1. General Information

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the condensed consolidated interim accounts. The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are the generation and supply of electricity in Hong Kong, Australia and India, and investment holding of power projects in the Chinese mainland and other countries in the Asia-Pacific region.

The financial operations of the Company's major subsidiary, CLP Power Hong Kong Limited (CLP Power Hong Kong), and its jointly controlled entity, Castle Peak Power Company Limited (CAPCO), are governed by a Scheme of Control (SoC) Agreement entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as SoC business.

The condensed consolidated interim accounts have been approved for issue by the Board of Directors on 23 August 2005.

2. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in the preparation of this condensed consolidated interim accounts are consistent with those set out in the Annual Report 2004, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (HKFRSs) and HKASs (collectively referred to as new HKFRSs) which are effective for accounting periods commencing on or after 1 January 2005.

Changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 3 below.

3. Changes in Accounting Policies

In 2005, the Group adopted the new HKFRSs below, which are relevant to its operations. All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, with the 2004 comparatives amended in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

3. Changes in Accounting Policies (continued)

The adoption of above new HKFRSs has the following impact on the Group's accounting policies:

(A) The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 31, 33, 34, 37, 38 and HKFRS 2 do not result in substantial changes to the Group's accounting policies. In summary:

- HKASs 2, 7, 10, 12, 14, 18, 19, 21, 23, 27, 28, 34, 37, 38 and HKFRS 2 have no material effect on the Group's policies; and
- HKASs 8, 16, 24, 31 and 33 have affected certain disclosure in the accounts.

(B) HKAS 1 "Presentation of Financial Statements"

HKAS 1 has affected certain presentation and disclosure in the accounts. Major changes relate to the presentation of (a) share of profits from Hok Un joint venture and transfers under the SoC arrangement, which had been shown separately on the profit and loss account and (b) share of results of affiliated companies which represented the Group's share of affiliated companies' profits or losses before taxation.

Pursuant to the provision of HKAS 1 which prohibits presentation of any items of income and expense as extraordinary items, the Group has reclassified (a) the share of profits from Hok Un as part of the share of results from jointly controlled entities, (b) the transfers from/(to) Development Fund and special provision account as adjustments to revenue (Note 5) and (c) the transfer to Rate Reduction Reserve as part of the finance costs (Note 8). The Group's share of results of the affiliated companies has also been presented on an after taxation basis, as prescribed under HKAS 1. These changes have no effect on earnings.

(C) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to leasehold land. In prior years, the leasehold land was accounted for as fixed assets and carried at cost less accumulated depreciation. HKAS 17, however, prescribes leasehold land to be accounted for as an operating lease if title is not expected to pass to the lessee by the end of the lease term. Pursuant to the requirements, the lease premium for land is initially stated at cost and amortised over the period of the lease.

The retrospective application of HKAS 17 has resulted in a reclassification of unamortised lease premium for land from Fixed Assets to Leasehold Land, with a decrease in fixed assets and a corresponding increase in leasehold land of HK$2,218 million at 30 June 2005 (December 2004: HK$2,240 million). There was no impact on the profit and loss account.

(D) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Apart from the accounting for derivative instruments which are described below, HKAS 39 requires that where an entity sells a portfolio of receivables with recourse, that portfolio should be accounted for as a collateralised borrowing, since it does not qualify for derecognition. In the past, the Group followed the principles under the replaced accounting standard SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" and disclosed such type of transaction as contingent liabilities.

3. Changes in Accounting Policies (continued)

(D) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" (continued)

Prior to 1 January 2005, derivative instruments of the Group were not recorded on the balance sheet based on the then prevailing accounting standards. In accordance with the provisions of HKAS 39, however, a derivative or embedded derivative is initially recognised at fair value on the date a derivative contract or hybrid contract is entered into and is subsequently re-measured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in fair value of derivatives is recognised in equity while the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in the equity are transferred to the profit and loss account or reclassified as part of the initial cost or carrying amount of an asset or liability in the period when the hedged item affects earnings or the asset or liability is recognised.

The Group has adopted HKAS 32 and HKAS 39 prospectively. For receivables sold with recourse, the change in the accounting policy has resulted in an increase in receivables and a corresponding increase in borrowings of HK$653 million on 1 January 2005 (June 2005: HK$277 million). The Group also identified derivatives embedded in contracts. Recognition of such embedded derivatives has resulted in an increase in receivables and a corresponding increase in the balance of the retained profits as at 1 January 2005 of HK$157 million (June 2005: HK$140 million).

