

香港電燈集團有限公司
Hongkong Electric Holdings Ltd.

於香港註冊成立的有限公司
Incorporated in Hong Kong with limited liability
股份代號 Stock Code: 6

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2010 INTERIM RESULTS

CHAIRMAN'S STATEMENT

Half Year Results

The Group's unaudited consolidated net profit, after tax and Scheme of Control transfers, for the six months ended 30th June 2010 was HK\$2,754 million, an increase of 3.2% over the same period in 2009. Earnings from the Group's Hong Kong operations were HK\$1,776 million (2009: HK\$1,785 million). Earnings from the Group's operations outside Hong Kong for the six month period were HK\$978 million compared with HK\$883 million for the same period in 2009. The higher first half 2010 earnings from operations outside Hong Kong were primarily due to the increased holding in Northern Gas Networks, a full six month results from the Mainland China power station interests, higher exchange translation of Australian sourced income and the inclusion of earnings from the interest in the Seabank Power Station which was acquired in June.

Interim Dividend

The Directors have today declared an interim dividend for 2010 of HK\$0.62 (2009: HK\$0.62) per share. The dividend will be payable on 7th September 2010, to shareholders whose names appear in the Company's Register of Members on 6th September 2010.

Hong Kong Operations

The Hongkong Electric Co. Ltd. (HEC) unit sales of electricity for the first six months of 2010 were 5,040 million kWh, 1.4% higher than that recorded for the first six months of 2009. The higher unit sales were primarily due to the warmer weather in the earlier part of the year partially offset by the effect of various energy saving initiatives. Sales to the residential and commercial sectors grew by 3.9% and 0.8% respectively while sales to the industrial sector fell by 1.4%.

During the first six months of 2010, the emission reduction programme at the Lamma Power Station which was started several years ago neared its end with the successful completion of the flue gas desulphurization (FGD) plant works for the coal-fired Units 2, 4 and 5 and the commissioning of the low nitrogen oxide burners for Units 4 and 5. Over 95% of the electricity now being generated at the Lamma Power Station is being generated by gas and coal-fired units fitted with FGD plant and low nitrogen oxide burners. The emission reduction programme has resulted in a substantial reduction in emission levels of sulphur dioxide, nitrogen oxide and particulates at the power station.

Progress was made on HEC's renewable energy projects. In May this year, the Environmental Impact Assessment Report for HEC's proposed 100 MW offshore wind farm was approved by the Government and an environmental permit for the project was issued in June. Wind monitoring activities are scheduled to commence in early 2011 with a target date for commercial operation of the wind farm in 2015. Work on a 550 kW thin film photovoltaic solar energy system comprising some 5,500 thin film photovoltaic modules installed on the roof of the Lamma Power Station has been substantially completed. The electricity produced from this renewable energy initiative will contribute to the lowering of carbon levels at the power station.

During the period, our excellent customer service and operational performance continued to receive outside recognition. All of HEC's 18 published service pledges were met during the period. World class supply reliability of over 99.999% was maintained.

System development and reliability work undertaken during the period included over 96.5 kilometers of cable being laid and the commissioning of the Marsh Road 132 kV Switching Station and associated 132 kV circuits. Work continued on substation upgrading.

HEC continued to support various initiatives in the community in the areas of energy efficiency, renewable energy, education and the environment.

Operations outside Hong Kong

Hongkong Electric International Limited (HEI) holds the Group's investments outside Hong Kong. All of HEI's investments performed satisfactorily during the first six months of 2010. The Australian electricity distribution businesses recorded higher revenues while the China power station business benefited from increased demand. In Canada Stanley Power recorded higher margins at its Sheerness power station. The higher results compared with the same period last year for Northern Gas Networks in the U.K. reflected the increased holding in the business. The power generation business in Thailand and the electricity distribution business in New Zealand performed in line with expectations. The higher results from the wind farm operations in Mainland China reflected a full six months of operations in 2010.

