

## Management's Discussion and Analysis

The Chairman's Statement which introduces this Interim Report focuses on the major priorities ahead and the outlook for the CLP Group. In this Management's Discussion and Analysis we explain the Group's operational and financial performance over the first six months of 2006.

### Business Overview

CLP follows a clear, consistent and focused strategy to realise our vision of being a leading investor-operator in the Asia-Pacific electricity power sector. We aim continuously to enhance our Hong Kong electricity business and to develop a portfolio of electricity businesses in Australia, the Chinese mainland and other countries in Asia. An outline of our investments is set out below:

#### Hong Kong

Investments	Equity Interest	Description
CLP Power Hong Kong Limited (CLP Power Hong Kong) <sup>(1)</sup>	100%	<p>CLP Power Hong Kong owns and operates the transmission and distribution system, covering a supply area of approximately 1,000 sq. km and which includes:</p> <ul style="list-style-type: none"> <li>• 554 km of 400kV lines</li> <li>• 1,232 km of 132kV lines</li> <li>• 185 km of 33kV lines</li> <li>• 10,498 km of 11kV lines</li> <li>• 55,751 MVA transformers</li> <li>• 210 primary substations in operation</li> <li>• 12,495 secondary substations in operation</li> </ul>
Castle Peak Power Company Limited (CAPCO) <sup>(1)</sup> , 6,908 megawatts (MW) of installed generating capacity	40%	<p>CAPCO owns:</p> <p><b>Black Point Power Station (2,500MW)</b></p> <ul style="list-style-type: none"> <li>• Gas-fired power station (with distillate as back-up) comprising eight combined-cycle turbines of 312.5MW each</li> <li>• Units 1 to 8 in operation, Unit 8 commenced operation in May 2006</li> </ul> <p><b>Castle Peak Power Station (4,108MW)</b></p> <ul style="list-style-type: none"> <li>• One of the world's largest coal-fired power station complexes, comprising four units of 350MW each and another four units of 677MW each</li> <li>• Two of the 677MW units are capable of burning gas as backup fuel. All units can burn oil as a backup fuel</li> </ul> <p><b>Penny's Bay Power Station (300MW)</b></p> <ul style="list-style-type: none"> <li>• Three diesel oil-fired units of 100MW each</li> </ul>

Note (1): CLP Power Hong Kong operates CAPCO's power stations and purchases its power from CAPCO and Guangdong Daya Bay Nuclear Power Station. These sources of power, together with CLP's right to use 50% of the capacity of Phase 1 of the Guangzhou Pumped Storage Power Station, amount to a total installed capacity of 8,888MW.

**Australia**

Investments Gross/Equity MW	Equity Interest	Description
TRUenergy, Australia 4,126/4,126MW	100%	<p>TRUenergy is an integrated generation and retail electricity and gas business in Victoria, South Australia, New South Wales and the Australian Capital Territory, comprising:</p> <ul style="list-style-type: none"> <li>• 1,480MW coal-fired <b>Yallourn Power Station</b> and mine in Victoria</li> <li>• 1,280MW gas-fired <b>Torrens Island Power Station</b> in South Australia</li> <li>• Ecogen long-term hedge agreement that allows TRUenergy to purchase up to 966MW gas-fired capacity</li> <li>• 400MW gas-fired <b>Tallawarra project</b> in New South Wales, currently under construction</li> <li>• <b>Iona Gas Storage facility</b> in Victoria</li> <li>• Various long-term gas supply contracts</li> <li>• 33.33% interest in the SEAGas pipeline between Victoria and South Australia</li> <li>• Over 1.1 million retail electricity and gas customer accounts, mainly in Victoria and South Australia</li> </ul>
Roaring 40s Renewable Energy Pty Ltd (Roaring 40s), Australia 255/99MW <sup>(2)</sup>	50%	<p>Roaring 40s is a 50:50 joint venture partnership with Hydro Tasmania. Roaring 40s currently owns:</p> <ul style="list-style-type: none"> <li>• 100% of the 65MW Woolnorth Bluff Point wind farm in Tasmania</li> <li>• 50% of the 66MW Cathedral Rocks wind farm in South Australia</li> </ul> <p>Other renewables projects under construction include:</p> <ul style="list-style-type: none"> <li>• 49% of the 49MW China Datang Shuangliao wind farm in Jilin Province (吉林省), China</li> <li>• 100% of the 75MW Woolnorth Studland Bay wind farm in Tasmania</li> </ul>

Note (2): The 99 equity MW attributed to CLP, through its 50% equity interest in Roaring 40s, takes into account that Roaring 40s holds varying equity interests in the generating assets included in the 255 gross MW.

**Other Countries in Asia**

Investments Gross/Equity MW	Equity Interest	Description
Gujarat Paguthan Energy Corporation Private Limited (GPEC), India 655/655MW	100%	GPEC owns and operates a 655MW gas-fired combined-cycle power station in Gujarat, India.
OneEnergy Limited (OneEnergy) 5,588/383MW <sup>(3)</sup>	50%	<p>A 50:50 strategic joint venture with the Mitsubishi Corporation of Japan, which currently owns a 22.4% interest in <b>Electricity Generating Public Company Limited (EGCO)</b> in Thailand. EGCO owns and operates:</p> <ul style="list-style-type: none"> <li>• REGCO and KEGCO gas-fired combined-cycle power stations in Thailand (2,056MW)</li> <li>• 25% interest in the 1,070MW Nam Theun 2 hydro project in Laos, under construction</li> <li>• 50% interest in the 1,468MW Kaeng Khoi 2 CCGT project in Thailand, under construction</li> <li>• 368MW out of a total of 994MW in a portfolio of small power projects operating and under construction in Thailand and the Philippines</li> </ul>
Ho-Ping Power Company (HPC), Taiwan 1,320/528MW	40%	HPC owns a 1,320MW coal-fired power station at Ho-Ping, Taiwan. Operation started in 2002 and is by a separate joint venture, with the same shareholdings as HPC, but with CLP management leadership.
BLCP Power Limited (BLCP), Thailand 1,434/717MW	50%	BLCP is the developer of a 1,434MW coal-fired power station now under construction at Map Ta Phut, Thailand. CLP is responsible for construction management and is the major shareholder in the operating company.

Note (3): The 383 equity MW attributed to CLP, through its 50% equity interest in OneEnergy, takes into account that OneEnergy indirectly holds varying equity interests in the generating assets included in the 5,588 gross MW.