The Group further recognised financial and energy derivatives at fair value in the balance sheet on 1 January 2005 which amounted to a net liability of HK$1,199 million. The corresponding adjustments were to (a) decrease the Group's share of net assets of affiliated companies by HK$110 million, (b) increase the carrying amount of hedged borrowings by HK$249 million, (c) increase the deferred tax assets and liabilities by HK$29 million and HK$7 million respectively, (d) increase the other assets and liabilities by HK$1,368 million and HK$5 million respectively, and (e) decrease the reserves by HK$173 million. Adjustments to the balance sheet as at 30 June 2005 as a result of recognising these types of derivative instruments were to (a) increase in derivative instruments (net assets) by HK$90 million, (b) decrease the Group's share of net assets of affiliated companies by HK$127 million, (c) increase the carrying amount of hedged borrowings by HK$176 million, (d) decrease the deferred tax assets and goodwill by HK$56 million and HK$130 million respectively, (e) increase the other assets by HK$269 million and (f) decrease the reserves by HK$130 million.

The Group has re-assessed the classification of the SoC reserves as a liability on the balance sheet under HKAS 32 and continues to consider that they meet the definition of a liability. Consequently, no adjustment to, or reclassification of, these balances is required as a result of the introduction of HKAS 32.

3. Changes in Accounting Policies (continued)

(E) HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets"

Until 31 December 2004, goodwill was amortised on a straight-line basis over its estimated useful life and assessed for impairment whenever events or changes in circumstances indicated that its carrying amount might not be recoverable. The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 January 2005 and now tests for impairment annually and when there are indications of impairment. Pursuant to its transitional provisions, the Group also (a) eliminated the accumulated amortisation of goodwill of HK$5 million as at 31 December 2004 with a corresponding decrease in the cost of goodwill and (b) derecognised the unamortised negative goodwill of HK$1,046 million, with a corresponding adjustment to the balance of retained profits on 1 January 2005. No impairment loss has been recognised during the first half of 2005.

4. Acquisition of Merchant Energy Business in Australia

On 31 May 2005, the Group completed the acquisition of the merchant energy business division (MEB) of SPI Australia Group, a wholly-owned subsidiary of Singapore Power Limited (Singapore Power). The MEB is the fifth largest energy retailer in Australia and sells gas and electricity to over 1.1 million customers across Victoria, New South Wales, South Australia and Queensland. In addition, it owns a 1,280MW gas-fired power station at Torrens Island, South Australia, an interest in a long-term hedge contract for up to 966MW, and a gas storage facility.

The acquisition involved separation of the MEB from SPI Australia Group's other businesses in Australia. As it was completed only one month prior to the balance sheet date, the fair values assigned to the identifiable assets, liabilities and contingent liabilities, if any, are provisional. It is also considered that, given the time constraints, it is not practicable to reasonably estimate and disclose the revenue and profit or loss of this newly acquired business for the six-month period as though the acquisition took place on 1 January 2005.

Details of the net assets acquired and goodwill and other intangible assets are as follows:

(A) Assets and liabilities arising from the acquisition:

	Fair Value HK$M	Carrying Amount HK$M
Fixed assets (Note 14)	**5,724**	**6,192**
Derivative instruments, net	**186**	**186**
Trade receivables	**1,503**	**1,503**
Bank balances, cash and other liquid funds	**598**	**598**
Trade payables	**(754)**	**(754)**
Total borrowings	**(1,550)**	**(1,550)**
Other net (liabilities)/assets	**(765)**	**2,443**[a]
Fair value of net assets acquired	**4,942**	**8,618**

Note (a): The carrying amount included goodwill of HK$2,636 million arising from restructuring of the MEB by SPI Australia Group prior to the acquisition by the CLP Group.

4. Acquisition of Merchant Energy Business in Australia (continued)

(B) Goodwill and other intangible assets arising from the acquisition:

	HK$M
Purchase consideration:	
– cash paid	**11,876**
– direct costs relating to the acquisition	**40**
Total purchase consideration	**11,916**
Fair value of net assets acquired (as shown above)	**(4,942)**
Goodwill and other intangible assets (Note 15)	**6,974**

The MEB, when combined with the Group's existing Yallourn Energy, has created a diversified energy business across retail and generation. The above goodwill and other intangible assets are primarily attributable to the customer base of the retail business and significant synergies expected to arise after the acquisition. To the extent that the fair values of assets and liabilities acquired may be revised, there will be a corresponding impact on goodwill.

The acquired business contributed revenue of HK$935 million and earnings of HK$6 million to the Group for the period from 1 June 2005 to 30 June 2005.

The acquisition of the MEB also included the acquisition of Singapore Power's 33.3% interest in SEAGas partnership, which is subject to the consents from other partners of SEAGas and is targeted for completion in the third quarter of 2005 (Note 26).

5. Revenue

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

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Sales of electricity	**15,842**	13,783
Sales of gas	**313**	–
Other revenue	**133**	139
	16,288	13,922
Transfer from Development Fund (A)	**338**	597
Transfer from special provision account	**–**	96
	16,626	14,615

(A) Pursuant to the SoC Agreement, if the gross tariff revenue in Hong Kong in any year exceeds or is less than the total of the operating costs, permitted return and taxation charges, such excess shall be added to, or such deficiency shall be deducted from, the Development Fund (Note 24).

