CLP 中電

2017 Interim Report

Our Vision

To be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next

Highlights of 2017 Interim Results

- Group operating earnings for the first half of 2017 declined 3.8% to HK$5,914 million; total earnings decreased by 3.5% to HK$5,909 million.
- Operating earnings from our local electricity business in Hong Kong rose 1.9% to HK$4,356 million.
- Consolidated revenue rose 12.1% to HK$43,337 million.
- Second interim dividend of HK$0.59 per share.

Contents

Financial Highlights

Operating earnings and total earnings decreased by 3.8% and 3.5% respectively to HK$5.9 billion

	Six months ended 30 June 2017	2016	Increase / (Decrease) %
For the period *(in HK$ million)*			
Revenue			
Electricity business in Hong Kong	**18,597**	17,855	4.2
Energy businesses outside Hong Kong	**24,539**	20,648	18.8
Others	**201**	168	
Total	**43,337**	38,671	12.1
Earnings			
Hong Kong	**4,356**	4,276	1.9
Hong Kong related [1]	**148**	113	
Mainland China	**637**	841	(24.3)
India	**242**	200	21.0
Southeast Asia and Taiwan	**81**	119	(31.9)
Australia	**758**	897	(15.5)
Other earnings	**(37)**	43	
Unallocated net finance income	**13**	23	
Unallocated Group expenses	**(284)**	(363)	
Operating earnings	**5,914**	6,149	(3.8)
Items affecting comparability			
Property revaluation	**(5)**	(107)	
Reversal of over-provision of capital gain tax	**–**	83	
Total earnings	**5,909**	6,125	(3.5)
Net cash inflow from operating activities	**6,480**	9,016	(28.1)
Per share *(in HK$)*			
Earnings per share	**2.34**	2.42	(3.5)
Dividends per share			
First interim	**0.59**	0.57	
Second interim	**0.59**	0.57	
Total interim dividends	**1.18**	1.14	3.5
Ratio			
EBIT interest cover [2] (times)	**10**	10	–

	30 June 2017	31 December 2016	Increase %
At the end of reporting period *(in HK$ million)*			
Total assets [3]	**213,233**	206,233	3.4
Total borrowings	**53,948**	51,646	4.5
Shareholders' funds	**101,597**	98,010	3.7
Per share *(in HK$)*			
Shareholders' funds per share	**40.21**	38.79	3.7
Ratio			
Net debt to total capital [4] (%)	**30.3**	29.5	

Notes:

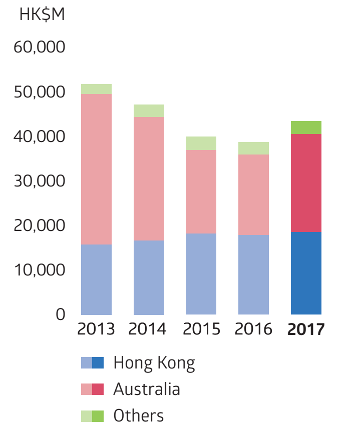
1 Hong Kong related includes PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

2 Earnings before interest and taxes (EBIT) interest cover = EBIT / (Interest charges + capitalised interest)

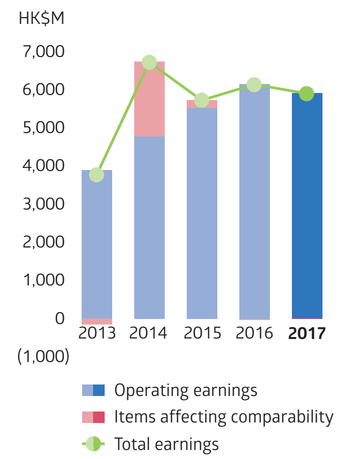
3 Comparative figure has been reclassified to conform with current year's presentation. Details are set out in Note 2 to the condensed consolidated interim financial statements.

4 Net debt to total capital = Net debt / (Equity + advances from non-controlling interests + net debt). Debt = Bank loans and other borrowings. Net debt = Debt - bank balances, cash and other liquid funds.

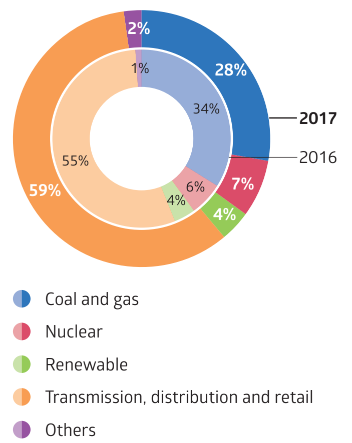
Revenue (First 6 months)



Total Earnings (First 6 months)



Operating Earnings (Before Unallocated Expenses) by Asset Type (First 6 months)



Dear Shareholders,

I am pleased to report that in the face of accelerating change brought by energy transitions underway in each of our major markets, the Group secured regulatory certainty in Hong Kong and delivered largely steady results in the first half of 2017.

During this period, the Group's operating earnings were HK$5,914 million, a decrease of 3.8% compared with the first half of 2016, largely due to unfavourable market conditions in Mainland China and the impact of increased volatility in the Australian market. Total earnings decreased by 3.5% to HK$5,909 million. The Board decided to increase the level of our first and second interim dividends from HK$0.57 per share in 2016 to HK$0.59 per share this year.

In the first six months of 2017, our electricity business in Hong Kong continued to be the Group's major earnings contributor, reporting a 1.9% rise in operating earnings to HK$4,356 million compared with the same period last year. I am particularly pleased that we signed a new Scheme of Control (SoC) Agreement with the Hong Kong Government in April. As I have often said, the SoC Agreement has served Hong Kong well for over half a century by ensuring a reliable, safe, and reasonably-priced supply of electricity to power the city's growth through good and not-so-good times. This is all the more important as we face the challenges of climate change and rapid technological development brought by the digital revolution. The new Agreement, which will run for 15 years from 2018 to 2033, provides the regulatory and economic certainty required for CLP to plan ahead and make appropriate investments to deliver the Government's energy objectives and meet the emerging needs of our customers.

In support of the Hong Kong Government's target to increase natural gas use to about 50% in 2020, we continued the construction of our new 550MW gas-fired generation unit at the Black Point Power Station. We plan to commission the new unit before 2020. This project will also play an important part in Hong Kong's plan to reduce carbon intensity by 65-70% by 2030.

Looking beyond our home market, our overseas businesses reported mixed performances amid increasingly challenging market conditions. This is a reflection of the global transformation that is taking place in the power sector in Mainland China, Australia and India, as well as the specific conditions pertaining to these markets. Our diversified portfolio has helped us navigate these challenges and mitigate their impact.

In Mainland China, higher coal prices and overcapacity were the main factors behind a 24.3% drop in our operating earnings to HK$637 million. The country's slowing pace of economic growth and structural reform to shift away from heavy industry affected the performance of our thermal power plants. However, earnings from our renewable projects held up well due to the continuous growth of our wind portfolio and the good solar resources available. Generation from Daya Bay also increased. This underlines the benefit of having a diversified generation portfolio such as ours, especially as Mainland China continues to transition to a low carbon economy.

Our acquisition of a 17% stake in Yangjiang Nuclear Power Co., Ltd. in Guangdong is an important step to increase the Group's non-carbon emitting portfolio and to support China's commitment to reducing coal's dominance in the energy mix. The Yangjiang Nuclear Power Station, when fully commissioned, will add over 1,100MW of non-carbon emitting generation capacity to CLP's portfolio. We expect the transaction to be completed in the coming months.

In India, our renewable energy portfolio and our gas-fired station at Paguthan continued to contribute steady earnings during the reporting period. In the first six months, operating earnings increased by 21.0% to HK$242 million, compared with the same period in 2016. We continued with the construction of our first solar project in India, the Veltoor Solar Power Plant, which will be commissioned in the second half of the year. Moreover, the performance of our coal-fired Jhajjar Power Station was overall solid in the period outside the planned two-month maintenance outage.

We expect Mainland China and India to remain our growth markets in the medium to long term, especially in renewable energy, as both countries seek to reduce their reliance on fossil fuels. However, we take note of the dwindling subsidies as renewable technologies have matured to the point where they are now often on a competitive footing with conventional energy sources. Going forward, we will also explore growth opportunities along the energy supply chain in these markets.

I would like to focus for a moment on our Australia business. In the first half of the year, EnergyAustralia's operating earnings decreased 15.5% to HK$758 million, largely due to the impact of significant volatility in the market on the value of energy contracts. Against a backdrop of uncertain energy policies, the energy market in Australia remains very challenging, leading to a period of high and volatile wholesale prices. EnergyAustralia is both a buyer and seller in the wholesale market and in times of high volatility the prospective value of those energy contracts can vary significantly. Our integrated business model and the good operational performance of the business have helped minimise the impact of this volatility. Looking to the longer term, a recent review of the Australian power sector has yielded proposed recommendations for Australia's electricity future. We will work closely with the governments, regulators, industry players and customers to understand its implications and discuss the best way to implement it as we continue to restore value to the business and enhance our operation.

The energy industry is in the midst of a period of unprecedented uncertainty and challenge brought about by climate change and rapidly evolving technologies. As a company that has experienced many changes and challenges over the past century, CLP is well-prepared to recognise and seize the opportunities that such changes are bringing. We have a diversified portfolio in terms of fuel, operations and geographical footprint, and the expertise and professionalism of a world-class team with a strong track record of delivering results. In the coming years, we will continue to be guided by our "Focus · Delivery · Growth" strategy as we seek to meet the challenges of the global transition to a low carbon future.

In closing, I am saddened to report two separate fatal accidents that resulted in the deaths of four contractor workers in our Hong Kong business this year. I want to express my deepest condolences to the families of the men who lost their lives. Safety is our first priority and we attach greatest importance to it for protecting our customers, our staff and contractor workers. We will learn from these accidents and redouble our efforts to avoid similar events in the future.

The Honourable Sir Michael Kadoorie

Hong Kong, 7 August 2017

Our Portfolio (as at 30 June 2017)

CLP operates a diversified portfolio of generating assets across our five markets in Asia Pacific, harnessing a wide range of fuels including coal, gas, nuclear, wind, hydro and solar. In addition to the generating assets which we hold through equity investments, our portfolio includes long-term offtake arrangements. As at 30 June 2017, it comprised **18,608MW** of equity generating capacity and **5,159MW** of capacity/energy purchase, among which **3,077MW** and **461MW** respectively were from renewable sources. Our business also includes transmission and distribution, and electricity and gas retail activities.

Gross Capacity and CLP Net Capacity by Market:

	Gross Capacity	CLP Net Capacity *
Hong Kong	7,483MW	7,483MW
Mainland China	20,991MW	8,086MW
India	2,999MW	2,948MW
Southeast Asia and Taiwan	1,383MW	285MW
Australia	5,087MW	4,966MW
Total	**37,943MW**	**23,768MW**

* *Equity basis and long-term offtake arrangements*

Coal	Gas	Nuclear	Wind	Hydro	Solar

Hong Kong Gross MW/CLP Equity MW

Equity	Fuel type	Investments
100%		**CLP Power Hong Kong Limited (CLP Power Hong Kong)** Owns and operates a transmission and distribution system which includes: · 555 km of 400kV lines, 1,648 km of 132kV lines, 22 km of 33kV lines and 13,205 km of 11kV lines · 66,519 MVA transformers, 231 primary and 14,339 secondary substations in operation and provides electricity and customer service
70%	Gas, Coal	**Castle Peak Power Company Limited (CAPCO) 7,483/5,238MW** CAPCO owns and CLP Power Hong Kong operates: · **Black Point Power Station** (3,075MW), one of the world's largest gas-fired combined-cycle power stations comprising seven 312.5MW units and one 337.5MW unit, with another new 550MW unit under construction and expected to commence operation before 2020 · **Castle Peak Power Station** (4,108MW), comprising four 350MW coal-fired units and another four 677MW units. Two of the 677MW units can use gas as a backup fuel. All units can use oil as a backup fuel · **Penny's Bay Power Station** (300MW), comprising three 100MW diesel-fired gas turbine units mainly for backup purpose
40%		**ShenGang Natural Gas Pipeline Company Limited (SNGPC)** Owns and operates the Hong Kong Branch Line, comprising a 20-km pipeline and the associated gas launching and end stations, which transports natural gas from PetroChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point Power Station
Capacity Purchase [1]		CLP Power Hong Kong purchases its power from CAPCO, Hong Kong Pumped Storage Development Company, Limited (PSDC) and Guangdong Daya Bay Nuclear Power Station (GNPS). These sources of power (including projects under construction) amount to a total capacity of 9,463MW (CAPCO: 7,483MW, PSDC: 600MW, GNPS: about 1,380MW) for serving the Hong Kong electricity business

Mainland China Gross MW/CLP Equity MW

Equity	Fuel type	Investments
25%	Nuclear	**Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968/492MW** Constructed the **Guangdong Daya Bay Nuclear Power Station** (GNPS). GNPS is equipped with two 984MW Pressurised Water Reactors. 70% of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong [2]
70%	Coal	**CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 2,580/1,806MW** Owns and operates a two-phased project at Fangchenggang in Guangxi with China Energy Engineering Corporation Limited. Phase I includes two 630MW supercritical coal-fired units. Phase II includes two 660MW ultra-supercritical coal-fired units

Notes:

1 Capacity purchase relates to power purchase from power stations in which CLP has equity or operational control.

2 Agreement has been reached to increase the proportion of supply to Hong Kong to slightly above 70% in 2014 and to about 80% from 2015 to 2018, with the remainder continuing to be sold to Guangdong.

Mainland China Gross MW/CLP Equity MW

Equity	Fuel type	Investments
49%	Coal	**CLP Guohua Shenmu Power Company Limited (Shenmu) 220/108MW** Owns **Shenmu Power Station** (220MW) in Shaanxi with China Shenhua Energy Company Limited
30%	Coal	**CSEC Guohua International Power Company Limited (CSEC Guohua) 7,440/1,243MW** [3] Owns interests in five coal-fired power stations with China Shenhua Energy Company Limited: · 100% of **Beijing Yire** [4] · 65% of **Panshan** (1,060MW) in Tianjin · 55% of **Sanhe I** and **II** (1,300MW) in Hebei · 50% of **Suizhong I** and **II** (3,760MW) in Liaoning · 65% of **Zhungeer II** and **III** (1,320MW) in Inner Mongolia
29.4%	Coal	**Shandong Zhonghua Power Company, Ltd. (SZPC) 3,060/900MW** Owns four coal-fired power stations in Shandong with China Guodian Corporation and EDF International S.A.S.: · **Heze II** (600MW) · **Liaocheng I** (1,200MW) · **Shiheng I** and **II** (1,260MW)
15.75%	Wind	**CGN Wind Power Company Limited (CGN Wind) 2,193/314MW** [5] Owns 1,993.4MW of wind projects in various parts of China with CGN Wind Energy Ltd. with another 199.7MW under construction
50%	Wind	**CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99/24MW** [6] Owns two wind farms in Liaoning in a joint venture with China Wind Power Holdings Limited: · 49% of **Qujiagou Wind Farm** (49.5MW) · 49% of **Mazongshan Wind Farm** (49.5MW)
100%	Wind	**CLP (Kunming) Renewable Energy Co., Ltd (Xundian Wind) 50/50MW** Owns and operates **Xundian I Wind Farm** (49.5MW) in Yunnan
100%	Wind	**CLP (Laiwu) Renewable Energy Limited (Laiwu Wind) 99/99MW** Owns two wind farms in Shandong: · **Laiwu I Wind Farm** (49.5MW) [7] · **Laiwu II Wind Farm** (49.5MW), which is expected to come into commercial operation in October 2017 [8]
100%	Wind	**CLP (Laizhou) Renewable Energy Limited (CLP Laizhou Wind) 99/99MW** Owns two wind farms in Shandong: · **CLP Laizhou I Wind Farm** (49.5MW) [7] · **CLP Laizhou II Wind Farm** (49.5MW), which is under construction [8]
100%	Wind	**CLP (Penglai) Wind Power Ltd. (Penglai Wind) 48/48MW** Owns and operates **Penglai I Wind Farm** (48MW) in Shandong
100%	Wind	**CLP (Sandu) Renewable Energy Limited (Sandu Wind) 198/198MW** Owns two wind farms in Guizhou: · **Sandu I Wind Farm** (99MW) [7] · **Sandu II Wind Farm** (99MW), which is expected to commence construction in September 2017 [8]
45%	Wind	**Huadian Laizhou Wind Power Company Limited (Huadian Laizhou Wind) 41/18MW** Owns **Huadian Laizhou I Wind Farm** (40.5MW) in Shandong in a joint venture with Huadian Power International Corporation Limited
25%	Wind	**Huaneng Shantou Wind Power Company Limited (Nanao Wind) 60/15MW** Owns two wind farms in Guangdong in a joint venture with Guangdong Wind Power Company Limited and Huaneng Renewables Corporation Limited: · **Nanao II Wind Farm** (45MW) · **Nanao III Wind Farm** (15MW)
49%	Wind	**Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148/73MW** Owns three wind farms in Jilin together with China Datang Corporation Renewable Power Company Limited: · **Datong Wind Farm** (49.5MW) · **Shuangliao I Wind Farm** (49.3MW) · **Shuangliao II Wind Farm** (49.5MW)

Notes:

3 The 1,243 equity MW attributed to CLP, through its 30% equity interest in CSEC Guohua, takes into account that CSEC Guohua holds varying equity interests in the generating assets included in the 7,440 gross MW.

