



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
股票代號 Stock Code: 6

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2019 INTERIM RESULTS

CHAIRMAN'S STATEMENT

Half year results

The Power Assets Group's low-risk and resilient business model enabled us to deliver stable operating results in line with expectations during the first half of the year.

The Group's unaudited profits for the six months ended 30 June 2019 amounted to HK\$3,791 million (2018: HK\$4,120 million), a decrease of 8% compared to the same period of last year. The decrease was mainly due to weak exchange rates for various currencies and lower contributions from UK portfolio and HK Electric Investments.

The Group operates a diversified portfolio of companies in generation, transmission and distribution in mature and well-regulated energy markets in Asia, Europe, Australia, New Zealand and North America. This allows us to deliver stable returns for shareholders despite global uncertainty in the macro-economic environment.

Interim dividend

The board of directors has declared an interim dividend of HK\$0.77 (2018: HK\$0.77) per share, payable on 10 September 2019 to shareholders whose names appear in the Company's Register of Members on 30 August 2019.

Innovation and investment across markets to decarbonise

The Group believes that investment in innovation and technology is essential to achieve decarbonisation and combat climate change, while providing reliable energy to meet increased demand via a more diversified smart network. In pursuit of this goal, our operating companies are pursuing a number of research projects, piloting groundbreaking initiatives, and collaborating with other industry participants.

For example, some of our gas transmission and distribution companies are collaborating with the government and academia to make the gas grid greener and help households cut costs. In the UK, Northern Gas Networks' (NGN) pilot to integrate hydrogen into the natural gas network; Wales & West Utilities' (WWU) Project Freedom on smart hybrid heating systems, and Australian Gas Networks' (AGN) Hydrogen Park project in Australia are all pushing the boundaries of innovation on this front. As a Group, we are proud to have joined the Hydrogen Council, a global CEO-led initiative of 60 leading energy, transport and industry companies with a united vision and long-term ambition for hydrogen to foster the energy transition.

In the Netherlands, Dutch Enviro Holdings' pioneering carbon dioxide (CO₂) capture project will harvest 60 to 90 kT of CO₂ from flue gases at its plants each year and utilise it for greenhouse horticulture.

In both Hong Kong and Australia, customers are increasingly generating renewable electricity and feeding it back into the grid. HK Electric's Feed-in Tariff scheme encourages customers to set up their own renewable installations. United Energy (UE) and Victoria Power Networks (VPN) in Australia facilitate customers' renewable energy connect to their networks.

On the generation front, several of our generation companies are working to cut emissions by switching to gas-fired generation. HK Electric and Canada's Canadian Power are investing to increase gas-fired generation capacity, which will bring emissions down significantly.

Operations

Thanks to a Group-wide philosophy of maintaining operational excellence and delivering value for customers, our companies achieved results in line with expectations during the first half of 2019.

In the UK, UK Power Networks (UKPN), NGN and WWU maintained leading positions in their respective sectors. However, the overall contributions from our UK businesses were lower than last year due to a weak pound sterling and lower reported earnings from UKPN, which ceased to recognise certain non-cash revenue commencing January 2019. This has no impact to the cash earnings and distributions from UKPN.

UKPN upheld its track record of stable and strong operational performance to remain the largest profit contributor to the Group. The company's network and efficiency performance in the first half of 2019 improved over 2018, and enabled it to secure 90% of the maximum incentive payment offered by the regulator, Ofgem. UKPN also has one of the country's strongest track records in health and safety performance with just one Lost Time Injury in the period. NGN and WWU secure the highest rank for efficiency among UK gas distribution networks, achieving all their targets for the 2018/19 regulatory year. Seabank Power Station continued to achieve availability of more than 96%, with output guaranteed by a power offtake contract.

In our home city of Hong Kong, HK Electric has entered into a new regulatory period and embarked on an extensive capital works programme to increase gas-fired generation to about 70% of total output by 2023. With construction almost complete, the first of three new gas-fired units, L10, is on track for commercial operation in early 2020. The company maintained its power supply reliability at more than 99.999% while assisting customers to implement energy saving solutions through various funding schemes and services.