6. Segment Information

The Group operates, through its subsidiaries, jointly controlled entities and associated companies, in three major geographical regions – Hong Kong, the Chinese mainland and the Asia-Pacific region. Information about the Group's operations by geographical regions is as follows:

	Hong Kong HK$M	Chinese Mainland HK$M	Asia-Pacific Region HK$M	Unallocated Items HK$M	Total HK$M
6 months ended 30 June 2005					
Revenue	13,704	–	2,922	–	**16,626**
Segment results	3,575	(37)	549	(74)	**4,013**
Share of results, net of tax					
jointly controlled entities	930	563[a]	121	–	**1,614**
associated companies	–	–	79	–	**79**
Profit/(Loss) before financing and taxation	4,505	526	749	(74)	**5,706**
Finance costs					**(725)**
Finance income					**63**
Taxation					**(467)**
Earnings for the period					**4,577**
Capital additions	1,912	–	267	–	**2,179**
Depreciation and amortisation	986	1	371	1	**1,359**
As at 30 June 2005					
Segment assets	46,611	153	34,952	172	**81,888**
Investments in					
jointly controlled entities	6,982	6,569	1,335	–	**14,886**
associated companies	–	–	1,596	–	**1,596**
Tax assets	–	–	368	–	**368**
Consolidated total assets	53,593	6,722	38,251	172	**98,738**
Segment liabilities	10,125	44	3,973	60	**14,202**
Total borrowings	–	–	14,757	17,745	**32,502**
Tax liabilities	5,479	–	298	–	**5,777**
Consolidated total liabilities	15,604	44	19,028	17,805	**52,481**

Note (a): Out of the HK$563 million, HK$431 million was attributed to investments in Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) and Hong Kong Pumped Storage Development Company, Limited (PSDC), whose generating facilities serve Hong Kong.

6. Segment Information (continued)

	Hong Kong HK$M	Chinese Mainland HK$M	Asia-Pacific Region HK$M	Unallocated Items HK$M	Total HK$M
6 months ended 30 June 2004					
Revenue	12,649	–	1,966	–	14,615
Segment results	3,174	(98)	624	(75)	3,625
Share of results, net of tax					
jointly controlled entities	925	521[(a)]	95	–	1,541
associated companies	(2)	–	118	–	116
Profit/(Loss) before financing and taxation	4,097	423	837	(75)	5,282
Finance costs					(595)
Finance income					23
Taxation					(572)
Earnings for the period					4,138
Capital additions	2,315	1	321	–	2,637
Depreciation and amortisation	922	1	295	1	1,219
As at 31 December 2004					
Segment assets	44,374	215	18,324	205	63,118
Investments in					
jointly controlled entities	6,894	6,643	1,461	–	14,998
associated company	–	–	1,640	–	1,640
Tax assets	–	–	1,043	–	1,043
Consolidated total assets	51,268	6,858	22,468	205	80,799
Segment liabilities	10,731	60	1,482	66	12,339
Total borrowings	–	–	7,503	11,271	18,774
Tax liabilities	5,067	–	420	–	5,487
Consolidated total liabilities	15,798	60	9,405	11,337	36,600

Note (a): Out of the HK$521 million, HK$380 million was attributed to investments in GNPJVC and PSDC, whose generating facilities serve Hong Kong.

No business analysis is shown as substantially all the principal activities of the Group are for the generation and supply of electricity. The SoC business accounted for approximately 100% of the Group's revenue and segment results in Hong Kong for the period ended 30 June 2005.

7. Operating Profit

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

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Charging		
Staff costs (A)		
Salaries and other costs	**800**	777
Retirement benefits costs	**68**	69
Net loss on disposal of fixed assets	**25**	83
Other net exchange losses/(gains)	**24**	(10)
Unrealised loss on other investments	**–**	33
Crediting		
Other net fair value gains on derivative instruments		
Cash flow hedges, transfer from equity	**(68)**	–
Transactions not qualifying as hedges	**(7)**	–
Net rental income from properties	**(7)**	(7)

(A) Staff costs include amounts recharged to jointly controlled entities for services provided.

8. Finance Costs and Income

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Finance costs:		
Interest expenses on		
bank loans and overdrafts	**341**	373
other borrowings		
– wholly repayable within five years	**82**	82
– not wholly repayable within five years	**100**	73
Development Fund and special provision account (A)	**120**	112
customers' deposits and others	**43**	20
Finance charges	**20**	14
Fair value loss on financial instruments		
Cash flow hedges, transfer from equity	**174**	–
Hedging costs and exchange gains/losses	**(2)**	62
	878	736
Less: amount capitalised	**(153)**	(141)
	725	595
Finance income:		
Interest income on		
short-term investments and bank deposits	**62**	23
advance to a jointly controlled entity	**1**	–
	63	23

(A) In accordance with the provisions of the SoC Agreement, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its accounts, a charge of 8% per annum on the sum of the average balances of the Development Fund and special provision account (Note 24).