4 The Beijing Yire power station ceased operation on 20 March 2015.

5 The 314 equity MW attributed to CLP, through its 15.75% equity interest in CGN Wind, takes into account that CGN Wind holds varying equity interests in the generating assets included in the 2,193 gross MW.

6 The 24 equity MW attributed to CLP, through its 50% equity interest in CLP-CWP Wind, takes into account that CLP-CWP Wind holds varying equity interests in the generating assets included in the 99 gross MW.

7 It is operated by CLP.

8 It will be operated by CLP upon completion.

Mainland China Gross MW/CLP Equity MW

Equity	Fuel type	Investments
100%	Wind	**Qian'an IW Power Company Limited (Qian'an Wind) 99/99MW** Owns and operates two wind farms in Jilin: · **Qian'an I Wind Farm** (49.5MW) · **Qian'an II Wind Farm** (49.5MW)
49%	Wind	**Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 395/194MW** [9] Owns eight wind farms in Shandong together with Shenhua Renewable Company Limited: · **Dongying Hekou Wind Farm** (49.5MW) · **Lijin I Wind Farm** (49.5MW) · **Lijin II Wind Farm** (49.5MW) · **Rongcheng I Wind Farm** (48.8MW) · **Rongcheng II Wind Farm** (49.5MW) · **Rongcheng III Wind Farm** (49.5MW) · **Zhanhua I Wind Farm** (49.5MW) · **Zhanhua II Wind Farm** (49.5MW)
45%	Wind	**Shandong Huaneng Wind Joint Ventures (Shandong Huaneng Wind) 96/43MW** Owns three wind farms in Shandong together with Huaneng Renewables Corporation Limited: · **Changdao Wind Farm** (27.2MW) · **Weihai I Wind Farm** (19.5MW) · **Weihai II Wind Farm** (49.5MW)
29%	Wind	**Shanghai Chongming Beiyan Wind Power Generation Company Limited (Shanghai Chongming Wind) 48/14MW** Owns **Chongming Wind Farm** (48MW) in Shanghai in a joint venture with Shanghai Green Environmental Protection Energy Co., Ltd. and CPI New Energy Holding Company Limited
45%	Wind	**Sinohydro CLP Wind Power Company Limited (Changling Wind) 50/22MW** Owns **Changling II Wind Farm** (49.5MW) in Jilin in a joint venture with Sinohydro Renewable Energy Company Limited
100%	Hydro	**CLP Sichuan (Jiangbian) Power Company Limited (Jiangbian Hydro) 330/330MW** Owns and operates **Jiangbian Hydropower Station** (330MW) in Sichuan
100%	Hydro	**Dali Yang_er Hydropower Development Co., Ltd. (Dali Yang_er Hydro) 50/50MW** Owns and operates **Dali Yang_er Hydropower Station** (49.8MW) in Yunnan
100%	Hydro	**Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200/600 MW** Holds the right to use half of the 1,200MW pumped storage capacity of Phase I of the **Guangzhou Pumped Storage Power Station** until 2034; PSDC has no equity interest in the power station
84.9%	Hydro	**Huaiji Hydropower Joint Ventures (Huaiji Hydro) 129/110MW** Owns and operates 12 small hydropower stations in Guangdong with Huaiji County Huilian Hydro-electric (Group) Co., Ltd.
100%	Solar	**CLP Dali (Xicun) Solar Power Co., Ltd (Xicun Solar) 84/84MW** [10] Owns and operates two solar power stations in Yunnan: · **Xicun I Solar Power Station** (42MW) · **Xicun II Solar Power Station** (42MW)
100%	Solar	**Huai'an Gangfa PV Power Company Limited (Huai'an Solar) 13/13MW** [11] Owns and operates **Huai'an Solar Power Station** (12.8MW), which commenced operation in June 2017
51%	Solar	**Jinchang Zhenxin PV Power Company Limited (Jinchang Solar) 85/43MW** [12] Owns and operates **Jinchang Solar Power Station** (85MW) in Gansu with Jiangsu Zhenfa New Energy Science & Technology Development Co., Ltd.
100%	Solar	**Sihong Tianganghu PV Power Co., Ltd. (Sihong Solar) 93/93MW** [13] Owns and operates **Sihong Solar Power Station** (93.4MW) in Jiangsu
100%	Solar	**CLP (Lingyuan) Hejiagou New Energy Company Limited (Lingyuan Solar) 17/17MW** [14] Owns **Lingyuan Solar Power Station** (17MW), which commenced construction in July 2017 [8]

Notes:

9 Considering the slim chance of settling a land dispute, the Haifang Wind Farm (49.5MW) has been excluded.

10 Gross/CLP Equity MW are expressed on an alternating current (AC) basis. If converted to direct current (DC), they are equivalent to 100/100MW.

11 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 15/15MW.

12 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 100/51MW.

13 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 110/110MW.

14 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 20/20MW.

India Gross MW/CLP Equity MW

Equity	Fuel type	Investments
100%	Gas, Wind	**CLP India Private Limited (CLP India) 705/705MW** Owns and operates two projects in Gujarat: · **Paguthan Power Station**, a 655MW combined-cycle gas-fired power plant designed to run on natural gas with naphtha as alternate fuel · **Samana I Wind Farm** (50.4MW)
100%	Wind	**CLP Wind Farms (India) Private Limited (CLP Wind Farms India) 774/774MW** Owns and operates the following wind projects: · **Andhra Lake Wind Farm** (106.4MW) in Maharashtra · **Bhakrani Wind Farm** (102.4MW) in Rajasthan · **Chandgarh Wind Farm** (92MW) in Madhya Pradesh · **Harapanahalli Wind Farm** (39.6MW) in Karnataka · **Jath Wind Farm** (60MW) in Maharashtra · **Mahidad Wind Farm** (50.4MW) in Gujarat · **Samana II Wind Farm** (50.4MW) in Gujarat · **Saundatti Wind Farm** (72MW) in Karnataka · **Sipla Wind Farm** (50.4MW) in Rajasthan · **Tejuva Wind Farm** (100.8MW) in Rajasthan · **Theni I Wind Farm** (49.5MW) in Tamil Nadu
100%	Wind	**CLP Wind Farms (Khandke) Private Limited (Khandke Wind) 50/50MW** Owns and operates **Khandke Wind Farm** (50.4MW) in Maharashtra
100%	Wind	**CLP Wind Farms (Theni – Project II) Private Limited (Theni II) 50/50MW** Owns and operates **Theni II Wind Farm** (49.5MW) in Tamil Nadu
100%	Coal	**Jhajjar Power Limited (JPL) 1,320/1,320MW** Owns and operates **Jhajjar Power Station** (1,320MW) in Haryana, which comprises two 660MW supercritical coal-fired units
49% [15]	Solar	**SE Solar Limited (SE Solar) 100/49MW** [16] **Veltoor Solar** (100MW) is under construction in Telangana

Southeast Asia and Taiwan Gross MW/CLP Equity MW

Equity	Fuel type	Investments
20%	Coal	**Ho-Ping Power Company (HPC) 1,320/264MW** Owns the 1,320MW coal-fired **Ho-Ping Power Station** in Taiwan. CLP's 20% interest is held through OneEnergy Taiwan Ltd, a 50:50 project vehicle with Mitsubishi Corporation. Taiwan Cement Corporation owns the remaining 60% interest in HPC
33.3%	Solar	**Natural Energy Development Co., Ltd. (NED) 63/21MW** Owns a 63MW solar farm in Lopburi Province in Central Thailand. NED is a joint venture company in which CLP has 33.3% shareholding. Electricity Generating Public Company Limited has the remaining 66.7%

Australia Gross MW/CLP Equity MW

Equity	Fuel type	Investments
100% [17]	Gas, Coal, Wind	**EnergyAustralia 5,087/4,505MW** Owns and operates a retail-focused energy business, supported by its generation portfolio in Victoria, South Australia and New South Wales, comprising the following facilities [18]: · **Cathedral Rocks Wind Farm** (50% equity) (66MW) · **Hallett Gas-fired Power Station** (203MW) · **Mount Piper Coal-fired Power Station** (1,400MW) · **Narrabri** (20% equity) (2C contingent resource of up to 1,797PJ) · **Pine Dale Black Coal Mine** · **Tallawarra Gas-fired Power Station** (420MW) · **Wilga Park Gas-fired Power Station** (20% equity) (16MW) · **Yallourn Coal-fired Power Station** (1,480MW) and **Brown Coal Open-cut Mine** · **Ecogen** – offtake from Newport and Jeeralang gas-fired power stations [19] (966MW)
Long-term Offtake [20]		· **Boco Rock Wind Farm** (100% offtake) (113MW) · **Gullen Range Wind Farm** (100% offtake) (165.5MW) · **Mortons Lane Wind Farm** (100% offtake) (19.5MW) · **Taralga Wind Farm** (100% offtake) (107MW) · **Waterloo Wind Farm Stage 1** (50% offtake) (111MW); **Stage 2** (0% offtake) (19.8MW)

Notes:

15 CLP India has an option to acquire Suzlon Group's remaining 51% stake one year after the commissioning of the project.

16 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 120/58.8MW.

17 Except those specified.

18 The Cathedral Rocks Wind Farm, Narrabri and Wilga Park Gas-fired Power Station are not operated by EnergyAustralia.

19 EnergyAustralia makes fixed payments to cover operating and capital expenditure and is liable for fuel costs in exchange for dispatch rights and the economic benefit of electricity sales from the Newport and Jeeralang Power Stations.

20 Long-term offtake relates to power purchase from power stations in which CLP has neither equity nor operational control.

Financial Review

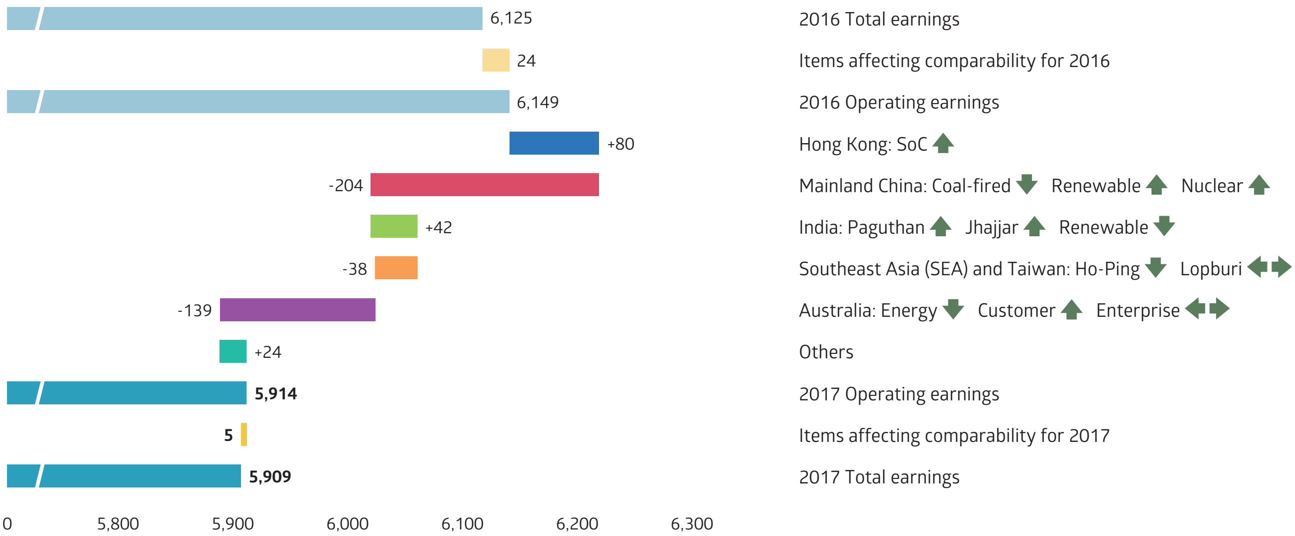
Analysis of Financial Results

	Notes to the Financial Statements	Six months ended 30 June 2017 HK$M	2016 HK$M	Increase / (Decrease) HK$M		%
Revenue	*5*	**43,337**	38,671	4,666	▲	12.1
Operating expenses		**(35,187)**	(30,663)	4,524	▲	14.8
Finance costs	*7*	**(1,103)**	(1,094)	9	▲	0.8
Share of results of joint ventures	*13*	**213**	602	(389)	▼	(64.6)
Earnings attributable to shareholders		**5,909**	6,125	(216)	▼	(3.5)
Adjusted current operating income (ACOI) #		**9,032**	9,077	(45)	▼	(0.5)

ACOI is a performance measurement which represents operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and net fair value gain / loss on derivatives relating to transactions not qualified as hedges and ineffectiveness of cash flow hedges. For more detailed analysis, please refer to our website.

Earnings Attributable to Shareholders

Earnings for the First 6 Months (HK$M)



The financial performance of individual business segment is analysed as below:

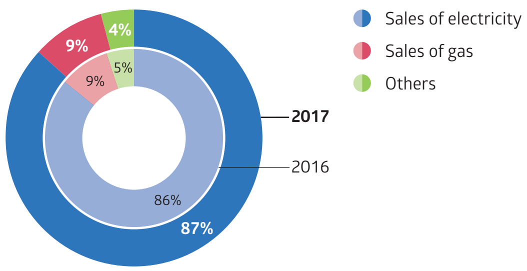
Hong Kong:	Higher net return on increased average net fixed assets partly offset by unfavourable fair value movement on forward foreign exchange contracts used to hedge the perpetual capital securities
Mainland China:	Higher coal prices and overcapacity in generation adversely impacted coal-fired projects; improved renewable performance due to continuous portfolio growth and good solar resources available partially offset by less rainfall at Huaiji; higher nuclear earnings due to more output from GNPJVC
India:	Stable operations at Paguthan and Jhajjar; for renewable portfolio, write-off of capitalised cost after cancellation of Yermala wind project partly compensated by higher generation and lower interest expenses
SEA and Taiwan:	Higher coal costs and lower energy tariff partially offset by more generation from Ho-Ping; stable operation at Lopburi solar farm
Australia:	Lower contribution from Energy segment resulting from higher gas supply costs, additional electricity spot purchases at high prices and unfavourable fair value movement of energy derivatives caused by significant increase in wholesale prices; higher contribution from Customer segment driven by higher gross margins as a result of higher prices and usage by mass market customers

Revenue and Operating Expenses

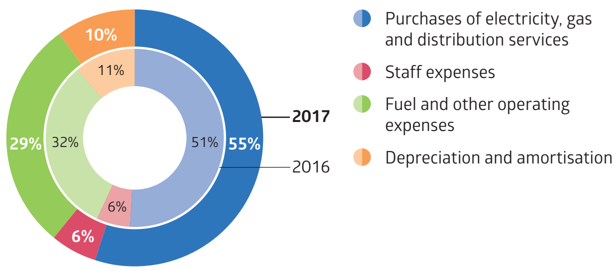
	Revenue 2017 HK$M	Revenue 2016 HK$M	Revenue Increase / (Decrease) HK$M	Revenue Increase / (Decrease) %	Operating Expenses 2017 HK$M	Operating Expenses 2016 HK$M	Operating Expenses Increase / (Decrease) HK$M	Operating Expenses Increase / (Decrease) %
Hong Kong	**18,795**	18,020	775	4.3	**12,514**	11,880	634	5.3
Australia	**21,900**	18,078	3,822	21.1	**20,767**	16,697	4,070	24.4
India	**1,973**	2,012	(39)	(1.9)	**1,292**	1,364	(72)	(5.3)
Mainland China and others	**669**	561	108	19.3	**614**	722	(108)	(15.0)
	43,337	38,671	4,666		**35,187**	30,663	4,524	

- Hong Kong: Higher fuel cost recovery revenue in line with the use of cleaner and more expensive fuel despite lower units sold; basic tariff and other operating expenses remained stable
- Australia: Higher generation revenue due to higher pool prices and higher retail revenue resulting from higher prices and usage by mass market customers; higher operating expenses due to higher electricity and gas purchase prices
- India: Lower revenue as a result of lower dispatch of Paguthan, partially offset by higher generation from renewable projects; lower operating expenses due to lower fuel cost on lower generation from Paguthan partially offset by a write-off of capitalised cost of Yermala wind project after its cancellation
- Mainland China: Higher revenue from more majority-owned renewable projects in operation; lower operating expenses because of exchange gain (2016: loss) on Renminbi deposits and other receivables in 2017

Revenues by Nature



Operating Expenses by Nature



Finance Costs

- Hong Kong: Fair value loss (2016: gain) on derivatives used to hedge the perpetual capital securities partially offset by lower bank arrangement fees
- India: Lower interest on reduction in external borrowings which were replaced by internal funding
- Australia: Reduced commitment fees on less banking facilities

Share of Results of Joint Ventures

- Mainland China: Higher coal prices and overcapacity significantly reduced contributions from our coal-fired projects despite higher sales from commissioning of Fangchenggang Phase II
- SEA and Taiwan: Higher coal costs and lower energy tariff despite more generation from Ho-Ping

Analysis of Financial Position

	Notes to the Financial Statements	30 June 2017 HK$M	31 December 2016* HK$M	Increase / (Decrease) HK$M	%
Fixed assets, leasehold land and land use rights and investment properties	11	**143,820**	139,421	4,399 ▲	3.2
Goodwill and other intangible assets	12	**28,792**	27,653	1,139 ▲	4.1
Trade and other receivables	16	**16,540**	13,464	3,076 ▲	22.8
Trade and other payables	17	**14,473**	20,176	(5,703) ▼	(28.3)
Derivative financial instrument assets#	15	**2,159**	2,801	(642) ▼	(22.9)
Derivative financial instrument liabilities#	15	**2,980**	2,557	423 ▲	16.5
Bank loans and other borrowings#	18	**53,948**	51,646	2,302 ▲	4.5

* Comparatives have been reclassified to conform with current year's presentation. Details are set out in Note 2 to the condensed consolidated interim financial statements.

