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

香港中環夏慤道 10 號和記大廈 19 樓 1913 - 1914室
Rooms 1913 -1914, 19/F, Hutchison House,
10 Harcourt Road, Central, Hong Kong
電話 / Tel (852) 2122 9122 傳真 / Fax (852) 2180 9708
電郵 / Email mail@powerassets.com
www.powerassets.com

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

2013 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

In 2013, Power Assets made key strategic moves in its business both in Hong Kong and abroad in order to enable the Group to focus on pursuing global opportunities for long-term growth in shareholder value. The most momentous of these is the spin-off and separate listing of its Hong Kong electricity business, which is operated by HK Electric, by way of the listing of the Share Stapled Units jointly issued by HK Electric Investments and HK Electric Investments Limited (collectively as “HK Electric Investments” or “HKEI”) on the Main Board of the Stock Exchange. After completion of the reorganisation in January 2014, the Group now holds 49.9% of HKEI.

We also made our first foray both into continental Europe and into a new technology area for the Group by participating in the acquisition in August of ‘energy-from-waste’ company, AVR-Afvalverwerking B.V. (AVR), in the Netherlands.

These key strategic moves have put Power Assets in a strong position to pursue our portfolio strategy of investing in and supporting robust and diverse assets in stable, well-regulated markets and sectors around the world that can deliver sustained value to our shareholders.

The Group is firmly committed to supporting the people and business community of Hong Kong. Our focus in this, our home market, will be to maintain and constantly improve upon HK Electric’s track record of excellent value, reliability and customer services combined with ongoing investment in green and renewable energy.

During the year macro-economic conditions around the world remained uncertain. Nevertheless, Power Assets achieved steady growth in earnings, while extending our geographic reach. Earnings from our operations outside Hong Kong grew during this financial year to make up 57% of the Group’s overall operating profit.

Results

The Group’s 2013 profits attributable to shareholders increased by 15% to HK$11,165 million (2012: HK$9,729 million). Of these profits, HK$6,386 million (2012: HK$5,108 million) came from operations outside Hong Kong and HK$4,779 million (2012: HK$4,621 million) was generated by Hong Kong operations. Earnings per share have grown by 15% to HK$5.23 (2012: HK$4.56).

Profits from operations outside Hong Kong increased 25%, primarily driven by a 40% growth in profit contribution from the UK, our largest international market. Hong Kong earnings were 3% above 2012.

Dividends

The Directors will recommend a final dividend of HK$1.9 per share, payable on 30 May 2014 to those persons registered as shareholders on 21 May 2014. This, together with the interim dividend of HK$0.65 per share, will add up to a total dividend of HK$2.55 per share for the year (2012: HK$2.45 per share).

Expanding our boundaries worldwide

For more than a decade, we have followed a proactive and rigorous approach to identify and evaluate suitable opportunities to grow our business in key markets around the world. An investment is made after careful consideration of micro- and macro-economic factors and a rigorous due diligence process. Thereafter, we require our operating companies to maintain strong leadership teams and systems to secure reliable operations and synergies across Group companies. These principles stood us in good stead in 2013. We achieved an increase in overall profits of 25% from our new as well as long-term operations outside Hong Kong.

The acquisition in 2013 of AVR in the Netherlands marked our entry into two new spheres of operation: continental Europe and energy-from-waste technology. While this technology is new to Power Assets, AVR has used it for decades and successfully demonstrated its long-term viability. AVR has a robust business model with secure, long-term contracts in place for the sale of the energy, steam and heat it produces, as well as for the supply of materials required for its operations.

AVR is the largest energy-from-waste operator in the Netherlands, supplying sustainable energy through incineration of household and industrial waste. In 2013, it processed 1.7 million tonnes of waste of which 550,000 tonnes were imported from neighbouring countries including UK, Ireland, Italy, Belgium and Germany.

The Group's UK businesses delivered strong results in the year. In addition to higher revenues, earnings were bolstered by deferred tax credits arising from lowering of UK corporation tax rate from 23% for 2013 to 20% for 2015.

In 2013, the UK gas distribution sector began to operate under a new regulatory approach called *Revenue = Incentives + Innovation + Outputs* (RIIO). RIIO seeks to incentivise judicious investment and innovation to improve efficiency, and places great emphasis on enhanced environmental performance. RIIO will be extended to the electricity distribution sector in 2015. We welcome this new regulatory framework, which encourages innovation in order to achieve greater efficiency, and will deliver a sustainable energy network at greater value for money to the customers in the medium-to-long term.

Overall earnings from the Australian operations were higher than 2012 but their contributions in Hong Kong dollar terms have reduced due to the weakening of the Australian dollar. In November 2013, Transmission Operations Australia commenced operation to transport electricity from a wind farm to the Victoria grid through a transmission link it built.

Our generation assets, the Zhuhai, Jinwan and Siping power plants have made good progress in the installation and upgrade of emissions reduction facilities for meeting the tighter emission standards effective 2014, while a generation plant in Canada was successful in securing a vital contract with Ontario Power Authority. Meanwhile, Ratchaburi Power in Thailand and the distribution network in New Zealand were taking precautionary measures against natural disasters to ensure smooth operations.

The Group is fully aware of currency and interest rate exposures that come with investments outside Hong Kong. We follow a prudent treasury policy to ensure that adequate financial resources are available for refinancing and business growth. As always, the Group maintains a strong financial position with funds available for strategic moves.

Hong Kong – A commitment to reliability and affordability

HK Electric recorded a 2.4% drop in unit sales of electricity in 2013 because of much milder than normal weather during the year. There were also three fewer working days in 2013 than in 2012 which was a leap year. Despite this, profits rose by 3.6% to HK$4,707 million (2012: HK$4,542 million) after excluding the one-off profit on disposal of four properties from HK Electric to Power Assets.

In January 2014, the spinning off of HK Electric was completed when HKEI was listed on the Hong Kong Stock Exchange and entered into a new era as an associate of the Group. Having served the community and powered the economic development in Hong Kong for over 120 years, HK Electric is committed to building on its heritage of supply reliability and customer services far into the future.

The mid-term review of the current Scheme of Control Agreement (SCA), which governs the operations of power companies in Hong Kong, took place during the year. HK Electric worked collaboratively with the Hong Kong Special Administrative Region (HKSAR) government throughout the process to identify ways of improving the effectiveness of the SCA, especially in the areas of energy efficiency and conservation.

During the year, HK Electric's 2014-2018 Development Plan was submitted to and approved by the HKSAR government. The Development Plan will underpin the HK Electric's development activities and tariffs for the next five years and is based on prudent and pragmatic strategies. The Plan took into full consideration the interests of various stakeholders and is conducive to achieving the government's energy policy and environmental objectives.

HK Electric's net tariffs, which include basic tariffs and fuel clause charges, have been frozen at 2013 levels and barring unforeseen circumstances are expected to remain the same for another four years till 2018. A blanket freeze of the net tariff came into effect on 1 January 2014, meaning that there has been no change in the net tariff for the company's 569,000 customers.