## Chinese Mainland

Investments Gross/Equity MW	Equity Interest	Description
Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968/492MW	25%	GNPJVC was established in 1985 to construct and operate Guangdong Daya Bay Nuclear Power Station (GNPS) at Daya Bay (大亞灣). GNPS is equipped with two 984MW Pressurised Water Reactors for which the majority of the equipment was imported from France and the United Kingdom. 70% of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong.
Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200/600MW	49%	PSDC has the right to use half of the 1,200MW pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station until 2034.
CLP Guohua Power Company Limited (CLP Guohua) 2,100/630MW <sup>(4)</sup>	49%	CLP Guohua holds interests in three coal-fired power stations: <ul style="list-style-type: none"> <li>• Beijing Yire Power Station in Beijing (北京) (400MW)</li> <li>• 50% interest in 1,000MW Panshan Power Station in Tianjin (天津)</li> <li>• 55% interest in 700MW Sanhe Power Station in Hebei (河北)</li> </ul>
CLP Guohua Shenmu Power Company Limited (Shenmu) 200/98MW	49%	Shenmu Power Station, in Shaanxi (陝西), has two 100MW coal-fired units.
Guizhou CLP Power Company Limited (Guizhou CLP Power) 600/420MW	70%	Guizhou CLP Power owns and operates two 300MW coal-fired generating units which supply the Guizhou (貴州) power grid and, indirectly, Guangdong Province (廣東省).
Shandong Zhonghua Power Company, Ltd. (SZPC) 3,000/882MW	29.4%	SZPC owns four coal-fired power stations, Shiheng I and II (totalling 1,200MW), Liaocheng (1,200MW) and Heze II (600MW), in Shandong Province (山東省).
Huaiji Small Hydropower Stations (Huaiji) 98/74MW	75%	Eight small hydro power stations in Huaiji County (懷集縣), Guangdong Province are in operation, with one under construction, amounting to a total of 98MW. CLP's equity interest in Huaiji was increased to 84.9% on 4 August 2006.
HNEEP-CLP Changdao Wind Power Co., Ltd. (Changdao Wind Power) 27/12MW	45%	Changdao wind farm, with a generating capacity of 27MW, started commercial operation in May 2006. It is connected to the Shandong provincial grid to serve Yantai City (煙台市).
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 1,200/840MW	70%	Construction of a new power station with two 600MW coal-fired units at Fangchenggang (防城港), Guangxi (廣西) is in progress. The first unit is scheduled for commissioning by third quarter of 2007.
HNNE-CLP Weihai Wind Power Company Limited (Weihai Wind Power) 20/9MW	45%	Weihai wind farm is located in Shandong Province and has an initial capacity of 20MW, with commissioning due in 2006/7. The power will serve local electricity needs.
Huaneng Shantou Wind Power Company Limited (Nanao II Wind Power) 45/11MW	25%	Nanao II wind power project of 45MW is located on Nanao Island off Shantou (汕頭), Guangdong Province. The power generated from this wind farm, which is targeted for commissioning in 2007, will serve the local electricity needs of Shantou City.

Note (4): The 630 equity MW attributed to CLP, through its 49% equity interest in CLP Guohua, takes into account that CLP Guohua holds varying equity interests in the generating assets included in the 2,100 gross MW.

## Operational Performance

### Electricity Business in Hong Kong

The Hong Kong economy maintained robust growth in the first quarter of 2006, supported by exports and local retail sales. With services contributing a high portion of GDP, increased energy efficiency awareness of electricity consumers and milder weather conditions in the period, local sales of electricity rose only moderately by 0.8% in the first half of the year, over the same period in 2005.

An analysis of the local sales by sector during the period is as follows:

	Increase/ (Decrease) Over 1st Half of 2005	Percentage of Total Local Sales
Residential	(1.6) %	23.0 %
Commercial	5.1 %	41.6 %
Infrastructure & Public Services	(2.7) %	25.8 %
Manufacturing	(1.0) %	9.6 %

Affected by the weather conditions in the period and public awareness of energy conservation, the Residential Sector recorded a slight drop in sales. The apparent strong growth in the Commercial Sector was due to the improved economy and reclassification from the Infrastructure & Public Services (IPS) Sector of the accounts previously under the Hong Kong Housing Authority and now transferred to The Link Real

Estate Investment Trust. In the IPS Sector, lower consumption was recorded for Public Services as a result of Government's energy saving programme. For the Manufacturing Sector, the declining trend continued, but at a slower rate.

Supply to Guangdong Power Grid Corporation and Shekou remained relatively stable during the first half of 2006, compared to the same period in 2005. The combined sales to these two large mainland customers dropped slightly by 1.4%.

Total unit sales, which include both local sales and sales to the Mainland, rose by 0.5% compared to the corresponding half-year in 2005.

Towards the end of 2005, we announced that CLP's tariffs to our Hong Kong customers would be frozen in 2006. There has been no tariff increase since 1998. Our customers continue to enjoy an average net tariff that remains the lowest in Hong Kong and amongst the lowest in metropolitan cities and open markets around the world.

In March, CLP submitted its formal response to Government's Stage II Consultation on the future of Hong Kong's electricity industry. In our response (which is available on our website at [www.clpgroup.com](http://www.clpgroup.com)) we expressed our support for Government's policy objectives of reliable, safe, efficient and environmentally responsible energy supplies, at reasonable prices. However, we also expressed our strong and justified reservations about Government's proposals in four major areas: environmental disincentives, unclear plans to migrate

Overhead line training



to a competitive market, inadequate incentives to encourage investment, and an unreasonably short duration of the future regulatory regime.

In May 2006, Government issued an information paper summarising the views received during the Stage II Consultation. These included over 17,000 written submissions from different sectors of the community and over 700 messages through the discussion forums on Government's website. Many submissions were in line with our own views and there was a general consensus that reliability and safety of supply was vital and should be the key consideration in the future development of the electricity market. There were many reservations about the implications of introducing new supply sources from the Chinese mainland, as well as concerns that the proposed rate of return to the power companies, in a range of 7% to 11%, might be too low to attract continued investment and might affect supply reliability. There were also suggestions to provide incentives to encourage investment in emissions reduction facilities. The need for a stable and long term regulatory regime, in order to promote timely and adequate investment, is an important consideration which CLP has firmly and consistently emphasised in its contribution to the public debate on the future of our industry.

Investment in Hong Kong's electricity infrastructure is necessary, substantial and continuous. For example, in the first half of 2006, in line with the Financial Plan approved by Government, CLP incurred HK\$1.8 billion of capital expenditure on its transmission and distribution networks, in order to enhance supply quality and reliability, as well as providing for the demand created by residential and civil and social infrastructure development projects in our supply area.

In his Chairman's Statement, Sir Michael Kadoorie has highlighted two major projects which CLP currently has in hand with a view to enhancing the operating and environmental performance of our generating capacity in Hong Kong – the Castle Peak 'B' Power Station Emissions Reduction Project and the LNG receiving terminal.

In respect of the Castle Peak 'B' Power Station Emissions Reduction Project, we have received and are evaluating tenders for demolition and plant re-location works and have issued the tenders for the provision of flue gas desulphurisation (FGD) equipment and Boiler Island equipment (mainly for nitrogen oxide removal).

With regard to the LNG receiving terminal, the EIA studies are scheduled for completion in August 2006. We have devoted substantial resources and efforts to engage the community regarding the importance of the timely provision of an LNG receiving terminal in meeting Hong Kong's energy needs in an effective, reliable and clean way. Our activities have included briefings to legislators and district councillors, workshops with representatives of environmental groups, roundtable discussions with industry and academic experts, site visits by stakeholders to potential sites, and media briefings. Details of the project and our stakeholder engagement activities can be obtained through our project website at [www.clpgroup.com/environment/lng](http://www.clpgroup.com/environment/lng) or our telephone hotline at (852) 2678 8189.