Australia is one of the Group's most significant markets as we continued to expand our presence since 2000. Our diverse portfolio comprises generation, transmission and distribution businesses in electricity, gas and renewable energy. During the period under review, our Australian businesses have performed satisfactorily, but results were affected by unfavourable exchange rates. Our electricity networks, SA Power Networks submitted its 2020-25 Regulatory Proposal to the Australian Energy Regulator while the regulator of VPN and UE released a draft Regulatory Reset framework (2021-2025) for public consultation.

Our gas distribution networks, AGN and Multinet Gas, remained focused on safety, reliability and customer services. Our gas transmission pipeline, Dampier Bunbury Pipeline, completed and commenced operation of the Tanami Gas Pipeline ahead of schedule. Energy Developments Pty Ltd achieved strong operating results and met expectations in the provision of clean energy and remote energy. Australian Energy Operations made progress on connecting the Moorabool and Elaine Wind Farms to the grid and expected to be completed in 2019.

In mainland China, the Zhuhai and Jinwan power plants operated smoothly during the period, while the plan to transfer the Siping Cogeneration plant to the mainland joint venture partner is on track. By the end of 2019, the ownership of both the Zhuhai and Siping power plants will have been transferred to our mainland Chinese joint venture partners under their respective co-operative agreements, thus reducing our total installed coal-fired generation capacity by 1,600MW. The renewable energy generated by the two wind farms in Dali and Laoting has reduced 126,000 tonnes of carbon emission during the first six months of the year.

In the Netherlands, AVR-Afvalverwerking B.V. waste-to-energy incineration plants yielded steady returns and achieved on average over 90% availability. It has processed more than 800 kT of comestible household and commercial waste during the period to generate more than 230 GWh of electricity and 220 kT of steam.

Iberwind in Portugal achieved a strong availability level of 97.9% across its 31 wind farms, offsetting the emission of 348,000 tonnes of CO₂.

Canadian Power delivered earnings in line with expectations. Also in Canada, Husky Midstream's pipeline expansion plan made steady progress. The LLB Direct pipeline project was completed in December 2018 and achieved smooth operations in its first half year. Meanwhile, work continued on the second phase of expansion of the Saskatchewan Gathering System, with commissioning scheduled for the fourth quarter of 2019.

In New Zealand, Wellington Electricity Lines Limited (WELL) stayed focused on delivering high levels of safety, reliability and service to customers, while maintaining a high level of performance from the network assets. WELL is also currently reviewing pricing strategies to ensure consumers are better informed about the cost of delivering electricity across its network at peak demand and low usage periods.

Ratchaburi Power Company Limited, the Group's power generation plant in Thailand, increased availability and delivered steady revenues through guaranteed sales to the Thai government, its long-term sole customer.

Outlook

Globally, the energy sector is undergoing a significant transformation to reduce environmental impact, which necessitates both government and industry support and collaboration. At the same time, engagement with authorities and customers is a key to driving the demand and public acceptance of low-carbon solutions. Our companies are aware of their role in the process, making every effort to help move the industry forward.

In the immediate term we will focus on making appropriate preparations for regulatory resets in the Australian electricity and UK gas networks which will be challenging. The Group is working with the various regulators to achieve acceptable outcomes.

We will continue to seek suitable high-quality investment opportunities that meet our criteria of delivering predictable, stable returns over the long term. We will invest prudently, concentrating on well-regulated and mature energy markets.

I would like to extend my personal gratitude to the board of directors and all my colleagues around the world for their diligence and commitments, and our shareholders and other stakeholders for their long-term support.

Fok Kin Ning, Canning
Chairman

Hong Kong, 31 July 2019

FINANCIAL REVIEW

Financial Performance

The Group's unaudited profit for the six months ended 30 June 2019 amounted to HK\$3,791 million (2018: HK\$4,120 million), a decrease of 8% compared to the same period of last year. The decrease was mainly due to weak exchange rates for various currencies, and lower contributions from UK portfolio and HK Electric Investments.

