



Values and  
Capabilities



Shareholder  
Value



Strategy

POWERING ASIA  
RESPONSIBLY



Economic Value



Assets



Performance  
and Outlook



Process

Shareholder Value

Values and Capabilities

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Strategy

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Scheme of Control Statement

CLP's vision is to be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next

- Group operating earnings for the first half of 2011 increased by 12.7% to HK\$5,000 million, while total earnings (which include one-off items) decreased 2.0% to HK\$5,800 million.
- Consolidated revenue rose by 45.7% to HK\$40,245 million.
- Earnings from our electricity business in Hong Kong increased by 3.3% to HK\$3,114 million. Including those businesses supporting the Hong Kong electricity business, these earnings rose by 2.8% to HK\$3,486 million.
- Earnings from our businesses outside Hong Kong increased by 40.9% to HK\$1,726 million.
- Second interim dividend of HK\$0.52 per share.

# Financial Highlights



Operating earnings rose by 12.7% largely due to earnings from our increased investment in Australia. Total earnings, which include one-off items, declined 2.0% to HK\$5.8 billion.

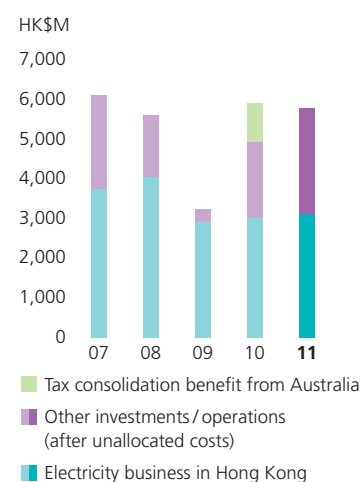
|  | Six months ended 30 June |               | Increase / (Decrease) % |
|--|--------------------------|---------------|-------------------------|
|  | 2011                     | 2010          |                         |
| <b>For the period (in HK\$ million)</b>          |                          |               |                         |
| Revenue  |                          |               |                         |
| Electricity business in Hong Kong (HK)           | 14,429                   | 13,669        | 5.6                     |
| Energy business outside HK                       | 25,722                   | 13,818        | 86.1                    |
| Others   | 94                       | 131           |                         |
| <b>Total</b>                                     | <b>40,245</b>            | <b>27,618</b> | <b>45.7</b>             |
| Earnings   |                          |               |                         |
| Electricity business in HK                       | 3,114                    | 3,014         | 3.3                     |
| Other investments/operations                     | 2,153                    | 1,654         | 30.2                    |
| Unallocated net finance costs                    | (17)                     | (8)           |                         |
| Unallocated Group expenses                       | (250)                    | (225)         |                         |
| <b>Operating earnings</b>                        | <b>5,000</b>             | <b>4,435</b>  | <b>12.7</b>             |
| Gain on sale of EGCO                             | 876                      | –             |                         |
| Gain on reorganisation of Roaring 40s            | 337                      | –             |                         |
| Valuation gain on Hok Un redevelopment           | 202                      | –             |                         |
| Stamp duty for NSW Acquisition                   | (615)                    | –             |                         |
| Gain on sale of CLP Power China (Anshun)         | –                        | 400           |                         |
| Tax consolidation benefit from Australia         | –                        | 989           |                         |
| Yallourn coal mine subsidence insurance recovery | –                        | 97            |                         |
| <b>Total earnings</b>                            | <b>5,800</b>             | <b>5,921</b>  | <b>(2.0)</b>            |
| Net cash inflow from operating activities        | 6,599                    | 5,866         | 12.5                    |
| <b>Per share (in HK\$)</b>                       |                          |               |                         |
| Earnings per share                               | 2.41                     | 2.46          | (2.0)                   |
| Dividends per share                              |                          |               |                         |
| First interim                                    | 0.52                     | 0.52          |                         |
| Second interim                                   | 0.52                     | 0.52          |                         |
| <b>Total interim dividends</b>                   | <b>1.04</b>              | <b>1.04</b>   | <b>–</b>                |
| <b>Ratio</b>                                     |                          |               |                         |
| Interest cover <sup>1</sup> (times)              | 6                        | 8             |                         |