Everything we do in our Hong Kong electricity business must result in the delivery of excellent service to our customers. Our commitment to quality customer service is reinforced by our performance pledges, which are published annually and cover all the key aspects of our service to customers. Our efforts in this regard are recognised by both our customers and industry peers. We were encouraged by recent awards from the Hong Kong Association for Customer Service Excellence in the category of "Contact Service Centre" and "Counter Service" as well as receipt of the Hong Kong Management Association's Award for Excellence in Training for our call centre in the category of "Outstanding New Trainer".

### **Energy Business in Australia**

TRUenergy has undergone a programme of organisational realignment aiming at integrating the Yallourn and merchant energy business (MEB) in order to achieve greater operating synergies. This process has progressed well with a number of organisational changes to increase the focus of the business on maintaining retail revenues and achieving greater customer responsiveness.

During the first half of 2006, CLP reached a settlement with Singapore Power in relation to certain matters regarding the purchase of the MEB in 2005. This settlement was treated as a purchase price adjustment.

In January 2006, there was a fire in the coal conveyor at Yallourn Power Station which resulted in an outage for Units 1 and 2. The fire occurred during a time of high temperatures resulting in high electricity spot prices.

Due to the efforts of Yallourn staff, the coal supply was restored within five days. At the same time, we were able to use the generation capacity available elsewhere in the TRUenergy portfolio to minimise the impact of the lost generation on our market position. This incident provided a clear illustration of the value of a portfolio of generating capacity in this market, as compared to reliance on a single asset.

The development of the 400MW combined-cycle gas-fired power station in Tallawarra in New South Wales (NSW) is proceeding well. The Tallawarra project will provide 400MW of gas-fired combined-cycle capacity to the TRUenergy portfolio. Consistent with TRUenergy's strategy of integrating generation and retail, this project will form a basis for the expansion of the retail business in NSW. The combined-cycle plant will use natural gas at high levels of energy efficiency and has a very low level environmental impact.

The relevant approvals have been obtained and the site is being prepared for construction. Notice to proceed was issued on the main engineering, procurement and construction contract in June 2006. The plant is scheduled to start operation in late 2008, in time for the summer peak in NSW.

Overall competition in the retail energy market continues to be aggressive, particularly in the Victorian gas and electricity

mass markets. Our marketing and sales initiatives have been successful in ensuring that our own customer churn (that is, the percentage of customers switching suppliers) is better than the average market rates and, we anticipate, will allow us to maintain our current market share. Competition in other regions is continuing to increase, albeit at substantially lower levels than the Victorian market. We do not expect these competitive pressures to diminish in the short term.

#### Electricity Investments in the Chinese Mainland

The Guangdong Daya Bay Nuclear Power Station (GNPS), in which CLP holds a 25% stake, operated at a high capacity factor during the first half of the year, except for the period during which Unit 1 was shut down for the planned 10th year refuelling outage. During the outage, comprehensive statutory inspections of safety-related equipment were made and the results were found satisfactory. GNPS has achieved a good safety record throughout the period under review. The station was awarded first places in Industrial Safety and in Radiation Protection in the 2005 Safety Challenge Competition, which included all the nuclear power stations in France, sister plants to GNPS.

Elsewhere, coal supply and tariff management continued to be the primary focus of management attention in our joint ventures: SZPC, CLP Guohua and Guizhou CLP Power. The coal supply situation has gradually improved and coal prices

Changdao Wind Farm,  
Shandong Province



have started to stabilise, although they remain high. The coal supply to our joint ventures has been able to sustain generating requirements during the first six months of 2006, except for a short period early in the year when tight coal supply temporarily restricted generation at Anshun II Power Station in Guizhou.

Generating companies in the Mainland have been under financial pressure as a result of high coal prices. To alleviate this, the PRC authorities have announced the second round of coal price linked tariff adjustments in June 2006, following the first round implemented in May 2005.

Construction of the coal-fired Fangchenggang project in Guangxi is underway. The site has been formed and civil construction works are well advanced. The marine terminal for receiving coal deliveries is also under construction. Equipment for the 2 x 600MW generating units is being manufactured and components are being delivered to site. By the end of June 2006 equipment supply and construction costs representing 90% of the total projected contract values had been signed. The work remains on schedule to bring the first unit into operation by third quarter of 2007.

#### **Electricity Investments in Other Countries in Asia**

In March 2006 we announced the formation of a 50:50 strategic joint venture with Mitsubishi Corporation, called OneEnergy Limited. OneEnergy will draw on the combined expertise and capital of CLP and Mitsubishi to serve the region's growing power needs. Mitsubishi's local networks and relationships, as well as its experience in the independent power producer (IPP) business, are complementary to CLP's strong skills and experience in project development, execution, construction and operation.

OneEnergy will operate in the Southeast Asia and Taiwan markets and will be the exclusive power sector investment vehicle in these markets for its two shareholders. The joint venture, which now holds the 22.4% interest in EGCO in Thailand, previously held by CLP, aims to expand elsewhere in Southeast Asia as suitable opportunities arise. CLP and Mitsubishi are also discussing the further injection into OneEnergy of their other assets in Southeast Asia and Taiwan.

Dialogue is continuing with EGCO and Electricity Generating Authority of Thailand (EGAT) regarding our position in EGCO, as well as EGCO's role in future expansion of generation capacity in Thailand. We are also finalising

discussions with EGCO on the injection of our interest in the BLCF power project into EGCO.

Construction of the coal-fired BLCF power plant, in which CLP owns a 50% share, is on schedule for commercial operation of the first unit in October 2006 and the second unit in early 2007. On completion, this project will make a substantial contribution to improving fuel diversity in the Thai electricity system. A separate joint venture, in which CLP owns 60%, is mobilised to take over operation and maintenance of the power plant upon commercial operation.

At the Ho-Ping power plant in Taiwan, in which CLP holds a 40% interest, repair work on Unit 1, which suffered a turbine blade failure in December 2005, was completed in May. The unit is operating on reduced output until late 2006, when new turbine blades will be installed to restore the full machine capacity. Rebuild of the first of the three coal storage domes destroyed during strong typhoons in 2004 and 2005 has commenced and will be completed in May 2007. Contracts for the remaining two coal domes are being finalised and construction works are scheduled for completion in late 2007 and mid 2008 respectively. Mitigation measures have been put in place and there is no significant impact on operation while the coal domes are being rebuilt.

The Taiwan government has announced a new round of solicitation for IPPs, with priority placed on coal-fired generation in northern Taiwan to be commissioned in 2011. The existing Ho-Ping power plant site within the Ho-Ping industrial zone is strategically located to serve such requirements. Work on developing the expansion plan and securing related environmental approvals is in progress.

In India, GPEC has continued to operate at high levels of reliability and availability. There have been no new disputes on billing with the off-taker and payments have been made on time and in full so far this year. Our major concern at GPEC is the availability of natural gas, since the supply from some of the existing contracts is expected to start to decline next year. GPEC can run on naphtha, as an alternative to gas, but this is much more costly. We are attempting to identify alternative sources of gas prior to the wider availability of LNG and natural gas from India's east coast, which we expect to emerge some years in the future. In the circumstances, the development of GPEC II power station is on hold, and will be reactivated when the prospects of obtaining gas at a competitive price have become firmer.

### Renewable Energy

During the opening months of 2006 CLP has continued to move forward with its renewable energy activities, in line with the commitment made in our 2004 'Manifesto on Air Quality and Climate Change' that energy from renewable sources should represent 5% of our total equity generating capacity by 2010.