Additionally, HK Electric will invest HK$13 billion, comprising HK$6.1 billion in its power generation system, HK$5.3 billion in transmission and distribution system and HK$1.6 billion in customer and corporate services development, over the next five years. Subject to written confirmation by the HKSAR government after a review into the fuel mix in Hong Kong, a new gas-fired generation unit will be built at the Lamma Power Station for commissioning by 2020 to maintain HK Electric's gas-fired generation capacity, and improvement works will be carried out for an existing coal-fired unit which is fitted with a flue gas desulphurisation plant, in order to extend its useful life.

Outlook

Power Assets has remained competitive in a rapidly evolving global marketplace with innovative strategies that adhere to our principles of delivering stable long-term returns to shareholders. With the proceeds from the spin-off of the Hong Kong electricity business, the Group will look to expand into mature, stable markets that offer long-term potential in the energy sector.

Using the experience and expertise gained over past acquisitions, we will focus on high-quality investments in sectors of the power and gas industries of suitable scale and deliver stable income and steady growth. In addition, we will evaluate renewable energy projects that can help meet our sustainability goals.

In the near to medium term, we will look for suitable opportunities to expand in Australia, North America and continental Europe in power generation, transmission and distribution. In Hong Kong, HK Electric will continue to provide reliable, affordable and cleaner energy to Asia's world city.

Our leadership team is strong across all our operating companies and has a committed, skilled workforce supporting them. I extend my thanks to every one of these colleagues, without whom none of our achievements would be possible.

Fok Kin Ning, Canning
Chairman
Hong Kong, 25 February 2014

FINANCIAL REVIEW

Financial Performance

The Group's 2013 turnover reached HK$10,222 million (2012: HK$10,415 million). The 1.9% drop in turnover was mainly due to a 2.4% decrease in unit sales of electricity in Hong Kong. Profit attributable to shareholders grew by 15% to HK$11,165 million (2012: HK$9,729 million), of which HK$6,386 million (2012: HK$5,108 million) came from operations outside Hong Kong and HK$4,779 million (2012: HK$4,621 million) was contributed by the Hong Kong operations.

Our investments in the United Kingdom delivered strong results in the year, providing a 39.8% higher earnings of HK$5,865 million (2012: HK$4,194 million). This was mainly contributed by the full year results of Wales and West Utilities which was acquired in October 2012 and deferred tax credits arising from the lowering of the UK corporation tax rate from 23% to 20%. Our Australian investments recorded slightly lower earnings of HK$838 million (2012: HK$847 million) due to weakening of the Australian dollar despite overall earnings being higher than 2012. Demand for electricity from our coal-fired plants in mainland China was still weak and they recorded less favourable results. Our operations in Canada, Thailand and New Zealand also delivered weaker performances compared with 2012 levels.

Profits from the Hong Kong operations grew by 3.4%, mainly contributed by the stable earnings of the electricity business regulated by the Scheme of Control Agreement with the Hong Kong SAR Government.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2013 full year dividends of HK$2.55 per share (2012: HK$2.45 per share) represented a 4.1% growth.

Financial Positions, Liquidity and Financial Resources

The Group's financial position remained strong. Fixed assets in Hong Kong slightly decreased to HK$49,122 million (2012: HK$49,298 million). Capital expenditure during the year amounted to HK$1,973 million (2012: HK$2,613 million), which was primarily funded by cash from operations. Interest in joint ventures and associates rose by 7.5% to HK$44,611 million (2012: HK$41,511 million). In August 2013, we acquired a 20% stake in AVR-Afvalverwerking B.V., which is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste in the Netherlands. Total external borrowings outstanding at the year end were HK$22,348 million (2012: HK$24,599 million), comprising unsecured bank loans and debt securities in issue. In addition, the Group had undrawn committed bank facilities of HK$2,300 million (2012: HK$8,033 million) and bank deposits and cash of HK$7,894 million (2012: HK$6,140 million).

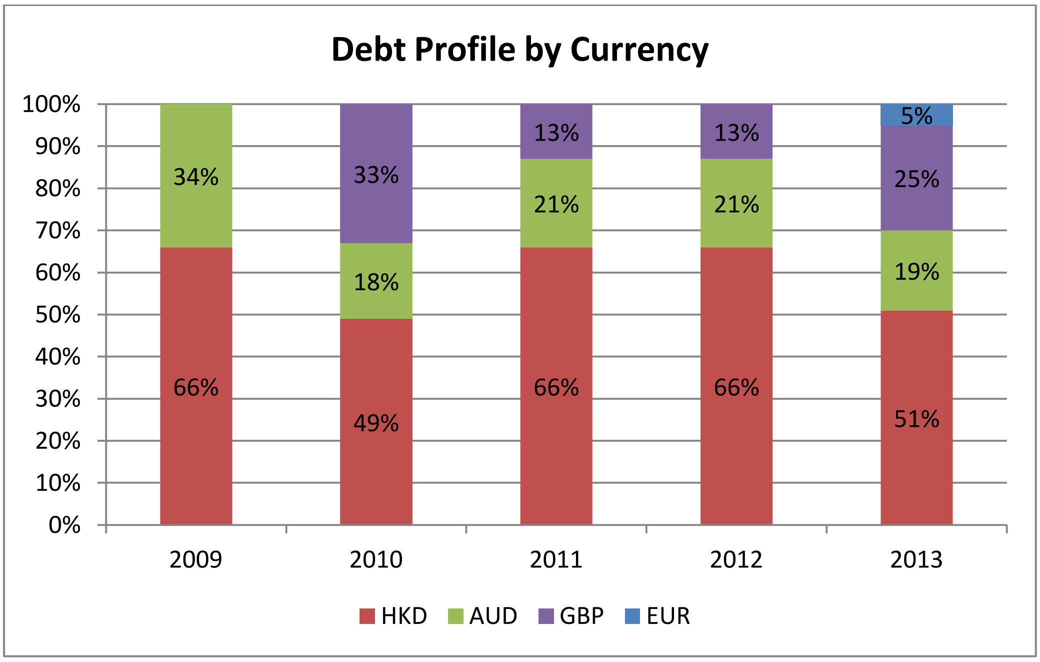
Treasury Policy, Financing Activities and Debt Structure