Investments in the United Kingdom achieved satisfactory results, contributing earnings of HK\$1,825 million (2018: HK\$2,205 million). The decrease was mainly due to a weak pound sterling and lower contribution from UK Power Networks.

Our Australian investments contributed profits of HK\$742 million (2018: HK\$830 million). The decrease was primarily due to unfavourable exchange rates.

Investments in mainland China yielded a profit of HK\$254 million (2018: HK\$234 million).

Investments in Canada, the Netherlands, Portugal, Thailand and New Zealand continued to contribute stable earnings to the Group.

Our investment in HK Electric Investments recorded earnings of HK\$237 million (2018: HK\$328 million). The decrease was mainly due to reduction in the rate of permitted return under the current Scheme of Control Agreement which commenced on 1 January 2019.

Secure earnings and a strong financial position allowed us to continue with a stable dividend policy. 2019 interim dividend is HK\$0.77 (2018: HK\$0.77) per share.

Capital Expenditure, Liquidity and Financial Resources

The Group's capital expenditure and investments were primarily funded by cash from operations, dividends and other repatriation from investments. Total unsecured bank loans outstanding at 30 June 2019 were HK\$3,401 million (31 December 2018: HK\$3,437 million). In addition, the Group had bank deposits and cash of HK\$3,880 million (31 December 2018: HK\$5,229 million) and no undrawn committed bank facility at 30 June 2019 (31 December 2018: HK\$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 in short term deposits denominated primarily in Australian dollars, Hong Kong dollars, pounds sterling and United States dollars. The Group aims to ensure that adequate financial resources are available for refinancing and business growth, whilst maintaining a prudent capital structure.

The Group's financial profile remained strong during the period. On 15 February 2019, Standard & Poor's reaffirmed the "A" long term issuer credit rating of the Company. The outlook remained "Stable", unchanged since September 2018. As at 30 June 2019, the net cash position of the Group amounted to HK\$479 million (31 December 2018: HK\$1,792 million).

The profile of the Group's external borrowings as at 30 June 2019, after taking into account interest rate swaps, was as follows:

- (1) 2% were in United States dollars and 98% were in Australian dollars;
- (2) 100% were bank loans;
- (3) 2% were repayable within 1 year and 98% were repayable after 1 year but within 5 years; and
- (4) 98% were in fixed rate and 2% were in floating rate.

The Group's policy is to maintain a significant 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 exposures arising from investments outside Hong Kong are, where considered appropriate, mitigated by financing those investments in local currency borrowings or by entering into forward foreign exchange contracts or cross currency swaps. The fair value of such borrowings at 30 June 2019 was HK\$3,338 million (31 December 2018: HK\$3,437 million). The fair value of forward foreign exchange contracts and cross currency swaps at 30 June 2019 was an asset of HK\$1,610 million (31 December 2018: asset of HK\$1,313 million). Foreign currency fluctuations will affect the translated value of the net assets of investments outside Hong Kong and the resultant translation difference is included in the Group's reserve account. Income received from the Group's investments outside Hong Kong which is not denominated in Hong Kong dollars is, unless otherwise determined, converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 30 June 2019 amounted to HK\$35,454 million (31 December 2018: HK\$35,575 million).

Charges on Assets

At 30 June 2019, the Group's interest in an associate of HK\$218 million (31 December 2018: HK\$232 million) had been pledged as part of the security to secure financing facilities granted to the associate.

Contingent Liabilities

As at 30 June 2019, the Group had given guarantees and indemnities totalling HK\$514 million (31 December 2018: HK\$529 million).