The 27MW wind farm in Changdao, Shandong, in which CLP has a 45% share, commenced commercial operation on 1 May 2006. Erection of wind turbine generators has started at the 20MW wind farm in Weihai, Shandong. Negotiations are also in final stage on the wind turbine supply contract for the 45MW wind farm on Nanao Island.

In August 2006, CLP has further increased its stake in the Huaiji project from 75% to 84.9%. Comprising nine small hydro-electric power stations, Huaiji has a total generating capacity of 98.4MW. These environmentally friendly small hydro power stations together represent a substantial portion of the total generating capacity of Huaiji County.

In Hong Kong, wind data collection is in progress at two potential sites for a wind pilot demonstration project. Other development work, including environmental studies, is in progress, with a view to construction and commissioning taking place in 2007.

CLP is collaborating with a UK wind farm developer, Wind Prospect, in evaluating a potential 150-180MW offshore wind farm in waters off Sai Kung in Hong Kong. The EIA commenced with the receipt of study brief from the Government in May 2006. Stakeholder engagement is in progress with various government departments, Sai Kung District Council, rural committees and environmental groups.

Our Roaring 40s joint venture with Hydro Tasmania is carrying forward the construction of a 75MW wind farm at Woolnorth Studland Bay in Tasmania. Commissioning is planned for early 2007. This facility will complement Roaring 40s' existing portfolio of wind power assets in Australia. In April Roaring 40s signed a co-operation agreement with Guohua Energy Investment Corporation. At the end of May, this framework led to agreement on the commercial arrangements for a wind power project near Rongcheng City in Shandong Province. This wind farm, with an operating capacity of 48.75MW, is scheduled for full commissioning in mid-2007.

In light of the Australian Federal Government's decision not to increase the Mandatory Renewable Energy Target, which is crucial for new renewable energy projects to be economically viable, Roaring 40s has decided to halt development of two wind farms in Australia. Discussions are proceeding with the Federal Government as well as State Governments about alternative means to encourage the development of renewable energy projects in Australia.

### Human Resources

As at 30 June 2006, the Group employed 6,251 staff (2005: 5,672), of whom 3,862 (2005: 3,829) were employed in the electricity business in Hong Kong and 2,035 (2005: 1,536) in energy businesses outside Hong Kong in Australia, the Chinese mainland and India. The increase was mainly due to the inclusion of employees in the Huaiji Project as a result of reclassification of Huaiji from a jointly controlled entity to a subsidiary of the Group after completion of a shareholding restructuring on 3 November 2005. Total remuneration for the six months ended 30 June 2006 was HK\$1,516 million (2005: HK\$1,223 million), of which HK\$901 million (2005: HK\$866 million) was for the Scheme of Control business. Of the total remuneration, retirement benefit costs amounted to HK\$123 million (2005: HK\$100 million).

The Annual Group Management Development & Succession Planning (MDSP) review was held in March 2006 when the Group-wide MDSP status and key strategic MDSP issues were reviewed by the Chief Executive Officer and senior management.

To strengthen CLP's talent acquisition strategy, scholarships were granted to outstanding electrical engineering students in universities in Hong Kong. We have also exploited synergies between the Scholarship Programme, Internship Programme and Engineering Graduate Trainee Programme to ensure that the most suitable young graduates are attracted and recruited as our Engineering Graduate Trainees. In addition to the Engineering Graduate Trainee Programme which aims at developing future engineering managers, CLP is also actively nurturing our future supply of skilled tradesmen through Apprenticeship Programmes.



During the first half of 2006 we have continued to strengthen region-wide human resources (HR) programmes as part of increasing Group synergy. For example:

- The Group-wide MDSP process was implemented in TRUenergy. This enabled senior management to quickly assess succession strength and identify new talent in the pipeline.
- Plans for a regional development programme for Graduate Engineers were finalised, and the first two candidates from Hong Kong were selected.
- The international movement of individual staff between subsidiaries has been facilitated.
- Initial design work was completed on a regional HR information system that will enable us to access key HR data across the Group more easily and consistently.

### Safety

There were no reported disabling injury incidents in our Hong Kong electricity business in the first six months of 2006. The resulting disabling injury incidence rate (DIIR) of 0.00 compared favourably with the performance during 2005 (0.16). However, maintaining a good safety record demands constant vigilance and attention by all concerned. We are continuing with a series of five safety enhancement initiatives and other cultural improvement processes aimed at reinforcing our employees' attitudes towards safety at work.

These initiatives include:

- Safety visits by directors and senior management
- Peer review by the managers of other departments
- Safety coaching by fellow workers (Safety Leaders)
- Predictive indicators for monitoring safety efforts against performance
- Safety Incentive Scheme to encourage participation from all level of staff

There were no reported disabling injury incidents for staff at GPEC, Ho-Ping, Torrens Island and Iona Gas Storage during the first six months. Two reportable incidents took place at Yallourn Power Station. A DIIR of 0.00 was maintained at GPEC, Ho-Ping, Torrens Island and Iona during the current year, whereas the DIIR was 2.04 for Yallourn due to two incidents. Safety enhancement initiatives were continued at all stations.

The CLP Group's regular joint venture Safety and Health Synergy Forum continued to enhance the sharing of experience and knowledge on safety issues across the Group and with our joint venture partners.

There was a fatal accident involving an employee of a contractor working at the site of BLCP Project in February this year. A thorough investigation has been undertaken and the necessary measures have been taken with the contractors to strengthen safety management.



Chairman's visit to System Control Centre in Hong Kong to celebrate 13 years without a disabling injury incident



Launch ceremony for CLP's "Go Greening" campaign

### Environment

CLP's environmental performance is overseen by the Social, Environmental & Ethics (SEE) Committee of the Board of Directors, which was established in October 2005. The SEE Committee met in February 2006 to review the Social and Environmental Report (SER) 2005 prior to its publication in March. In response to stakeholder feedback, we shortened our report from 48 pages in SER 2004 to 28 pages in SER 2005. Stakeholders have responded favourably to the shorter, more focused report.

The 2005 SER focused on four major environmental issues for CLP and our stakeholders: air quality, climate change, renewable energy and energy efficiency and conservation.

#### Air Quality

CLP is committed to do our share to reduce emissions from Hong Kong sources. The construction of an LNG receiving terminal in Hong Kong, and a retrofit of our coal plant at Castle Peak with FGD and other controls (see pages 3, 4 and 9) are examples of the major investments that we are preparing to make in order to meet this commitment.

The use of ultra-low sulphur coal, branded as "Envirocoal", has contributed to a significant reduction of sulphur dioxide. We continue to procure low sulphur coal for the Castle Peak Power Station and are seeking further opportunities with our committed coal suppliers to provide lower sulphur coal where possible.

### Climate Change and Renewable Energy

In the 2005 SER, we published our climate strategy statement to the public for the first time. Our strategy relies on a high level of transparency in managing and reporting our greenhouse gas emissions.

In addition to publishing our greenhouse emissions in the 2005 SER, CLP submitted its response to the Carbon Disclosure Project 4 (CDP4) in June 2006. CLP is the only Hong Kong-based company that has participated in CDP since its inception. This year's response featured our new climate strategy, an overview of the business impact of existing and possible future climate-related regulations, our communications with stakeholders about the risks and opportunities from greenhouse gas emissions and climate change, and total expenditures for fossil fuels. Our full response is available on our Group website, and will also be available through the CDP website.