|   | 30 June 2011 | 31 December 2010 | Increase / (Decrease) % |
|---|--------------|------------------|-------------------------|
| <b>At the end of the reporting period (in HK\$ million)</b> |              |                  |                         |
| Total assets  | 214,879      | 179,355          | 19.8                    |
| Total borrowings  | 65,774       | 44,623           | 47.4                    |
| Shareholders' funds   | 82,771       | 79,661           | 3.9                     |
| <b>Per share (in HK\$)</b>                                  |              |                  |                         |
| Shareholders' funds per share                               | 34.40        | 33.11            | 3.9                     |
| <b>Ratios</b>   |              |                  |                         |
| Total debt to total capital <sup>2</sup> (%)                | 44.3         | 35.9             |                         |
| Net debt to total capital <sup>3</sup> (%)                  | 42.8         | 33.3             |                         |

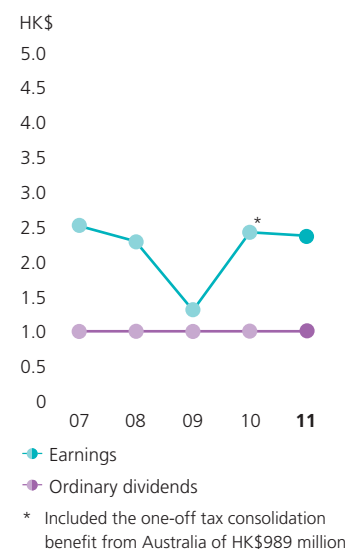
#### Notes:

- Interest cover = Profit before income tax and interest / (Interest charges + capitalised interest)
- Total debt to total capital = Debt / (Equity + debt). Debt = Bank loans and other borrowings.
- Net debt to total capital = Net debt / (Equity + net debt). Net debt = Debt - bank balances, cash and other liquid funds.

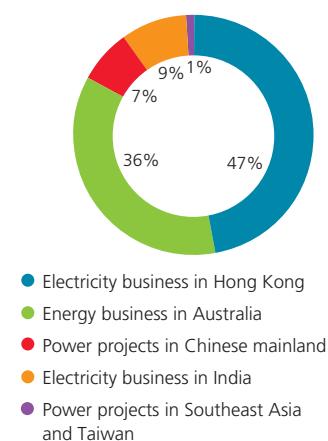
### Total Earnings (First 6 months)



### Earnings and Dividends per Share (First 6 months)



### Total Assets at 30 June 2011



# Chairman's Statement



The Hon. Sir Michael Kadoorie, Chairman

I am pleased to report on a solid performance from CLP Holdings during the six months to 30 June 2011.

During this period, the Group's operating earnings were HK\$5,000 million, an increase of 12.7% compared with the corresponding period in 2010. This reflected growth in earnings from our increased investment in Australia, supported by a rise in earnings from our electricity businesses in Hong Kong and in India.

The Group's total earnings for the first half of 2011 were HK\$5,800 million, a slight decline from the same period in the previous year, due to the effect of differences in one-off events between the two periods, which are explained in greater detail later in this Interim Report.

### *Investing in our future ~ the past six months*

As shareholders will know, our overall strategy is to ensure a continued focus on the enhancement of our core Hong Kong electricity business, accompanied by targeted investments in our major business streams outside Hong Kong. In the first half of this year, 34.5% of the Group's operating earnings have come from outside Hong Kong. This demonstrates both the increasing importance of these activities and the ongoing significance of the contribution made by our Hong Kong electricity business. I have previously remarked that all of the markets in which CLP is currently engaged offer promising

opportunities for investment and long-term growth. Behind the headline numbers of this Interim Report lies a theme of ongoing investment across the entire range of the Group's activities – reinforcing our present position in those markets and laying the foundations for future growth.