Employees

The Group continues its policy of pay-for-performance and the pay levels are monitored to ensure competitiveness is maintained. The Group's total remuneration costs for the six months ended 30 June 2019, excluding directors' emoluments, amounted to HK\$12 million (2018: HK\$11 million). As at 30 June 2019, the Group employed 13 (31 December 2018: 11) employees. No share option scheme is in operation.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(Expressed in Hong Kong dollars)

	Note	2019 \$ million	2018* \$ million
Revenue	5	665	769
Direct costs		<u>-</u>	<u>(1)</u>
		665	768
Other net income		443	160
Other operating costs		<u>(75)</u>	<u>(76)</u>
Operating profit		1,033	852
Finance costs		(50)	(100)
Share of profits less losses of joint ventures		2,314	2,662
Share of profits less losses of associates		<u>530</u>	<u>755</u>
Profit before taxation	6	3,827	4,169
Income tax	7	<u>(36)</u>	<u>(49)</u>
Profit for the period attributable to equity shareholders of the Company		<u>3,791</u>	<u>4,120</u>
Earnings per share			
Basic and diluted	8	<u>\$1.78</u>	<u>\$1.93</u>

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(Expressed in Hong Kong dollars)

	2019 \$ million	2018* \$ million
Profit for the period attributable to equity shareholders of the Company	<u>3,791</u>	<u>4,120</u>
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Share of other comprehensive income of joint ventures and associates	509	331
Income tax relating to items that will not be reclassified to profit or loss	<u>(74)</u>	<u>(66)</u>
	<u>435</u>	<u>265</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating operations outside Hong Kong, including joint ventures and associates	(255)	(1,001)
Net investment hedges	135	936
Cost of hedging	202	-
Cash flow hedges:		
Net movement of hedging reserve related to hedging instruments recognised during the current period	(186)	(3)
Share of other comprehensive income of joint ventures and associates	(963)	492
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>320</u>	<u>(81)</u>
	<u>(747)</u>	<u>343</u>
	<u>(312)</u>	<u>608</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>3,479</u>	<u>4,728</u>

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30 June 2019 \$ million	(Audited) 31 December 2018* \$ million
Non-current assets			
Property, plant and equipment and leasehold land		20	14
Interest in joint ventures	9	56,873	55,697
Interest in associates	10	23,110	23,725
Other non-current financial assets		5,100	5,100
Derivative financial instruments		1,601	1,375
Deferred tax assets		80	46
Employee retirement benefit assets		5	5
		<u>86,789</u>	<u>85,962</u>
Current assets			
Trade and other receivables	11	204	246
Current tax recoverable		28	-
Bank deposits and cash		3,880	5,229
		<u>4,112</u>	<u>5,475</u>
Current liabilities			
Trade and other payables	12	(4,284)	(4,063)
Current portion of bank loans and other interest-bearing borrowings		(65)	-
Current tax payable		-	(9)
		<u>(4,349)</u>	<u>(4,072)</u>
Net current (liabilities)/assets		<u>(237)</u>	<u>1,403</u>
Total assets less current liabilities		<u>86,552</u>	<u>87,365</u>
Non-current liabilities			
Bank loans and other interest-bearing borrowings		(3,342)	(3,437)
Derivative financial instruments		(363)	(228)
Deferred tax liabilities		(24)	-
Employee retirement benefit liabilities		(144)	(143)
		<u>(3,873)</u>	<u>(3,808)</u>
Net assets		<u>82,679</u>	<u>83,557</u>
Capital and reserves			
Share capital		6,610	6,610
Reserves		76,069	76,947
Total equity attributable to equity shareholders of the Company		<u>82,679</u>	<u>83,557</u>

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

POWER ASSETS HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(Expressed in Hong Kong dollars)