In June, HEI completed the acquisition of a 25% interest in the Seabank Power Station, a 1,140 MW gas-fired power station near Bristol in the U.K. Electricity from the power station is sold under a power purchase agreement with the gas for the power station being provided by the offtaker. The Seabank acquisition has added to HEI's growing portfolio of investments in assets which provide stable and certain returns.

Outlook

While there is continuing uncertainty regarding the direction of the world's major economies, the Group with its strong balance sheet is well placed to meet this challenging environment.

In Hong Kong, we expect HEC to see continued pressure on fuel costs with coal prices being supported by demand within Asia and gas prices reflecting higher oil prices. With the emission reduction programme at the Lamma Power Station substantially complete HEC's focus is now on the increasing environmental issues over the next five years and beyond in areas such as air quality standards and carbon levels. This will require HEC to consider in particular the fuel mix for the Lamma Power Station generating units going forward, the fuel mix is at present approximately 70% coal and 30% gas.

Earnings from the Group's operations outside Hong Kong continue to represent a growing proportion of the Group's overall earnings reflecting the implementation of the Group's strategy of growing its earnings base from activities outside Hong Kong. Following the acquisition of the interest in the Seabank Power Station in the U.K., HEI will continue to look for investment opportunities outside Hong Kong with further acquisitions being targeted by HEI for 2010.

I would like to thank the board of directors and all employees of the Group for their commitment and contributions during the first six months of 2010.

Fok Kin-ning, Canning
Chairman

Hong Kong, 28th July 2010

FINANCIAL REVIEW

Capital Expenditure, Liquidity and Financial Resources

Capital expenditure during the period amounted to HK\$758 million (2009: HK\$727 million), which was primarily funded by cash from operations. Total external borrowings outstanding at 30th June 2010 were HK\$13,748 million (31st December 2009: HK\$12,247 million), comprising unsecured bank loans and debt securities in issue. In addition, the Group had undrawn committed bank facilities of HK\$5,480 million (31st December 2009: HK\$6,500 million) and bank deposits and cash of HK\$4,713 million (31st December 2009: HK\$5,093 million).

Treasury Policies, Financing Activities and Capital 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. The Group aims to ensure that adequate financial resources are available for refinancing and business growth.

As at 30th June 2010, the net debt of the Group was HK\$9,035 million (31st December 2009: HK\$7,154 million) with a net debt-to-equity ratio of 18% (31st December 2009: 14%). In December 2009, Standard and Poor's affirmed the A+ long term credit ratings of Hongkong Electric Holdings Limited and The Hongkong Electric Company, Limited with a stable outlook.

The profile of the Group's external borrowings, after taking into account of interest rate swaps and committed refinancing, was as follows:-

- (1) 69% were in Hong Kong dollars and 31% in Australian dollars;
- (2) 75% were bank loans and 25% were capital market instruments;
- (3) 0% was repayable within 1 year, 55% were repayable between 2 and 5 years and 45% were repayable beyond 5 years;
- (4) 54% were in fixed rate and 46% were in floating rate.

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 credit risk exposure.

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 or floating rate borrowings or by using interest rate derivatives.

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 contracts. As at 30th June 2010, over 98% of the Group's transaction exposure was either denominated in United States dollars or hedged into Hong Kong or United States dollars. Where considered appropriate, currency exposure arising from investments outside Hong Kong is mitigated by financing those investments in local currency borrowings. 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 in general converted into United States dollars on receipt.

The contractual notional amounts of derivative financial instruments outstanding at 30th June 2010 amounted to HK\$8,063 million (31st December 2009: HK\$7,891 million).

Charges on Group Assets

The Group's interest in an associate with a carrying value of HK\$703 million (31st December 2009: HK\$740 million) has been pledged as part of the security to secure project financing facilities granted to that associate.