\# Including current and non-current portions

Fixed Assets, Leasehold Land and Land Use Rights and Investment Properties
Goodwill and Other Intangible Assets

- Major additions for first half of 2017 include:
  - Hong Kong: SoC capital expenditure of HK$3.5 billion
  - Mainland China and India: Construction of wind and solar projects totalled HK$970 million
  - Australia: Enhancement of Yallourn and customer service facilities
- The movements of balances as follows:

	Fixed Assets, Leasehold Land and Land Use Rights and Investment Properties HK$M	Goodwill and Other Intangible Assets HK$M
Opening balance at 1.1.2017	139,421	27,653
Additions	5,118	242
Depreciation and amortisation	(3,241)	(332)
Translation difference and others*	2,522	1,229
Closing balance at 30.6.2017	**143,820**	**28,792**

* Mainly appreciation of Australian dollar, Indian rupee and Renminbi, and adjustment for decommissioning assets relating to the rehabilitation of certain sites in Australia

Trade and Other Receivables
Trade and Other Payables

- Hong Kong: Higher receivables on higher seasonal electricity sales for SoC business; lower payables after reclassification of advances from CSG HK of HK$5,115 million to non-controlling interests upon execution of Shareholder Capital Agreement in April 2017
- India: Stable debtor balance; increased construction cost payable for Veltoor Solar
- Australia: Higher sales debtors on higher pool prices and price increases in January 2017; payables remained at similar level of December 2016 as settlement of 2016 green liabilities (e.g. Renewable Energy Target obligations) substantially offset by higher payable on higher pool purchase prices and higher network costs payable on seasonally higher sales volume in June as compared to December

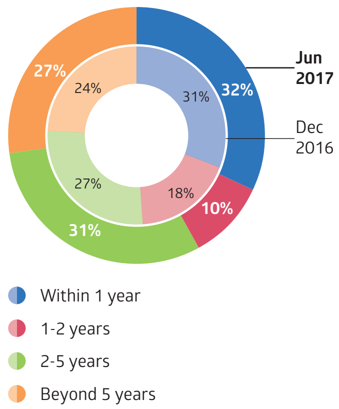
To enhance capital structure and demonstrate the shareholders' commitment to the business, CLP Power Hong Kong, CSG HK and CAPCO executed a Shareholder Capital Agreement in April 2017 to reclassify certain portion of the shareholders' advances to equity-like shareholder capital. Please refer to Note 17(b) of the condensed consolidated interim financial statements for details.

Derivative Financial Instruments

As at 30 June 2017, the Group had gross outstanding derivative financial instruments which amounted to HK$85.0 billion. The fair value of these derivative instruments was a net deficit of HK$821 million, representing the net amount payable if these contracts were closed out at period end. However, changes in the fair value of derivatives have no impact on cash flows until settlement. Increase in net derivative liabilities was mainly due to the mark-to-market losses on energy contracts in Australia.

	Notional Amount		Fair Value Gain / (Loss)	
	30 June 2017 HK$M	31 December 2016 HK$M	**30 June 2017 HK$M**	31 December 2016 HK$M
Forward foreign exchange contracts and foreign exchange options	**34,065**	40,003	**307**	438
Interest rate swaps and cross currency interest rate swaps	**31,248**	35,452	**(816)**	(945)
Energy contracts	**19,719**	14,971	**(312)**	751
	85,032	90,426	**(821)**	244

Maturity Profile



Cash Flow Analysis

Free Cash Flow (2017: HK$6,345 million; 2016: HK$9,038 million; ↓ 29.8%)

	Six months ended 30 June	
	2017 HK$M	2016 HK$M
Funds from operations	**6,987**	9,495
Less: Tax paid	**(581)**	(557)
Less: Net finance costs paid	**(1,126)**	(1,178)
Less: Maintenance capex paid	**(314)**	(301)
Add: Dividends from joint ventures and associates	**1,379**	1,579
	6,345	9,038

- Hong Kong: decrease in inflow from SoC mainly due to special fuel clause rebate of HK$786 million paid in 2017 and lower fuel cost recovery from customers
- Australia: unfavourable working capital movement mainly driven by high wholesale prices and unfavourable movement of energy derivatives for the six months ended 30 June 2017
- Dividends received from joint ventures in Mainland China decreased whereas dividend from GNPJVC remained stable

Financing and Capital Resources

In the first half of 2017, the Group moved forward with a number of new financing arrangements to support projects that lay the foundations for future growth and opportunity in our key markets. Overall, CLP Holdings has maintained strong liquidity with undrawn bank facilities of HK$8.8 billion and bank balances of HK$961 million as at the end of June 2017. One of the most significant transactions in 2016 saw CLP enter into a conditional Equity Transfer agreement with CGN Power to acquire a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. As we continued to work closely with CGN Power to obtain regulatory approval, CLP made available an amount of dividends from our China investments to partially fund the acquisition and simultaneously obtained commitments from several financial institutions for debt funding at preferential interest rates.

For the six months up to June 2017, CLP Power Hong Kong had arranged HK$1.3 billion three-year revolving bank facilities and a HK$300 million 15-year fixed-rate private placement bond at attractive interest rates. The CLP Power Hong Kong Financing Limited's Medium Term Note (MTN) Programme set up in 2002 allows for up to US$4.5 billion of bonds to be issued and guaranteed by CLP Power Hong Kong. As at 30 June 2017, notes with an aggregate nominal value of about HK$25.0 billion had been issued.

CAPCO, meanwhile, executed a HK$4.3 billion five-year commercial loan agreement in January 2017 and a HK$1.4 billion 15-year export credit agency supported loan agreement in March 2017 with the same banks group at favourable terms and interest rates to fund the 550MW Combined-Cycle Gas Turbine (CCGT) project at the Black Point Power Station. CAPCO also established its own MTN programme through its subsidiary Castle Peak Power Finance Company Limited for the first time with effective date in June 2017. This programme, which enables CAPCO to diversify its funding from bank to bond market, carries AA- and A1 credit ratings by Standard & Poor's (S&P) and Moody's respectively. Under this MTN programme, bonds in an aggregate amount of up to US$2 billion may be issued and will be unconditionally and irrevocably guaranteed by CAPCO.

In July 2017, CAPCO successfully issued a US$500 million (HK$3.9 billion) 3.25% coupon, 10-year fixed-rate Energy Transition Bond, which represented the first climate financing arranged under a newly established CLP Climate Action Finance Framework and CAPCO's MTN programme with listing on The Stock Exchange of Hong Kong Limited. The bond was priced at US Treasury yield plus 1.025% with over US$1.25 billion (more than 2.5 times over-subscribed) in orders from global investors. The full amount of US dollar principal was swapped back to Hong Kong dollar fixed-rate debt to mitigate foreign currency and interest rate risks. The bond serves to refinance a majority portion of CAPCO's HK$4.3 billion five-year commercial bank loan facility to fund the CCGT project with more diversified, long-term, cost-efficient and fixed-rate funding in continual support of CAPCO's contribution to Hong Kong's low carbon transition.

Our projects beyond Hong Kong continued to maintain healthy liquidity positions. Jhajjar Power Limited (JPL) and CLP Wind Farms (India) Private Limited successfully negotiated with banks to reduce interest rate margins by up to 1%. In January 2017, JPL issued Rs. 2.7 billion (HK$326 million) standalone five and six-year bonds with A+ credit rating from India Ratings and Research Private Limited to refinance an existing US dollar loan.

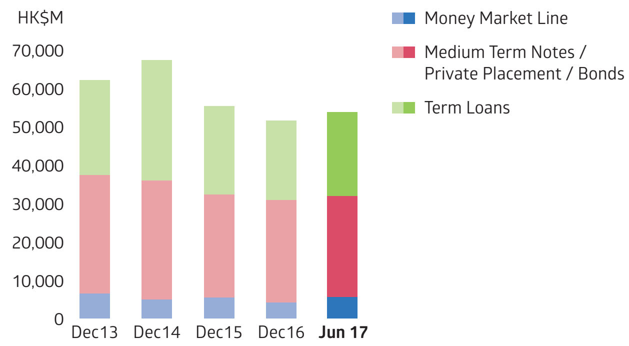
The Group is committed to maintaining a diversified portfolio of debt funding and strong financial metrics. At the end of June 2017, our net debt to total capital ratio was 30.3% (end 2016: 29.5%) and fixed-rate debt as a proportion of total debt was 49% (end 2016: 57%) without perpetual capital securities or 54% (end 2016: 61%) with perpetual capital securities. For the six months ended 30 June 2017, the EBIT (earnings before interest and taxes) interest cover was 10 times.

Debt Profile as at 30 June 2017

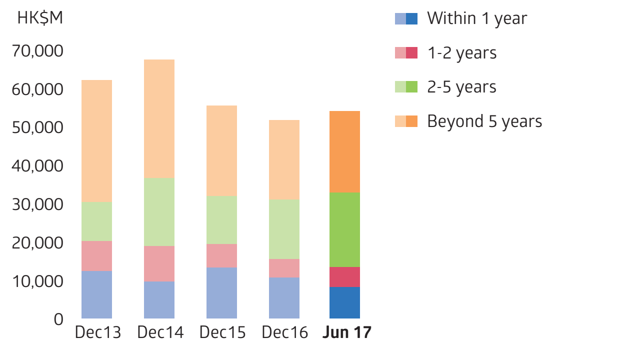
	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Available Facility *	9,200	37,631	11,879	23,160	81,870
Loan Balance	429	34,631	5,465	13,423	53,948
Undrawn Facility	8,771	3,000	6,414	9,737	27,922

* For the MTN Programme, only the amount of the bonds issued as at 30 June 2017 was included in the total amount of Available Facility. The Available Facility in EnergyAustralia excludes a facility set aside for guarantees.

Loan Balance [1] - Type



Loan Balance [1] - Maturity [2]



Notes:

1 The 2014 to 2017 figures include CAPCO and PSDC as subsidiaries of the Group after the acquisitions. For comparative purpose, we have included CLP Group, CAPCO and PSCD in the 2013 figures.

2 The maturity of revolving loans is in accordance with the maturity dates of the respective facilities instead of the current loan drawdown tenors.

Credit Ratings

In May 2017, S&P upgraded the rating of CLP Holdings from A- to A and the rating of CLP Power Hong Kong from A to A+ and assigned the outlooks for both as stable. The upgrades were attributed to a strengthening financial profile due to reduced debt leverage by the Group, CAPCO's improved capital structure, CLP Holdings' disciplined financial policy, and anticipated continuing improvements in our financial performance.

Notably, S&P said it believed the new SoC Agreement would give CLP Power Hong Kong greater certainty to facilitate long-term capital deployment as we strive to meet the government's clean energy targets.

In June 2017, CAPCO received a credit rating of AA- from S&P after applying for a credit rating for the first time. S&P noted that CAPCO operates in an open and transparent environment with costs and returns dictated by our new SoC Agreement. In the same month, Moody's gave CAPCO an A1 credit rating with an outlook of stable, commending its strong financial profile and low-risk business model.

In July 2017, S&P raised EnergyAustralia's credit rating from BBB to BBB+ and assigned the outlook as stable. The upgrade was attributed to an expectation that EnergyAustralia will resolve its fuel supply issues at Mount Piper Power Station imminently and due to the company's leverage remaining low over the medium to long term providing adequate headroom.

As at the date of this Report, the credit ratings of major companies within the Group are as below.

	CLP Holdings		CLP Power Hong Kong		CAPCO *		EnergyAustralia
	S&P	Moody's	S&P	Moody's	S&P	Moody's	S&P
Long-term Rating	▲ A	A2	▲ A+	A1	AA-	A1	▲ BBB+
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Short-term Rating	▲ A-1	P-1	A-1	P-1	A-1+	P-1	–

▲ Credit ratings upgraded by S&P in May 2017 for CLP Holdings and CLP Power Hong Kong, and July 2017 for EnergyAustralia

* Credit ratings assigned to CAPCO for the first time in June 2017

Business Performance and Outlook

This section describes CLP's operational performance in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia in the first six months of 2017.

Hong Kong

CLP has this year signed a new Scheme of Control (SoC) Agreement with the Hong Kong Government that will see us continue to improve our network serving millions of homes in the city while working to reduce carbon emissions, set new standards of service excellence, and encourage customers to save energy and live smarter, greener lifestyles. The new Agreement will run for 15 years from 1 October 2018 to 31 December 2033. It will provide a stable regulatory environment for us to continue serving Hong Kong and contributing to the long-term development of our home market.

As part of that mission, we are actively encouraging energy saving among our customers and promoting renewable energy development, while more stringent operational performance targets are set on our supply reliability and customer services under the SoC. The challenge for CLP in the years ahead is to deliver environmental improvements and maintain our highly reliable supply of electricity to customers at reasonable tariffs.

In support of the Government's target of increasing the use of natural gas to around 50% of the total fuel mix for electricity generation in 2020, construction of a new 550MW gas-fired generation unit at Black Point Power Station is going ahead with the main civil works commenced in July. We plan to have the unit in commercial operation before 2020.

At the same time, our proposal to construct an offshore LNG terminal in Hong Kong waters is progressing well. The environmental impact assessment study is ongoing and we plan to submit it for Government approval in the fourth quarter. Preparations for the commercial arrangements for LNG supply are also under way.

Despite Hong Kong's limited renewable resources and land scarcity, we have been exploring opportunities to directly support renewable energy wherever practical. A recent example is the proposed construction of Hong Kong's largest landfill gas power generation project at the West New Territories Landfill which will produce 10MW of renewable power. The plant is projected to go into operation by the end of 2018.

Meanwhile, in a major initiative to promote smart living and explore the feasibility of a wider implementation of smart metering, we have launched the Smart Energy Programme – a one-year demand side management study – for about 26,000 residential customers. Through the use of smart meters and mobile devices, participating customers can obtain timely consumption data and join different service trials which encourage them to lower energy use at peak times and save on electricity bills by changing their consumption habits. We are also installing smart meters for customers in villages. These meters will enable us to quickly identify locations where service faults occur and speed up the restoration of service, further enhancing the reliability of electricity supply to our customers. These initiatives are part of CLP's continuous efforts to support Hong Kong's development into a greener and smarter city.

We have also opened a Smart Energy Experience Centre in Yuen Long, where smart home devices and smart business solutions are showcased. Meanwhile, we are helping our commercial customers in businesses such as laundries and

The new Scheme of Control Agreement provides a stable regulatory environment for CLP to continue serving Hong Kong restaurants to optimise their operations and services by offering them smart solutions covering real time energy and operation monitoring.

In July, we launched a revamped mobile app which provides our customers with a range of new features including bill management, energy saving tips, an electric vehicle charging station guide, and information on the latest smart gadgets.

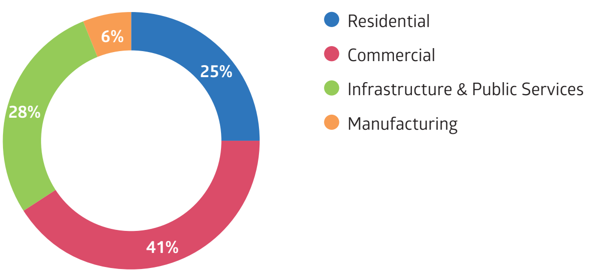
Our network is being constantly upgraded and improved. In the first half of 2017, we invested HK$3.5 billion in our generation, transmission and distribution networks, as well as our customer service and supporting facilities, to maintain and enhance electricity supply and to support the Government's new infrastructure projects. During the period, a new 132kV substation was commissioned to provide a power supply to the new border control point at Heung Yuen Wai in the northeast of Hong Kong and developments in nearby areas.

During the same period, total electricity sales, including local sales and sales to the Mainland, decreased by 2.7% to 15,598GWh.

Sales of electricity within Hong Kong were 15,115GWh, down 2.6% compared to the first half of 2016. The warmer and drier weather in early 2017 required a lower heating and dehumidifying load, and there was less cooling load in the second quarter. The sales reductions in the Residential, Commercial, and Manufacturing sectors offset the increase in the Infrastructure & Public Services sector. Sales to Mainland China amounted to 483GWh, slightly lower compared to the same period last year. Below is a breakdown of the changes in sales in Hong Kong:

	Increase / (Decrease)		
Residential	(424GWh)	↓	(10.0%)
Commercial	(20GWh)	↓	(0.3%)
Infrastructure & Public Services	44GWh	↑	1.0%
Manufacturing	(4GWh)	↓	(0.5%)

% of Total Local Sales



Outlook

Hong Kong

CLP will continue to work with the Government towards its carbon reduction targets while raising standards of customer service and supply efficiency to customers in one of the world's most dynamic, progressive, and rapidly-evolving energy markets.