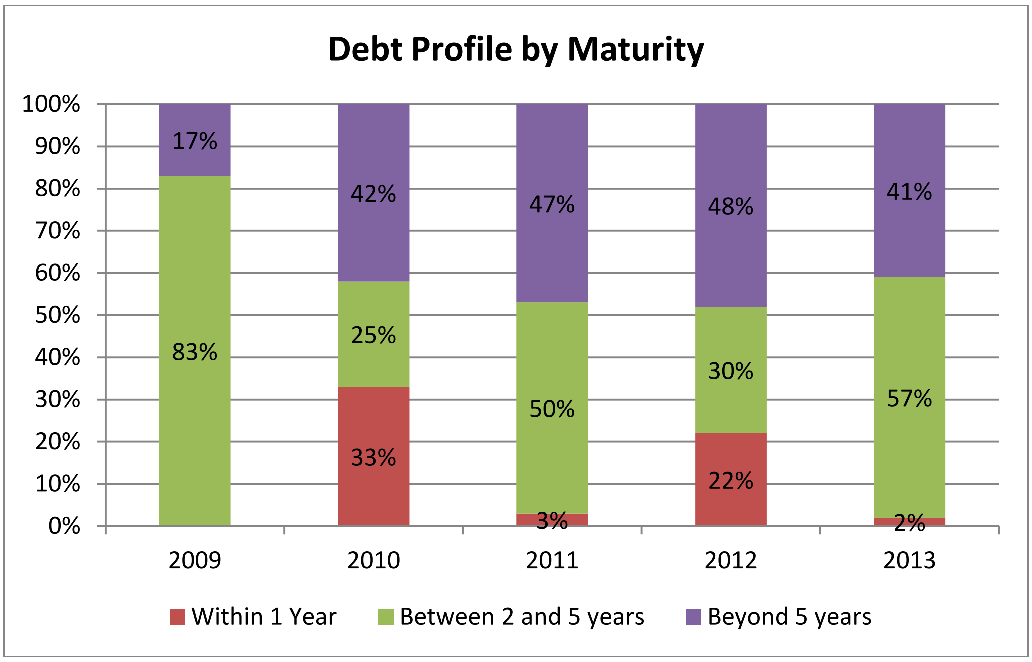
The Group manages its financial risks in accordance with guidelines laid down in its treasury policy, which is approved by the Board. The treasury policy is designed to manage the Group's currency, interest rate and counterparty risks. Surplus funds are generally placed on short term deposits denominated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

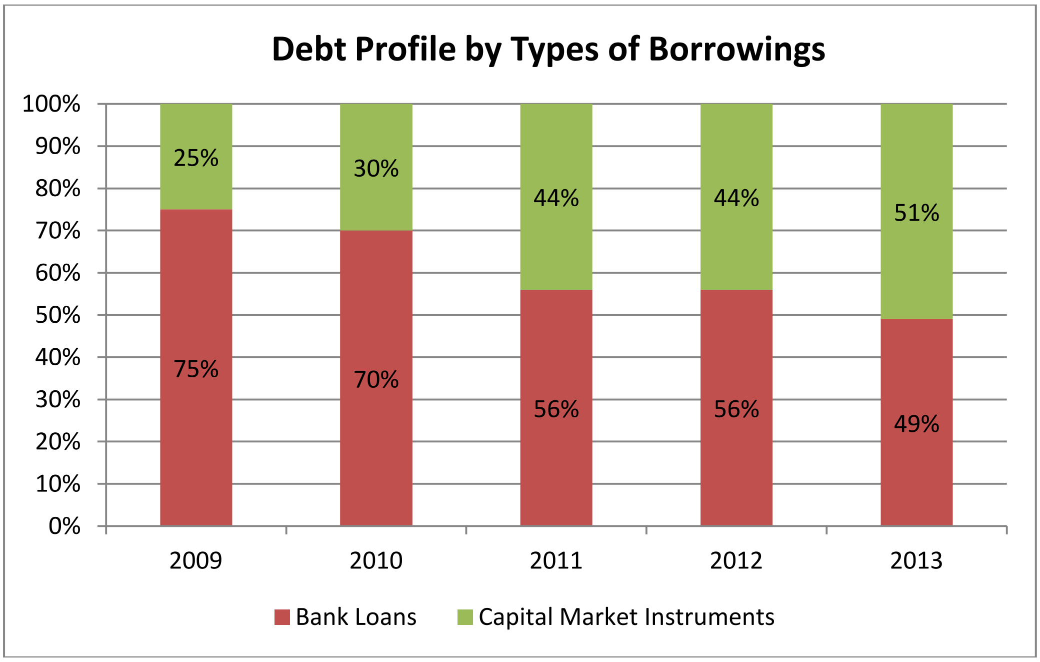
The Group's financial profile remained strong during the year and the latest long term credit rating of Power Assets Holdings Limited issued by Standard & Poor's in January 2014 is "A-" with a stable outlook.

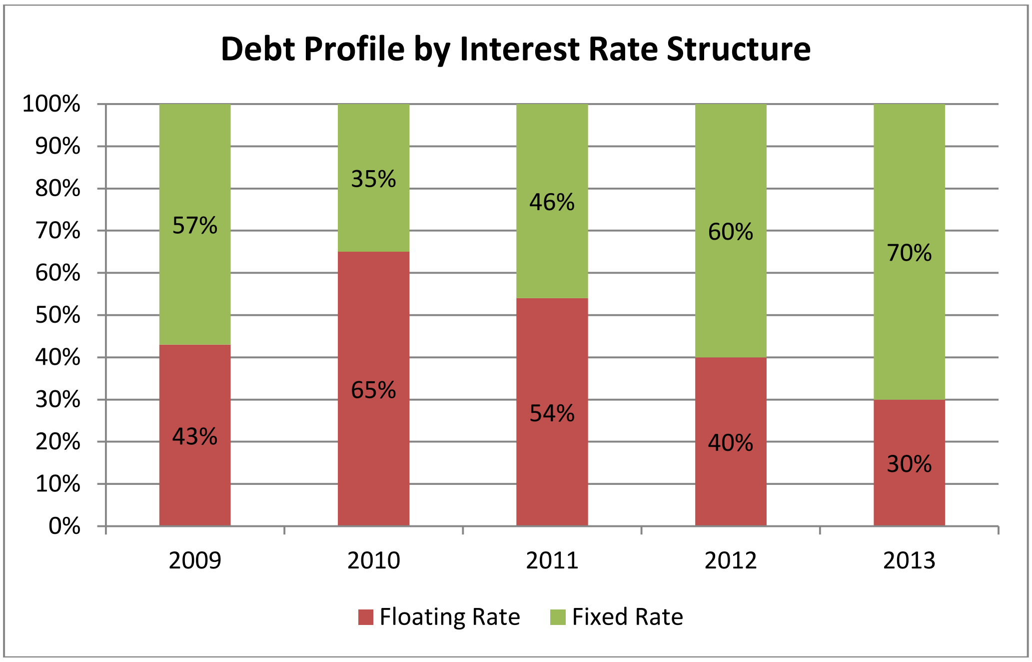
As at 31 December 2013, the net debt of the Group was HK$14,454 million (2012: HK$18,459 million) with a net debt-to-net total capital ratio of 17% (2012: 23%). After completion of the spin-off, the Group has a net cash position.

