612	612
Operating profit	-	627	457	36	161	1,281	(43)	1,238
Finance costs	-	(109)	(137)	-	(18)	(264)	-	(264)
Share of profits less losses of joint ventures and associates	1,364	4,324	607	297	152	5,380	3	6,747
Profit before taxation	1,364	4,842	927	333	295	6,397	(40)	7,721
Income tax	-	57	(40)	(6)	-	11	-	11
Reportable segment	1,364	4,899	887	327	295	6,408	(40)	7,732
At 31 December								
Assets								
Property, plant and equipment and leasehold land	-	-	-	-	-	-	30	30
Other assets	-	212	99	67	-	378	253	631
Interest in joint ventures	16,583	30,830	10,386	3,910	4,832	49,958	7	66,548
Bank deposits and cash	-	-	-	-	-	-	68,149	68,149
Reportable segment	16,583	31,042	10,485	3,977	4,832	50,336	68,439	135,358
Liabilities								
Segment liabilities	-	(114)	(7)	(2)	(53)	(176)	(2,112)	(2,288)
Current and deferred taxation	-	-	(68)	-	-	(68)	-	(68)
Interest-bearing borrowings	-	(5,107)	(3,455)	-	(843)	(9,405)	-	(9,405)
Reportable segment liabilities	-	(5,221)	(3,530)	(2)	(896)	(9,649)	(2,112)	(11,761)
For the year ended 31 December								
Other information								
Capital expenditure	-	-	-	-	-	-	1	1

Note:

* As at 1 January 2015, the Group had a 49.9% equity interest in HKEI. On 9 June 2015, the Group disposed of a 16.53% stake in HKEI and retained approximately 33.37% stake at 31 December 2016.

4. Revenue

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

	2016 $ million	2015 $ million
Interest income	**1,236**	1,239
Dividends	**44**	59
Others	**8**	10
	1,288	1,308
Share of revenue of joint ventures	**16,359**	17,327

5. Other net loss

	2016 $ million	2015 $ million
Interest income from financial assets not at fair value through profit or loss	**550**	612
Loss on partial disposal of an associate	**-**	(532)
Foreign exchange loss on loans and receivables	**(787)**	(303)
Sundry income	**16**	16
	(221)	(207)

6. Profit before taxation

	2016 $ million	2015 $ million
Profit before taxation is arrived at after charging:		
Amortisation of leasehold land	**1**	-
Depreciation	**-**	2
Staff costs	**29**	29
Property, plant and equipment written off	**-**	1
Auditors' remuneration		
– audit and audit related work		
– KPMG	**3**	3
– other auditors	**1**	1
– non-audit work		
– KPMG	**1**	4
– other auditors	**2**	1

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	2016 **$ million**	2015 $ million
Current tax – operations outside Hong Kong		
Provision for the year	**57**	46
Tax credit for the year	**(50)**	(57)
	7	(11)
Deferred tax		
Origination and reversal of temporary differences	**(19)**	-
	(12)	(11)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profits during the current and preceding years.

Taxation for operations outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant 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 $6,417 million (2015: $7,732 million) and 2,134,261,654 ordinary shares (2015: 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 2016 and 2015.

9. Interest in joint ventures

	2016 **$ million**	2015 $ million
Share of net assets of unlisted joint ventures	**34,532**	33,281
Loans to unlisted joint ventures	**8,084**	9,175
Amounts due from unlisted joint ventures	**123**	173
	42,739	42,629
Share of total assets of unlisted joint ventures	**101,345**	104,655

10. Interest in associates

	2016 **$ million**	2015 $ million
Share of net assets		
– Listed associate	**16,881**	16,583
– Unlisted associates	**3,358**	3,395
	20,239	19,978
Loans to unlisted associates	**3,889**	3,868
Amounts due from associates	**74**	73
	24,202	23,919

11. Trade and other receivables

	2016 **$ million**	2015 $ million
Trade debtors (see note below)	**-**	1
Interest and other receivables	**79**	241
	79	242
Derivative financial instruments	**80**	144
Deposits and prepayments	**2**	8
	161	394

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:

	2016 **$ million**	2015 $ million
1 to 3 months	**-**	1

12. Trade and other payables

	2016 **$ million**	2015 $ million
Creditors measured at amortised cost (see note below)	**2,595**	2,034
Derivative financial instruments	**-**	44
	2,595	2,078

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

Creditors' ageing is analysed as follows:

	2016 **$ million**	2015 $ million
Due within 1 month or on demand	**64**	26
Due after 1 month but within 3 months	**1**	6
Due after 3 months but within 12 months	**2,530**	2,002
	2,595	2,034

13. Dividends

	2016 **$ million**	2015 $ million
Interim dividend declared and paid of $0.70 per ordinary share (2015: $0.68 per ordinary share)	**1,494**	1,451
Special interim dividend declared and paid after the end of the reporting period of $5.00 per ordinary share (2015: $Nil per ordinary share)	**10,671**	-
Final dividend proposed after the end of the reporting period of $2.02 per ordinary share (2015: $2.02 per ordinary share)	**4,311**	4,311
	16,476	5,762

The special interim dividend and final dividend declared and paid, or proposed after the end of the reporting period are based on 2,134,261,654 ordinary shares (2015: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The special interim dividend and final dividend declared and paid, or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

14. Events after the reporting period

On 16 January 2017, Cheung Kong Property Holdings Limited, Cheung Kong Infrastructure Holdings Limited and the Company jointly announced that they have entered into a Consortium Formation Agreement for the formation of a joint venture to acquire 100% of DUET Group by way of schemes of arrangement in Australia, pursuant to which the Company will subscribe for a 20% interest in the joint venture, with its maximum financial commitment of the Company under the transaction being approximately AUD1,506 million (equivalent to approximately HK$8,629 million). The transaction was approved by the Company's independent shareholders in the general meeting on 14 March 2017.

DUET Group is an owner and operator of energy utility assets in Australia, United States, the United Kingdom and Europe. It consists of four separate legal entities that are traded together as stapled securities which are listed on the Australian Securities Exchange (ASX code: DUE). The schemes of arrangement to acquire 100% of DUET Group remain subject to certain conditions as at the reporting date, and may or may not proceed. Details of the transaction are set out in the Company's announcements dated 16 January 2017 and the circular dated 22 February 2017.

POWER ASSETS HOLDINGS LIMITED
OTHER INFORMATION

Closure of Register of Members

For the purpose of ascertaining shareholders who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 10 May 2017 (or any adjournment thereof), the register of members of the Company will be closed from Friday, 5 May 2017 to Wednesday, 10 May 2017, both days inclusive. In order to qualify for the right to attend and vote at the meeting (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 4 May 2017.

The final dividend is payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 16 May 2017, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 16 May 2017.

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

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 year.

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 year ended 31 December 2016, except for the deviation from code provision A.5 in relation to establishment of a nomination committee as reported in the Company's 2016 interim report.

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.

Annual General Meeting

The annual general meeting of the Company will be held at the Grand Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 10 May 2017 at 12:15 p.m. The notice of the annual general meeting will be published and despatched to shareholders in the manner as required by the Listing Rules in due course.

Board Composition

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

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