We are pressing ahead with the construction of the gas-fired generation unit at Black Point Power Station, as well as the development of gas infrastructure such as the offshore LNG terminal project. We will also prepare for the new initiatives under the new SoC Agreement, including the Feed-in-Tariff programme to promote renewable energy installations, renewable energy certificates for customers who choose to support local renewable energy development, the new CLP Eco Building Fund to support building energy efficiency upgrades, and the CLP Community Energy Saving Fund to support the use of energy efficient appliances and equipment throughout our supply area. We will also continue to engage with our customers and stakeholders to ensure the new initiatives will bring long-term benefits to the community.

We live in a fast-changing digital era and, as part of our digital transformation journey, we will further develop our mobile customer interaction platform following the launch of our revamped mobile app in July, which enables our customers to save energy with innovative products and services. We will continue to monitor market trends and developments, introduce innovative products, and promote customer engagement through a variety of communication platforms and channels. By doing so, we aim to get a greater understanding of the needs of our customers so we can provide them with ever better and more personalised products and services. The new 15-year SoC Agreement provides a platform for us to set new standards in power supply and customer service excellence.

Sihong Solar Power Station in Jiangsu province pursues sustainable and innovative development by integrating fishery with clean power generation

Mainland China

In the first six months of 2017, our diversified generation portfolio encompassing nuclear and renewable energy in Mainland China enabled us to partially mitigate the impact of the challenging operating environment posed by surplus electricity supply and increased coal prices.

Our nuclear business delivered stable returns as Daya Bay Nuclear Power Station continued to perform well and slightly increased its output. Meanwhile, we continued to work closely with CGN Power with a view to obtaining the approvals required to complete our acquisition of a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. in Guangdong in the coming months.

Overall earnings of our renewable projects in the first half of 2017 were higher. This was despite our projects in Yunnan, Sichuan and Gansu being affected by lower tariff rates prescribed by local authorities under a variety of market sales programmes.

Earnings from our solar projects increased, mainly due to better solar resources and a greater contribution from Sihong Solar, which we took full ownership in July 2016. In June 2017, our fourth solar project in Mainland China situated in Huai'an in Jiangsu began commercial operations. In the meantime, our wind portfolio benefited from the addition of new projects in the second half of 2016, while earnings from our hydro projects declined largely because of a reduction in rainfall at Huaiji in Guangdong.

Slowing electricity demand growth and higher coal prices continued to put pressure on our coal-fired assets. Low demand and oversupply in the local market affected utilisation of Fangchenggang Power Station. To enhance our competitiveness, we have undertaken a number of initiatives to adapt to changes in the Guangxi electricity market. They include carrying out market sales transactions with large local electricity users, participating in the Guangxi Power Exchange Centre as one of its founding members, and making timely adjustments to our fuel procurement strategies.

Outlook

Mainland China

We expect the challenging operating environment characterised by high coal prices and low electricity demand growth will continue in China's power market. We will therefore maintain our focused strategy to develop low carbon projects, and our priority in the second half of the year will be the completion of the Yangjiang transaction. As four generating units of the Yangjiang plant are already in operation, the acquisition is expected to have a positive impact on our earnings once it is completed. We also aim to commission Laiwu II Wind in Shandong in the second half of the year, further expanding our renewables portfolio. Meanwhile, we will continue to explore new opportunities by pursuing more market sales programmes to increase utilisation of our projects.

India

In the first six months of 2017, we continued to develop our renewable energy portfolio. Substantial progress has been made on the construction of the 100MW Veltoor solar farm, our first solar project in India, with full operations expected to begin in the second half of the year. Commissioning of the project will bring our total renewable capacity in India to close to 1,000MW, a milestone that underscores our long-term commitment to developing low carbon projects in the country and exemplifies the prudent approach we have taken in scaling up our portfolio.

Over the same period, generation of our wind projects improved by about 7% from the corresponding period last year because of better machine availability. We have discontinued construction of the 30MW Yermala wind project because of land issues.

On account of a planned maintenance outage at our coal-fired power plant in April and May, the availability of Jhajjar Power Station fell to around 70%, which is lower than the normative level of 80% for complete recovery of fixed costs. We expect availability levels to gradually return to the normative level for the full year following the completion of the planned outage. Utilisation, however, remained low amid slowing economic growth and surplus capacity in the state of Haryana. However for India's financial year ended 31 March 2017, Jhajjar not only fully recovered its fixed costs, but also received incentive thanks to its high availability of around 92%.

Meanwhile, at Paguthan Power Station, availability remained high at around 90% during the first half of the year. The project fully recovered its fixed costs over the financial year ended 31 March 2017. Utilisation was low at around 2.5% because subsidised imported gas was not available and generation using imported spot gas was expensive, making electricity dispatch unattractive for our customers.

Outlook

India

India's economic growth has been slower, which has had a negative impact on power demand. However, we remain confident of the long-term prospects of India's power industry.

Following the successful launch of Ujjwal Discom Assurance Yojana (UDAY), a restructuring package that aims to restore the financial health of India's debt-ridden electricity distribution companies, most of the worst-affected states and union territories have signed up for the scheme. If successfully implemented, the financial capacity of the distribution companies is expected to be greatly improved.

While the introduction of a goods and service tax in July may affect economic growth in the short run, we expect that it will ultimately enhance governance and the transparency of doing business in India.

In the second half of the year, our focus is on maintaining the high availability of Jhajjar and Paguthan and to enhance their utilisation from current levels. We also aim to maintain the wind turbines in good condition to benefit from the high winds during the monsoon season. The completion of Veltoor solar project in the second half will also be a priority.

In the longer term, we will continue our prudent approach in exploring new opportunities in renewable areas in support of India's goal of increasing the share of its clean electricity supply in the energy mix. We will also look for other growth opportunities along the energy supply chain.

CLP's first solar project in India will start operation in Veltoor in the second half of 2017

Southeast Asia and Taiwan

Our Ho-Ping project in Taiwan continued to perform well and reliably. However, the impact of high coal prices was also felt in Taiwan and Ho-Ping's earnings were affected. Because Ho-Ping's tariffs are set according to a lagging contractual tariff adjustment mechanism, the tariffs it charged in the period only reflected the lower coal prices in 2016 but not the increase in coal prices this year.

Operation and earnings of the Lopburi solar farm in Thailand remained stable. Meanwhile, in Vietnam, we pressed ahead with our discussions with the Government and the financing arrangements for the Vung Ang II and Vinh Tan III development projects.

Outlook

Southeast Asia and Taiwan

We will continue to focus on managing our existing assets and working towards finalising the key agreements of Vung Ang II and Vinh Tan III in Vietnam. As outlined in our investment strategy, Southeast Asia and Taiwan will remain our secondary growth market where we will continue to seek opportunities, particularly in the renewable energy field.

Australia

In the first half of the year, the Australian energy market continued to be impacted by significant changes. Prices in the wholesale market remained high and volatile as gas became increasingly scarce and expensive, one ageing coal-fired generator was removed from service, and regulatory uncertainty continued. These factors, combined with a hot summer, resulted in high costs for users of energy. The cost increases are being borne by residential and business customers with significant tariff increases for customers across the National Electricity Market (NEM).

Renewable energy in the form of new wind and solar generation has increased significantly across the NEM with the Australian Energy Market Operator reporting in June 2017 that 500MW has been committed or is very advanced for summer 2017-2018. Against this background, an independent review of the NEM led by Australia's Chief Scientist, Dr Alan Finkel AO, was released. The review recommends a number of policy and operational changes aimed at improving the reliability, security, affordability, and sustainability of the NEM. Key recommendations include adopting a new clean energy target, using more gas, enabling better planning for closure of aged coal plants, and putting a bigger focus on energy storage. The final report is currently being considered by the Federal, State and Territory Governments.

Meanwhile, the Australian Competition and Consumer Commission (ACCC) has launched a study into the country's electricity retail market. The ACCC will issue an interim report in September 2017 and deliver a final report to the Federal Government by 30 June 2018.

EnergyAustralia welcomes the debate as we recognise the need for a stable, national approach to energy policy that gives industry the confidence to invest. We believe any approach to energy must focus on the impact on customers, including households and businesses.

EnergyAustralia's "Light the Way" campaign engages customers in the transition to a cleaner energy future

With this in mind, EnergyAustralia has continued its programme to restore value by enhancing customer service, improving operational efficiency, and reducing costs.

In the first half of 2017, EnergyAustralia launched the "Light the Way" campaign to engage our customers in the transition to a cleaner energy future. As a first step, we offered customers the option to offset carbon emissions from the electricity they use at home at no cost. This was further supported by the introduction of a range of new innovative digital offerings like usage monitoring, usage alerts, and weather information to empower and energise Australians towards better energy use. We also partnered with the Sydney Opera House in April 2017 and have established a think tank with the Commonwealth Scientific and Industrial Research Organisation to help the iconic building become more sustainable.

Supported by these activities, our retail business performed well. Although the market remained competitive, our retention of existing customers continued to be favourable to overall market churn, and we have increased the total number of customer accounts. In addition, higher electricity and gas volumes as a result of weather conditions supported our retail business performance.

Higher wholesale prices and the higher demand driven by warmer weather have adversely impacted purchase costs for our mass market electricity customers. This was only partially offset by the increased contribution from generation during the period. The closure by ENGIE of its Hazelwood Power Station in Victoria combined with the continued operation of Alcoa's Portland Aluminium smelter had a significant impact on market dynamics and wholesale prices.

Margins were adversely impacted in our gas portfolio as historic contracts were replaced at higher prices, reflecting a tighter gas market. With the retirement of Hazelwood, the level of gas generation has increased, resulting in greater competition for gas resources. The announcement by the Federal Government that gas exports could be limited is a direct response to ensure adequate local short-term gas supply.

Coal supply at Mount Piper Power Station remained our management focus. During this period, Mount Piper has produced less energy than in the same period last year, in large part because of coal quality issues affecting production. We continue to work with our coal supplier to secure long-term coal supply of appropriate quality.

Coal royalty payments increased at Yallourn Power Station after the trebling of brown coal royalties by the Victorian State Government.

The volatile market conditions during this period have led to significant fair value adjustments of energy contracts we have entered into in the natural course of business to manage our exposure to future events. As such, these adjustments include accounting for prospective change of value for future periods and are not a good indicator of the underlying performance of the business.

In May, legal proceedings were commenced against EnergyAustralia by Lochard Energy, owned by a Queensland Investment Corporation-led consortium, seeking damages in relation to Lochard Energy's purchase of the Iona Gas Plant in 2015. EnergyAustralia will vigorously defend the action. On the basis of currently available information, our view is that a material outflow of economic benefits from the CLP Group is unlikely.

Outlook

Australia

In the near term, we expect to see wholesale market prices remain volatile and at high levels compared with the past levels. This will improve the outlook of our generation business, reinforcing our focus on asset reliability and availability.

We acknowledge the impact higher energy prices have on customers and we will continue to find ways to support our most vulnerable customers, most directly through an additional commitment of A$10 million to our hardship fund and delivery of our Financial Inclusion Action Plan, helping Australians get access to the affordable services and support they need. Further, with our customers in mind, we will continue to look for fresh ways to remove cost and complexity from our business. We expect the retail market to remain competitive, and will concentrate on our customer-focused strategy to continue to improve our retail business by focusing on meeting customer needs.

Within a fast-changing market, we are committed to facilitating an affordable, reliable, and clean energy transformation for all Australians. Specifically, EnergyAustralia made a pledge last year to underpin the development of new wind and solar projects of up to 500MW by committing to buy the clean energy they generate. So far this year, significant progress has been made with five contracts signed (four solar farms and one wind project) which will produce 390MW of energy for EnergyAustralia. In addition, we are involved in a number of potential clean energy projects including pumped hydro in South Australia, and energy recovery at Mount Piper. These projects, if successful, will further diversify our generation mix.

Finally, in the second half of the year, we will start offering further services such as the smart solar inverter system developed by Redback Technologies in partnership with EnergyAustralia, which will enable customers to optimise their solar energy and battery.

Human Resources

The Group employed 7,433 people as at 30 June 2017, compared with 7,339 at the same time in 2016. Of those, 4,204 were employed in Hong Kong electricity and related businesses, 2,952 by our businesses in Mainland China, India, Southeast Asia and Taiwan, and Australia, and 277 by CLP Holdings. Total remuneration for the six months to 30 June 2017 was HK$2,758 million, compared with HK$2,545 million for the same period in 2016, including retirement benefits costs of HK$277 million, compared with HK$215 million in 2016.

Safety

Safety is an absolute priority for CLP. We do everything we can to keep our employees and our contractors safe at all times and to promote a comprehensive safety culture throughout the Group. We were deeply saddened, therefore, by two fatal incidents happened in February and July this year involving four contractor workers.

In early July, a severe industrial accident resulted in the death of three contractor workers who were working at an underground cable tunnel in Hung Hom, Hong Kong. CLP made prompt arrangements to provide support to the families of the deceased workers to relieve their financial needs. We set up an internal panel to look into the accident and the review is ongoing. Besides, we and the concerned contractor company are working with the relevant government departments in carrying out an investigation into this incident. For prudent safety reasons, all similar works at CLP sites have been suspended.

Regarding the earlier accident at Castle Peak Power Station that saw the passing of a contractor worker, we worked closely with the contractor company to ensure the family of the worker received the appropriate assistance following the incident. In addition to our internal probe, we also continue to provide full support to the investigation undertaken by the Government.

The following table shows the Lost Time Injury Rate (LTIR)[1] and Total Recordable Injury Rate (TRIR)[2] for the first half of 2017.

	Employees		Employees and Contractors	
	Jan – Jun 2017	Jan – Jun 2016	**Jan – Jun 2017**	Jan – Jun 2016
LTIR[1]	**0.09**	0.02	**0.13**	0.05
TRIR[2]	**0.19**	0.10	**0.26**	0.13

Notes:
1 The number of lost time injuries over 200,000 working hours of exposure
2 The number of recordable injuries over 200,000 working hours of exposure

Our injury rates have deteriorated in the first six months of 2017 compared with the same period last year as a result of a number of incidents in Australia and Hong Kong. To help improve safety across the Group, a forum was held in March aimed at eliminating the causes of serious injury and fatalities at work. The forum was attended by representatives from all regions to learn from safety experts and develop action plans. A cross-region task force has been established to coordinate and implement the action plans.

After the forum, safety leadership workshops were held in different regions for senior management and executive teams. In April, a list of Life Saving Rules was circulated to all employees involved in higher risk activities. We also launched a behaviour-based safety observation and intervention programme in India in June. Meanwhile, we have set up new procedures to formalise the reporting and sharing of information about potential serious incidents at Group level. We shall continue our relentless effort in upholding our safety standards and culture to improve safety performance across our assets going forward.

Environment

CLP is firmly committed to playing a responsible role in working towards a better environment. We have taken steps to better manage and minimise the impact of our operations on environment. In the first half of 2017, we took steps to strengthen our internal management on material environmental issues of existing facilities and new projects under development.

Compliance

CLP had no environmental regulatory non-compliance incidents in the first half of 2017 that resulted in fines or prosecutions, but there were occasional incidents of license limits for particulates being exceeded because of equipment malfunctions. The incidents were minor, short in duration, and did not result in any regulatory sanctions. Early this year, our thermal power plants successfully implemented a new set of environmental guidelines to apply clear and consistent reporting practices for incidents of emission limits being exceeded.

Climate Change

In the first half of 2017, there was no major change to our portfolio or operations conditions and thus our carbon intensity remained steady at the 2016 level of around 0.82 kg CO_2 / kWh.

Despite the US withdrawal from the Paris Agreement, most countries as well as states and cities recognise the benefits of low carbon energy for their social and economic development and are in full support of the agreement's principles. They believe it will lead to increased energy security and independence, better energy access, and the development of new low carbon technology, equipment and services. Signatories to the Paris Agreement submitted Nationally Determined Contributions (NDCs) that match their current development plans and are therefore likely to be achieved although they may fall short of the objective of keeping the global temperature rise to within 2 degrees Celsius. More needs to be done, particularly if a more ambitious target of 1.5 degrees Celsius is to be achieved. Our own Climate Vision 2050 is the roadmap for our journey to a low carbon future, and we have begun a review of this strategy to take into account the latest science and future business opportunities. We aim to complete this review in 2018.

Air Quality

Over the past decade, we have faced increasingly stringent regulatory requirements on air emissions in jurisdictions where we operate. In the first half of 2017, we continued our efforts to reduce emissions at our power plants. In India, the flue gas desulphurisation facilities at Jhajjar Power Station will ensure we meet the country's tightened sulphur dioxide emissions requirements. In Mainland China, our Fangchenggang Power Station Phase I is preparing for a major retrofitting project to enhance its operational efficiency and significantly lower air emissions.

In Hong Kong, we are determined to play our part in improving air quality and meeting the Government's tightened emission caps. We have achieved a reduction of over 60% in sulphur dioxide emissions, and a reduction of over 30% in nitrogen oxides emissions and respirable suspended particulates compared with 2010 levels. Our efforts continue, and we are committed to meeting the 2017-2018 emission targets set by the Government. We are building a new 550MW gas-fired generation unit at our Black Point Power Station, and we are supporting the development of renewable energy with the West New Territories landfill gas power generation project.

Our dedication to work towards a low carbon future for Hong Kong was underscored by the signing of a new 15-year SoC Agreement with the Government in April. We are confident of meeting the Government's emissions reduction objectives, while continuing to provide our customers with a reliable supply of electricity at an affordable price.