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




Debt Profile by Maturity
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
17%
83%
42%
25%
33%
47%
50%
3%
48%
30%
22%
41%
57%
2%
2009
2010
2011
2012
2013
Within 1 Year
Between 2 and 5 years
Beyond 5 years


Debt Profile by Types of Borrowings
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
25%
75%
30%
70%
44%
56%
44%
56%
51%
49%
2009
2010
2011
2012
2013
Bank Loans
Capital Market Instruments



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

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

The Group's principal foreign currency exposures arise from its investments outside Hong Kong and from the import of fuel and capital equipment. Foreign currency transaction exposure is managed mainly through forward foreign exchange contracts. As at 31 December 2013, over 90% of the Group's transaction exposure from the import of fuel and capital equipment was either denominated in United States dollars or hedged into Hong Kong or United States dollars. Currency exposure arising from investments outside Hong Kong is, where considered appropriate, mitigated by financing those investments in local currency borrowings and by entering into forward foreign exchange contracts. Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into Hong Kong dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 31 December 2013 amounted to HK$29,107 million (2012: HK$32,467 million).

Charges on Assets

At 31 December 2013, the Group's interest in an associate of HK$529 million (2012: HK$630 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 31 December 2013, the Group had given guarantees and indemnities totalling HK$909 million (2012: HK$979 million).

The Company had given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK$11,507 million (2012: HK$8,889 million), while being a contingent liability of the Company, are reflected in the consolidated balance sheet of the Group.

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the year ended 31 December 2013, excluding directors' emoluments, amounted to HK$1,068 million (2012: HK$910 million). As at 31 December 2013, the Group employed 1,839 (2012: 1,832) 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 2013
(Expressed in Hong Kong dollars)

	Note	**2013** **$ million**	2012 $ million Restated
Turnover	4	**10,222**	10,415
Direct costs		**(4,228)**	(4,162)
		5,994	6,253
Other revenue and other net income	5	**1,567**	1,515
Other operating costs		**(1,504)**	(1,292)
Operating profit		**6,057**	6,476
Finance costs	6	**(692)**	(648)
Share of profits less losses of joint ventures		**5,585**	4,025
Share of profits less losses of associates		**641**	640
Profit before taxation	7	**11,591**	10,493
Income tax:	8		
Current		**(907)**	(676)
Deferred		**93**	(159)
		(814)	(835)
Profit after taxation		**10,777**	9,658
Scheme of Control transfers from/(to):	9		
Tariff Stabilisation Fund		**389**	72
Rate Reduction Reserve		**(1)**	(1)
		388	71
Profit attributable to equity shareholders of the Company			
Operations outside Hong Kong		**6,386**	5,108
Operations in Hong Kong		**4,779**	4,621
Profit for the year		**11,165**	9,729
Earnings per share			
Basic and diluted	10	**$5.23**	$4.56

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 20.

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Hong Kong dollars)

	2013 **$ million**	2012 $ million Restated
Profit for the year	**11,165**	9,729
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit asset/liability	**922**	(147)
Share of other comprehensive income of joint ventures and associates	**16**	140
Income tax relating to items that will not be reclassified to profit or loss	**(170)**	61
	768	54
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	**(438)**	1,022
Net investment hedges	**(165)**	(355)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the year	**267**	(100)
Reclassification adjustments for amounts transferred to profit or loss	**3**	(2)
Amounts transferred to the initial carrying amount of hedged items	**6**	(7)
	276	(109)
Share of other comprehensive income of joint ventures and associates	**218**	(345)
Income tax relating to items that may be reclassified subsequently to profit or loss	**(129)**	117
	(238)	330
	530	384
Total comprehensive income for the year attributable to equity shareholders of the Company	**11,695**	10,113

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2013
(Expressed in Hong Kong dollars)

	Note	**2013 $ million**	2012 $ million Restated
Non-current assets			
Fixed assets			
– Property, plant and equipment		**44,063**	44,408
– Assets under construction		**3,058**	2,852
– Interests in leasehold land held for own use under finance leases		**2,001**	2,038
	11	**49,122**	49,298
Interest in joint ventures	12	**36,354**	32,535
Interest in associates	13	**8,257**	8,976
Other non-current financial assets		**67**	67
Derivative financial instruments	18	**283**	646
Deferred tax assets		**42**	86
Employee retirement benefit assets		**618**	217
		94,743	91,825
Current assets			
Inventories		**948**	1,114
Trade and other receivables	14	**1,647**	1,740
Fuel Clause Recovery Account		**1**	820
Current tax recoverable		**4**	7
Bank deposits and cash	15	**7,894**	6,140
		10,494	9,821
Current liabilities			
Trade and other payables	16	**(4,109)**	(3,760)
Bank overdrafts – unsecured	15	**(3)**	(6)
Current portion of bank loans and other interest-bearing borrowings	17	**(500)**	(5,311)
Current tax payable		**(340)**	(333)
		(4,952)	(9,410)
Net current assets		**5,542**	411
Total assets less current liabilities		**100,285**	92,236
Non-current liabilities			
Bank loans and other interest-bearing borrowings	17	**(21,845)**	(19,282)
Derivative financial instruments	18	**(549)**	(708)
Customers' deposits		**(1,900)**	(1,839)
Deferred tax liabilities		**(5,955)**	(5,911)
Employee retirement benefit liabilities		**(559)**	(1,034)
		(30,808)	(28,774)
Rate Reduction Reserve		**(3)**	(2)
Tariff Stabilisation Fund		**(36)**	(425)
Net assets		**69,438**	63,035
Capital and reserves			
Share capital	19	**2,134**	2,134
Reserves		**67,304**	60,901
Total equity attributable to equity shareholders of the Company		**69,438**	63,035

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
$ million	**Share capital**	**Share premium**	**Exchange reserve**	**Hedging reserve**	**Revenue reserve**	**Proposed/ declared dividend**	**Total**
Balance at 1 January 2012	2,134	4,476	918	(787)	47,504	3,628	57,873
Changes in equity for 2012:							
Profit for the year	-	-	-	-	9,729	-	9,729
Other comprehensive income	-	-	667	(337)	54	-	384
Total comprehensive income	-	-	667	(337)	9,783	-	10,113
Final dividend in respect of the previous year approved and paid (see note 20)	-	-	-	-	-	(3,628)	(3,628)
Interim dividend paid (see note 20)	-	-	-	-	(1,323)	-	(1,323)
Proposed final dividend (see note 20)	-	-	-	-	(3,905)	3,905	-
Balance at 31 December 2012 and 1 January 2013	**2,134**	**4,476**	**1,585**	**(1,124)**	**52,059**	**3,905**	**63,035**
Changes in equity for 2013:							
Profit for the year	**-**	**-**	**-**	**-**	**11,165**	**-**	**11,165**
Other comprehensive income	**-**	**-**	**(603)**	**365**	**768**	**-**	**530**
Total comprehensive income	**-**	**-**	**(603)**	**365**	**11,933**	**-**	**11,695**
Final dividend in respect of the previous year approved and paid (see note 20)	**-**	**-**	**-**	**-**	**-**	**(3,905)**	**(3,905)**
Interim dividend paid (see note 20)	**-**	**-**	**-**	**-**	**(1,387)**	**-**	**(1,387)**
Proposed final dividend (see note 20)	**-**	**-**	**-**	**-**	**(4,055)**	**4,055**	**-**
Balance at 31 December 2013	**2,134**	**4,476**	**982**	**(759)**	**58,550**	**4,055**	**69,438**