\$ million	Attributable to equity shareholders of the Company					Total
	Share capital	Exchange reserve	Hedging reserve	Revenue reserve	Proposed/ declared dividend	
Balance at 31 December 2017	6,610	(5,033)	(1,707)	78,571	17,139	95,580
Impact on initial application of HKFRS 9	-	-	-	236	-	236
Adjusted balance at 1 January 2018	6,610	(5,033)	(1,707)	78,807	17,139	95,816
Changes in equity for the six months ended 30 June 2018:						
Profit for the period	-	-	-	4,120	-	4,120
Other comprehensive income	-	(65)	408	265	-	608
Total comprehensive income	-	(65)	408	4,385	-	4,728
Special interim dividend in respect of the previous year declared and paid	-	-	-	-	(12,806)	(12,806)
Final dividend in respect of the previous year approved and paid	-	-	-	-	(4,333)	(4,333)
Interim dividend (<i>see note 13</i>)	-	-	-	(1,643)	1,643	-
Balance at 30 June 2018	6,610	(5,098)	(1,299)	81,549	1,643	83,405
Balance at 31 December 2018*	6,610	(6,499)	(1,911)	81,024	4,333	83,557
Impact on initial application of HKFRS 16	-	-	-	(24)	-	(24)
Adjusted balance at 1 January 2019	6,610	(6,499)	(1,911)	81,000	4,333	83,533
Changes in equity for the six months ended 30 June 2019:						
Profit for the period	-	-	-	3,791	-	3,791
Other comprehensive income	-	82	(829)	435	-	(312)
Total comprehensive income	-	82	(829)	4,226	-	3,479
Final dividend in respect of the previous year approved and paid	-	-	-	-	(4,333)	(4,333)
Interim dividend (<i>see note 13</i>)	-	-	-	(1,643)	1,643	-
Balance at 30 June 2019	6,610	(6,417)	(2,740)	83,583	1,643	82,679

* The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

POWER ASSETS HOLDINGS LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial statements

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

2. Basis of preparation

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

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

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the financial statements of the Company for the year ended 31 December 2018. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and 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:

- HKFRS 16, *Leases*
- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle
- Amendments to HKAS 28, *Long-term interests in associates and joint ventures*

The adoption of HKFRS 16, *Leases*, has impact on the Group's results and financial position which is discussed in note 3(b) below. The adoption of the other amendments above 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 interpretation that is not yet effective for the current accounting period.

(b) HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a Lease*, HK(SIC) 15, *Operating Leases-Incentives* and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

(i) Changes in accounting policies

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

After initial recognition, the right-of-use asset is stated at cost less accumulated depreciation and impairment loss, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

On the Group's consolidated statement of financial position, right-of-use asset has been included in property, plant and equipment and leasehold land and lease liability has been included in bank loans and other interest-bearing borrowings.

(ii) Transition

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

On transition, the Group recognised right-of-use asset and lease liability for the lease previously classified as operating lease. The Group measures the carrying amount of right-of-use asset for a lease as if HKFRS 16 had always been applied since the commencement date, but using a discount rate based on a relevant incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate applied to the lease liability recognised under HKFRS 16 was 2.9%.

4. Segment reporting

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

\$ million	2019						All other activities	Total
	Investment in HKEI	United Kingdom	Australia	Mainland China	Others	Sub-total		
For the six months ended 30 June								
Revenue								
Revenue	-	279	298	-	88	665	-	665
Other net income	-	-	-	-	3	3	372	375
Reportable segment revenue	-	279	298	-	91	668	372	1,040
Results								
Segment earnings	-	279	298	(10)	91	658	308	966
Depreciation and amortisation	-	-	-	-	-	-	(1)	(1)
Bank deposit interest income	-	-	-	-	-	-	68	68
Operating profit	-	279	298	(10)	91	658	375	1,033
Finance costs	-	37	(100)	-	13	(50)	-	(50)
Share of profits less losses of joint ventures and associates	237	1,516	555	264	270	2,605	2	2,844
Profit before taxation	237	1,832	753	254	374	3,213	377	3,827
Income tax	-	(7)	(11)	-	(18)	(36)	-	(36)
Reportable segment profit	237	1,825	742	254	356	3,177	377	3,791

2018

\$ million	Investment in HKEI	Investments				Sub-total	All other activities	Total
		United Kingdom	Australia	Mainland China	Others			
For the six months ended 30 June								
Revenue								
Revenue	-	307	339	-	122	768	1	769
Other net income	-	-	-	-	3	3	10	13
Reportable segment revenue	-	307	339	-	125	771	11	782
Results								
Segment earnings	-	307	339	(13)	125	758	(53)	705
Depreciation and amortisation	-	-	-	-	-	-	-	-
Bank deposit interest income	-	-	-	-	-	-	147	147
Operating profit	-	307	339	(13)	125	758	94	852
Finance costs	-	16	(107)	-	(9)	(100)	-	(100)
Share of profits less losses of joint ventures and associates	328	1,890	623	247	297	3,057	32	3,417
Profit before taxation	328	2,213	855	234	413	3,715	126	4,169
Income tax	-	(8)	(25)	-	(16)	(49)	-	(49)
Reportable segment profit	328	2,205	830	234	397	3,666	126	4,120