Water Usage & Risk

CLP's thermal power stations require water for cooling, and our hydro power stations rely on water to generate electricity. We are committed to the sustainable use of water resources in all our operations. In the first half of 2017, water consumption of all our power facilities was within their license entitlement limits and we did not experience any water scarcity issues.

As part of our mission to ensure the sustainable use of water resources, we annually employ the World Business Council for Sustainable Development Global Water Tool for Power Utilities to assess if any of our operating assets are located in water stress areas and implement effective mitigation measures if any such risks are detected. We also track and publish our water usage statistics for power plants under our operational control on an annual basis.

In addition, we participate in an annual water survey by CDP, which collects water-related data from some of the world's largest corporations. The survey provides us with valuable insights into some of the best practices of water resource management in our industry.

Sustainability Performance

In March this year, we published our 2016 Sustainability Report which supplements our integrated Annual Report with additional information on our operational, environmental and social performance. The Sustainability Report was prepared in accordance with the core option of the Global Reporting Initiative (GRI) Standards and the GRI G4 Electric Utilities Sector Disclosures. It also satisfies the "comply or explain" provisions and "recommended disclosures" of the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide. As in previous years, the Sustainability Report includes a set of quantitative key environmental, social, governance and financial performance indicators which have been verified by third parties. These indicators were also included in our Annual Report.

To help us compare our sustainability performance with other companies, we respond to a selection of investor surveys and indices on an annual basis. In the first half of 2017, we responded to the disclosure requests for reports on climate change by CDP and for the Dow Jones Sustainability Index while the response for the Hang Seng Corporate Sustainability Index was submitted in July. The index scores will be published in the second half of 2017.

Stakeholder Engagement & Social Performance

CLP is much more than just an energy company. We are part of the social fabric of the communities in which we live and work, and our employee volunteers play an important role in helping to meet the needs of society and support the disadvantaged. We are also deeply engaged with the academic and intellectual lives of the communities we serve, working with our peers, industry associations, and academic and research communities to enrich our common knowledge about key issues such as the environment and our energy future.

As part of that process of knowledge exchange, in March 2017 we supported Dr David Suzuki from Canada to deliver the inaugural lecture of the City University of Hong Kong's sustainability lecture series to an audience of more than 400 people. We also published over 15 articles from global experts and thought leaders on our New Horizons website which has attracted thousands of views. We continued to play an active role in international industry and business organisations including the World Business Council for Sustainable Development, the World Energy Council, the International Electric Research Exchange, the International Emissions Trading Association and the Global Reporting Initiative. In addition, we participated in the eighth Clean Energy Ministerial held in June in Beijing.

Here are some of our community initiatives:

Hong Kong

We organised campaigns to promote energy saving and caring for the community.

POWER YOU Kindergarten Education Kit

Since we started distributing this imaginatively designed kit to local kindergartens in 2016 to help ignite the interest of young children in the world of electricity and encourage them to develop energy saving habits from an early age, some 1,000 kindergartens have received them. Now used by more than 85% of them, it benefits around 153,000 children. A complementary outreach programme was launched in January 2017 and by June, our employees had visited more than 1,800 children in kindergartens across Hong Kong. To promote a theme song of the kit, *Please Come and Save the Earth*, and raise public awareness of energy saving, a music contest was held in March 2017, attracting 170 competing teams and more than 1,700 contestants ranging in age from three to 65, including disabled people and minority groups.

Sharing the Festive Joy

This caring community programme launched in 2014 sees elderly people invited to join CLP volunteers for lunches during festivals such as Tuen Ng Festival, Mid-Autumn Festival and Senior Citizens Day. Volunteers give tips on

Young children perform for elderly guests at a CLP Sharing the Festive Joy lunch

The CLP-sponsored low carbon energy education centre at the City University of Hong Kong aims to foster greater understanding of green energy

energy saving and the safe use of electricity to guests. In the first half of 2017, more than 200 elderly people joined a festive lunch we organised in partnership with a non-government organisation.

In another important community initiative, CLP sponsored the City University of Hong Kong to set up a low carbon energy education centre on campus which was soft opened in April 2017. The centre gives visitors a thought-provoking experience through which they learn about the importance of low carbon energy in addressing the challenge of climate change.

Following the signing of the new SoC Agreement with the Hong Kong Government in April, we conducted a series of communication sessions to engage our key stakeholder groups in June and July. Through these sessions, we shared the new features of the SoC Agreement with our stakeholders and listened to their feedback and comments so that we can better plan and implement the new initiatives in the coming year.

In May, CLP hosted the seventh Guangdong, Hong Kong and Macau Power Industry Summit in Hong Kong under the theme of "Sustainable Growth with Regional Focus". The two-day summit, attended by the senior management of CLP, China Southern Power Grid, China General Nuclear Power Corporation and Companhia de Electricidade de Macau as well as external speakers, enabled an exchange of insights of the latest development of the electricity sector and the challenges and opportunities facing businesses in pursuit of sustainable growth.

Mainland China

In the first half of 2017, we organised 41 community initiative events and activities focusing on community well-being and youth education. A variety of activities were held, including celebrations for local communities during festive periods, visits to elderly homes and children's rehabilitation centres, and safety-themed educational campaigns to promote CLP's safety culture.

In March, a CLP China-organised Guangxi Power Sector Reform Research Delegation paid an official visit to Australia. The delegation visited the Australian Energy Market Commission, the Australian Energy Market Operator, the Australian Energy Regulator, and EnergyAustralia, gaining a comprehensive understanding of the history, governance structure, institutions set-up and experience of the Australian power sector reform.

Water ATM machines provide clean drinking water to villagers who live near CLP India's projects

India

As part of our celebrations marking the 15th anniversary of CLP India, we organised 15 community events ranging from hospital visits, HIV awareness training, and anaemia screening for adolescent girls. More than 40 employees and their family members participated in the events and activities which benefitted around 1,000 villagers in the communities near our assets.

We completed the construction of a 50-bed secondary care hospital at Jhajjar in the first half of 2017 and sustainable facilities such as roof-top solar panels, landscaping, and water and energy meters are currently being installed. The hospital is expected to be opened later this year and it will be donated to the Haryana State Government for the community's use.

In addition to the two "Water ATMs" that we have set up in Paguthan and Kothi villages in the state of Gujarat, we have added a mini version of the machine at a primary school in Hingalla village near our Paguthan plant to provide clean drinking water for school children.

In the first six months of this year, we have put in place a number of community programmes and facilities to improve the living quality of villagers who live near the sites of our renewable energy projects in India. At Khandke Wind Farm, nine rain water harvesting structures were repaired or built, enabling villagers to collect rain water for irrigation and drinking purposes. We built 22 bore well structures to recharge underground water and 16 street lights powered by solar in six villages near our Veltoor solar site benefitting 17,600 villagers. In three villages near our Tejuva wind site, 18 underground water tanks were constructed for the effective storage of rain water during monsoon.

Australia

As part of the "Light the Way" campaign, EnergyAustralia announced in April a two-year partnership with Sydney Opera House to help the iconic performing arts centre achieve its sustainability goals, including carbon neutrality by 2023 and a 14% saving in energy. EnergyAustralia and the Opera House have teamed up with the national science agency, Commonwealth Scientific and Industrial Research Organisation, to form a think tank to develop and test emerging technologies that could be adopted by households and organisations across Australia. Ideas under consideration include on-site energy storage systems, applying big data and peer-to-peer renewable energy sharing. Trials are due to begin next year.

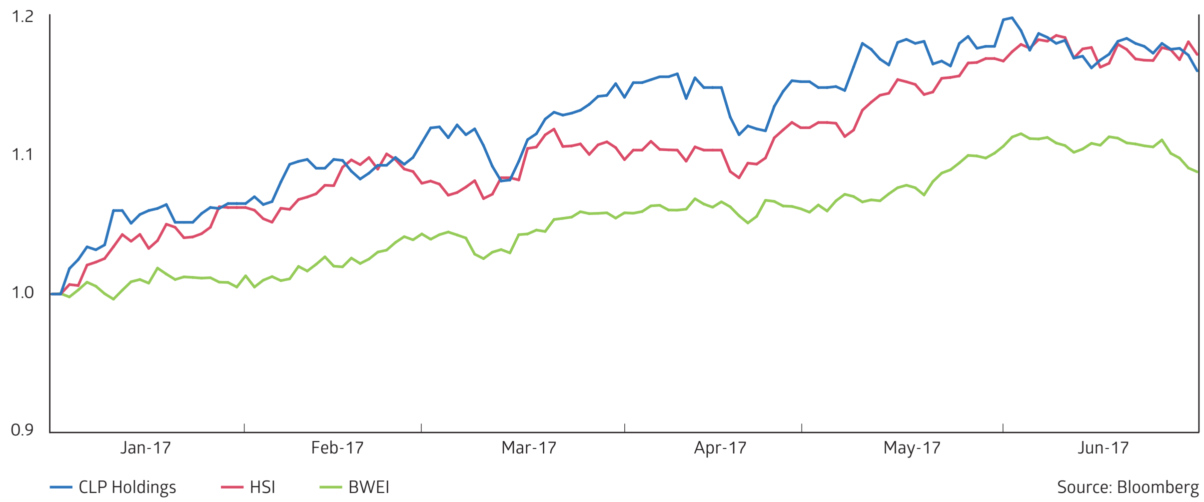
In June, EnergyAustralia launched Sunraiser, a programme aimed at helping community organisations raise money for cleaner, energy-efficient products and services. Albert Park College in Victoria was the first community organisation to participate in the programme. EnergyAustralia will work closely with the school to help it reach its goal of becoming the first state school in Australia to achieve carbon neutrality. The Sunraiser programme is open to community groups including schools, churches, returned services clubs, sporting clubs, local councils, not-for-profit organisations and charities.

Shareholder Value

CLP Holdings' share price appreciated by 16% over the first half of the year. This was closely in line with the Hang Seng Index (HSI) which increased by 17%. The Bloomberg World Electric Index (BWEI), in comparison, rose 9% during the six-month period.

The fourth interim dividend for 2016 of HK$1.09 per share was paid to shareholders on 23 March 2017. The first interim dividend for 2017 of HK$0.59 per share was paid on 15 June 2017 and the second interim dividend of HK$0.59 per share will be paid on 15 September 2017.

Relative Performance – CLP vs HSI and BWEI (1 January 2017 – 30 June 2017) (Base: 31 December 2016 = 1.0)



Source: Bloomberg

Corporate Governance

Corporate Governance Practices

The "CLP Code on Corporate Governance" (CLP Code) is our own unique code on corporate governance (available on our website or from the Company Secretary on request). The CLP Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations (Code Provisions and Recommended Best Practices) in The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited.

CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. We do not issue quarterly financial results, but we issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities. Our considered reasons for not issuing quarterly financial results have been set out in the Corporate Governance Report on pages 96 and 97 of our 2016 Annual Report.

During the six months ended 30 June 2017, the Company met the Code Provisions and Recommended Best Practices, other than the exception explained above, as provided in the Stock Exchange Code.

Highlights for the first half of 2017

We have always emphasised that our corporate governance practices should evolve as we continuously look for opportunities to improve.

- Establishment of CLP Climate Action Finance Framework: This new Framework was established to facilitate the arrangement of socially responsible and sustainable financings (e.g. green / new energy bonds and energy transition / emission reduction bonds) by CLP Group business units and represents a significant step towards achieving the goals set out in our Climate Vision 2050. The CLP Group Climate Action Finance Committee has been formed and is responsible for the overall governance, review and approval of the financing arranged under this Framework. CLP Group will issue a Climate Action Finance Report on an annual basis, which will be reviewed by our external auditor and published within the Group Sustainability Report.
- Continuous disclosure: In 2016, we established a Continuous Disclosure Committee to conduct regular assessment of potential inside information. Through this Committee, members of the Committee were able to, on a timely and coordinated basis, consider and assess the appropriate timing for making relevant announcements. These include the announcements for the new Scheme of Control Agreement and the litigation concerning EnergyAustralia.
- Monitoring risks: Led by the Chairman of the Audit Committee, members of the Audit Committee attended a typhoon recovery drill run by our core Hong Kong business. This enabled them to gain a useful insight of the operational procedures in the event of a typhoon strike. Cyber security was another area of operational risks which the Audit Committee has been actively reviewing especially in light of the recent attacks worldwide and the ever changing nature of cyber security attacks. A cyber security briefing update was given to the Committee shortly after the worldwide attacks. CLP was not affected by those attacks that occurred during the reported period.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017.

At the Company's Annual General Meeting (AGM) held on 5 May 2017, the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2017 was approved by our shareholders with strong support of over 99.92% of the votes.

Further information of CLP's corporate governance practices is set out in the "About CLP" and "Investors Information" sections of the CLP website.

Our Board and Senior Management

The CLP Board

As at 30 June 2017, the composition of the Board of CLP Holdings is set out below:

Non-executive Directors	Independent Non-executive Directors	Executive Directors
The Honourable Sir Michael Kadoorie	Mr Vernon Francis Moore	Mr Richard Kendall Lancaster
Mr William Elkin Mocatta	Sir Roderick Ian Eddington	Mr Geert Herman August Peeters
Mr John Andrew Harry Leigh	Mr Nicholas Charles Allen	
Mr Andrew Clifford Winawer Brandler	Mr Cheng Hoi Chuen Vincent	
Dr Lee Yui Bor	Mrs Law Fan Chiu Fun Fanny	
	Ms Lee Yun Lien Irene	
	Mrs Zia Mody	

The Directors subject to re-election at the 2017 AGM, namely Sir Rod Eddington, Dr Y. B. Lee, Mr William Mocatta, Mr Vernon Moore and Mr Vincent Cheng, were all re-elected with the approval of the shareholders. There had been no change in the Board composition during the reported period.

There were no substantial changes to the information of Directors as disclosed on pages 90 and 91 of the 2016 Annual Report and on the CLP website. The positions held by each of the Directors in CLP Holdings' subsidiary companies and their directorships held in the past three years in other public companies have been updated in the Directors' biographies on the CLP website.

Directors' Time and Directorship Commitments

To ensure that our Directors have spent sufficient time in the affairs of the Company, the Directors have given certain confirmations and made disclosures about their other commitments.

- Sufficient time and attention: Directors have confirmed that they have given sufficient time and attention to the affairs of the Company during the six-month period ended 30 June 2017.
- Other offices and commitments: Directors disclose to the Company twice a year the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments, together with an indication of the time involved.
- Other directorships: As at 30 June 2017, none of our Directors, individually, held directorships in more than eight public companies (including the Company).

Our Executive Directors do not hold directorship in other public companies; however, they are encouraged to participate in professional, public and community organisations.

Board Committees

As at 30 June 2017, the composition of Board Committees remained the same as those set out in the 2016 Annual Report (pages 100, 101, 124, 128 and 131).

Senior Management

With effect from 1 June 2017, Mr Chiang Tung Keung was appointed as Managing Director – CLP Power Hong Kong to replace Mr Poon Wai Yin Paul who retired from this position after serving CLP for more than 30 years. This was the only change to the Senior Management composition during the reported period. Biographies of Mr Chiang and all other Senior Management members are available on the CLP website.

Remuneration

Non-executive Directors

In our 2016 Annual Report, we set out the fees for our Non-executive Directors (including Independent Non-executive Directors) who serve on the Board and on the Board Committees of the Company for the period from 2016 to the date of the AGM in 2019 (see page 133 of the Company's 2016 Annual Report). For other details on the principles of remuneration for our Non-executive Directors, please refer to the Human Resources & Remuneration Committee Report of our 2016 Annual Report.

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the six months ended 30 June 2017 are set out in the table on page 29.

The amounts disclosed consist of remuneration accrued or paid for service during the first six months of 2017 and, for the annual and long-term incentives, service and performance in previous years. Both the annual incentive and long-term incentive are paid in the first half of the year. As a result, the totals in the table do not represent half of the remuneration which will be accrued or paid for the full year.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Directors and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the table on page 29 the "total remuneration" column includes the following recurring items for the six months ended 30 June 2017:

(i) base compensation, allowances & benefits paid;

(ii) 2017 annual incentive accrued based on the previous year of Company performance. Additionally, as the Company performance actually achieved in 2016 was higher than the annual incentive accrual for 2016, the difference was added in the current period;

(iii) the 2014 long-term incentive award paid in January 2017 when the vesting conditions were satisfied; and

(iv) provident fund contribution made.

The "other payments" column includes any non-recurring items. During the first six months of 2017, there were no other payments made.

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
Six months ended 30 June 2017							
CEO (Mr Richard Lancaster)	4.5	4.0	5.3	1.1	**14.9**	–	**14.9**
Executive Director & Chief Financial Officer (Mr Geert Peeters)	3.4	3.0	2.5	0.6	**9.5**	–	**9.5**
Chief Operating Officer (Mr Derek Parkin)	2.6	2.2	–	0.5	**5.3**	–	**5.3**
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)[3]	2.1	2.9	2.6	0.5	**8.1**	–	**8.1**
Managing Director – CLP Power (Mr Paul Poon)[4]	2.3	3.0	3.2	0.6	**9.1**	–	**9.1**
Managing Director – CLP Power (Mr Chiang Tung Keung)[5]	0.4	0.4	–	0.1	**0.9**	–	**0.9**
Managing Director – EnergyAustralia (Ms Catherine Tanna)[6]	6.3	8.2	4.3	0.1	**18.9**	–	**18.9**
Managing Director – India (Mr Rajiv Mishra)[7]	2.0	1.6	1.7	0.5	**5.8**	–	**5.8**
Managing Director – China (Mr Chan Siu Hung)	2.0	1.8	2.4	0.5	**6.7**	–	**6.7**
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	2.5	2.1	2.8	0.5	**7.9**	–	**7.9**
Chief Corporate Development Officer (Ms Quince Chong)	2.4	2.1	3.0	0.5	**8.0**	–	**8.0**
Chief Human Resources Officer (Mr Roy Massey)	2.0	2.0	1.7	0.5	**6.2**	–	**6.2**
Total	**32.5**	**33.3**	**29.5**	**6.0**	**101.3**	**–**	**101.3**

Notes:

1 The value of non-cash benefits is included under the "base compensation, allowances & benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.