POWER ASSETS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Hong Kong dollars)

	Note	**2013**	2012
		$ million	$ million
			Restated
Operating activities			
Cash generated from operations	15(b)	**8,299**	6,964
Interest paid		**(693)**	(659)
Interest received		**1,554**	1,485
Hong Kong Profits Tax paid		**(945)**	(622)
Hong Kong Profits Tax refunded		**-**	5
Tax paid for operations outside Hong Kong		**(3)**	(12)
Tax refunded for operations outside Hong Kong		**51**	63
Net cash generated from operating activities		**8,263**	7,224
Investing activities			
Purchase of fixed assets and capital stock		**(1,934)**	(2,605)
(Increase)/decrease in bank deposits with more than three months to maturity when placed		**(1,783)**	851
Capitalised interest paid		**(69)**	(72)
Receipts from sale of fixed assets		**4**	2
Investments in joint ventures		**(763)**	(1,281)
New loans to joint ventures		**(1,514)**	(1,192)
Repayment from/(advance to) joint ventures		**20**	(40)
Dividends received from joint ventures		**3,615**	1,962
Dividends received from associates		**414**	396
Dividends received from available-for-sale equity securities		**41**	41
Net cash used in investing activities		**(1,969)**	(1,938)
Financing activities			
New bank loans and other borrowings		**6,111**	3,787
Repayment of bank loans and other borrowings		**(7,292)**	(3,290)
New customers' deposits		**275**	278
Repayment of customers' deposits		**(214)**	(240)
Dividends paid to equity shareholders of the Company		**(5,292)**	(4,951)
Net cash used in financing activities		**(6,412)**	(4,416)
Net (decrease)/increase in cash and cash equivalents		**(118)**	870
Cash and cash equivalents at 1 January	15(a)	**5,385**	4,522
Effect of foreign exchange rate changes		**27**	(7)
Cash and cash equivalents at 31 December	15(a)	**5,294**	5,385

<u>Notes to Annual Results</u>
(Expressed in Hong Kong dollars unless otherwise indicated)

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 2013 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. Changes in accounting policies

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

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

The adoption of Amendments to HKAS 1 and Improvements to HKFRSs (2009-2011) have no material impact on the financial statements of the Group. The impacts of the other developments are discussed below:

HKAS 19 (2011), *Employee benefits*

Upon adoption of HKAS 19 (2011), the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a net interest income/expense, which is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit asset/liability. The adoption of HKAS 19 (2011) does not have a material financial impact on the financial statements of the Group. The application of HKAS 19 (2011) has resulted in more extensive disclosures in the financial statements about employee retirement benefits.

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

HKFRS 10 replaces the parts of HKAS 27 (Revised) *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purposes Entities*. HKFRS 10 adopts 'control' as the only basis for consolidation of subsidiaries and introduces a new definition of 'control' whereby an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

All subsidiaries of the Group satisfy the requirements for 'control' and are included in the consolidated financial statements. Investment in joint ventures and associates are accounted for using the equity method. The adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) does not have a material financial impact on the financial statements of the Group. The application of these standards has resulted in more extensive disclosures about subsidiaries, joint ventures and associates in the financial statements.

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

This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported	Effect of adoption of HKFRS 11	As restated
	$ million	**$ million**	**$ million**
Consolidated statement of profit or loss for year ended 31 December 2012			
Share of profits less losses of joint ventures	391	3,634	4,025
Share of profits less losses of associates	4,274	(3,634)	640
Consolidated balance sheet as at 31 December 2012			
Interest in joint ventures	5,229	27,306	32,535
Interest in associates	36,282	(27,306)	8,976
Consolidated balance sheet as at 1 January 2012			
Interest in joint ventures	5,626	21,623	27,249
Interest in associates	30,071	(21,623)	8,448

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

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

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments to HKFRS 7 does not have a material financial impact on the financial statements of the Group. The application of amendments to HKFRS 7 has resulted in more extensive disclosures in the financial statements about offsetting financial instruments.

HKFRS 13, *Fair value measurement*

The adoption of HKFRS 13 did not result in a change in the accounting policies relating to fair value measurement. HKFRS 13 defines fair values, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The application of HKFRS 13 has resulted in more extensive disclosures about fair value measurement.

3. Segment information

	2013							
	Sales of electricity	**Infrastructure investments**						
$ million	**Hong Kong**	**United Kingdom**	**Australia**	**Mainland China**	**Others**	**Sub-total**	**All other activities**	**Total**
For the year ended 31 December								
Revenue								
Turnover	**10,209**	**-**	**-**	**-**	**-**	**-**	**13**	**10,222**
Other revenue and other net income	**31**	**-**	**-**	**41**	**6**	**47**	**85**	**163**
Reportable segment revenue	**10,240**	**-**	**-**	**41**	**6**	**47**	**98**	**10,385**
Result								
Segment earnings	**7,446**	**-**	**-**	**14**	**6**	**20**	**(832)**	**6,634**
Depreciation and amortisation	**(1,983)**	**-**	**-**	**-**	**-**	**-**	**2**	**(1,981)**
Interest income	**1**	**553**	**585**	**-**	**177**	**1,315**	**88**	**1,404**
Operating profit	**5,464**	**553**	**585**	**14**	**183**	**1,335**	**(742)**	**6,057**
Finance costs	**(286)**	**(106)**	**(295)**	**-**	**(5)**	**(406)**	**-**	**(692)**
Share of profits less losses of joint ventures and associates	**-**	**5,367**	**548**	**256**	**53**	**6,224**	**2**	**6,226**
Profit before taxation	**5,178**	**5,814**	**838**	**270**	**231**	**7,153**	**(740)**	**11,591**
Income tax	**(859)**	**51**	**-**	**(4)**	**-**	**47**	**(2)**	**(814)**
Profit after taxation	**4,319**	**5,865**	**838**	**266**	**231**	**7,200**	**(742)**	**10,777**
Scheme of Control transfers	**388**	**-**	**-**	**-**	**-**	**-**	**-**	**388**
Reportable segment profit	**4,707**	**5,865**	**838**	**266**	**231**	**7,200**	**(742)**	**11,165**
At 31 December								
Assets								
Fixed assets	**49,137**	**-**	**-**	**-**	**-**	**-**	**(15)**	**49,122**
Other assets	**2,903**	**41**	**42**	**67**	**-**	**150**	**557**	**3,610**
Interest in joint ventures and associates	**-**	**28,173**	**7,530**	**4,645**	**4,255**	**44,603**	**8**	**44,611**
Bank deposits and cash	**1,060**	**-**	**-**	**-**	**-**	**-**	**6,834**	**7,894**
Reportable segment assets	**53,100**	**28,214**	**7,572**	**4,712**	**4,255**	**44,753**	**7,384**	**105,237**
Liabilities								
Segment liabilities	**(4,424)**	**(504)**	**(171)**	**(4)**	**(17)**	**(696)**	**(1,997)**	**(7,117)**
Current and deferred taxation	**(6,295)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,295)**
Interest-bearing borrowings	**(11,465)**	**(5,599)**	**(4,236)**	**-**	**(1,048)**	**(10,883)**	**-**	**(22,348)**
Rate Reduction Reserve	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Tariff Stabilisation Fund	**(36)**	**-**	**-**	**-**	**-**	**-**	**-**	**(36)**
Reportable segment liabilities	**(22,223)**	**(6,103)**	**(4,407)**	**(4)**	**(1,065)**	**(11,579)**	**(1,997)**	**(35,799)**
For the year ended 31 December								
Other information								
Capital expenditure	**1,973**	**-**	**-**	**-**	**-**	**-**	**-**	**1,973**