9. Share of Results of Affiliated Companies

Affiliated companies include the Group's jointly controlled entities and associated companies. The share of results of affiliated companies is determined based upon the management accounts of the respective affiliated companies, after making adjustments to conform with the Group's significant accounting policies, for the period ended 30 June.

10. Taxation

Taxation in the condensed consolidated profit and loss account represents the taxation of the Company and subsidiaries and is analysed below:

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Current income tax		
Hong Kong	**418**	333
Outside Hong Kong	**14**	15
	432	348
Deferred income tax		
Hong Kong	**126**	165
Outside Hong Kong	**(91)**	59
	35	224
	467	572

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

11. Earnings Attributable to Shareholders

	6 months ended 30 June			
	2005		2004	
	HK$M	**HK$M**	HK$M	HK$M
Earnings from electricity business in Hong Kong (page 48)		**3,510**		3,337
Electricity sales to Chinese mainland from Hong Kong	**63**		30	
Generating facilities in Chinese mainland serving Hong Kong (GNPJVC and PSDC)	**431**		380	
Other power projects in Chinese mainland	**95**		43	
Energy businesses in Asia-Pacific region	**425**		404	
Group non-energy activities	**(4)**		(66)	
Earnings from other investments/activities		**1,010**		791
Unallocated net finance costs		**(43)**		(39)
Unallocated Group expenses		**(74)**		(75)
Total operating earnings		**4,403**		4,014
Hok Un redevelopment profit		**174**		124
Total earnings		**4,577**		4,138

12. Dividends

	6 months ended 30 June			
	2005		2004	
	HK$ per share	HK$M	HK$ per share	HK$M
First interim dividend paid	**0.48**	**1,156**	0.45	1,084
Second interim dividend proposed	**0.48**	**1,156**	0.45	1,084
	0.96	**2,312**	0.90	2,168

At the Board meeting held on 23 August 2005, the Directors declared the second interim dividend of HK$0.48 per share. The second interim dividend is not reflected as a dividend payable in the accounts, but as a separate component of the shareholders' funds for the period ended 30 June 2005.

13. Earnings per Share

The prescribed earnings per share includes Hok Un redevelopment profit and is computed as follows:

	6 months ended 30 June	
	2005	2004
Earnings for the period (HK$M)	**4,577**	4,138
Weighted average number of shares in issue (thousand shares)	**2,408,246**	2,408,246
Earnings per share (HK$)	**1.90**	1.72

To enable investors to understand better the Group's results, an additional earnings per share figure, excluding the Hok Un redevelopment profit, is provided below:

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Earnings for the period	**4,577**	4,138
Less: Hok Un redevelopment profit	**(174)**	(124)
Earnings excluding Hok Un redevelopment profit	**4,403**	4,014
Earnings per share excluding Hok Un redevelopment profit (HK$)	**1.83**	1.67

Fully diluted earnings per share is not included as the Company did not have any diluting equity instruments as at 30 June 2005 (2004: nil).

14. Fixed Assets and Leasehold Land

Fixed assets and leasehold land totalled HK$63,976 million (December 2004: HK$57,748 million). When employed for the SoC business, they are collectively referred to as SoC fixed assets and amounted to HK$43,296 million as at 30 June 2005 (December 2004: HK$42,415 million). Fixed assets and leasehold land that were attributed to overseas subsidiaries in Australia and India totalled HK$20,502 million (December 2004: HK$15,147 million). Movements in the accounts are as follows:

(A) Fixed Assets:

	Freehold Land and Buildings		Plant, Machinery and Equipment [(a)]		Total	
	30 June 2005 HK$M	31 December 2004 HK$M	**30 June 2005 HK$M**	31 December 2004 HK$M	**30 June 2005 HK$M**	31 December 2004 HK$M
Net book value, at beginning of period/year						
– as previously reported	**8,242**	7,756	**49,506**	46,401	**57,748**	54,157
– reclassification of leasehold land (Note 3)	**(2,240)**	(2,229)	**–**	–	**(2,240)**	(2,229)
– as restated	**6,002**	5,527	**49,506**	46,401	**55,508**	51,928
Acquisition of a subsidiary (Note 4)	**29**	–	**5,695**	–	**5,724**	–
Additions	**223**	703	**1,955**	5,059	**2,178**	5,762
Transfers and disposals	**(1)**	(74)	**(50)**	(228)	**(51)**	(302)
Depreciation charge	**(88)**	(170)	**(1,248)**	(2,309)	**(1,336)**	(2,479)
Exchange differences	**(4)**	16	**(261)**	583	**(265)**	599
Net book value, at end of period/year	**6,161**	6,002	**55,597**	49,506	**61,758**	55,508
Cost	**7,984**	7,739	**80,134**	71,901	**88,118**	79,640
Accumulated depreciation	**(1,823)**	(1,737)	**(24,537)**	(22,395)	**(26,360)**	(24,132)
Net book value, at end of period/year	**6,161**	6,002	**55,597**	49,506	**61,758**	55,508

Note (a): Plant, machinery and equipment included leased generating plants for our electricity business in Australia held under agreements which are treated as finance leases. The net book value of these leased assets as at 30 June 2005 was HK$4,681 million.