2 Performance bonus consists of (a) annual incentive (2017 accrual and 2016 adjustment) and (b) long-term incentive (payment for 2014). The annual incentive payments and long-term incentive awards were approved by the Human Resources & Remuneration Committee (HR&RC). For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Remuneration Committee and members of the HR&RC.

3 The annual incentive paid to Mrs Betty Yuen in 2017 included an additional discretionary annual incentive of HK$1.0 million for 2016 performance year.

4 Mr Paul Poon stepped down as Managing Director – CLP Power with effect from 1 June 2017 and his remuneration covered the period from 1 January to 31 May 2017. The annual incentive paid to Mr Paul Poon in 2017 included an additional discretionary annual incentive of HK$1.0 million for 2016 performance year.

5 Mr Chiang Tung Keung was appointed as Managing Director – CLP Power to succeed Mr Paul Poon and became a member of Senior Management with effect from 1 June 2017. His remuneration covered the period from that date to 30 June 2017.

6 The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month-end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

7 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra for two years from 1 October 2015 to 30 September 2017 where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HK$ = 8.3 Rupees. For the remaining payments in Rupees, the month-end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

Internal Control

The Audit Committee has the delegated responsibility from the Board to assure that effective risk management and internal control systems are in place and followed. The Audit Committee has continued to oversee CLP Group's risk management and internal control approaches and the internal audit reports submitted by Group Internal Audit. Details of CLP's risk management and internal control systems were set out in the Corporate Governance Report on pages 113 and 114 of the Company's 2016 Annual Report.

During the six-month period ended 30 June 2017, 10 out of a total of 12 reports issued by Group Internal Audit carried satisfactory audit opinion. Two reports had not-satisfactory opinions; one related to sales call compliance processes and the other concerned business development payments not following contract terms, at two of our subsidiaries. No significant impact on the interim financial statements resulted from such audit findings. To address these audit findings in a comprehensive manner, mitigating measures are being implemented by management. No significant areas of concern that might affect shareholders were identified.

Interests in CLP Holdings' Securities

CLP's own Code for Securities Transactions (CLP Securities Code) is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2017.

We have voluntarily extended the ambit of the CLP Securities Code to cover Senior Management and other "Specified Individuals", such as other managers in the CLP Group. Members of the Senior Management have all confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2017. During the period, a member of the Senior Management (not being a Director) advised the Company that he had sold 600 shares in CLP Holdings on one occasion in 2016 without the pre-clearance from the CEO as required under the CLP Securities Code. Subsequently, upon becoming aware of this oversight, he had reported this to the CEO.

Save for the interest disclosed by the CEO on this page and the interest in 600 shares disclosed by the Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2017.

Interests of Directors and Chief Executive Officer

The interests / short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30 June 2017, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30 June 2017 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	480,672,780	19.02562
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	224,359,077	8.88041
Mr Andrew Brandler	Note 4	10,600	0.00042
Dr Y. B. Lee	Note 5	15,806	0.00063
Mrs Fanny Law	Personal	16,800	0.00066
Mr Nicholas C. Allen	Note 6	27,000	0.00107
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 480,672,780 shares in the Company. These shares were held in the following capacity:

   a 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.

   b 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon Sir Michael Kadoorie is one of the discretionary objects.

   c 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   d 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   e 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   f 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in 1b to 1f above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 480,671,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 480,671,537 shares attributed to her for disclosure purposes.

2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:

   a 250,000 shares were held in the capacity as the founder of a discretionary trust.

   b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.

3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 224,359,077 shares in the Company. These shares were held in the following capacity:

   a 145,000 shares were held in a beneficial owner capacity.

   b 5,562,224 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 5,562,224 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 5,562,224 shares.

   c 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.

4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

5 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.

6 27,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Mr Vernon Moore, Mr Vincent Cheng, Ms Irene Lee, Sir Rod Eddington, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2017.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 30 June 2017.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 30 June 2017.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors and the CEO of the Company (including their spouses and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests of Substantial Shareholders

The interests / short positions of substantial shareholders in the shares and underlying shares of the Company as at 30 June 2017, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1. Aggregate long position in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 30 June 2017:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	311,153,954 Note 1	12.32
Guardian Limited	Beneficiary / Interests of controlled corporations	224,214,077 Note 7	8.87
Harneys Trustees Limited	Interests of controlled corporations	416,087,106 Note 3	16.47
Lawrencium Holdings Limited	Beneficiary	170,180,670 Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212 Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212 Note 2	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	410,524,882 Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853 Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853 Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	233,371,475 Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	480,672,780 Note 5	19.03
Mr J. A. H. Leigh	Notes 6 & 7	224,359,077 Notes 6 & 7	8.88
Mr R. Parsons	Trustee	224,214,077 Note 7	8.87

Notes:

1 Bermuda Trust Company Limited was deemed to be interested in the shares in which Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

2 The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".

3 Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and another company and was therefore deemed to be interested in the shares in which such companies were deemed to be interested.

4 The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies.

5 See Note 1 under "Interests of Directors and Chief Executive Officer".

6 See Note 3 under "Interests of Directors and Chief Executive Officer".

7 Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 224,214,077 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.

Substantial Shareholder	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
BlackRock, Inc.	Interests of controlled corporations	127,553,499 Note 1	5.05

Note 1: Such long position includes derivative interests in 1,949,000 underlying shares of the Company which are derived from unlisted and cash settled equity derivatives. The interests were based on the required notice filed by BlackRock, Inc. dated 3 July 2017.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

2. Aggregate short position in the shares and underlying shares of the Company

Substantial Shareholder	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
BlackRock, Inc.	Interests of controlled corporations	601,500 Note 1	0.02

Note 1: Such short position includes derivative interests in 33,000 underlying shares of the Company which are derived from unlisted and cash settled equity derivatives. The short position was based on the required notice filed by BlackRock, Inc. dated 3 July 2017.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 30 June 2017, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2017.

Consolidated Statement of Profit or Loss – Unaudited

	Note	Six months ended 30 June 2017 HK$M	2016 HK$M
Revenue	5	**43,337**	38,671
Expenses			
Purchases of electricity, gas and distribution services		**(19,499)**	(15,671)
Staff expenses		**(2,059)**	(1,925)
Fuel and other operating expenses		**(10,056)**	(9,736)
Depreciation and amortisation		**(3,573)**	(3,331)
		(35,187)	(30,663)
Operating profit	6	**8,150**	8,008
Finance costs	7	**(1,103)**	(1,094)
Finance income	7	**72**	75
Share of results, net of income tax			
Joint ventures	13	**213**	602
Associates	14	**458**	421
Profit before income tax		**7,790**	8,012
Income tax expense	8	**(1,337)**	(1,341)
Profit for the period		**6,453**	6,671
Earnings attributable to:			
Shareholders		**5,909**	6,125
Perpetual capital securities holders		**124**	123
Other non-controlling interests		**420**	423
		6,453	6,671
Earnings per share, basic and diluted	10	**HK$2.34**	HK$2.42

The notes on pages 40 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

	Six months ended 30 June 2017 HK$M	2016 HK$M
Profit for the period	**6,453**	6,671
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**2,951**	111
Cash flow hedges	**(778)**	243
Costs of hedging	**(56)**	23
Share of other comprehensive income of joint ventures	**–**	(1)
	2,117	376
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**(193)**	(107)
Share of other comprehensive income of joint ventures	**15**	(31)
	(178)	(138)
Other comprehensive income for the period, net of tax	**1,939**	238
Total comprehensive income for the period	**8,392**	6,909
Total comprehensive income attributable to:		
Shareholders	**7,832**	6,366
Perpetual capital securities holders	**124**	123
Other non-controlling interests	**436**	420
	8,392	6,909

The notes on pages 40 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2017 HK$M	Audited* 31 December 2016 HK$M
Non-current assets			
Fixed assets	11	**134,656**	130,189
Leasehold land and land use rights under operating leases	11	**5,378**	5,444
Investment properties	11	**3,786**	3,788
Goodwill and other intangible assets	12	**28,792**	27,653
Interests in and loan to joint ventures	13	**9,777**	9,971
Interests in associates	14	**1,277**	813
Finance lease receivables		**724**	713
Deferred tax assets		**1,116**	981
Derivative financial instruments	15	**871**	1,519
Equity investments		**1,347**	1,528
Other non-current assets		**194**	181
		187,918	182,780
Current assets			
Inventories – stores and fuel		**3,087**	2,565
Renewable energy certificates		**987**	1,424
Trade and other receivables	16	**16,540**	13,464
Finance lease receivables		**58**	51
Derivative financial instruments	15	**1,288**	1,282
Bank balances, cash and other liquid funds		**3,355**	4,667
		25,315	23,453
Current liabilities			
Customers' deposits		**(5,094)**	(4,999)
Trade and other payables	17	**(14,473)**	(20,176)
Income tax payable		**(1,247)**	(792)
Bank loans and other borrowings	18	**(8,186)**	(10,651)
Derivative financial instruments	15	**(1,056)**	(977)
		(30,056)	(37,595)
Net current liabilities		**(4,741)**	(14,142)
Total assets less current liabilities		**183,177**	168,638

* Certain comparative figures have been reclassified to conform with current year's presentation. Details are set out in Note 2 to these condensed consolidated interim financial statements.

	Note	30 June 2017 HK$M	Audited* 31 December 2016 HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*21*	**78,354**	74,767
Shareholders' funds		**101,597**	98,010
Perpetual capital securities		**5,791**	5,791
Other non-controlling interests		**7,054**	1,972
		114,442	105,773
Non-current liabilities			
Bank loans and other borrowings	*18*	**45,762**	40,995
Deferred tax liabilities		**13,973**	13,819
Derivative financial instruments	*15*	**1,924**	1,580
Fuel clause account		**2,403**	2,867
Scheme of Control (SoC) reserve accounts	*19*	**280**	860
Asset decommissioning liabilities and retirement obligations	*20*	**2,916**	1,268
Other non-current liabilities		**1,477**	1,476
		68,735	62,865
Equity and non-current liabilities		**183,177**	168,638

The Honourable Sir Michael Kadoorie
Chairman
Hong Kong, 7 August 2017

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

The notes on pages 40 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity – Unaudited

for the six months ended 30 June 2017

	Attributable to Shareholders			Perpetual Capital Securities	Other Non-controlling Interests	Total Equity
	Share Capital HK$M	Reserves HK$M	Total HK$M	HK$M	HK$M	HK$M
Balance at 1 January 2017	23,243	74,767	98,010	5,791	1,972	105,773
Profit for the period	–	5,909	5,909	124	420	6,453
Other comprehensive income for the period	–	1,923	1,923	–	16	1,939
Contribution from other non-controlling interest of a subsidiary *	–	–	–	–	5,115	5,115
Dividends paid						
2016 fourth interim	–	(2,754)	(2,754)	–	–	(2,754)
2017 first interim	–	(1,491)	(1,491)	–	–	(1,491)
Distributions to perpetual capital securities holders	–	–	–	(124)	–	(124)
Dividends paid to other non-controlling interests of subsidiaries	–	–	–	–	(469)	(469)
Balance at 30 June 2017	**23,243**	**78,354**	**101,597**	**5,791**	**7,054**	**114,442**
Balance at 1 January 2016	23,243	69,875	93,118	5,791	2,023	100,932
Profit for the period	–	6,125	6,125	123	423	6,671
Other comprehensive income for the period	–	241	241	–	(3)	238
Acquisition of a subsidiary	–	–	–	–	53	53
Dividends paid						
2015 fourth interim	–	(2,653)	(2,653)	–	–	(2,653)
2016 first interim	–	(1,440)	(1,440)	–	–	(1,440)
Distributions to perpetual capital securities holders	–	–	–	(123)	–	(123)
Dividends paid to other non-controlling interests of subsidiaries	–	–	–	–	(469)	(469)
Balance at 30 June 2016	23,243	72,148	95,391	5,791	2,027	103,209

* The contribution represented the amount of the advances from China Southern Power Grid International (HK) Co., Limited (CSG HK) to Castle Peak Power Company Limited (CAPCO) reclassified from Trade and other payables to redeemable shareholder capital of CAPCO upon execution of a Shareholder Capital Agreement in April 2017 (Note 17(b)).

The notes on pages 40 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June			
	2017		2016	
	HK\$M	**HK\$M**	HK\$M	HK\$M
Operating activities				
Net cash inflow from operations	**6,987**		9,495	
Interest received	**74**		78	
Income tax paid	**(581)**		(557)	
Net cash inflow from operating activities		**6,480**		9,016
Investing activities				
Capital expenditure	**(4,697)**		(5,893)	
Capitalised interest and other finance costs paid	**(106)**		(134)	
Proceeds from disposal of fixed assets	**32**		91	
Additions of other intangible assets	**(242)**		(99)	
Acquisition of a subsidiary	**–**		(38)	
Increase in equity investments	**(12)**		–	
Repayment of advances from joint ventures	**89**		25	
Investment in an associate	**(8)**		–	
Dividends received from				
Joint ventures	**469**		690	
Associates	**910**		889	
Equity investments	**1**		1	
Net cash outflow from investing activities		**(3,564)**		(4,468)
Net cash inflow before financing activities		**2,916**		4,548
Financing activities				
Proceeds from long-term borrowings	**10,682**		8,174	
Repayment of long-term borrowings	**(10,994)**		(8,605)	
Increase in short-term borrowings	**1,553**		1,240	
Interest and other finance costs paid	**(970)**		(999)	
Increase in advances from other non-controlling interest	**119**		149	
Distributions paid to perpetual capital securities holders	**(124)**		(123)	
Dividends paid to shareholders	**(4,245)**		(4,093)	
Dividends paid to other non-controlling interests of subsidiaries	**(469)**		(469)	
Net cash outflow from financing activities		**(4,448)**		(4,726)
Net decrease in cash and cash equivalents		**(1,532)**		(178)
Cash and cash equivalents at beginning of period		**4,467**		3,565
Effect of exchange rate changes		**121**		(64)
Cash and cash equivalents at end of period		**3,056**		3,323
Analysis of balances of cash and cash equivalents				
Deposits with banks		**1,726**		2,379
Cash at banks and on hand		**1,629**		1,116
Bank balances, cash and other liquid funds		**3,355**		3,495
Excluding:				
Cash restricted for specific purposes		**(297)**		(170)
Bank deposits with maturity of over three months		**(2)**		(2)
		3,056		3,323

The notes on pages 40 to 57 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. General Information

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the condensed consolidated interim financial statements. The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries are the generation and supply of electricity in Hong Kong, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and CAPCO (collectively referred to as SoC Companies), are governed by a SoC Agreement entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the SoC Agreement are summarised on pages 237 and 238 of the 2016 Annual Report.

On 25 April 2017, the SoC Companies signed a new SoC Agreement with the Hong Kong Government. The term of the new SoC will be for a period of over 15 years beginning on 1 October 2018, immediately following the expiry of the current SoC, and ending on 31 December 2033. The new SoC contains key principles that are similar to the existing SoC. The annual permitted return under the new SoC is at the rate of 8% on the average net fixed assets of the SoC Companies.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 7 August 2017.

2. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the year ended 31 December 2016 that is included in the 2017 Interim Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements except certain comparative amounts which have been reclassified or regrouped to conform with current year's presentation:

- A reclassification of certain energy contracts with fair value of HK$590 million and related payable of HK$255 million from "Trade and other receivables" to "Derivative financial instruments" included under current assets and "Trade and other payables" to reflect the nature of the transaction; and
- Grouping asset retirement obligations of HK$352 million included in "Other non-current liabilities" with "Asset decommissioning liabilities" into "Asset decommissioning liabilities and retirement obligations".

Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. 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 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

3. Accounting Policies

The interim financial statements have been prepared in accordance with the accounting policies which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2016. The impact of amendments to standards and new standards issued but not yet effective is summarised as below:

(A) Amendments to HKFRS that are effective for the first time for this interim period do not have a material impact on the results and the financial position of the Group.

3. Accounting Policies (continued)

(B) Impact of standards issued but not yet adopted by the Group

The following new standards are effective for annual periods beginning on or after 1 January 2018 and have not been early adopted by the Group in preparing the interim financial statements.

(a) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new framework for revenue recognition. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard introduces a five-step model to determine when and how to recognise revenue. Revenue is recognised when control of goods or services is transferred to a customer. HKFRS 15 has a mandatory effective date of 1 January 2018.

The application of HKFRS 15 requires the identification of separate performance obligations which could affect the timing of the recognition of revenue. The Group is currently assessing the effects of applying this new standard and has identified the following areas that are likely to be affected:

- Revenue from sale of residential and commercial solar and battery products in Australia
- Revenue from electricity related technical services

The Group expects that the impact of the new standard on the Group's financial statements will not be material as the volume of the identified transactions is considered insignificant to the Group.