Some examples of the investments we have made in the first six months of 2011 will serve to illustrate this point. In Hong Kong, we have invested over HK\$3.1 billion in our generation, transmission and distribution networks, as well as in frontline customer services. In the Chinese mainland, our wholly-owned 330MW hydro project at Jiangbian in Sichuan Province started full commercial operation in June. Construction works at our wholly-owned 50MW Qian'an II wind project were completed, with commissioning expected in the near future. In addition to these wholly-owned projects, in July we announced the acquisition of a 17% shareholding in the 6,480MW nuclear project in Yangjiang, Guangdong, in joint venture with China Guangdong Nuclear Power Holding Company, Limited (CGNPC) with whom we have established a strong relationship which now goes back two decades to our successful cooperation at Daya Bay, the first nuclear power station of commercial scale in the Mainland.

In March, we completed the acquisition, through our TRUenergy subsidiary, of the EnergyAustralia gas and electricity retail business from the New South Wales

Government, as well as the Delta Western GenTrader contract for rights to 2,400MW of generating capacity together with two power station development sites. This was a major investment, at a consideration of A\$2.181 billion following completion adjustments, which gives TRUenergy competitive scale in New South Wales (NSW), Australia's largest energy market, and solidifies TRUenergy's position as one of the top three national retailers and generators in Australia. In July, TRUenergy agreed to acquire a substantial interest in coal seam gas reserves in NSW from Santos, one of the leading operators and producers of coal seam gas in Australia. The acquisition provides TRUenergy with upstream gas reserves which will support its generation and gas retail operations into the future and promote our objective of building a diversified and integrated energy business in Australia.

In India, our wind farms at Samana II (50MW), Saundatti (72MW) and Harapanahalli (40MW) were all commissioned – reinforcing CLP India's standing as the leading wind energy investor in India, whether foreign or domestic.

The overall theme of the Group's performance in the first half of this year is one of strong operating performance, backed by ongoing investment. However, we are prepared, whenever this will unlock shareholder value and release capital for allocation elsewhere, to harvest existing investments on a selective basis. We demonstrated this last year with the sale of CLP's 70% shareholding in the Anshun II coal-fired power station in Guizhou, PRC. In similar vein, in April 2011 we completed the sale of our 13.36% effective interest in Electricity Generating Public Company Limited (EGCO) of Thailand. The challenges to becoming a majority shareholder in EGCO, combined with competing demands for CLP's capital elsewhere, supported the strategic decision to divest our interest for a consideration of HK\$2,122 million. We realised a gain of HK\$876 million which is included in the Group's total earnings for the period under review. We are also proactive in restructuring existing joint ventures and investment where this will lead to enhanced opportunities for our shareholders. With effect from 1 July 2011, we brought to a close our wind energy development joint venture with Hydro Tasmania, known as Roaring 40s. As part of this separation TRUenergy expanded its renewable energy portfolio by 144MW by acquiring ownership of the Waterloo wind farm and a 50% stake in the Cathedral Rocks wind farm together with a

pipeline of around 400MW of projects at various stages of development.

### *Investing in our future ~ the months ahead*

This policy of substantial, yet prudent and selective, investment across the Group will be continued in the months ahead. For instance, in Hong Kong, we are moving forward with the investment in generation infrastructure which will be necessary to allow our combined-cycle gas turbines at Black Point to accommodate the differing sources of natural gas which will arrive as the Memorandum of Understanding (MOU) between the Hong Kong SAR Government and the Central People's Government regarding Hong Kong's future energy supply is implemented. An example of this will be the work on a new gas receiving station at Black Point which will assist in migration from the Yacheng gas to the various new gas supplies from the Chinese mainland. In the Mainland, we expect an additional 146MW of wind power to enter commercial operation within the next 12 months and we await approval from the National Development and Reform Commission (NDRC) for an additional 1,320MW of ultra-supercritical generating capacity at Fangchenggang II. In India, our 1,320MW coal-fired power station project at Jhajjar should start to enter commercial operation in the first half of next year. Within the same period we expect to add around 270MW of operating wind farms to our renewable energy portfolio. In Thailand, whilst we have withdrawn from EGCO, our interest in renewable energy remains. The 55MW Lopburi solar plant, in which we have a one-third stake as well as responsibility for project management, will start commissioning in phases between now and May 2012.