CLP's climate strategy also includes the target to increase the capacity for renewable energy in our portfolio to 5% by 2010. In 2005, we increased our share from less than 0.5% to 1.4% and, as at 30 June 2006, this represented 1.7%. The status of our renewable energy portfolio and the steps we are taking to continue to expand our activities in this area are explained on page 12 of this Interim Report.

### Energy Efficiency and Conservation

CLP has a long-standing commitment to energy efficiency and conservation.

In February, we commissioned our first green distribution substation, at the Royal Hong Kong Yacht Club in Sai Kung. This substation is equipped with a vegetable oil transformer, nitrogen gas insulated switchgear, oil-free cables and a cadmium-free battery. We will be introducing these features into other new substations when appropriate.

In June 2006, CLP launched a series of "Go Greening" initiatives, including a pledge to plant 30,000 trees over the next three years in Tai Lam Country Park in Fu Tei, Tuen Mun. In addition, trees and scrubs will be planted on the rooftop of a CLP substation facility in Lai Chi Kok to create a "Sky Woodland" both to enhance the visual amenity of the substation and help conserve energy.

In Hong Kong, through our longstanding "Powerwise" programme, together with community events, seminars and advisory support, we continue to promote energy efficiency and conservation to the public. A particularly successful initiative was our collaboration with non-governmental organisations on the safe and smart use of energy to support achieving a greener and cleaner indoor environment at homes for the elderly. In July, CLP joined the "Energy Conservation Charter 2006 – Suitable Room Temperature"

organised by Hong Kong Government's Environmental Protection Department with a pledge to save energy in the working environment and adhere to the principle of "Use if Required, Save if Possible".

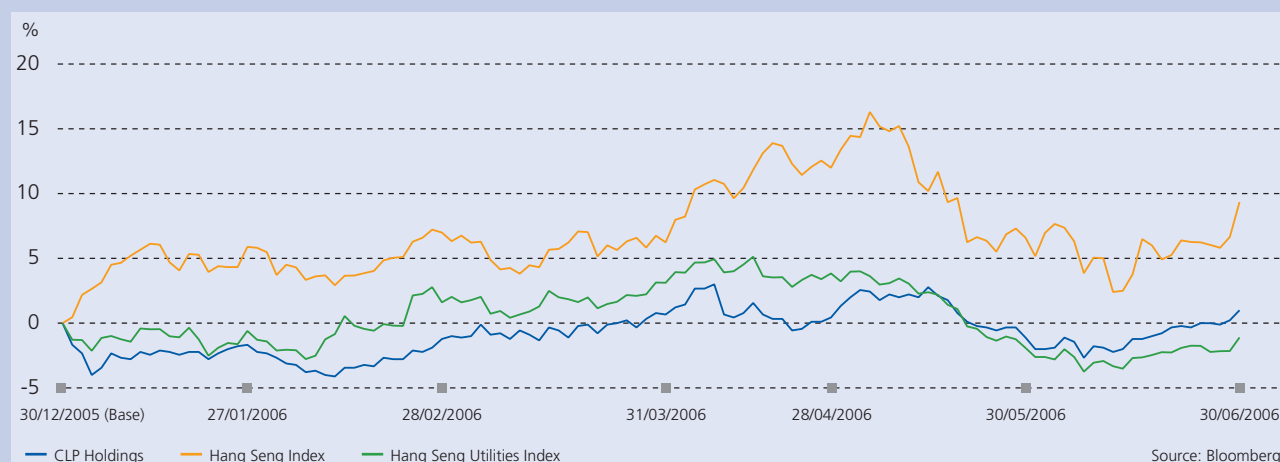
Conservation applies to water as well as energy. We have a successful track record of water conservation projects at our facilities. Our most recent water conservation project was launched by TRUenergy in April 2006. The A\$300,000 upgrade to the onsite water treatment facilities at the Torrens Island Power Station in South Australia will reduce wastewater discharge by 90% after completion of the project. The upgrade will deliver significant environmental and operating improvements and will also improve the power station's reliability in times of peak demand.

### Shareholder Value

During the first half of 2006, CLP's share price and the Hang Seng Index (HSI) rose by 1.00% and 9.35% respectively, while the Hang Seng Utilities Index (HSUI) declined by 1.10%.

The final dividends for 2005, comprising HK\$0.83 per share by way of ordinary dividend and HK\$0.11 per share as special dividend, were paid to shareholders on 26 April 2006. The first interim dividend for 2006 of HK\$0.50 per share was paid on 15 June 2006 and the second interim dividend of HK\$0.50 per share will be paid on 15 September 2006.

CLP Holdings Share Performance vs HSI vs HSUI



## Financial Performance

The condensed consolidated interim accounts for the six months ended 30 June 2006 are unaudited but have been reviewed by the Audit Committee and our external Auditors. The Accounting policies adopted in the preparation of this interim result are consistent with those set out in the 2005 Annual Report, except the Group has adopted the new Hong Kong Financial Reporting Standards (HKFRS) Interpretation 4 "Determining whether an Arrangement contains a Lease". The adoption of this Interpretation has resulted in certain power purchase arrangements being treated as leases for accounting purposes. The financial impact of adopting this Interpretation is disclosed under Note 2 to the accounts.

### Consolidated Financial Results

#### Revenue

During the six-month period to 30 June 2006, there was a 30.9% increase in revenue to HK\$21,412 million (2005: HK\$16,361 million).

Revenue from our business in Hong Kong recorded a 2.6% growth to HK\$14,061 million (2005: HK\$13,704 million). The increase was mainly due to higher unit sales and increased fuel clause revenue. The transfer from the Development Fund, which is an adjustment under the SoC, has now been reclassified as revenue, which amounted to HK\$488 million (2005: HK\$338 million).

Revenue from our energy businesses outside Hong Kong amounted to HK\$7,351 million (2005: HK\$2,657 million), with the increase mainly from Australia of HK\$6,502 million (2005: HK\$1,968 million) as a result of the incorporation of the MEB's full six months' revenue as compared to the one month post-acquisition period in 2005. It should be noted that about 38% of the revenues from the retail sales of electricity and gas in Australia have to be paid as network charges to third party network operators.

#### Group Earnings

CLP Group's total operating earnings for the first half of 2006 were HK\$4,936 million, which was HK\$499 million higher than the corresponding period last year, representing an increase of 11.2%. Included in the total operating earnings is a one-off item relating to a gain of HK\$291 million on the formation of OneEnergy. The total earnings, which include Hok Un redevelopment profit, increased by 7.9% to HK\$4,975 million, as compared to the corresponding period in 2005.

Our electricity business in Hong Kong continues to provide mild but stable earnings growth, with earnings increasing by 1.8% to HK\$3,573 million. This resulted from ongoing investments in fixed assets to meet new customer demands and to improve quality of services.

Earnings from investments in GNPJVC and PSDC decreased by HK\$84 million to HK\$347 million. This was due to Daya Bay Unit 1 planned outage for 10-year refuelling in the current period. Earnings from other investments in the Chinese mainland were slightly increased as a result of improved contribution from Shandong.