(b) HKFRS 16 Leases

HKFRS 16 introduces a substantial change to lease accounting. The standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under the current accounting standard. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Recognition for the lessor will remain essentially unchanged. HKFRS 16 has a mandatory effective date of 1 January 2019.

The standard will affect primarily the accounting for the Group's operating leases which mainly relate to leases for land and buildings and certain power purchase contracts. As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$2,698 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

4. Segment Information

The Group operates, through its subsidiaries, joint ventures and associates, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

4. Segment Information (continued)

Information about the Group's operations by geographical region is as follows:

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2017							
Revenue	18,795	660	1,973	6	21,900	3	43,337
EBITDAF of subsidiaries	8,609	661	973	(10)	1,963	(267)	11,929
Share of results, net of income tax							
Joint ventures	(8)	125	–	89	7	–	213
Associates	–	462	–	–	(4)	–	458
EBITDAF of the Group	8,601	1,248	973	79	1,966	(267)	12,600
Depreciation and amortisation	(2,336)	(312)	(292)	–	(616)	(17)	(3,573)
Fair value adjustments	8	–	–	–	(214)	–	(206)
Finance costs	(567)	(114)	(354)	–	(57)	(11)	(1,103)
Finance income	–	20	22	2	4	24	72
Profit / (loss) before income tax	5,706	842	349	81	1,083	(271)	7,790
Income tax expense	(829)	(75)	(108)	–	(325)	–	(1,337)
Profit / (loss) for the period	4,877	767	241	81	758	(271)	6,453
Earnings attributable to							
Perpetual capital securities holders	(124)	–	–	–	–	–	(124)
Other non-controlling interests	(412)	(9)	1	–	–	–	(420)
Earnings / (loss) attributable to shareholders	4,341	758	242	81	758	(271)	5,909
Excluding: Items affecting comparability	5	–	–	–	–	–	5
Operating earnings	4,346	758	242	81	758	(271)	5,914
At 30 June 2017							
Fixed assets, leasehold land and land use rights and investment properties	113,128	8,051	11,786	–	10,741	114	143,820
Goodwill and other intangible assets	5,545	4,810	29	–	18,408	–	28,792
Interests in and loan to joint ventures	42	7,977	–	1,720	38	–	9,777
Interests in associates	–	1,244	–	–	33	–	1,277
Deferred tax assets	–	87	37	–	992	–	1,116
Other assets	6,519	4,900	4,954	89	11,007	982	28,451
Total assets	125,234	27,069	16,806	1,809	41,219	1,096	213,233
Bank loans and other borrowings	40,096	5,274	7,336	–	813	429	53,948
Current and deferred tax liabilities	13,324	1,236	242	–	418	–	15,220
Other liabilities	17,280	1,343	976	2	9,768	254	29,623
Total liabilities	70,700	7,853	8,554	2	10,999	683	98,791

EBITDAF = Earnings before net finance costs, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

Items affecting comparability refer to significant unusual and infrequent events such as acquisition / disposal, impairment of non-current assets, property valuation gain / loss, and change in law or natural catastrophe. They are considered irrelevant for assessing the underlying performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results. Details of the items affecting comparability can be found on page 1 of the current report.

4. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2016							
Revenue	18,020	552	2,012	6	18,078	3	38,671
EBITDAF of subsidiaries	8,311	478	932	(6)	1,906	(343)	11,278
Share of results, net of income tax							
Joint ventures	–	477	–	124	1	–	602
An associate	–	421	–	–	–	–	421
EBITDAF of the Group	8,311	1,376	932	118	1,907	(343)	12,301
Depreciation and amortisation	(2,167)	(270)	(284)	–	(590)	(20)	(3,331)
Fair value adjustments	(4)	–	–	–	65	–	61
Finance costs	(505)	(90)	(369)	–	(118)	(12)	(1,094)
Finance income	–	23	11	1	5	35	75
Profit / (loss) before income tax	5,635	1,039	290	119	1,269	(340)	8,012
Income tax expense	(867)	(12)	(90)	–	(372)	–	(1,341)
Profit / (loss) for the period	4,768	1,027	200	119	897	(340)	6,671
Earnings attributable to							
Perpetual capital securities holders	(123)	–	–	–	–	–	(123)
Other non-controlling interests	(407)	(16)	–	–	–	–	(423)
Earnings / (loss) attributable to shareholders	4,238	1,011	200	119	897	(340)	6,125
Excluding: Items affecting comparability	107	(83)	–	–	–	–	24
Operating earnings	4,345	928	200	119	897	(340)	6,149
At 31 December 2016							
Fixed assets, leasehold land and land use rights and investment properties	112,014	7,679	10,854	–	8,746	128	139,421
Goodwill and other intangible assets	5,545	4,945	28	–	17,135	–	27,653
Interests in and loan to joint ventures	50	8,127	–	1,764	30	–	9,971
Interests in associates	–	786	–	–	27	–	813
Deferred tax assets	–	86	–	–	895	–	981
Other assets	4,846	5,528	4,839	100	9,839	2,242	27,394
Total assets	122,455	27,151	15,721	1,864	36,672	2,370	206,233
Bank loans and other borrowings	37,814	4,973	7,591	–	1,268	–	51,646
Current and deferred tax liabilities	12,895	1,270	182	–	264	–	14,611
Other liabilities	24,892	1,454	377	2	7,168	310	34,203
Total liabilities	75,601	7,697	8,150	2	8,700	310	100,460

Our investments in Mainland China are mainly through joint ventures and an associate, whereby under equity method of accounting, CLP shares its proportionate earnings but not the revenues and expenses.

The difference between total assets and total liabilities represents shareholders' financing.

5. Revenue

An analysis of the Group's revenue is as follows:

	Six months ended 30 June 2017 HK$M	2016 HK$M
Sales of electricity	**36,940**	32,863
Sales of gas	**3,738**	3,383
Operating lease income under Power Purchase Agreement (PPA)	**1,184**	1,151
Finance lease income under PPA	**56**	60
Lease service income under PPA	**186**	325
Other revenue	**548**	435
	42,652	38,217
Transfer for SoC to revenue (note)	**685**	454
	43,337	38,671

Note: Under the SoC Agreement, if the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss.

6. Operating Profit

Operating profit is stated after charging / (crediting) the following:

	Six months ended 30 June 2017 HK$M	2016 HK$M
Charging		
Retirement benefits costs	**207**	166
Net loss on disposal of fixed assets	**109**	52
Net fair value loss / (gain) on non-debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves to		
Purchases of electricity, gas and distribution services	**1**	(94)
Fuel and other operating expenses	**20**	(32)
Transactions not qualifying as hedges	**206**	(61)
Impairment loss on trade receivables	**176**	169
Revaluation losses on investment properties	**5**	107
Crediting		
Net exchange (gain) / loss	**(95)**	84
Rental income from investment properties	**(24)**	(9)
Dividends from equity investments	**(9)**	(8)

7. Finance Costs and Income

	Six months ended 30 June 2017 HK$M	2016 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**412**	489
Other borrowings	**416**	401
Tariff Stabilisation Fund (note)	**1**	1
Customers' deposits and fuel clause over-recovery	**70**	64
Finance charges under finance leases	**1**	1
Other finance charges	**118**	162
Net fair value (gain) / loss on debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves	**(197)**	(654)
Fair value hedges	**(126)**	(460)
Transactions not qualifying as hedges	**132**	(128)
Ineffectiveness of cash flow hedges	**7**	(6)
Ineffectiveness of fair value hedges	**(3)**	18
Loss on hedged items in fair value hedges	**126**	460
Other net exchange loss on financing activities	**265**	872
	1,222	1,220
Less: amount capitalised	**(119)**	(126)
	1,103	1,094
Finance income		
Interest income on short-term investments, bank deposits and loan to a joint venture	**72**	75

Note: In accordance with the provisions of the SoC Agreement, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund.

8. Income Tax Expense

	Six months ended 30 June 2017 HK$M	2016 HK$M
Current income tax	**978**	1,099
Deferred tax	**359**	242
	1,337	1,341

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

9. Dividends

	Six months ended 30 June 2017 HK$ per Share	2017 HK$M	2016 HK$ per Share	2016 HK$M
First interim dividend paid	**0.59**	**1,491**	0.57	1,440
Second interim dividend declared	**0.59**	**1,491**	0.57	1,440
	1.18	**2,982**	1.14	2,880

At the Board meeting held on 7 August 2017, the Directors declared the second interim dividend of HK$0.59 per share (2016: HK$0.57 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

10. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2017	2016
Earnings attributable to shareholders (HK$M)	**5,909**	6,125
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**2.34**	2.42

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2017 and 30 June 2016.

11. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Properties

Fixed assets, leasehold land and land use rights under operating leases and investment properties totalled HK$143,820 million at 30 June 2017 (31 December 2016: HK$139,421 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases	Investment Properties [a]
	Land Freehold	Land Leased	Buildings	Plant, Machinery and Equipment	Total		
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Net book value at 1 January 2017	745	417	19,501	109,526	130,189	5,444	3,788
Additions	12	–	381	4,704	5,097	18	3
Adjustment for decommissioning assets [b]	–	–	–	1,165	1,165	–	–
Revaluation losses	–	–	–	–	–	–	(5)
Transfers and disposals	–	–	(18)	(140)	(158)	–	–
Depreciation / amortisation	–	(7)	(313)	(2,832)	(3,152)	(89)	–
Exchange differences	47	–	143	1,325	1,515	5	–
Net book value at 30 June 2017	**804**	**410**	**19,694**	**113,748**	**134,656**	**5,378**	**3,786**
Cost / valuation	908	539	32,179	203,887	237,513	6,375	3,786
Accumulated depreciation / amortisation and impairment	(104)	(129)	(12,485)	(90,139)	(102,857)	(997)	–
Net book value at 30 June 2017	**804**	**410**	**19,694**	**113,748**	**134,656**	**5,378**	**3,786**

11. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Properties (continued)

Notes:

(a) The Group possesses the commercial interest of the retail portion of the Laguna Mall and an investment property located at Argyle Street, Kowloon. The investment properties were revalued at 30 June 2017 by Knight Frank Petty Limited (Knight Frank). Details of the fair value estimation of the properties are as follows:

- Knight Frank has valued the retail portion of Laguna Mall by using the income capitalisation approach, cross-referenced with comparable market transactions. The income capitalisation approach is based on the capitalisation of the existing rental / licence income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate capitalisation rates that by reference to the yields achieved in analysed market sales transactions and as expected by investors. The significant unobservable input is the capitalisation rate adopted for the valuation which is 4.25% (31 December 2016: 4.25%). The fair value measurement is negatively correlated to the capitalisation rate.

- In formulating the optimal development of the Argyle Street site, Knight Frank has taken into account the development constraints stipulated on the covenants of the Government Leases and subsequent modifications as at the valuation date. Knight Frank has adopted the residual valuation method by making reference to the development potential of the property after deduction of costs for completion of development. Comparable transactions of similar development in the locality were gathered for gross development value assessment. The significant unobservable inputs are discount rate, cost of development and estimated return in the future for the property. The discount rate used is 5% (31 December 2016: 5%) and the higher the rate, the lower the fair value of the properties.

The recurring fair value measurement of the Group's investment properties is categorised within Level 3 of the fair value hierarchy at 30 June 2017 and 31 December 2016.

(b) As at 30 June 2017, the discount rate used to calculate the asset retirement obligations was revised which resulted in an uplift of the provision estimate, and associated asset value, by A$198 million (HK$1,165 million). The impact is not material to the Group, hence no adjustment to prior year financial statements is made.

12. Goodwill and Other Intangible Assets

	Goodwill HK$M	Capacity Right (note) HK$M	Others HK$M	Total HK$M
Net carrying value at 1 January 2017	20,874	4,913	1,866	27,653
Additions	–	–	242	242
Amortisation	–	(137)	(195)	(332)
Exchange differences	1,095	–	134	1,229
Net carrying value at 30 June 2017	**21,969**	**4,776**	**2,047**	**28,792**
Cost	22,107	5,639	7,528	35,274
Accumulated amortisation and impairment	(138)	(863)	(5,481)	(6,482)
Net carrying value at 30 June 2017	**21,969**	**4,776**	**2,047**	**28,792**

Note: Capacity right represents the right to use 50% of the pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou and the corresponding right to use the associated transmission facilities until 2034.

13. Interests in and Loan to Joint Ventures

The Group's share of results of and interests in joint ventures are as follows:

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Profit for the Period HK$M	Other Comprehensive Income HK$M	Total Comprehensive Income HK$M	Profit for the Period HK$M	Other Comprehensive Income HK$M	Total Comprehensive Income HK$M
CSEC Guohua International Power Company Limited (CSEC Guohua)	9	–	9	107	–	107
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang)	(38)	–	(38)	24	–	24
ShenGang Natural Gas Pipeline Company Limited (SNGPC)	65	–	65	83	–	83
OneEnergy Taiwan Ltd (OneEnergy Taiwan)	69	–	69	102	–	102
Shandong Zhonghua Power Company, Limited (SZPC)	–	–	–	175	–	175
Others	108	15	123	111	(32)	79
Total	213	15	228	602	(32)	570

	30 June 2017					31 December 2016				
	Share of Net Assets HK$M	Goodwill HK$M	Interests in Joint Ventures HK$M	Loan (note) HK$M	Total HK$M	Share of Net Assets HK$M	Goodwill HK$M	Interests in Joint Ventures HK$M	Loan (note) HK$M	Total HK$M
CSEC Guohua	2,383	–	2,383	–	2,383	2,452	–	2,452	–	2,452
Fangchenggang	1,837	–	1,837	–	1,837	1,817	–	1,817	–	1,817
SNGPC	675	–	675	497	1,172	710	–	710	542	1,252
OneEnergy Taiwan	1,493	–	1,493	–	1,493	1,553	–	1,553	–	1,553
SZPC	532	–	532	–	532	625	–	625	–	625
Others	2,318	42	2,360	–	2,360	2,231	41	2,272	–	2,272
	9,238	42	9,280	497	9,777	9,388	41	9,429	542	9,971

Note: Loan to a joint venture is unsecured, carries interest at 90% (31 December 2016: 90%) of the over five years Renminbi benchmark lending rate of the People's Bank of China and with final maturity in June 2022. The current portion of the loan of HK$124 million (31 December 2016: HK$151 million) was included in Trade and other receivables. There was no impairment recognised on the loan on 30 June 2017 and 31 December 2016.

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 22(C).

14. Interests in Associates

The balance represents the Group's share of net assets of Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) and Redback Technologies Limited in Australia at the end of the reporting period.

The Group's share of results and net assets of GNPJVC are as follows:

	Six months ended 30 June	
	2017	2016
	HK$M	HK$M
Profit and total comprehensive income for the period	**462**	421

	30 June 2017	31 December 2016
	HK$M	HK$M
Net assets	**1,244**	786

The Group's capital commitments in relation to its interests in associates are disclosed in Note 22(B).

15. Derivative Financial Instruments

	30 June 2017		31 December 2016	
	Assets	**Liabilities**	Assets	Liabilities
	HK$M	**HK$M**	HK$M	HK$M
Cash flow hedges				
Forward foreign exchange contracts	**175**	**67**	180	34
Foreign exchange options	**27**	**–**	37	–
Cross currency interest rate swaps	**344**	**753**	462	973
Interest rate swaps	**54**	**133**	127	92
Energy contracts	**456**	**437**	837	94
Fair value hedges				
Cross currency interest rate swaps	**45**	**335**	31	407
Interest rate swaps	**1**	**66**	–	118
Held for trading or not qualifying as accounting hedges				
Forward foreign exchange contracts	**247**	**75**	299	45
Foreign exchange options	**–**	**–**	1	–
Interest rate swaps	**35**	**8**	34	9
Energy contracts	**775**	**1,106**	793	785
	2,159	**2,980**	2,801	2,557
Current	**1,288**	**1,056**	1,282	977
Non-current	**871**	**1,924**	1,519	1,580
	2,159	**2,980**	2,801	2,557

16. Trade and Other Receivables

	30 June 2017 HK$M	31 December 2016 HK$M
Trade receivables	**13,195**	9,772
Deposits, prepayments and other receivables	**2,788**	2,479
Dividend receivables from		
Joint ventures	**362**	105
Associates	**–**	895
Equity investments	**8**	–
Loan to and current accounts with		
Joint ventures	**187**	212
Associates	**–**	1
	16,540	13,464

The ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2017 HK$M	31 December 2016 HK$M
30 days or below	**10,626**	6,832
31 – 90 days	**577**	763
Over 90 days	**1,992**	2,177
	13,195	9,772

17. Trade and Other Payables

	30 June 2017 HK$M	31 December 2016 HK$M
Trade payables [(a)]	**6,703**	6,019
Other payables and accruals	**5,336**	6,767
Advances from non-controlling interest [(b)]	**1,712**	6,692
Current accounts with		
Joint ventures	**1**	1
Associates	**627**	606
Deferred revenue	**94**	91
	14,473	20,176

Notes:

(a) The ageing analysis of the trade payables based on invoice date is as follows:

	30 June 2017 HK$M	31 December 2016 HK$M
30 days or below	**6,265**	5,632
31 – 90 days	**76**	188
Over 90 days	**362**	199
	6,703	6,019

17. Trade and Other Payables (continued)

Notes (continued):

(b) The advances from non-controlling interest represented the advances from CSG HK to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong and CSG HK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and have no fixed repayment terms. The advances are mainly denominated in Hong Kong dollar (31 December 2016: US dollar).