The Group's interest in a jointly controlled entity with a carrying value of HK\$3,101 million (31st December 2009: HK\$2,991 million) has been pledged as part of the security to secure project financing facilities granted to that jointly controlled entity.

Contingent Liabilities

As at 30th June 2010, the Group had given guarantees and indemnities totaling HK\$1,653 million (31st December 2009: HK\$1,642 million).

The Company has given guarantees and indemnities in respect of bank and other borrowing facilities made available to and financial commitments of subsidiaries totalling HK\$4,218 million (31st December 2009: HK\$4,212 million). Out of this amount, HK\$4,208 million (31st December 2009: HK\$4,202 million), while being a contingent liability of the Company, is reflected in the unaudited 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 six months ended 30th June 2010, excluding directors' emoluments, amounted to HK\$404 million (2009: HK\$451 million). As at 30th June 2010, the Group employed 1,865 (30th June 2009: 1,863) permanent employees. No share option scheme is in operation.

The Group provides training for employees in management and functional skills, language skills, computer knowledge and technology relevant to the Group's industry by both classroom training and e-learning platforms. Training schemes for university graduates, trainee technicians and apprentices and other job-related programmes are also available for employees to develop and enhance their skills and abilities. In addition, talks are arranged to provide updates on company developments and wellness information.

HONGKONG ELECTRIC HOLDINGS LIMITED
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2010
(Expressed in Hong Kong dollars)

		Six months ended 30th June	
	Note	2010	2009
		\$ million	\$ million
Turnover	4	4,777	4,718
Direct costs		(1,889)	(1,834)
		2,888	2,884
Other revenue and other net income		483	387
Other operating costs		(394)	(398)
Operating profit		2,977	2,873
Finance costs		(173)	(152)
Share of profits less losses of associates		431	429
Share of profits less losses of jointly controlled entities		280	180
Profit before taxation	5	3,515	3,330
Income tax	6	(402)	(384)
Profit after taxation		3,113	2,946
Scheme of Control transfers to:	7		
Tariff Stabilisation Fund		(359)	(278)
Rate Reduction Reserve		-	-
		(359)	(278)
Profit attributable to equity shareholders of the Company			
Hong Kong operations		1,776	1,785
Operations outside Hong Kong		978	883
Profit for the period		2,754	2,668
Earnings per share – basic and diluted	8	\$1.29	\$1.25

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 18.

HONGKONG ELECTRIC HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2010

(Expressed in Hong Kong dollars)

	Six months ended 30th June	
	2010	2009
	\$ million	\$ million
Profit for the period	2,754	2,668
Other comprehensive (loss)/income for the period		
Exchange differences on translating operations outside Hong Kong, including associates and jointly controlled entities	(157)	799
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	(40)	26
Amounts transferred to the initial carrying amount of hedged items	(3)	4
Net deferred tax credited/(charged) to other comprehensive income	24	(3)
	(19)	27
Share of other comprehensive income of associates:		
Other comprehensive income	35	452
Net deferred tax charged to other comprehensive income	(10)	(129)
	25	323
	(151)	1,149
Total comprehensive income for the period attributable to equity shareholders of the Company	2,603	3,817

HONGKONG ELECTRIC HOLDINGS LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE 2010

(Expressed in Hong Kong dollars)