Our energy businesses in Australia recorded earnings of HK\$287 million as compared to losses of HK\$8 million in 2005, as a result of a full six months' contribution from the MEB as compared to only one month in 2005, and the synergy gain from the progressive integration of Yallourn Energy and the MEB.

Smooth operation and improved collection of payments from the electricity off-taker increased the earnings from GPEC, India by HK\$92 million to HK\$371 million.

The decrease in earnings from power projects in Southeast Asia and Taiwan is due to a lower earnings contribution from Ho-Ping of Taiwan, which was substantially reduced as a result of the prolonged outage of one of the units caused by turbine blade damage that occurred in December 2005. The repaired unit resumed operation in May 2006.

In March 2006, CLP and Mitsubishi Corporation of Japan formed a strategic joint venture, called OneEnergy, to combine their respective expertise and capital to serve the power needs in Southeast Asia and Taiwan. The Group's interest of 22.4% in EGCO Thailand has been injected into OneEnergy. One-off profits arising from the formation of OneEnergy amounted to HK\$291 million.

Unallocated finance costs incurred in the current period increased by HK\$79 million to HK\$122 million as a result of borrowings to fund the new investments of the Group.

Following the adoption of the new HKFRS-Interpretation 4 in 2006, its impact on earnings is an increase in profit for the period of HK\$19 million.

The contribution of each major activity to the Group earnings is analysed as follows:

	6 months ended 30 June 2006		2005		Increase %
	HK\$M	HK\$M	HK\$M	HK\$M	
Earnings from electricity business in Hong Kong		3,573		3,510	1.8
Electricity sales to Chinese mainland from Hong Kong	55		63		
Generating facilities in Chinese mainland serving Hong Kong (GNPJVC & PSDC)	347		431		
Other power projects in Chinese mainland	106		95		
Energy business in Australia	287		(8)		
Electricity business in India	371		279		
Power projects in Southeast Asia and Taiwan	142		185		
Renewable energy business	(25)		4		
Other businesses	(6)		(5)		
One-off gain on formation of OneEnergy	291		–		
Earnings from other activities		1,568		1,044	50.2
Unallocated net finance costs		(122)		(43)	
Unallocated Group expenses		(83)		(74)	
Total operating earnings		4,936		4,437	11.2
Hok Un redevelopment profit		39		174	
Group earnings attributable to shareholders		4,975		4,611	7.9
Weighted average number of shares in issue, million shares		2,408.25		2,408.25	
Earnings per share, HK\$					
Including Hok Un redevelopment profit		2.07		1.91	7.9
Excluding Hok Un redevelopment profit		2.05		1.84	11.2

When compared to the corresponding period in 2005, earnings per share, including Hok Un redevelopment profit, increased by 7.9% whilst earnings per share grew 11.2% after excluding Hok Un redevelopment profit.

### Group's Financial Position

The Group has a strong balance sheet, with total assets as at 30 June 2006 amounting to HK\$126,527 million (December 2005: HK\$123,622 million).

Our total assets, which comprise primarily fixed and intangible assets, as well as investments in jointly controlled entities and associated companies, analysed by principal activities, are as follows:

	30 June 2006		31 December 2005	
	HK\$M	%	HK\$M	%
Energy businesses/investments in				
Hong Kong	79,277	62	75,953	61
Australia	28,836	23	30,172	25
Other countries in Asia	9,933	8	8,804	7
Chinese mainland	7,630	6	7,837	6
	125,676	99	122,766	99
Property and other businesses	851	1	856	1
	126,527	100	123,622	100

Total bank loans and other borrowings, excluding the obligations under finance leases, amounted to HK\$29,582 million, details of which are provided in the "Financing" section. Obligations under finance leases amounting to HK\$23,482 million mainly related to the finance lease of CAPCO's generating assets.

### Business Acquisitions and Developments

Pursuant to the Equity Contribution Agreement and its amendment agreement relating to the BLCF power project of Thailand, we are required to make further equity contributions of US\$148 million by 2007.

For our investments in the Chinese mainland, we made capital contributions of total RMB10 million (approximately HK\$10 million) to wind power projects in Nanao and Weihai and RMB7 million (approximately HK\$6 million) to a coal-fired power project in Fangchenggang during the first half of 2006. Further equity contributions of RMB31 million for the Nanao project are expected to be made by 2007 whereas RMB21 million and RMB503 million of equity contributions are expected to be made by 2008 for the Weihai projects and the Fangchenggang projects, respectively.

### Fixed Assets and Capital Expenditure

Fixed assets and leasehold land of the Group totalled HK\$84,700 million as at 30 June 2006, comprising mainly the investments in the transmission and distribution network and leased generating assets for our Hong Kong electricity business of HK\$69,498 million (December 2005: HK\$66,724 million) and in the generating facilities of subsidiaries in Australia of HK\$14,413 million (December 2005: HK\$14,195 million). During the six-month period, we invested HK\$2,361 million, of which HK\$1,934 million was made by CLP Power Hong Kong, in various fixed assets (including payments for lease premium for land). HK\$2,923 million of leased assets, mainly for leased generating assets in Hong Kong, was also added to the Group.

Capital expenditure contracted but not provided for in the accounts, as at 30 June 2006, amounted to HK\$2,781 million (December 2005: HK\$2,689 million). Other than HK\$14 million (December 2005: HK\$358 million) which was for our overseas subsidiaries, these contracted amounts are primarily for enhancing our transmission and distribution systems in Hong Kong.

### Liquidity and Capital Resources

As at 30 June 2006, we had liquid funds of HK\$2,123 million (December 2005: HK\$2,041 million), of which 96% was denominated in foreign currency mainly held by overseas subsidiaries in India and Australia. The remainder was in Hong Kong dollars.

We strive to maintain an appropriate mix of committed and uncommitted facilities and solicit our facilities from a pool of financial institutions with strong credit standing. As at 30 June 2006, financing facilities totalling HK\$40.9 billion were available to the Group, including HK\$15.2 billion for TRUenergy and GPEC. Of the available facilities, HK\$29.6 billion had been drawn down, of which HK\$10.9 billion was by TRUenergy and GPEC. Facilities totalling HK\$7.8 billion were available to CAPCO, of which HK\$7.1 billion had been drawn down. The debts of overseas subsidiaries are without recourse to CLP Holdings. Of these borrowings, HK\$629 million as at 30 June 2006 are secured by fixed and floating charges over the assets of GPEC and HK\$225 million are secured by fixed assets and land use rights in Huaiji.

Our total debt to total capital ratio as at 30 June 2006 was 36.2%. Interest cover for the six months ended 30 June 2006 was 7.9 times.