On 21 April 2017, CAPCO and its shareholders executed a Shareholder Capital Agreement in which an amount of advances from shareholders was reclassified into redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032. The redeemable shareholder capital was considered equity in nature and the reclassified amount attributable to CSG HK's pro rata share of HK$5,115 million was included in non-controlling interest of a subsidiary.

18. Bank Loans and Other Borrowings

At 30 June 2017, the Group's bank loans and other borrowings were repayable as follows:

	Bank Loans		Other Borrowings*		Total	
	30 June 2017 HK$M	31 December 2016 HK$M	**30 June 2017 HK$M**	31 December 2016 HK$M	**30 June 2017 HK$M**	31 December 2016 HK$M
Within one year	**7,853**	9,123	**333**	1,528	**8,186**	10,651
Between one and two years	**4,483**	4,563	**787**	231	**5,270**	4,794
Between two to five years	**10,718**	6,516	**8,682**	8,972	**19,400**	15,488
Over five years	**4,190**	4,699	**16,902**	16,014	**21,092**	20,713
	27,244	24,901	**26,704**	26,745	**53,948**	51,646

* Other borrowings mainly included Medium Term Notes of HK$24,150 million (31 December 2016: HK$24,955 million) and bonds of HK$2,113 million (31 December 2016: HK$1,701 million).

19. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Interim Refunds of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts. The respective balances at the end of the period / year are:

	30 June 2017 HK$M	31 December 2016 HK$M
Tariff Stabilisation Fund	**52**	786
Rate Reduction Reserve	**1**	2
Rent and Rates Interim Refunds (note)	**227**	72
	280	860

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001 / 02. While in March 2017, the Court of Final Appeal found in favour of the Hong Kong Government on a point of law, this did not impact the original Lands Tribunal judgment, and the subsequent judgment on the review of valuation matters, which were in CLP Power Hong Kong's favour. Final resolution of the matter is now subject to the application of the Lands Tribunal judgments to the rent and rates amounts for all rating years under appeal.

Interim refunds totalling HK$1,868 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 to 2014 and in 2017. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and their application to all rating years under appeal.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million had been offset against the interim refunds received.

In the event that the final amount recovered on conclusion of these appeals is less than the total amount rebated to customers, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be returned to customers.

20. Asset Decommissioning Liabilities and Retirement Obligations

	30 June 2017 HK$M	31 December 2016 HK$M
Asset decommissioning liabilities [a]	**967**	916
Provisions for land remediation and restoration costs [b]	**1,949**	352
	2,916	1,268

Notes:

(a) Under the SoC, a periodic charge for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies.

(b) A provision for land remediation and restoration costs is based on the estimated costs of reclamation, plant closure, dismantling and waste disposal.

21. Reserves

	Translation Reserves HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2017	(7,638)	1,001	81	2,776	78,547	74,767
Earnings attributable to shareholders	–	–	–	–	5,909	5,909
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	2,561	–	–	–	–	2,561
Joint ventures	378	–	–	–	–	378
Associates	9	–	–	–	–	9
Cash flow hedges						
Net fair value losses	–	(860)	–	–	–	(860)
Reclassification to profit or loss	–	(217)	–	–	–	(217)
Tax on the above items	–	286	–	–	–	286
Costs of hedging						
Net fair value losses	–	–	(104)	–	–	(104)
Amortisation / reclassification to profit or loss	–	–	41	–	–	41
Tax on the above items	–	–	7	–	–	7
Fair value loss on equity investments	–	–	–	(193)	–	(193)
Share of other comprehensive income of joint ventures	–	–	–	15	–	15
Total comprehensive income attributable to shareholders	2,948	(791)	(56)	(178)	5,909	7,832
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(1)	1	–
Appropriation of reserves of subsidiaries	–	–	–	93	(93)	–
Dividends paid						
2016 fourth interim	–	–	–	–	(2,754)	(2,754)
2017 first interim	–	–	–	–	(1,491)	(1,491)
Balance at 30 June 2017	**(4,690)**	**210**	**25**	**2,690**	**80,119**	**78,354**

21. Reserves (continued)

	Translation Reserves HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2016	(6,221)	162	268	2,783	72,883	69,875
Earnings attributable to shareholders	–	–	–	–	6,125	6,125
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	280	–	–	–	–	280
Joint ventures	(167)	–	–	–	–	(167)
An associate	1	–	–	–	–	1
Cash flow hedges						
Net fair value gains	–	1,106	–	–	–	1,106
Reclassification to profit or loss	–	(805)	–	–	–	(805)
Tax on the above items	–	(58)	–	–	–	(58)
Costs of hedging						
Net fair value gains	–	–	8	–	–	8
Amortisation / reclassification to profit or loss	–	–	25	–	–	25
Tax on the above items	–	–	(10)	–	–	(10)
Fair value loss on equity investments	–	–	–	(107)	–	(107)
Share of other comprehensive income of joint ventures	–	(1)	–	(31)	–	(32)
Total comprehensive income attributable to shareholders	114	242	23	(138)	6,125	6,366
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(1)	1	–
Appropriation of reserves of subsidiaries	–	–	–	62	(62)	–
Dividends paid						
2015 fourth interim	–	–	–	–	(2,653)	(2,653)
2016 first interim	–	–	–	–	(1,440)	(1,440)
Balance at 30 June 2016	(6,107)	404	291	2,706	74,854	72,148

22. Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases, investment properties as well as intangible assets contracted for at the end of the period but not yet incurred amounted to HK$6,373 million at 30 June 2017 (31 December 2016: HK$5,116 million).

(B) The Group entered into the conditional Equity Transfer Agreement to acquire a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) in November 2016. As at 30 June 2017, outstanding commitment of HK$5.2 billion (RMB4.5 billion) is payable upon completion. The completion of this acquisition is subject to all necessary regulatory approvals and filing and approvals from Yangjiang Nuclear's lenders and shareholders. The latest date for completion is 31 December 2017.

In addition to the above, equity contribution required to be made by the Group for an associate at 30 June 2017 was HK$17 million (31 December 2016: HK$24 million).

(C) At 30 June 2017, the Group's share of capital commitments of its joint ventures was HK$599 million (31 December 2016: HK$490 million).

23. Related Party Transactions

Below are the more significant transactions with related parties for the period:

(A) For the six months ended 30 June 2017, purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station amounted to HK$3,157 million (2016: HK$2,655 million).

(B) The loan made to a joint venture is disclosed under Note 13. Other amounts due from and to the related parties at 30 June 2017 are disclosed in Notes 16 and 17 respectively. At 30 June 2017, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2016: none).

(C) The total remuneration of the key management personnel is shown below:

	Six months ended 30 June	
	2017	2016
	HK$M	HK$M
Directors' fees	**5**	5
Recurring remuneration items		
Base compensation, allowances & benefits [(a)]	**32**	30
Performance bonus		
Annual incentive	**33**	32
Long-term incentive	**30**	14
Provident fund contribution	**6**	4
Non-recurring remuneration item		
Other payment [(b)]	**–**	2
	106	87

Key management personnel at 30 June 2017 comprised twelve (30 June 2016: thirteen) Non-executive Directors, two (30 June 2016: two) Executive Directors and nine (30 June 2016: nine) senior management personnel.

Notes:

(a) The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.

(b) The other payment was the sign-on award to a senior management upon joining the Group.

24. Contingent Liabilities

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans

This is a dispute between CLP India Private Limited (CLP India) and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL) under the power purchase agreement for Paguthan. GUVNL is required to make a "deemed generation incentive" payment to CLP India when plant availability is above a set threshold. GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$876 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

24. Contingent Liabilities (continued)

(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans (continued)

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$100 million) (31 December 2016: Rs.830 million (HK$95 million)).

In February 2009, the GERC found in favour of GUVNL on the "deemed generation incentive" but held that GUVNL's claim up to 14 September 2002 was time-barred under the Limitations Act of India. The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans". CLP India appealed the GERC's decision to the Appellate Tribunal for Electricity (APTEL). GUVNL also filed an appeal against the orders of the GERC which went against GUVNL. In January 2010, the APTEL upheld the decisions of the GERC. Both CLP India and GUVNL have filed further appeals in the Supreme Court of India. The appeal petitions have been admitted but the next date of hearing has not yet been fixed by the court.

At 30 June 2017, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,031 million) (31 December 2016: Rs.8,543 million (HK$975 million)). On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

(B) Indian Wind Power Projects – WWIL's Contracts

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested in around 533MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 30 June 2017, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) JPL – Disputed Charges with Offtakers

Jhajjar Power Limited (JPL) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.2,001 million (HK$241 million) at 30 June 2017 (31 December 2016: Rs.1,917 million (HK$219 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

JPL has filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. On 25 January 2016, CERC pronounced its judgment in favour of JPL, which supports the Group's decision that no provision should be made. JPL and its offtakers have filed appeals to APTEL. The next hearing date is expected on 10 August 2017.

(D) EnergyAustralia – Disposal of Iona Gas Plant

In December 2015, EnergyAustralia Holdings Limited (EnergyAustralia) completed the disposal of its entire interest in the Iona Gas Plant for a total consideration of A$1,780 million (HK$9,991 million). On 19 May 2017, EnergyAustralia and EnergyAustralia Investments Pty Ltd (EnergyAustralia Investments) received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd, the purchaser of the Iona Gas Plant, commencing formal legal proceedings seeking A$967 million (approximately HK$5,794 million) or alternatively A$780 million (approximately HK$4,674 million) in damages. The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the consortium claims to have relied to make its offer, were incomplete or misleading. EnergyAustralia and EnergyAustralia Investments intend to vigorously defend the claims. On the basis of currently available information, the Group's view is that a material outflow of economic benefits is unlikely and no provision has been made in the financial statements.

25. Fair Value Hierarchy of Financial Instruments

The following table presents the Group's financial instruments that were measured at fair value:

	Level 1 HK$M	Level 2 [(a)] HK$M	Level 3 [(a), (b)] HK$M	Total HK$M
At 30 June 2017				
Financial assets				
Equity investments	**310**	**–**	**1,037**	**1,347**
Forward foreign exchange contracts	**–**	**422**	**–**	**422**
Foreign exchange options	**–**	**27**	**–**	**27**
Cross currency interest rate swaps	**–**	**389**	**–**	**389**
Interest rate swaps	**–**	**90**	**–**	**90**
Energy contracts	**97**	**950**	**184**	**1,231**
	407	**1,878**	**1,221**	**3,506**
Financial liabilities				
Forward foreign exchange contracts	**–**	**142**	**–**	**142**
Cross currency interest rate swaps	**–**	**1,088**	**–**	**1,088**
Interest rate swaps	**–**	**207**	**–**	**207**
Energy contracts	**87**	**1,209**	**247**	**1,543**
	87	**2,646**	**247**	**2,980**
At 31 December 2016				
Financial assets				
Equity investments	303	–	1,225	1,528
Forward foreign exchange contracts	–	479	–	479
Foreign exchange options	–	38	–	38
Cross currency interest rate swaps	–	493	–	493
Interest rate swaps	–	161	–	161
Energy contracts	590	910	130	1,630
	893	2,081	1,355	4,329
Financial liabilities				
Forward foreign exchange contracts	–	79	–	79
Cross currency interest rate swaps	–	1,380	–	1,380
Interest rate swaps	–	219	–	219
Energy contracts	–	690	189	879
	–	2,368	189	2,557

You may refer to page 233 of the 2016 Annual Report for the definitions of Levels 1, 2 and 3.

25. Fair Value Hierarchy of Financial Instruments (continued)

Notes:

(a) The valuation technique and inputs used in the fair value measurements within Level 2 and Level 3 are as follows:

Financial Instruments	Valuation Technique	Significant Inputs
Equity investments	Dividend model	Discount rate
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Garman Kohlhagen Model	Observable exchange rates, interest rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap rates

(b) Additional information about fair value measurements using significant unobservable inputs (Level 3):

Financial Instruments	Significant Unobservable Inputs
Equity investments (i)	Discount rate
Energy contracts (ii)	Long term forward electricity price and cap price curve

(i) The valuations are performed and reported twice each year, in line with the Group's reporting dates, to Group management.

(ii) The finance department of EnergyAustralia includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to EnergyAustralia's Chief Financial Officer (CFO – EA). The valuation of Level 3 forward energy contracts involves the use of a short term forward curve which is observable in the liquid market and a long term forward curve which is derived using unobservable inputs. This short term forward curve is reviewed at least once every six months, in line with the Group's half-yearly reporting dates. Review of the long term forward curve is performed between the CFO – EA and the Audit & Risk Committee annually. Fair value changes analyses are performed on a monthly basis for reasonableness.

The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During the period ended 30 June 2017 and 2016, there were no transfers between Level 1 and Level 2, the movements of Level 3 financial instruments are as follows:

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Equity Investments HK$M	**Energy Contracts HK$M**	**Total HK$M**	Equity Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	**1,225**	**(59)**	**1,166**	1,227	(631)	596
Total (losses) / gains recognised in						
Profit or loss and presented in						
fuel and other operating expenses	**–**	**(45)**	**(45)**	–	134	134
Other comprehensive income	**(200)**	**(4)**	**(204)**	–	16	16
Purchases	**12**	**–**	**12**	–	–	–
Settlements	**–**	**45**	**45**	–	(9)	(9)
Transfer out of Level 3	**–**	**–**	**–**	(2)	(32)	(34)
Closing balance	**1,037**	**(63)**	**974**	1,225	(522)	703
Unrealised gains recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period, and presented in fuel and other operating expenses	**–**	**40**	**40**	–	145	145

At 30 June 2017 and 31 December 2016, the valuation of long tenure energy contracts is sensitive to electricity pool price assumptions. A favourable and unfavourable change of 15% (31 December 2016: 15%) would cause the fair values to rise by HK$585 million (31 December 2016: HK$511 million) and decline by HK$582 million (31 December 2016: HK$509 million) respectively, with all other variables held constant.

Review Report on Interim Financial Statements

To the Board of Directors of CLP Holdings Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 34 to 57 which comprises the condensed consolidated statement of financial position of CLP Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 7 August 2017

Scheme of Control Statement – Unaudited

The electricity-related operations of CLP Power Hong Kong and CAPCO have been governed by the SoC Agreement with the Hong Kong Government, a summary of which is set out on pages 237 and 238 of the 2016 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

	Six months ended 30 June	
	2017	2016
	HK$M	HK$M
SoC revenue	**17,833**	17,324
Expenses		
Operating costs	**1,950**	2,016
Fuel	**5,586**	5,295
Purchases of nuclear electricity	**2,406**	2,187
Provision for asset decommissioning	**51**	59
Depreciation	**2,308**	2,139
Operating interest	**493**	483
Taxation	**854**	869
	13,648	13,048
Profit after taxation	**4,185**	4,276
Interest on borrowed capital	**479**	481
Adjustments required under the SoC (being share of profit on sale of electricity to Mainland China attributable to the SoC Companies)	**(32)**	(31)
Profit for SoC	**4,632**	4,726
Transfer from Tariff Stabilisation Fund	**736**	513
Permitted return	**5,368**	5,239
Deduct interest on		
Borrowed capital as above	**479**	481
Tariff Stabilisation Fund to Rate Reduction Reserve	**1**	1
	480	482
Net Return	**4,888**	4,757
Divisible as follows:		
CLP Power Hong Kong	**3,333**	3,214
CAPCO	**1,555**	1,543
	4,888	4,757
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	**3,333**	3,214
Interest in CAPCO	**1,088**	1,080
	4,421	4,294

Information for Our Investors

Financial Diary

Announcement of interim results	7 August 2017
Interim report available on website	14 August 2017
Interim report posted to shareholders	22 August 2017
Last day to register for second interim dividend	5 September 2017
Book close day	6 September 2017
Payment of second interim dividend	15 September 2017
Financial year end	31 December 2017

Company's Registrars

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Share Listing

CLP Holdings shares are listed on the Stock Exchange of Hong Kong and are one of the eligible stocks included in Southbound trading through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. CLP Holdings shares are also traded over the counter in the United States in the form of American Depositary Receipts.

Our Stock Code

The Stock Exchange of Hong Kong	:	00002
Bloomberg	:	2 HK
Reuters	:	0002.HK
Ticker Symbol for ADR Code	:	CLPHY
CUSIP Reference Number	:	18946Q101

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Interim Report

The English and Chinese versions of this Report have been made available on the "Investors Information" section on the Company's website at www.clpgroup.com and on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk since 14 August 2017. Hard copies of the Report will be posted to shareholders on 22 August 2017.

Shareholders who wish to receive this Report in printed form or in a language version other than their existing choice are requested to write to the Company Secretary or the Company's Registrars.

Shareholders may, at any time (with notice of not less than 7 days), change their choice of language (English and/or Chinese) and/or means of receipt (in printed form or by electronic means through our website) of the Company's future corporate communications, free of charge, by writing to the Company or the Company's Registrars or email to cosec@clp.com.hk or clp.ecom@computershare.com.hk.

For those shareholders who have any difficulties in accessing the corporate communications electronically, they can ask the Company to send them the corporate communications in printed form free of charge.

CLP 中電

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