	Note	(Unaudited) 30th June 2010 \$ million	(Audited) 31st December 2009 \$ million
Non-current assets			
Fixed assets			
- Property, plant and equipment		42,921	42,715
- Assets under construction		2,159	2,540
- Interests in leasehold land held for own use under finance leases		2,180	2,209
	9	47,260	47,464
Interest in associates	10	15,051	13,472
Interest in jointly controlled entities	11	5,843	5,793
Other non-current financial assets		67	67
Derivative financial instruments	16	27	31
Deferred tax assets		15	2
Employee retirement benefit assets		539	486
		<u>68,802</u>	<u>67,315</u>
Current assets			
Inventories		880	930
Trade and other receivables	12	1,383	1,059
Fuel Clause Recovery Account		733	552
Bank deposits and cash	13	4,713	5,093
		<u>7,709</u>	<u>7,634</u>
Current liabilities			
Trade and other payables	14	(1,587)	(1,600)
Bank overdrafts - unsecured		(3)	-
Current portion of bank loans and other borrowings	15	(10)	-
Current taxation		(392)	(236)
		<u>(1,992)</u>	<u>(1,836)</u>
Net current assets		<u>5,717</u>	<u>5,798</u>
Total assets less current liabilities		<u>74,519</u>	<u>73,113</u>
Non-current liabilities			
Interest-bearing borrowings	15	(13,735)	(12,247)
Derivative financial instruments	16	(63)	(26)
Customers' deposits		(1,713)	(1,676)
Deferred tax liabilities		(5,686)	(5,622)
Employee retirement benefit liabilities		(902)	(899)
		<u>(22,099)</u>	<u>(20,470)</u>
Rate Reduction Reserve		<u>(9)</u>	<u>(14)</u>
Tariff Stabilisation Fund		<u>(844)</u>	<u>(485)</u>
Net assets		<u>51,567</u>	<u>52,144</u>
Capital and reserves			
Share capital	17	2,134	2,134
Reserves		49,433	50,010
Total equity attributable to equity shareholders of the Company		<u>51,567</u>	<u>52,144</u>

HONGKONG ELECTRIC HOLDINGS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2010
(Expressed in Hong Kong dollars)

\$ million	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Exchange reserve	Hedging reserve	Revenue reserve	Proposed/ declared dividend	Total
Balance at 1st January 2009	2,134	4,476	(609)	(481)	38,627	3,180	47,327
Changes in equity for the six months ended 30th June 2009:							
Final dividend in respect of the previous year approved and paid	-	-	-	-	-	(3,180)	(3,180)
Interim dividend (see note 18)	-	-	-	-	(1,323)	1,323	-
Total comprehensive income for the period	-	-	799	245	2,773	-	3,817
Balance at 30th June 2009	2,134	4,476	190	(236)	40,077	1,323	47,964
Balance at 1st January 2010	2,134	4,476	554	(116)	41,916	3,180	52,144
Changes in equity for the six months ended 30th June 2010:							
Final dividend in respect of the previous year approved and paid	-	-	-	-	-	(3,180)	(3,180)
Interim dividend (see note 18)	-	-	-	-	(1,323)	1,323	-
Total comprehensive income for the period	-	-	(157)	45	2,715	-	2,603
Balance at 30th June 2010	2,134	4,476	397	(71)	43,308	1,323	51,567

HONGKONG ELECTRIC HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2010
(Expressed in Hong Kong dollars)

	Six months ended 30th June	
	2010	2009
	\$ million	\$ million
Net cash generated from operating activities	3,317	3,081
Net cash used in investing activities	(2,072)	(4,393)
Net cash used in financing activities	(1,643)	(1,750)
Net decrease in cash and cash equivalents	(398)	(3,062)
Cash and cash equivalents at 1st January	5,093	7,135
Effect of foreign exchange rate changes	15	(31)
Cash and cash equivalents at 30th June	4,710	4,042
	=====	=====
 Analysis of the balances of cash and cash equivalents		
Bank deposits and cash	4,713	4,042
Bank overdrafts – unsecured	(3)	-
	4,710	4,042
	=====	=====

HONGKONG ELECTRIC HOLDINGS LIMITED
NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in Hong Kong dollars)

1. Review of unaudited interim financial report

This unaudited interim financial report has been reviewed by the Audit Committee.

2. Basis of preparation

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual audited financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report 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.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2009 annual audited financial statements. The condensed consolidated interim unaudited financial statements and 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 31st December 2009 that is included in this unaudited interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory audited financial statements for the year ended 31st December 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 3rd March 2010.

3. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs 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:

- HKAS 27 (Revised), *Consolidated and Separate Financial Statements*
- HKFRS 3 (Revised), *Business Combinations*
- Amendment to HKAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Improvements to HKFRSs (2009)

The adoption of these amendments to standards has no material financial effect on the Group's results and financial position for the current or prior periods.

4. Turnover and segmental reporting

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

	2010							Total
	Sales of electricity Hong Kong	Infrastructure investments				Sub-total	All other activities	
		Australia	United Kingdom	Mainland China	Others			
\$ million								
For the six months ended 30th June								
Revenue								
Group turnover	4,773	-	-	-	-	-	4	4,777
Other revenue and other net income	23	-	-	30	-	30	20	73
Reportable segment revenue	4,796	-	-	30	-	30	24	4,850
Result								
Segment earnings	3,450	-	-	16	-	16	(20)	3,446
Depreciation and amortisation	(879)	-	-	-	-	-	-	(879)
Interest income	-	268	9	-	121	398	12	410
Operating profit	2,571	268	9	16	121	414	(8)	2,977
Finance costs	(46)	(127)	-	-	-	(127)	-	(173)
Share of profits less losses of associates and jointly controlled entities	-	234	171	293	12	710	1	711
Profit before taxation	2,525	375	180	309	133	997	(7)	3,515
Income tax	(421)	-	26	(3)	(4)	19	-	(402)
Profit after taxation	2,104	375	206	306	129	1,016	(7)	3,113
Scheme of Control transfers	(359)	-	-	-	-	-	-	(359)
Reportable segment profit	1,745	375	206	306	129	1,016	(7)	2,754
At 30th June								
Reportable segment assets	50,786	6,773	4,385	6,121	3,688	20,967	4,758	76,511
Reportable segment liabilities	(20,390)	(4,292)	-	(3)	(2)	(4,297)	(257)	(24,944)

4. Turnover and segmental reporting (continued)

\$ million	2009							Total
	Sales of electricity Hong Kong	Infrastructure investments				Sub-total	All other activities	
		Australia	United Kingdom	Mainland China	Others			
For the six months ended 30th June								
Revenue								
Group turnover	4,700	-	-	-	-	-	18	4,718
Other revenue and other net income	14	-	-	2	-	2	1	17
Reportable segment revenue	4,714	-	-	2	-	2	19	4,735
Result								
Segment earnings	3,274	-	-	(6)	-	(6)	27	3,295
Depreciation and amortisation	(792)	-	-	-	-	-	-	(792)
Interest income	-	216	-	14	94	324	46	370
Operating profit	2,482	216	-	8	94	318	73	2,873
Finance costs	(43)	(109)	-	-	-	(109)	-	(152)
Share of profits less losses of associates and jointly controlled entities	-	195	174	180	59	608	1	609
Profit before taxation	2,439	302	174	188	153	817	74	3,330
Income tax	(407)	-	18	-	(1)	17	6	(384)
Profit after taxation	2,032	302	192	188	152	834	80	2,946
Scheme of Control transfers	(278)	-	-	-	-	-	-	(278)
Reportable segment profit	1,754	302	192	188	152	834	80	2,668
At 30th June								
Reportable segment assets	49,245	5,840	2,774	5,897	3,332	17,843	4,151	71,239
Reportable segment liabilities	(18,990)	(3,924)	30	-	(51)	(3,945)	(340)	(23,275)

5. Profit before taxation

	Six months ended 30th June	
	2010 \$ million	2009 \$ million
Profit before taxation is arrived at after charging/(crediting):		
Finance costs		
Interest on borrowings	201	181
Less: Interest capitalised to fixed assets	(20)	(22)
Interest transferred to fuel cost	(8)	(7)
	173	152
Depreciation		
Depreciation charges for the period	905	815
Less: Depreciation capitalised to fixed assets	(55)	(52)
	850	763
Amortisation of leasehold land	29	29
Net profit on sale of fixed assets	2	1
	=====	=====

6. Income tax

	Six months ended 30th June	
	2010	2009
	\$ million	\$ million
Current tax		
The Company and its subsidiaries		
– Hong Kong	362	334
– Operations outside Hong Kong	(22)	(17)
	<u>340</u>	<u>317</u>
Deferred Tax		
The Company and its subsidiaries – Hong Kong		
Origination and reversal of temporary differences	62	67
	<u>402</u>	<u>384</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 30th June 2010. Taxation for operations outside Hong Kong is similarly calculated using tax rates applicable in the relevant countries.