$ million	Sales of electricity: Hong Kong	Infrastructure investments: United Kingdom	Australia	Mainland China	Others	Sub-total	All other activities	Total
	2012							
		Restated	Restated	Restated	Restated	Restated	Restated	
For the year ended 31 December								
Revenue								
Turnover	10,400	-	-	-	-	-	15	10,415
Other revenue and other net income	32	-	-	41	-	41	(1)	72
Reportable segment revenue	10,432	-	-	41	-	41	14	10,487
Result								
Segment earnings	7,547	-	-	18	7	25	(621)	6,951
Depreciation and amortisation	(1,920)	-	-	-	-	-	2	(1,918)
Interest income	-	499	630	-	223	1,352	91	1,443
Operating profit	5,627	499	630	18	230	1,377	(528)	6,476
Finance costs	(265)	(65)	(318)	-	-	(383)	-	(648)
Share of profits less losses of joint ventures and associates	-	3,697	535	408	23	4,663	2	4,665
Profit before taxation	5,362	4,131	847	426	253	5,657	(526)	10,493
Income tax	(891)	63	-	(5)	-	58	(2)	(835)
Profit after taxation	4,471	4,194	847	421	253	5,715	(528)	9,658
Scheme of Control transfers	71	-	-	-	-	-	-	71
Reportable segment profit	4,542	4,194	847	421	253	5,715	(528)	9,729
At 31 December								
Assets								
Fixed assets	49,346	-	-	-	-	-	(48)	49,298
Other assets	3,979	25	86	67	-	178	540	4,697
Interest in joint ventures and associates	-	24,641	8,139	5,463	3,260	41,503	8	41,511
Bank deposits and cash	8	-	-	-	-	-	6,132	6,140
Reportable segment assets	53,333	24,666	8,225	5,530	3,260	41,681	6,632	101,646
Liabilities								
Segment liabilities	(4,970)	(524)	(330)	(3)	-	(857)	(1,514)	(7,341)
Current and deferred taxation	(6,241)	-	-	-	-	-	(3)	(6,244)
Interest-bearing borrowings	(16,486)	(3,131)	(4,982)	-	-	(8,113)	-	(24,599)
Rate Reduction Reserve	(2)	-	-	-	-	-	-	(2)
Tariff Stabilisation Fund	(425)	-	-	-	-	-	-	(425)
Reportable segment liabilities	(28,124)	(3,655)	(5,312)	(3)	-	(8,970)	(1,517)	(38,611)
For the year ended 31 December								
Other information								
Capital expenditure	2,613	-	-	-	-	-	-	2,613

4. Turnover

The principal activities of the Group are the generation and supply of electricity.

Group turnover represents the sales of electricity, other electricity-related income and engineering and consulting services fees. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013 $ million	2012 $ million
Sales of electricity	**10,176**	10,363
Concessionary discount on sales of electricity	**(6)**	(6)
Electricity-related income	**39**	43
Others	**13**	15
	10,222	10,415
Share of revenue of joint ventures	**16,992**	15,480

5. Other revenue and other net income

	2013 $ million	2012 $ million Restated
Interest income from financial assets not at fair value through profit or loss		
– Joint ventures	**729**	722
– Associates	**586**	630
– Others	**89**	91
	1,404	1,443
Dividend income from unlisted available-for-sale equity securities	**41**	41
Foreign exchange gain on loans and receivables	**81**	15
Net profit on sale of fixed assets	**2**	-
Sundry income	**39**	16
	1,567	1,515

6. Finance costs

	2013 $ million	2012 $ million
Interest on overdrafts, bank loans and other borrowings repayable within 5 years	**559**	469
Interest on other borrowings repayable over 5 years	**226**	267
Less: Interest capitalised to fixed assets	**(73)**	(68)
Interest transferred to fuel costs	**(20)**	(20)
Total interest expense on financial liabilities not at fair value through profit or loss	**692**	648

Interest expenses have been capitalised at an average rate of approximately 2.3% per annum (2012: 2.0% per annum) for assets under construction.

7. Profit before taxation

	2013 **$ million**	2012 $ million
Profit before taxation is arrived at after charging:		
Depreciation	**1,923**	1,859
Amortisation of leasehold land	**58**	59
Costs of inventories	**5,291**	5,857
Write down of inventories	**14**	5
Staff costs	**587**	549
Fixed assets written off	**37**	47
Auditors' remuneration		
– audit and audit related work		
– KPMG	**6**	6
– other auditors	**1**	1
– non-audit work		
– KPMG	**6**	1
– other auditors	**9**	3

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

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

	2013 **$ million**	2012 $ million
Current tax – Hong Kong Profits Tax		
Provision for the year	**952**	821
Over provision in respect of prior years	**-**	(89)
	952	732
Current tax – operations outside Hong Kong		
Provision for the year	**6**	7
Tax credit for the year	**(51)**	(63)
	(45)	(56)
	907	676
Deferred tax		
Origination and reversal of temporary differences	**(93)**	159
	814	835

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year.

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

A subsidiary of the Company has paid to the Australian Taxation Office ("ATO"), a total of $463 million (A$67 million) being 50% (which percentage is based on ATO customary practice) of the tax in dispute, including interest and penalties, claimed by the ATO pending resolution of a dispute regarding the deductibility of certain fees paid by that subsidiary for income tax purposes. The subsidiary is of the view that the fees are deductible and that no amount should be payable to the ATO and that the amount paid is expected to be recovered from the ATO. The subsidiary has obtained legal advice and will vigorously defend its position.