In Australia our focus in the coming months will remain the integration of the Delta Western GenTrader contract and the EnergyAustralia retail business within our existing TRUenergy business. In addition we are examining the implications for TRUenergy, in particular our brown coal-fired power station at Yallourn, of the Federal Government's revised carbon policies announced on 10 July. This issue is discussed in more detail later in this Interim Report, including at Note 3 to the Financial Statements. At this stage, I note that the proposals still need further detailing and development and to go through the Parliamentary legislative process. I would also observe that, as matters stand, it remains uncertain whether those proposals will provide the necessary certainty to support

## Chairman's Statement

and encourage the major investment in power generation infrastructure which Australia needs – whether to meet Australia's energy demand during the decade ahead or, more ambitiously, to accelerate Australia's move towards low-carbon generation.

### *A resilient business in challenging times*

In this statement I have painted a picture of substantial and ongoing investment across the Group. I have described your Company as one which has reached beyond its Hong Kong base to establish a broad regional footprint across a range of technologies, differing fuel types and varying markets.

Looking ahead, I believe this approach will continue to serve us well. Amongst other benefits, this offers a degree of assurance against the challenges and difficulties we encounter in individual markets. Even so, we recognise that the power sector is characterised by increasing risks and challenges.

The rapid and unprecedented rise in energy demand from developing economies in Asia, most notably China and India, provides tremendous opportunities for companies such as CLP. At the same time, the energy sector is characterised by considerably greater volatility than might have been the case 10 or 20 years ago. In that regard, governments, politicians and society as a whole will need to come to terms with the impact and implications of a broad upward trend in energy prices. I am not sure that the full implications of higher energy prices, including the resulting economic cost and the growing

need for energy efficiency, have been fully appreciated. CLP will continue to apply all its expertise towards the effective management of energy costs and the mitigation of increases in electricity prices. However, we, no more than any power company, are not immune to upward movements in global energy costs, nor can we shield our off-takers or customers from their consequences.

CLP has performed well in the first half of 2011. Our business is well-balanced, our differing business streams are operating well and we are investing for our future. The scale, nature and diversity of our portfolio cannot safeguard CLP against the effects of policy change, rising fuel costs, growing environmental concerns, the advent of disruptive technology or evolving public expectations. Nonetheless, our financial strength, operating skills and presence across a range of markets, fuels and technologies give us the resilience and the confidence to move forwards through changing and demanding times.




**The Hon. Sir Michael Kadoorie**

Hong Kong, 16 August 2011



Talking with our shareholders before the 2011 Annual General Meeting

# Our Investments as at 30 June 2011


 Nuclear power

 Solar power

 Coal power

 Wind power

 Hydro power

 Biomass power

 Gas power

 Geothermal power

## Hong Kong Investments

### Equity Interest

100%

#### CLP Power Hong Kong Limited (CLP Power Hong Kong)<sup>(1)</sup>

CLP Power Hong Kong owns and operates the transmission and distribution system which includes:

- 554 km of 400kV lines, 1,522 km of 132kV lines, 27 km of 33kV lines and 11,714 km of 11kV lines
- 59,103 MVA transformers and 213 primary and 13,271 secondary substations in operation

40%



#### Castle Peak Power Company Limited (CAPCO)<sup>(1)</sup>, 6,908MW of installed generating capacity

CAPCO owns and CLP Power Hong Kong operates:

##### Black Point Power Station (2,500MW)

- One of the world's largest gas-fired power stations comprising eight combined-cycle turbines of 312.5MW each

##### Castle Peak Power Station (4,108MW)

- Comprising four coal-fired units of 350MW each and another four units of 677MW each
- Two of the 677MW units can use gas as backup fuel. All units can use oil as a backup fuel

##### Penny's Bay Power Station (300MW)

- Three diesel-fired gas turbine units of 100MW each

Note (1): CLP Power Hong Kong purchases its power from CAPCO, PSDC and Guangdong Daya Bay Nuclear Power Station. These sources of power amount to a total capacity of 8,888MW available to serve the Hong Kong electricity business.