5. Revenue

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

	Six months ended 30 June	
	2019 \$ million	2018 \$ million
Interest income	665	768
Others	-	1
	665	769
Share of revenue of joint ventures	8,965	10,137

6. Profit before taxation

	Six months ended 30 June	
	2019	2018
	\$ million	\$ million
Profit before taxation is arrived at after charging:		
Finance costs - interest on borrowings and other finance costs	50	100
Depreciation	1	-
	<hr/>	<hr/>

7. Income tax

	Six months ended 30 June	
	2019	2018
	\$ million	\$ million
Current tax	(11)	57
Deferred tax	47	(8)
	<hr/>	<hr/>
	36	49
	<hr/>	<hr/>

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

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$3,791 million for the six months ended 30 June 2019 (2018: \$4,120 million) and 2,134,261,654 ordinary shares (2018: 2,134,261,654 ordinary shares) in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2019 and 2018.

9. Interest in joint ventures

	30 June 2019 \$ million	31 December 2018 \$ million
Share of net assets of unlisted joint ventures	44,036	42,893
Loans to unlisted joint ventures	12,665	12,713
Amounts due from unlisted joint ventures	172	91
	56,873	55,697
Share of total assets of unlisted joint ventures	130,342	127,200

10. Interest in associates

	30 June 2019 \$ million	31 December 2018 \$ million
Share of net assets		
– Listed associate	16,166	16,493
– Unlisted associates	3,504	3,733
	19,670	20,226
Loans to unlisted associates	3,339	3,404
Amounts due from associates	101	95
	23,110	23,725

11. Trade and other receivables

The ageing analysis of trade debtors based on invoice date and net of loss allowance is as follows:

	30 June 2019 \$ million	31 December 2018 \$ million
1 to 3 months	-	1
Trade debtors	-	1
Interest and other receivables	97	72
	97	73
Derivative financial instruments	106	86
Deposits and prepayments	1	87
	204	246

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

12. Trade and other payables

	30 June 2019 \$ million	31 December 2018 \$ million
Due within 1 month or on demand	203	768
Due after 1 month but within 3 months	3	19
Due after 3 months but within 12 months	4,078	3,276
Creditors measured at amortised cost	4,284	4,063

13. Interim dividend

The interim dividends declared by the Board of Directors are as follows:

	Six months ended 30 June 2019 \$ million	2018 \$ million
Interim dividend of \$0.77 per ordinary share (2018: \$0.77 per ordinary share)	1,643	1,643

POWER ASSETS HOLDINGS LIMITED

OTHER INFORMATION

Interim Dividend

The Board of Directors has declared an interim dividend for 2019 of HK\$0.77 per share. The dividend will be payable on Tuesday, 10 September 2019 to shareholders whose names appear in the register of members of the Company at the close of business on Friday, 30 August 2019, being the record date for determination of entitlement to the interim dividend. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 30 August 2019.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the six months ended 30 June 2019.

Corporate Governance

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

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2019, except as noted hereunder.

The Nomination Committee of the Company established on 1 January 2019 comprises all Directors of the Company, and accordingly its membership deviates from the requirements in code provision A.5. In discharging its responsibilities, the Nomination Committee is, however, assisted by an ad hoc sub-committee which is chaired by the Chairman of the Board and its membership is compliant with the requirements under the Listing Rules for a nomination committee.

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.

Model Code for Securities Transactions by Directors

The Board of Directors of the Company has adopted the Model Code for Securities Transactions by Directors (“Model Code”) set out in Appendix 10 of the Listing Rules as the Group’s code of conduct regulating directors’ securities transactions. All Directors have confirmed following specific enquiry that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

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 |