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

	2013 $ million	2012 $ million
Profit before taxation	**11,591**	10,493
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**883**	961
Tax effect of non-deductible expenses	**165**	128
Tax effect of non-taxable income	**(249)**	(250)
Tax effect of temporary difference not recognised	**1**	-
Tax effect of unused tax losses not recognised	**14**	-
Tax effect of recognition of previously unrecognised temporary differences	**-**	85
Over provision in respect of prior years	**-**	(89)
Actual tax expense	**814**	835

9. Scheme of Control transfers

The financial operations of The Hongkong Electric Company, Limited ("HK Electric"), a wholly-owned subsidiary of the Company, are governed by the SCA agreed with the Government which provides for HK Electric to earn a Permitted Return. Any excess or deficiency of the gross tariff revenue over the sum of total operating costs, Scheme of Control Net Return and Scheme of Control taxation charges is transferred to/(from) a Tariff Stabilisation Fund from/(to) the statement of profit or loss of HK Electric. When transfer from the Tariff Stabilisation Fund to the statement of profit or loss is required, the amount transferred shall not exceed the balance of the Tariff Stabilisation Fund. In addition, a charge calculated by applying the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund is transferred from the statement of profit or loss of HK Electric to a Rate Reduction Reserve, which amount is subsequently rebated to customers. Movements in the Tariff Stabilisation Fund and Rate Reduction Reserve are as follows:

(a) Tariff Stabilisation Fund

	2013 $ million	2012 $ million
At 1 January	**425**	497
Transfer to profit or loss	**(389)**	(72)
At 31 December	**36**	425

(b) Rate Reduction Reserve

	2013 $ million	2012 $ million
At 1 January	**2**	1
Transfer from profit or loss	**1**	1
At 31 December	**3**	2

10. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $11,165 million (2012: $9,729 million) and 2,134,261,654 ordinary shares (2012: 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 2013 and 2012.

11. Fixed assets

$ million	Site formation and buildings	Plant, machinery and equipment	Assets under construction	Sub-total	Interests in leasehold land held for own use under finance leases	Total fixed assets
Cost:						
At 1 January 2012	13,883	60,520	2,976	77,379	2,817	80,196
Additions	4	632	1,976	2,612	1	2,613
Transfers between categories	151	1,949	(2,100)	-	-	-
Disposals	-	(297)	-	(297)	-	(297)
At 31 December 2012	14,038	62,804	2,852	79,694	2,818	82,512
At 1 January 2013	**14,038**	**62,804**	**2,852**	**79,694**	**2,818**	**82,512**
Additions	**3**	**329**	**1,621**	**1,953**	**20**	**1,973**
Transfers between categories	**51**	**1,363**	**(1,415)**	**(1)**	**1**	**-**
Disposals	**-**	**(301)**	**-**	**(301)**	**-**	**(301)**
At 31 December 2013	**14,092**	**64,195**	**3,058**	**81,345**	**2,839**	**84,184**
Accumulated amortisation and depreciation:						
At 1 January 2012	5,151	25,525	-	30,676	721	31,397
Written back on disposals	-	(213)	-	(213)	-	(213)
Charge for the year	247	1,724	-	1,971	59	2,030
At 31 December 2012	5,398	27,036	-	32,434	780	33,214
At 1 January 2013	**5,398**	**27,036**	**-**	**32,434**	**780**	**33,214**
Written back on disposals	**-**	**(247)**	**-**	**(247)**	**-**	**(247)**
Charge for the year	**250**	**1,787**	**-**	**2,037**	**58**	**2,095**
At 31 December 2013	**5,648**	**28,576**	**-**	**34,224**	**838**	**35,062**
Net book value:						
At 31 December 2013	**8,444**	**35,619**	**3,058**	**47,121**	**2,001**	**49,122**
At 31 December 2012	8,640	35,768	2,852	47,260	2,038	49,298

The above are mainly electricity-related fixed assets in respect of which financing costs capitalised during the year amounted to $73 million (2012: $68 million).

The Group’s leasehold land at 31 December 2013 is held in Hong Kong and comprises long term and medium term leasehold land with carrying values of $41 million (2012: $41 million) and $1,960 million (2012: $1,997 million) respectively.

Depreciation charges for the year included $114 million (2012: $112 million), relating to assets utilised in development activities, which has been capitalised.

12. Interest in joint ventures

	2013 **$ million**	2012 $ million Restated
Share of net assets	**26,976**	24,295
Loans to unlisted joint ventures (see note below)	**9,197**	7,873
Amounts due from unlisted joint ventures (see note below)	**181**	367
	36,354	32,535
Share of total assets of joint ventures	**93,680**	84,614

The loans to unlisted joint ventures are unsecured, interest bearing at rates ranging from 6.5% per annum to 11.0% per annum (2012: 6.8% per annum to 12.3% per annum) and are not due within one year.

Included in the loans to unlisted joint ventures are subordinated loans totalling $4,323 million (2012: $3,038 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures and they are treated as part of the investment in the joint ventures.

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

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

13. Interest in associates

	2013 **$ million**	2012 $ million Restated
Share of net assets	**3,430**	3,287
Loans to unlisted associates (see note below)	**4,752**	5,595
Amounts due from unlisted associates (see note below)	**75**	94
	8,257	8,976

The loans to unlisted associates are unsecured, interest bearing at rates ranging from 10.9% per annum to 13.8% per annum (2012: 10.9% per annum to 13.8% per annum) and are not due within one year.

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

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

At 31 December 2013, the Group's interest in an associate of $529 million (2012: $630 million) had been pledged as part of the security to secure financing facilities granted to the associate.

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

14. Trade and other receivables

	2013 **$ million**	2012 $ million
Trade debtors (see note below)	**649**	699
Other receivables (see note below)	**908**	976
	1,557	1,675
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	**2**	2
Deposits and prepayments	**88**	63
	1,647	1,740

All of the trade and other receivables are expected to be recovered within one year.

Other receivables of the Group include unbilled electricity charges of $414 million (2012: $404 million) to be received from electricity customers.

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

	2013 **$ million**	2012 $ million
Within 1 month	**606**	660
1 to 3 months	**30**	28
More than 3 months but less than 12 months	**13**	11
Total trade debtors	**649**	699

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

Trade debtors for electricity charges that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors for electricity charges that were past due but not impaired relate to a number of independent customers. HK Electric, a wholly-owned subsidiary, obtains collateral in the form of security deposits from customers and the balances are considered to be fully recoverable.

The Group's trade debtors are individually assessed for impairment. Any impairment losses are written off against the trade debtors directly. No separate account is maintained for impairment losses.

15. Bank deposits and cash

(a) Bank deposits and cash comprise:

	2013 **$ million**	2012 $ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	**5,256**	5,370
Cash at bank and on hand	**41**	21
Bank overdrafts	**(3)**	(6)
Cash and cash equivalents in the consolidated cash flow statement	**5,294**	5,385
Bank overdrafts	**3**	6
Deposit with banks and other financial institutions with more than 3 months to maturity when placed	**2,597**	749
Bank deposits and cash in the consolidated balance sheet	**7,894**	6,140

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

	Note	**2013** **$ million**	2012 $ million Restated
Profit before taxation		**11,591**	10,493
Adjustments for:			
Share of profits less losses of joint ventures		**(5,585)**	(4,025)
Share of profits less losses of associates		**(641)**	(640)
Interest income	5	**(1,404)**	(1,443)
Dividend income from unlisted available-for-sale equity securities	5	**(41)**	(41)
Finance costs	6	**712**	668
Depreciation	7	**1,923**	1,859
Amortisation of leasehold land	7	**58**	59
Fixed assets written off	7	**37**	47
Other non-cash items		**181**	-
Net profit on sale of fixed assets	5	**(2)**	-
Exchange gains		**(84)**	(2)
Changes in working capital:			
Decrease/(increase) in inventories		**170**	(18)
Increase in trade and other receivables		**(21)**	(639)
Decrease in Fuel Clause Recovery Account		**819**	215
Increase in trade and other payables		**540**	511
Increase/decrease in net employee retirement benefit assets/liabilities		**46**	(80)
Cash generated from operations		**8,299**	6,964