7. Scheme of Control transfers

The Scheme of Control transfers are mid-year notional transfers. The actual Scheme of Control transfers can only be determined in accordance with the Scheme of Control at the year end.

8. Earnings per share

The calculation of earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,754 million for the six months ended 30th June 2010 (2009: \$2,668 million) and 2,134,261,654 ordinary shares (2009: 2,134,261,654 ordinary shares) in issue throughout the period.

There were no dilutive potential ordinary shares in existence during the six months periods ended 30th June 2010 and 2009.

9. 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
Net book value at 1st January 2010	9,040	33,675	2,540	45,255	2,209	47,464
Additions	-	140	618	758	-	758
Transfers between categories	49	950	(999)	-	-	-
Disposals	-	(28)	-	(28)	-	(28)
Depreciation / amortisation	(121)	(784)	-	(905)	(29)	(934)
Net book value at 30th June 2010	8,968	33,953	2,159	45,080	2,180	47,260
Cost	13,753	57,856	2,159	73,768	2,815	76,583
Accumulated amortisation and depreciation	(4,785)	(23,903)	-	(28,688)	(635)	(29,323)
Net book value at 30th June 2010	8,968	33,953	2,159	45,080	2,180	47,260

10. Interest in associates

	30th June 2010 \$ million	31st December 2009 \$ million
Share of net assets	7,234	6,616
Loans to unlisted associates	7,514	6,600
Amounts due from unlisted associates	303	256
	<u>15,051</u>	<u>13,472</u>

With effect from 1st January 2010, the investments in Huaneng Hongkong Electric Dali Wind Power Company Limited and Huaneng Laoting Wind Power Company Limited have been classified as associated companies (previously they were classified as jointly controlled entities).

11. Interest in jointly controlled entities

	30th June 2010	31st December 2009
	\$ million	\$ million
Share of net assets	5,838	5,742
Amounts due from unlisted jointly controlled entities	5	51
	5,843	5,793

12. Trade and other receivables

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

	30th June 2010	31st December 2009
	\$ million	\$ million
Current	771	569
1 to 3 months past due	30	35
More than 3 months past due but less than 12 months past due	16	12
Trade debtors	817	616
Other receivables	523	402
	1,340	1,018
Derivative financial instruments	25	13
Deposits and prepayments	18	28
	1,383	1,059

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.

13. Bank deposits and cash

	30th June 2010	31st December 2009
	\$ million	\$ million
Deposits with banks and other financial institutions with 3 months or less to maturity when placed	4,696	4,993
Cash at bank and in hand	17	100
	4,713	5,093

14. Trade and other payables

	30th June 2010 \$ million	31st December 2009 \$ million
Due within 1 month or on demand	289	709
Due after 1 month but within 3 months	206	325
Due after 3 months but within 12 months	1,089	563
	<hr/>	<hr/>
	1,584	1,597
Derivative financial instruments	3	3
	<hr/>	<hr/>
	1,587	1,600
	<hr/> <hr/>	<hr/> <hr/>

15. Non-current interest-bearing borrowings

	30th June 2010 \$ million	31st December 2009 \$ million
Bank loans	10,230	9,192
Current portion	(10)	-
	<hr/>	<hr/>
	10,220	9,192
Hong Kong dollar notes	3,515	3,055
	<hr/>	<hr/>
Total	13,735	12,247
	<hr/> <hr/>	<hr/> <hr/>