## Australia Investments Gross / Equity MW

### Equity Interest

100%



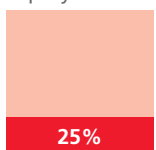
#### TRUenergy 5,646 / 5,613MW

TRUenergy is an integrated generation and retail electricity and gas business in Victoria, South Australia (SA), NSW, Queensland and the Australian Capital Territory, comprising:

- 1,480MW coal-fired **Yallourn Power Station** and brown coal mine in Victoria
- 203MW gas-fired **Hallett Power Station** in SA
- Ecogen long-term hedge agreement that allows TRUenergy to purchase up to 966MW gas-fired capacity
- Delta Western GenTrader contract for 2,400MW of output from Mount Piper and Wallerawang coal-fired power stations
- 420MW gas-fired **Tallawarra Power Station** in NSW
- 111MW **Waterloo Wind Farm**, which commenced operations in August 2010 in SA
- 50% interest in the 66MW **Cathedral Rocks Wind Farm** in SA
- 22 petajoule **Iona Gas Storage Facility** in Victoria
- 2.8 million business and residential electricity and gas customer accounts
- 10% stake in **Petratherm Paralana geothermal project**
- 3.76% equity stake in **Eastern Star Gas**
- Direct investment in **Upstream Gas Tenements** in Queensland

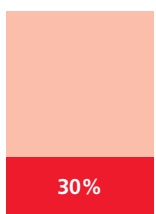
Chinese Mainland Investments Gross / Equity MW

Equity Interest



**Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968 / 492MW**

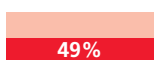
GNPJVC constructed the Guangdong Daya Bay Nuclear Power Station (GNPS) at Daya Bay (大亞灣). GNPS is equipped with two 984MW Pressurised Water Reactors incorporating equipment from France and the United Kingdom. 70% of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong Province (廣東省)



**CSEC Guohua International Power Company Limited (CSEC Guohua) 7,650 / 1,333MW<sup>(2)</sup>**

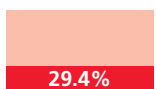
CSEC Guohua holds interests in five coal-fired power stations:

- Beijing Yire in Beijing (北京) (100% interest / 400MW capacity)
- Panshan in Tianjin (天津) (65% / 1,030MW)
- Sanhe I and II in Hebei Province (河北省) (55% / 1,300MW)
- Suizhong I and Suizhong II in Liaoning Province (遼寧省) (50% / 3,600MW)
- Zhungeer II and III in Inner Mongolia Autonomous Region (內蒙古自治區) (65% / 1,320MW)



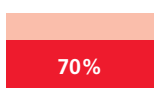
**CLP Guohua Shenmu Power Company Limited (Shenmu) 220 / 108MW**

Shenmu owns and operates Shenmu Power Station (220MW) in Shaanxi Province (陝西省)



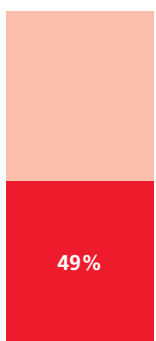
**Shandong Zhonghua Power Company, Ltd. (SZPC) 3,060 / 900MW**

SZPC owns four coal-fired power stations, Shiheng I and II (totalling 1,260MW), Liaocheng I (1,200MW) and Heze II (600MW) in Shandong Province (山東省)



**CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 1,260 / 882MW**

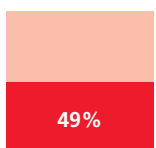
Fangchenggang owns and operates two 630MW supercritical coal-fired units at Fangchenggang (防城港), Guangxi (廣西)



**Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 445 / 218MW**

Shandong Guohua Wind comprises interests in nine wind farms in Shandong Province:

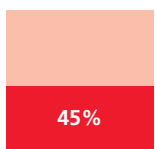
- Rongcheng I (48.8MW), commissioned in 2008
- Rongcheng II (49.5MW), commissioned in October 2010
- Rongcheng III (49.5MW), commissioned in January 2011
- Dongying Hekou (49.5MW), commissioned in September 2009
- Lijin I (49.5MW), commissioned in December 2009
- Lijin II (49.5MW), commissioned in October 2010
- Zhanhua I (49.5MW), commissioned in October 2009
- Zhanhua II (49.5MW), commissioned in December 2010
- Haifang (49.5MW), currently in preparation for construction and is scheduled for commissioning in 2012



**Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW**

Jilin Datang Wind owns interests in three wind farms in Jilin Province (吉林省):

- Datong (49.5MW), commissioned in August 2008
- Shuangliao I (49.3MW), commissioned in April 2007
- Shuangliao II (49.5MW), commissioned in May 2009



**Shandong Huaneng Wind Joint Ventures (Shandong Huaneng Wind) 96 / 43MW**

Shandong Huaneng Wind owns interests in three wind farms in Shandong Province:

- Changdao (27.2MW), commissioned in May 2006
- Weihai I (19.5MW), commissioned in March 2007
- Weihai II (49.5MW), commissioned in December 2008



**Qian'an IW Power Company Limited (Qian'an I Wind) 50 / 50MW (Qian'an II Wind) 50 / 50MW**

Qian'an I and II Wind are in Jilin Province, Qian'an I Wind (49.5MW) was commissioned in November 2010 and Qian'an II Wind (49.5MW) is scheduled for commissioning in August 2011

Note (2): The 1,333 equity MW attributed to CLP, through its 30% equity interest in CSEC Guohua, takes into account that CSEC Guohua holds varying equity interests in the generating assets included in the 7,650 gross MW.



## Chinese Mainland Investments Gross / Equity MW

### Equity Interest

|       |   |  |
|-------|---|--|
| 45%   |    | <b>Sinohydro CLP Wind Power Company Limited (Changling II Wind) 50 / 22MW</b><br>Changling II Wind in Jilin Province was commissioned in September 2009  |
| 45%   |    | <b>Huadian Laizhou Wind Power Company Limited (Laizhou Wind) 41 / 18MW</b><br>Laizhou Wind in Shandong Province was commissioned in September 2008   |
| 50%   |    | <b>CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99 / 24MW<sup>(3)</sup></b><br>A 50:50 joint venture with China WindPower Group, which currently owns: <ul style="list-style-type: none"> <li>• 49% of 49.5MW Qujiagou wind farm in Liaoning Province was commissioned in December 2009</li> <li>• 49% of 49.5MW Mazongshan wind farm in Liaoning Province was commissioned in January 2010</li> </ul> |
| 100%  |    | <b>CLP (Penglai) Wind Power Ltd. (Penglai I Wind) 48 / 48MW</b><br>Penglai I Wind (48MW) in Shandong Province is scheduled for commissioning in the last quarter of 2011   |
| 32%   |    | <b>CGN Wind Power Company Limited (CGN Wind) 2,143 / 570MW<sup>(4)</sup></b><br>CGN Wind invests, develops, constructs and operates wind projects throughout China. As at the end of June 2011, it had 1,771MW under operation   |
| 25%   |    | <b>Huaneng Shantou Wind Power Company Limited (Nanao II Wind) 45 / 11MW (Nanao III Wind) 15 / 4MW</b><br>Nanao II & III Wind are in Guangdong Province, Nanao II was commissioned in November 2007 and Nanao III in September 2010   |
| 29%   |  | <b>Shanghai Chongming Beiyan Wind Power Generation Company Limited (Shanghai Chongming Wind) 48 / 14MW</b><br>Shanghai Chongming Wind commenced construction in May 2011 and is targeted to commence operation in late 2011 or early 2012  |
| 49%   |  | <b>Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200 / 600MW</b><br>PSDC may use half of the 1,200MW pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station until 2034  |
| 84.9% |  | <b>Huaiji Hydropower Stations (Huaiji Hydro) 125 / 106MW</b><br>12 small hydropower stations in Huaiji County (懷集縣) and Guangning County (廣寧縣), Guangdong Province   |
| 100%  |  | <b>Dali Yang_er Hydropower Development Co., Ltd. (Yang_er Hydro) 50 / 50MW</b><br>Yang_er Hydro is located in Yangbi County (漾濞縣) of Dali City (大理市), Yunnan Province (雲南省)  |
| 100%  |  | <b>CLP Sichuan (Jiangbian) Power Company Limited (Jiangbian Hydro) 330 / 330MW</b><br>Constructs, owns and operates a 3 x 110MW hydro project in Sichuan Province (四川省). All three units were commissioned in June 2011  |
| 79%   |  | <b>CLP Huanyu (Shandong) Biomass Heat and Power Company Limited (Boxing Biomass) Equivalent of 15 / 12MW</b><br>A biomass combined heat and power project, with 1 x 75 tonnes / hour cotton straw-fired boiler + 15MW generator, located in Boxing County (博興縣) of Binzhou City (濱州市), Shandong Province   |