16. Trade and other payables

	2013 **$ million**	2012 $ million
Creditors measured at amortised cost (see note below)	**4,107**	3,739
Derivative financial instruments		
– held as cash flow/fair value hedging instruments	**2**	21
	4,109	3,760

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

Creditors' ageing is analysed as follows:

	2013 **$ million**	2012 $ million
Due within 1 month or on demand	**830**	815
Due after 1 month but within 3 months	**286**	410
Due after 3 months but within 12 months	**2,991**	2,514
	4,107	3,739

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

	2013 **$ million**	2012 $ million
Bank loans	**10,883**	13,424
Current portion	**-**	(5,311)
	10,883	8,113
Hong Kong dollar notes (see note below)	**5,480**	4,787
United States dollar notes (see note below)	**5,982**	6,382
	11,462	11,169
Current portion	**(500)**	-
	10,962	11,169
Total	**21,845**	19,282

The Hong Kong dollar fixed rate notes bear interest at rates ranging between 1.65% to 4.55% per annum (2012: 1.65% to 4.55% per annum).

The United States dollar fixed rate notes bear interest at 4.25% per annum (2012: 4.25% per annum).

Some banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand and any undrawn amount will be cancelled. The Group regularly monitors its compliance with these covenants. As at 31 December 2013 and 2012, none of the covenants relating to drawn down facilities had been breached.

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

The non-current borrowings are repayable as follows:

	2013 **$ million**	2012 $ million
After 1 year but within 2 years	**500**	500
After 2 years but within 5 years	**12,081**	6,680
After 5 years	**9,264**	12,102
	21,845	19,282

18. Derivative financial instruments

	2013 **$ million**	2012 $ million
Derivative financial instruments used for hedging:		
– Cross currency swaps	**242**	646
– Interest rate swaps	**(102)**	(362)
– Forward foreign exchange contracts	**(406)**	(365)
Total	**(266)**	(81)
Current portion of derivative financial instruments (see notes 14 and 16)	**-**	19
	(266)	(62)
Represented by:		
Derivative financial instruments assets	**283**	646
Derivative financial instruments liabilities	**(549)**	(708)
	(266)	(62)

19. Share capital

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

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

20. Dividends

	2013 **$ million**	2012 $ million
Interim dividend declared and paid of $0.65 per ordinary share (2012: $0.62 per ordinary share)	**1,387**	1,323
Final dividend proposed after the balance sheet date of $1.9 per ordinary share (2012: $1.83 per ordinary share)	**4,055**	3,905
	5,442	5,228

The final dividend proposed after the balance sheet date is based on 2,134,261,654 ordinary shares (2012: 2,134,261,654 ordinary shares), being the total number of issued shares at the year end. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

21. Capital commitments

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

	2013 **$ million**	2012 $ million Restated
Contracted for:		
Capital expenditure for fixed assets	**783**	1,125
Authorised but not contracted for:		
Capital expenditure for fixed assets	**10,555**	8,764
Investment in a joint venture	**206**	245
	10,761	9,009

22. Contingent liabilities

	2013 **$ million**	2012 $ million Restated
Other guarantees given in respect of:		
– Joint venture	**909**	979

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

As at the balance sheet date, the Company had provided performance guarantees for a joint venture. The Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the issued guarantees is disclosed above. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured using observable market data.

23. Material related party transactions

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

(a) Shareholder

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

Outram Limited ("Outram"), a subsidiary of the Company, reimbursed CKI $33 million (2012: $31 million) being the actual costs incurred for providing the operation and management services to Outram and its subsidiaries for the year. The transaction constitutes a continuing connected transaction under the Listing Rules for the Company.

(b) Joint ventures (restated)

(i) Interest income received/receivable from joint ventures in respect of the loans to joint ventures amounted to $729 million (2012: $722 million) for the year. At 31 December 2013, the total outstanding interest-bearing loan balances were $9,197 million (2012: $7,873 million). The outstanding balances with joint ventures are disclosed in note 12.

(ii) Tax credit claimed under the consortium relief received/receivable from a joint venture in the United Kingdom amounted to $51 million (2012: $63 million) for the year.

(c) Associates (restated)

Interest income received/receivable from associates in respect of the loans to associates amounted to $586 million (2012: $630 million) for the year. At 31 December 2013, the total outstanding interest-bearing loan balances were $4,752 million (2012: $5,595 million). The outstanding balances with associates are disclosed in note 13.

24. Post balance sheet event

On 27 September 2013, the Company announced the proposed Spin-off and separate listing of the Group's Hong Kong electricity business (the "Spin-off") which is operated by HK Electric, by way of the listing of the share stapled units to be jointly issued by HK Electric Investments and HK Electric Investments Limited (the "HKEI Group") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). HK Electric is engaged in the generation, transmission, distribution and supply of electricity in Hong Kong and is regulated by a Scheme of Control entered into with the Hong Kong Government.

The Spin-off was approved by the shareholders of the Company at an extraordinary general meeting held on 6 January 2014. The Spin-off was completed and the HKEI Group was listed on the Stock Exchange on 29 January 2014. The Group estimated that a gain of approximately $52 billion will be recorded as a result of the completion of the Spin-off. Following completion of the Spin-off and separate listing of HKEI Group, the Group holds 49.9% of the total issued share stapled units of HKEI Group and ceased to have control over HKEI Group. The Group considers that it has significant influence over the HKEI Group and following the Spin-off intends to account for this investment as an associate.

25. Comparative figure

As a result of the application of HKFRS 11, certain comparative figures have been reclassified to conform to current year's presentation. Further details of these developments are disclosed in note 2.

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 Thursday, 15 May 2014 (or any adjournment thereof), the register of members of the Company will be closed from Monday, 12 May 2014 to Thursday, 15 May 2014, 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 Friday, 9 May 2014.

The final dividend is payable to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 21 May 2014, 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 Wednesday, 21 May 2014.

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 2013, except for the deviation from code provision A.5 (establishment of a nomination committee) and code provision A.6.7 (attendance of Non-executive Directors in general meetings) as reported in the Company's 2013 interim report.

Annual General Meeting

The annual general meeting of the Company will be held at the Ballroom, 1 Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 15 May 2014 at 12:00 noon. 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 directors	:	Mr. LI Tzar Kuoi, Victor and Mr. Frank John SIXT
Independent non-executive directors	:	Mr. IP Yuk-keung, Albert, Mr. Holger KLUGE, Mr. Ralph Raymond SHEA and Mr. WONG Chung Hin