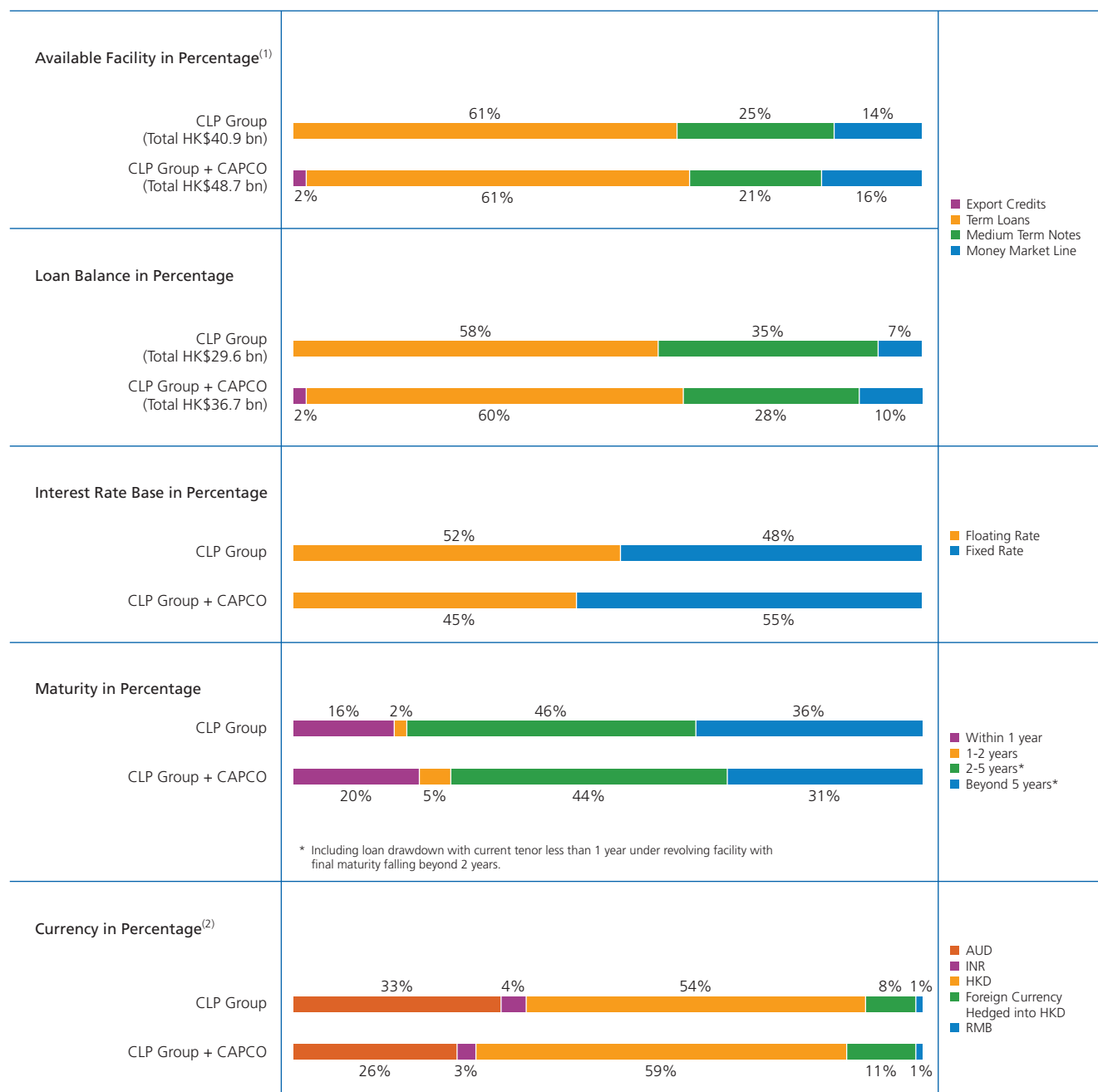
### Financing

The Group engaged in new financing activities in the first half of 2006 to support the expansion of our electricity business in Hong Kong. We continue to adopt a prudent approach to all our financial arrangements, while at the same time aiming to achieve cost effective funding.

In January 2006, through its wholly-owned subsidiary CLP Power Hong Kong Financing Limited, CLP Power Hong Kong issued HK\$1 billion fixed rate notes due in 2016 with coupon rate at 4.75%. This issue was made under the Medium Term Note (MTN) Programme set up by CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, notes in an aggregate amount of up to US\$1.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2006, notes with a nominal value of about HK\$6,340 million have been issued under the MTN Programme.

## Debt Profile

The charts below show the type, interest rate, maturity and currency profiles of borrowings of the Group and CAPCO at 30 June 2006:



**Notes:**

- (1) For the Medium Term Note Programme, only the amount of the Notes issued as at 30 June 2006 was included in the total amount of Available Facility.
- (2) The Australian dollar loans were drawn by CLP Australia Finance Pty Ltd for our Australian business whereas the loans in Indian Rupees were drawn by GPEC. Loan in Renminbi was drawn for a China project.

**Credit Rating**

In May 2006, Moody's upgraded CLP Power Hong Kong's foreign currency issuer rating from A1 to Aa3, thereby matching CLP Power Hong Kong's local currency rating and foreign currency bond rating. This followed Moody's examination of corporate sector ratings throughout the Asia-Pacific region in light of a revision of its rating methodology for "Foreign-Currency Ceilings".

In June 2006, S&P re-affirmed the long-term and short-term credit ratings of CLP Holdings at A+/A-1 and CLP Power Hong Kong at A+/A-1 with stable outlook. This reflects CLP Holdings' good financial profile, which is supported by good cash flows from our Hong Kong operations. S&P quoted in its credit rating reports that although negative regulatory developments for CLP's Hong Kong operations could result in downward pressure on the rating, there is some scope for a modest reduction in the rate of return without a simultaneous reduction in credit rating, in view of CLP Power Hong Kong's good financial profile. S&P also re-affirmed the long-term credit ratings of CLP Australia Holdings Pty Ltd at A- with stable outlook.

In July 2006, Moody's re-affirmed the long-term and short-term credit ratings of CLP Holdings at A1/P-1 and CLP Power Hong Kong at Aa3/P-1 with stable outlook. Moody's recognised CLP Holdings' solid liquidity profile, supported by the Group's strong access to domestic and international bank capital markets, as well as its well-managed debt maturity profile. At the same time, Moody's opined that CLP Holdings' overall risk profile is tempered by the increasing financial leverage and business risks arising from the company's diversification initiatives and overseas expansion.

Separately, Fitch assigned its self-initiated long-term issuer default rating of A+ to CLP Holdings and CLP Power Hong Kong with stable outlook and BBB+ to CLP Australia Holdings Pty Ltd with stable outlook.

The credit ratings of major companies within the Group as at 30 June 2006 are summarised below. All ratings remain at investment grade which can facilitate and enhance our position in local and overseas business activities, including fund raising, investment and new business opportunities.

	CLP Holdings		CLP Power Hong Kong		CLP Australia Holdings	HKSAR Government <sup>(1)</sup>	
	S&P	Moody's	S&P	Moody's	S&P	S&P	Moody's
<b>Long-term Rating</b>							
Foreign Currency	A	A1	A+	Aa3	A-	AA	A1
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Positive
Local Currency	A	A1	A+	Aa3	A-	AA	Aa3
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Positive
<b>Short-term Rating</b>							
Foreign Currency	A-1	P-1	A-1	P-1	–	A-1+	P-1
Local Currency	A-1	–	A-1	–	–	A-1+	–

Note (1): rating updated as at 27 July 2006



## Risk Management

The Group's investments and operations have resulted in exposures to foreign currency risks, interest rate risks, credit risks and price risks associated with the sales and purchases of electricity in Australia. We actively manage such risks by using different derivative instruments with an objective to minimise the impact of exchange rate, interest rate and electricity price fluctuations on earnings, reserves and tariff charges to customers and monitor our risk exposures with the assistance of "Value-at-Risk" (VaR) methodology. VaR is a risk measurement that probabilistically calculates the market risk of a portfolio using historical volatility over a defined holding period. Other than certain electricity trading activities engaged by our Australian business, all derivative instruments are employed solely for hedging purposes.