Note (3): The 24 equity MW attributed to CLP, through its 50% equity interest in CLP-CWP Wind, takes into account that CLP-CWP Wind holds varying equity interests in the generating assets included in the 99 gross MW.

Note (4): The 570 equity MW attributed to CLP, through its 32% equity interest in CGN Wind, takes into account that CGN Wind holds varying equity interests in the generating assets included in the 2,143 gross MW. CGN Wind is expected to undergo restructuring in the near future whereby its gross capacity under operation and construction will be reduced to 1,794MW, and in which CLP's equity stake will be diluted to about 15.75%, with corresponding equity capacity reduced to 232 equity MW.

## Our Investments as at 30 June 2011

### India Investments Gross / Equity MW

#### Equity Interest

100%



#### CLP Wind Farms (Khandke) Private Limited (Khandke Wind) 50 / 50MW

Khandke Wind – 50.4MW project in Maharashtra. The project is fully commissioned

100%



#### Gujarat Paguthan Energy Corporation Private Limited (GPEC) 705 / 705MW

- GPEC Gas Plant – 655MW combined-cycle gas-fired power plant in Gujarat. The plant is designed to run on natural gas and naphtha (backup) as fuel
- Samana Phase-I Project – 50.4MW wind project in Gujarat. The project is fully commissioned

100%



#### CLP Wind Farms (India) Private Limited (CLP Wind Farms) 488 / 488MW

- Samana Phase-II Project – 50.4MW project in Gujarat. The project is fully commissioned
- Saundatti Project – 82.4MW project in Karnataka. 72MW is commissioned
- Harapanahalli Project – 39.6MW project in Karnataka. The project is fully commissioned
- Theni Phase-I Project – 49.5MW project in Tamil Nadu. The project is fully commissioned
- Andhra Lake Project – 113.6MW project in Maharashtra. The project is under construction
- Narmada Project – 50.4MW project in Andhra Pradesh. The project is under construction
- Sipla Project – 102.4MW project in Rajasthan. The project is under construction

100%



#### CLP Wind Farms (Theni-Project II) Private Limited (Theni Phase-II Project) 50 / 50MW

Theni Phase-II Project – 49.5MW project in Tamil Nadu. The project is fully commissioned

100%



#### Jhajjar Power Limited (Jhajjar Power) 1,320 / 1,320MW

Jhajjar Power – A 1,320MW (2 x 660MW) coal-fired project, being constructed using supercritical technology at Jhajjar, Haryana. Both units are scheduled for commissioning in the first half of 2012

### Southeast Asia and Taiwan Investments Gross / Equity MW

#### Equity Interest

20%



#### Ho-Ping Power Company (HPC) 1,320 / 264MW

HPC is the owner of the 1,320MW coal-fired Ho-Ping Power Station in Taiwan. CLP owns an indirect 20% interest in HPC and its associated operations company through OneEnergy Taiwan Ltd., a 50:50 project vehicle with Mitsubishi Corporation. Taiwan Cement Corporation owns the other 60% interest in HPC and the operations company

33.3%



#### Natural Energy Development Co., Ltd. (NED) 55 / 18MW

NED is a joint venture company, with equal shareholding by CLP, Mitsubishi Corporation and EGCO. NED owns a 55MW solar farm under construction in the Lopburi Province in Central Thailand

## Performance and Outlook

We deploy our experience and expertise to maximise the performance of our assets and investments to realise our strategy. This section describes CLP's operational performance in Hong Kong, Australia, the Chinese mainland, India and Southeast Asia and Taiwan over the first six months of 2011 and our outlook for the second half of the year across each of these businesses.