(B) Leasehold Land:

	30 June 2005 HK$M	31 December 2004 HK$M
Net book value, at beginning of period/year		
– as previously reported	**–**	–
– reclassification of leasehold land (Note 3)	**2,240**	2,229
– as restated	**2,240**	2,229
Additions	**1**	61
Amortisation charge	**(23)**	(50)
Net book value, at end of period/year	**2,218**	2,240
Cost	**2,291**	2,290
Accumulated amortisation	**(73)**	(50)
Net book value, at end of period/year	**2,218**	2,240

Leasehold land is mainly held under medium to long term leases (i.e. over 10 years) in Hong Kong. The SoC Agreement considers leasehold land as one type of fixed assets on which permitted return is earned.

Capital expenditure on fixed assets and leasehold land incurred during the period for the SoC business was HK$1,911 million (2004: HK$2,313 million).

15. Goodwill and other Intangible Assets

	Goodwill and other Intangible Assets HK$M	Negative Goodwill HK$M	Net Balance HK$M
As at 30 June 2005			
Net carrying value, at beginning of period			
– as previously reported	24	(1,046)	(1,022)
– derecognition of negative goodwill (Note 3)	–	1,046	1,046
– as restated	24	–	24
Acquisition of a subsidiary (Note 4)	6,974	–	6,974
Exchange differences	(37)	–	(37)
Net carrying value	**6,961**	**–**	**6,961**
Cost	**6,961**	**–**	**6,961**
As at 31 December 2004			
Net carrying value, at beginning of year	25	(1,042)	(1,017)
Acquisition of remaining interest in a subsidiary	–	(21)	(21)
Fair value adjustments	–	11	11
Amortisation (charge)/credit	(2)	46	44
Exchange differences	1	(40)	(39)
Net carrying value, at end of year	24	(1,046)	(1,022)
Cost	29	(1,164)	(1,135)
Accumulated amortisation	(5)	118	113
Net carrying value	24	(1,046)	(1,022)

The above goodwill and other intangible assets of HK$6,974 million arose from the acquisition of the MEB at the end of May 2005. The fair value of net assets acquired could only be determined provisionally at the balance sheet date and the Group is still in the process of identifying any intangible assets that can be recognised separately from goodwill. The allocation between goodwill and intangible assets is expected to be finalised by the end of 2005.

16. Investments in Jointly Controlled Entities

	30 June 2005 HK$M	31 December 2004 HK$M
Castle Peak Power Company Limited	**6,399**	6,296
Guangdong Nuclear Power Joint Venture Company, Limited	**2,786**	3,050
Ho-Ping Power Company	**1,311**	1,326
CLP Guohua Power Company Limited	**1,315**	1,222
Shandong Zhonghua Power Company, Ltd.	**1,063**	1,132
Guizhou CLP Power Company Limited	**423**	466
Hok Un joint venture	**439**	343
Hong Kong Pumped Storage Development Company, Limited	**326**	324
Others	**824**	839
	14,886	14,998

The above amount includes the loan and advances made to the following jointly controlled entities:

	30 June 2005 HK$M	31 December 2004 HK$M
Castle Peak Power Company Limited	**6,073**	6,115
Hong Kong Pumped Storage Development Company, Limited	**308**	313
Others	**266**	253
	6,647	6,681

The Group's share of results of the jointly controlled entities is as follows:

	6 months ended 30 June	
	2005 HK$M	2004 HK$M
Revenue	**5,935**	5,026
Expenses	**(4,062)**	(3,292)
Share of profit before taxation	**1,873**	1,734
Taxation	**(259)**	(193)
Share of profit after taxation	**1,614**	1,541

16. Investments in Jointly Controlled Entities (continued)

The following amounts represent the Group's share of net assets, capital commitment and contingent liabilities of the jointly controlled entities:

	30 June 2005 HK$M	31 December 2004 HK$M
Non-current assets	**28,785**	29,190
Current assets	**4,544**	4,034
Current liabilities	**(4,263)**	(3,835)
Non-current liabilities	**(20,827)**	(21,072)
Net assets at end of period/year	**8,239**	8,317
Capital commitments at end of period/year	**4,890**	3,902
Contingent liabilities at end of period/year	**613**	625

The Group's capital commitment in relation to its interest in the jointly controlled entities is disclosed in Note 26. There are no contingent liabilities relating to the Group's interest in these entities.

17. Investments in Associated Companies

	30 June 2005 HK$M	31 December 2004 HK$M
Electricity Generating Public Company Limited (market value: HK$1,787 million, 2004: HK$1,769 million)	**1,591**	1,640
Gascor Pty Ltd	**5**	–
	1,596	1,640

The Group, through its acquisition of the MEB in Australia, indirectly holds 1/3 interest in Gascor Pty Ltd, a company incorporated in Australia whose principal activity is to manage the gas sales agreement between Victoria's main gas wholesaler and retailers.