### Foreign Currency Risks

The Group's foreign currency exposures primarily arise from CLP Power Hong Kong's significant foreign currency obligations related to its U.S. dollar-denominated debt, nuclear power purchase off-take commitments, fuel and other purchase-related payments and CLP's investments abroad.

In order to mitigate the potential impact of foreign currency movement on electricity tariffs in Hong Kong, CLP Power Hong Kong continues to hedge a significant portion of its U.S. dollar obligations, provided that the hedging can be accomplished at rates below the Hong Kong Special Administrative Region Government's historical target peg rate of 7.80. We will review this policy periodically in light of changing market conditions to optimise benefits.

For investments overseas, we do not hedge translation exposure arising from consolidation of the Group's net assets outside Hong Kong because the investments are long-term and effective hedging instruments are either limited or costly. The translation gains or losses do not affect the Group's cash flow or earnings until an investment is sold. Our primary foreign exchange risk is at the individual project company level where non-functional currency exposures, if not managed properly, can lead to significant financial distress. Therefore, our primary risk mitigation is to ensure that project-level debt financings are implemented on a local currency basis to the maximum extent possible. Certain investments have incorporated direct and indirect indexation in their project agreements to reduce earnings impact from

foreign exchange fluctuation and this is taken into account in establishing the level of local currency financing.

### Interest Rate Risks

The Group utilises fixed rate borrowings and interest rate swaps to mitigate the impact of interest rate volatility on current and future corporate profitability.

CLP Power Hong Kong conducts annual reviews to determine a preferred fixed/floating interest rate mix appropriate for its business profile. For the Group's overseas investments, each project company has developed its own hedging programme taking into consideration project debt service sensitivities to interest rate movements, lender requirements, tax and accounting implications.

### Credit Risks

All finance-related hedging transactions and deposits of CLP Holdings and its principal subsidiaries are made with counter-parties with acceptable credit ratings to minimise credit exposure. The Group assigns limits to its counter-parties and monitors potential exposures to each counter-party utilising the VaR methodology. All derivative transactions are entered into at the sole credit of the respective subsidiaries and affiliates and the counter-parties have no recourse to CLP Holdings for any change in the market value of derivatives.

### Energy Price Risk

Our Australian business is a vertically integrated business involved in power generation, gas infrastructure and electricity and gas retail sales operating in the National Energy Market (NEM). Because of its vertically integrated business structure, a majority of TRUenergy's cash flows are internally hedged as a result of the combination of a balance in its generation and retail portfolio along with its diversified generation mix (merit order, fuel type, multiple units). TRUenergy has also entered into energy contracts, such as swaps and option contracts, to help reduce the impact on earnings of the volatility of NEM pool prices.

In addition to its physical market position, TRUenergy participates in energy trading in the over-the-counter bilateral and exchange-traded markets. While the majority of energy trading is in support of marketing TRUenergy's unhedged generation capacity and gas positions, this activity does create exposures which must be actively monitored and managed.

## Management's Discussion and Analysis

TRUenergy manages energy price risks through an established risk management framework consisting of policies to place appropriate limits on overall energy market exposures, delegations of authority on trading, pre-defined product lists, regular reporting of exposures, and segregation of duties. The corporate governance process also includes the oversight by a Risk Management Committee which acts on behalf of TRUenergy's Board.

TRUenergy adopts VaR methodology as an indicator of the notional energy portfolio value exposure with respect to potential adverse movements in forward electricity contract prices. In addition, TRUenergy utilises a Spot Market Risk

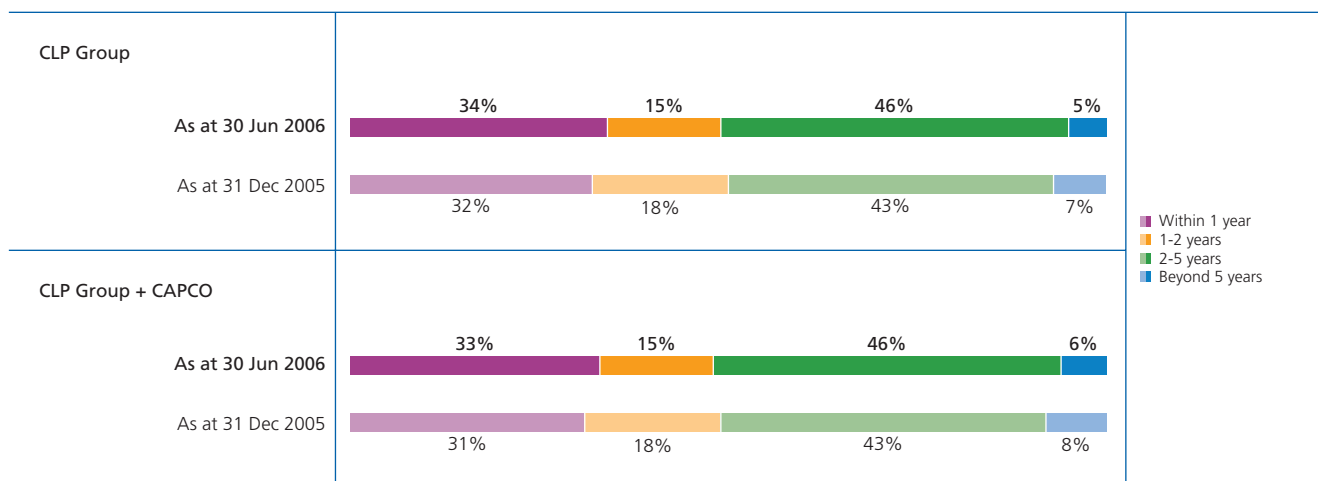
Measure as a stress test measurement of the risk of its near-term cash flows from extreme spot market price events.

### Derivative Instruments

As at 30 June 2006, the Group had gross outstanding derivative instruments amounting to HK\$65.5 billion. The fair value of these derivative instruments was at a net deficit of HK\$142 million, which represents the net amount we would pay if these contracts were closed out on 30 June 2006. The breakdown by type and maturity profile of the Group's derivative instruments are shown below:

	Notional Amount		Fair Value Gain/(Loss)	
	30 June 2006 HK\$M	31 December 2005 HK\$M	30 June 2006 HK\$M	31 December 2005 HK\$M
<b>CLP Group</b>				
Forward Foreign Exchange Contracts	43,085	42,828	(243)	(311)
Interest Rate Swaps	7,998	9,693	131	(48)
Currency Swaps	2,340	4,680	(46)	125
Renewable Energy Certificates	39	100	16	13
Energy Hedging & Trading Options	647	878	44	134
Energy Hedging & Trading Swap Contracts	11,420	11,469	(44)	71
	<u>65,529</u>	<u>69,648</u>	<u>(142)</u>	<u>(16)</u>
<b>CAPCO</b>				
Interest Rate Swaps	3,885	4,208	81	25
<b>Total</b>	<u>69,414</u>	<u>73,856</u>	<u>(61)</u>	<u>9</u>

### Maturity Profile



With the adoption of Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement", all derivatives have been recognised in the balance sheet at their fair value.