16. Derivative financial instruments

	30th June 2010 \$ million	31st December 2009 \$ million
Derivative financial instruments used for hedging:		
- Interest rate swaps	(36)	5
- Foreign exchange forward contracts	22	10
	<hr/>	<hr/>
Total	(14)	15
Current portion of derivative financial instruments	(22)	(10)
	<hr/>	<hr/>
	(36)	5
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Derivative financial instruments assets	27	31
Derivative financial instruments liabilities	(63)	(26)
	<hr/>	<hr/>
	(36)	5
	<hr/> <hr/>	<hr/> <hr/>

17. Share capital

		30th June 2010	31st December 2009
	Number of shares	\$ million	\$ 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
	=====	=====	=====

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

18. Interim dividend

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

	Six months ended 30th June	
	2010	2009
	\$ million	\$ million
Interim dividend of 62 cents per ordinary share (2009: 62 cents per ordinary share)	1,323	1,323
	=====	=====

19. Capital commitments

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

	30th June 2010	31st December 2009
	\$ million	\$ million
Contracted for:		
Capital expenditure	1,684	1,367
Investment in jointly controlled entities	5	37
	-----	-----
	1,689	1,404
	=====	=====
Authorised but not contracted for:		
Capital expenditure	9,292	10,303
	=====	=====

20. Contingent liabilities

	30th June 2010 \$ million	31st December 2009 \$ million
Financial guarantees issued in respect of banking facilities available to		
- Associates	1,240	1,229
- Jointly controlled entities	403	403
Other guarantees and indemnities	10	10
	1,653	1,642

21. Material related party transactions

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

(a) Shareholder

On 4th June 2010, the Company entered into an agreement with Cheung Kong Infrastructure Holdings Limited, a substantial shareholder holding approximately 38.87% of the issued shares of the Company, to purchase a 50% interest in a company which holds a 50% stake in Seabank Power Limited, an electricity-generating company located near Bristol in the United Kingdom. The consideration for the transaction was \$1,234 million. The transaction constituted a connected transaction for the Company. The acquisition was completed on 10th June 2010.

(b) Associates

Interest income received/receivable from associates in respect of the loans to associates amounted to \$387 million for the six months ended 30th June 2010 (2009: \$308 million). At 30th June 2010, the total outstanding interest bearing loan balances due from associates were \$7,514 million (31st December 2009: \$6,600 million).

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors, is as follows:

	Six months ended 30th June 2010 \$ million	2009 \$ million
Short-term employee benefits	30	30
Post-employment benefits	3	2
	33	32

OTHER INFORMATION

Closure of Register of Members

The register of members will be closed from Monday, 30th August 2010 to Monday, 6th September 2010, both days inclusive, for the purpose of ascertaining shareholders entitled 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, not later than 4:30 p.m. on Friday, 27th August 2010.

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 30th June 2010.

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 Company has complied with the applicable code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June 2010.

Board Composition

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

- Executive directors : Mr. FOK Kin Ning, Canning (Chairman), Mr. TSO Kai Sum (Group Managing Director), Mrs. CHOW WOO Mo Fong, Susan (also Alternate Director to Mr. FOK Kin Ning, Canning and Mr. Frank John SIXT), Mr. Andrew John HUNTER, Mr. KAM Hing Lam (Mr. CHAN Loi Shun, Alternate Director to Mr. KAM Hing Lam), Mr. LI Tzar Kuoi, Victor, Mr. Neil Douglas MCGEE, Mr. Frank John SIXT, Mr. WAN Chi Tin and Mr. YUEN Sui See.
- Non-executive directors : Mr. Ronald Joseph ARCULLI, Mr. LEE Lan Yee, Francis and Mr. George Colin MAGNUS.
- Independent non-executive directors : Mr. Holger KLUGE, Mr. Ralph Raymond SHEA and Mr. WONG Chung Hin.