The Group's share of results of the associated companies is as follows:

	6 months ended 30 June 2005 HK$M	2004 HK$M
Share of profit before taxation	**103**	143
Taxation	**(24)**	(27)
Share of profit after taxation	**79**	116

The Group did not have any loan or advances made to associated companies. In addition, there are no contingent liabilities relating to the Group's interest in these companies.

18. Derivative Instruments

	30 June 2005		31 December 2004	
	Assets	**Liabilities**	Assets	Liabilities
	HK$M	**HK$M**	HK$M	HK$M
Cash flow hedges				
Forward foreign exchange contracts	**55**	**274**	–	–
Interest rate swaps/cross currency & interest rate swaps	**36**	**81**	–	–
Energy contracts	**331**	**251**	–	–
Fair value hedge				
Cross currency & interest rate swap	**165**	**–**	–	–
Held for trading or not qualifying as hedges				
Forward foreign exchange contracts	**7**	**19**	–	–
Interest rate swaps	**–**	**38**	–	–
Energy contracts	**748**	**589**	–	–
	1,342	**1,252**	–	–
Less: current portion	**(870)**	**(586)**	–	–
Non-current portion of derivative instruments	**472**	**666**	–	–

Derivative instruments qualify as cash flow hedges as at 30 June 2005 have a maturity of between 1 month to 7 years from the balance sheet date.

2004 comparative figures are not provided as HKAS 39 "Financial Instruments: Recognition and Measurement" prescribes the recognition of derivatives at fair value in the balance sheet to take effect prospectively from 1 January 2005.

19. Trade and Other Receivables

	30 June 2005 HK$M	31 December 2004 HK$M
Trade receivables (aging analysis is shown below)	**5,047**	2,376
Deposits and prepayments	**1,330**	986
Dividend receivable from jointly controlled entities	**170**	196
Current accounts with jointly controlled entities	**12**	6
	6,559	3,564

Trade and other receivables attributed to overseas subsidiaries amounted to HK$3,799 million (December 2004: HK$1,610 million).

The Group has established credit policies for customers in each of its core businesses. The credit term for trade receivables ranges from 15 to 60 days.

19. Trade and Other Receivables (continued)

The aging analysis of the trade receivables, after provisions, is as follows:

	30 June 2005 HK$M	31 December 2004 HK$M
Below 30 days (including amount not yet due)	**4,568**	2,332
31 – 60 days	**216**	15
61 – 90 days	**53**	7
Over 90 days	**210**	22
	5,047	2,376

20. Bank Balances, Cash and Other Liquid Funds

	30 June 2005 HK$M	31 December 2004 HK$M
Trust fund for unclaimed dividends	**13**	16
Trust accounts under TRAA (A)	**541**	549
Short-term investments and bank deposits	**1,258**	1,857
Bank balances and cash	**120**	98
	1,932	2,520

(A) Pursuant to a Trust and Retention Account Agreement (TRAA) between GPEC and its lenders, GPEC allocates monthly receipts from its off-taker, Gujarat Electricity Board, to various trust accounts for fuel, operating and major maintenance expenses and debt service payments. These amounts are placed by GPEC on short-term deposits or investments prior to being applied for the designated purposes.

21. Trade and Other Payables

	30 June 2005 HK$M	31 December 2004 HK$M
Trade payables (aging analysis is shown below)	**2,453**	2,064
Other payables and accruals	**1,310**	1,053
Current accounts with jointly controlled entities (A)	**1,152**	1,099
	4,915	4,216

(A) Of the amount due to the jointly controlled entities, HK$956 million (December 2004: HK$914 million) was due to CAPCO.

The aging analysis of the trade payables is as follows:

	30 June 2005 HK$M	31 December 2004 HK$M
Below 30 days (including amount not yet due)	**2,437**	2,043
31 – 60 days	**1**	2
61 – 90 days	**3**	4
Over 90 days	**12**	15
	2,453	2,064

22. Borrowings and Obligations under Finance Leases

Total borrowings in the condensed consolidated balance sheet are analysed as follows:

	Current		Non-Current		Total	
	30 June 2005 HK$M	31 December 2004 HK$M	**30 June 2005 HK$M**	31 December 2004 HK$M	**30 June 2005 HK$M**	31 December 2004 HK$M
Short-term loans	**4,343**	422	**–**	–	**4,343**	422
Long-term bank loans	**284**	756	**18,494**	10,916	**18,778**	11,672
Other long-term borrowings	**2,340**	–	**5,506**	6,680	**7,846**	6,680
Bank loans and other borrowings (A)	**6,967**	1,178	**24,000**	17,596	**30,967**	18,774
Obligations under finance leases (B)	**56**	–	**1,479**	–	**1,535**	–
	7,023	1,178	**25,479**	17,596	**32,502**	18,774

(A) Bank Loans and Other Borrowings

During the six months ended 30 June 2005, the Group arranged an AUD2,450 million and a HK$6,000 million unsecured loan facilities and used part of the facilities to fund the acquisition of the MEB and working capital requirements for our business in Australia and to refinance the existing facilities of Yallourn Energy. The Group also issued HK$1,000 million fixed rate notes under the Medium Term Note Programme to support the capital requirements of the electricity business in Hong Kong. The Group's bank loans and other borrowings were repayable as follows:

	Bank Loans		Other Borrowings		Total	
	30 June 2005 HK$M	31 December 2004 HK$M	**30 June 2005 HK$M**	31 December 2004 HK$M	**30 June 2005 HK$M**	31 December 2004 HK$M
within one year	**4,627**	1,178	**2,340**	–	**6,967**	1,178
between one and two years	**2,788**	2,973	**–**	2,340	**2,788**	5,313
between two and five years	**15,610**	6,027	**–**	–	**15,610**	6,027
after five years	**96**	1,916	**5,506**	4,340	**5,602**	6,256
	23,121	12,094	**7,846**	6,680	**30,967**	18,774

Bank loans totalling HK$13,222 million (December 2004: HK$7,503 million) were attributed to overseas subsidiaries. Part of the loans (HK$716 million at June 2005 and HK$512 million at December 2004 for GPEC and HK$6,106 million at December 2004 for Yallourn Energy) are secured by fixed and floating charges over their respective assets.

The carrying amounts of loans and borrowings approximate their fair value. The fair value of long-term borrowings is determined using the expected future payments discounted at market interest rates prevailing at the period end.

22. Borrowings and Obligations under Finance Leases (continued)

(A) Bank Loans and Other Borrowings (continued)

Loans and borrowings of the Group are predominantly in HK$ or AUD. The effective interest rates at the balance sheet date were as follows:

	30 June 2005		31 December 2004	
	HK$	**AUD**	HK$	AUD
Fixed rate loans and loans swapped to fixed rates	**4.2%-7.1%**	**6.2%-7.3%**	4.3%-7.1%	7.5%-8.6%
Variable rate loans and loans swapped from fixed rates	**2.8%-3.8%**	**6.2%-6.6%**	0.5%-1.0%	5.6%-7.2%

As at 30 June 2005, the Group has undrawn bank loan and overdraft facilities of HK$9,216 million (December 2004: HK$8,384 million).

(B) Obligations under Finance Leases

Following the acquisition of the MEB on 31 May 2005, the Group had obligations under finance leases repayable as follows:

	30 June 2005 HK$M	31 December 2004 HK$M
Minimum lease payments		
not later than one year	**208**	–
later than one year and not later than five years	**836**	–
later than five years	**1,858**	–
	2,902	–
Future interest expenses on finance leases	**(1,367)**	–
Present value of minimum lease payments	**1,535**	–
Present value of minimum lease payments		
not later than one year	**56**	–
later than one year and not later than five years	**284**	–
later than five years	**1,195**	–
	1,535	–

23. Share Capital

	30 June 2005		31 December 2004	
	Number of Shares of HK$5 Each	**Amount HK$M**	Number of Shares of HK$5 Each	Amount HK$M
Authorised				
At end of period/year	**3,000,000,000**	**15,000**	3,000,000,000	15,000
Issued and fully-paid				
At end of period/year	**2,408,245,900**	**12,041**	2,408,245,900	12,041

There was no movement in the share capital of the Company during the period (year 2004: nil).

24. SoC Reserve Accounts

The Development Fund, special provision account and Rate Reduction Reserve of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts in the condensed consolidated balance sheet. The respective balances at the end of the period/year are:

	30 June 2005 HK$M	31 December 2004 HK$M
SoC reserve accounts		
Development Fund (A)	**2,820**	3,171
Special provision account (B)	**–**	–
Rate Reduction Reserve (C)	**518**	549
	3,338	3,720

Movements in the SoC reserve accounts are as follows:

		30 June 2005 HK$M	31 December 2004 HK$M
(A)	Development Fund		
	At beginning of period/year	**3,171**	2,960
	Transfer (to)/from profit and loss account (Note 5)	**(338)**	219
	One-off rebates	**(13)**	8
	Business relief rebate	**–**	(1)
	Special rebate to customers	**–**	(15)
	At end of period/year	**2,820**	3,171
(B)	Special provision account		
	At beginning of period/year	**–**	176
	Transfer to profit and loss account	**–**	(176)
	At end of period/year	**–**	–
(C)	Rate Reduction Reserve		
	At beginning of period/year	**549**	471
	Interest expense charged to profit and loss account (Note 8)	**120**	253
	One-off rebates	**–**	2
	Rebate to customers *(note a)*	**(151)**	(177)
	At end of period/year	**518**	549

Note (a): A rebate of HK¢1.1 per unit (2004: HK¢0.6 per unit) was made to customers during the period.

25. Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before taxation to net cash inflow from operations:

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Profit before taxation	**5,044**	4,710
Adjustments for:		
Operating interest	**536**	521
Finance income	**(63)**	(23)
Share of results, net of tax		
jointly controlled entities	**(1,614)**	(1,541)
associated companies	**(79)**	(116)
Depreciation and amortisation	**1,359**	1,219
Net loss on disposal of fixed assets	**25**	83
Net loss on other investments	**–**	38
Hedging costs and exchange gains/losses	**–**	61
Fair value (gains)/losses on derivative instruments		
Cash flow hedges, transfer from equity	**106**	–
Transactions not qualifying as hedges	**(7)**	–
SoC items		
Increase in customers' deposits	**104**	115
Decrease in fuel clause account	**(318)**	(149)
One-off rebates	**(13)**	(479)
Rebate to customers under SoC	**(151)**	(80)
Business relief rebate	**–**	(1)
Special rebate	**–**	(15)
	(378)	(609)
Transfers from Development Fund and special provision account	**(338)**	(693)
Cash flow before working capital changes	**4,591**	3,650
(Increase)/Decrease in debtors and prepayments	**(1,020)**	457
Increase/(Decrease) in creditors and other liabilities	**289**	(303)
Decrease in dividend receivable from jointly controlled entities	**26**	–
Increase in current accounts due to jointly controlled entities	**47**	22
Net cash inflow from operations	**3,933**	3,826

26. Commitments

(A) Capital expenditure on fixed assets and leasehold land authorised but not brought into the accounts is as follows:

	30 June 2005 HK$M	31 December 2004 HK$M
Contracted but not provided for	**2,300**	2,207
Authorised but not contracted for	**10,034**	9,670
	12,334	11,877

(B) The Group has entered into a number of joint venture arrangements to develop power projects in Thailand and the Chinese mainland. Equity contributions required and made by the Group under each project are summarised below:

Project Name	**Total Equity Contributions Required**	**Amount Fulfilled as at 30 June 2005**	**Remaining Balance to be Contributed**	**Expected Year for Last Contribution**
BLCP power project (Thailand)	US$165 million	US$17 million (HK$132 million)	US$148 million (HK$1,150 million)	2007
Changdao wind power project (Chinese mainland)	RMB45 million	RMB27 million (HK$25 million)	RMB18 million (HK$17 million)	end 2005
Weihai wind power project (Chinese mainland)	RMB30 million	nil	RMB30 million (HK$28 million)	2006
Fangchenggang power project (Chinese mainland)	RMB966 million	nil	RMB966 million (HK$907 million)	2007

(C) Part of the acquisition of the MEB is the acquisition of Singapore Power's 33.3% interest in the SEAGas partnership, which owns and operates a 685 kilometre natural gas transmission pipeline between Victoria and South Australia (Note 4). The Group's acquisition of this interest was subject to consent from the other SEAGas partners and consent from the financiers to SEAGas. All necessary consents have been obtained and completion of the acquisition is targeted for the third quarter of 2005. Consideration for the acquisition is AUD195 million, of which a deposit of AUD75 million (approximately HK$448 million) was paid prior to 30 June 2005.

(D) Pursuant to the previous loan agreements of Yallourn Energy, the Group had to provide the senior lenders with contingent equity support depending on certain minimum requirements regarding the availability of cash flows for debt services. This contingent equity support is no longer required upon repayment of the debts in May 2005.

27. Related Party Transactions

Below are the more significant transactions with related parties during the period ended 30 June:

(A) Purchases of electricity from jointly controlled entities

Of the purchases of electricity and gas totalled HK$8,613 million (2004: HK$7,630 million), HK$8,278 million (2004: HK$7,630 million) was related to purchases of electricity from jointly controlled entities for the electricity business in Hong Kong. Details are shown below:

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Purchases of electricity from CAPCO	**5,652**	5,398
Purchases of nuclear electricity	**2,447**	2,046
Pumped storage service fee	**179**	186
	8,278	7,630

Amounts due to the related parties as at 30 June 2005 are disclosed in Note 21.

(B) Rendering of services to jointly controlled entities

Pursuant to the CAPCO Operating Service Agreement, the charges from CLP Power Hong Kong to CAPCO for the services rendered during the period amounted to HK$529 million (2004: HK$541 million).

Amounts due from the related parties as at 30 June 2005 are disclosed in Note 19. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

(C) Loan and advances to affiliated companies are discussed under Notes 16 and 17. As at 30 June 2005, the Group did not have any guarantees given to or received from these parties.

(D) Total remuneration of Non-executive Directors and Senior Management (which includes four Executive Directors of the Company and Managing Directors of the two major subsidiaries, CLP Power Hong Kong and CLP Power Asia) is as follows:

	6 months ended 30 June	
	2005	2004
	HK$M	HK$M
Fees	**2**	1
Base compensation, allowances and benefits in kind	**12**	12
Performance bonus		
Annual incentive	**15**	12
Long-term incentive *(note a)*	**8**	2
Provident fund contributions	**1**	1
	38	28

Note (a): The amount of long-term incentive for 2005 was paid to five individuals, while that of 2004 was paid to one individual.