### *Electricity Business in Hong Kong*

In the first six months of 2011, local sales of electricity were 14,345 gigawatt hours (GWh), an increase of 1.0% over the same period last year. The sales growth in general was supported by the continued strong economy and increased cooling load in the residential sector arising from the hot weather in the second quarter. The overall growth was offset by a drop in sales within the commercial sector attributable to reduced air-conditioning load in the first quarter from the cold weather and a decline in sales within the manufacturing sector.

A breakdown of the local sales growth by sector during the period is as follows:

|                                     | Increase/(Decrease) |        | As Percentage of<br>Total Local Sales |
|-------------------------------------|---------------------|--------|---------------------------------------|
| Residential                         | 161GWh              | 4.4%   | 26.5%                                 |
| Commercial                          | (43GWh)             | (0.7%) | 41.2%                                 |
| Infrastructure &<br>Public Services | 54GWh               | 1.4%   | 26.0%                                 |
| Manufacturing                       | (29GWh)             | (3.1%) | 6.3%                                  |

Sales to the Chinese mainland amounted to 848GWh, representing a reduction of 40.8% as compared to the same period last year. This was primarily due to lower contract volume for 2011, compared with 2010, under our existing sales contract with Guangdong Power Grid Corporation.

Total electricity sales, including both local sales and sales to the Chinese mainland, decreased by 2.8% over the period to 15,193GWh.

With effect from 1 January 2011 there was a 2.8% average net tariff increase. Despite ongoing inflationary pressure on operating costs the basic tariff remains unchanged and continues to be lower than the level during the mid-1990s. The fuel clause charge was raised by 2.6 cents per unit of electricity, due to rising international fuel prices. The fuel clause charge adjustment is necessary to reflect the costs of fuels for generating electricity. The fuel clause charge is directly passed through to customers. CLP makes no profit on fuel. We continue to work hard to ensure our customers enjoy

a stable and competitive tariff through stringent cost control and the enhancement of operational efficiency.

To enhance supply quality and reliability, as well as to provide for demand created by infrastructure development projects, CLP incurred HK\$3.1 billion of capital expenditure in generation, transmission and distribution networks, as well as customer services and other supporting facilities during the period. Major projects included:

- ongoing transmission and distribution projects to meet growth in demand arising from infrastructure and property developments; and
- reinforcement of existing networks to improve resilience against ageing and adverse weather.

Work continues on securing gas from the three sources contemplated under the MOU. Discussions with CNOOC on both short-term and long-term replacement gas supplies have advanced, and negotiations on the long-term gas supply from PetroChina are nearing completion. In addition, a commercial arrangement with PetroChina for the West-to-East pipeline to deliver gas to Black Point Power Station has reached the final stages of discussion. Site selection work on the Shenzhen Liquefied Natural Gas terminal continues.

The Government has approved the construction of a new gas receiving station (GRS) and the updated cost for the associated Black Point Power Station plant modifications. The plant modification for the first unit at Black Point Power Station was successfully completed in early June 2011. This modification, together with a new turbine control system, will enable migration from the Yacheng gas to various new gas supplies from the Chinese mainland. The second unit of plant modification at Black Point Power Station will commence in September 2011. For the GRS, detailed design is nearing completion. Final purchase orders for bulk materials and equipment are being placed. Site preparation and foundation works for the GRS are making good progress. The relocation of the existing gas facilities to enable work to begin on the new GRS is expected to be completed by October 2011.

In September 2010, the HKSAR Government launched a public consultation on Hong Kong's Climate Change Strategy and Action Agenda. The consultation document proposed an overall 50 to 60% carbon intensity reduction for Hong Kong by 2020. For the power sector, the Government proposed a fuel mix target of 50% nuclear, 40% gas, 3 to 4% renewable energy and not more than 10% coal by 2020. The consultation process was completed at the end of December 2010. The Government is presently considering the views

## Performance and Outlook

expressed before finalising its intended policy direction. CLP responded constructively to the consultation document (see our response “Clean Energy” on our website).

CLP is in favour of a balanced mixture of fuel sources and a generating capacity which meets our society's need for an electricity supply which is secure, adequate, reliable, cost-effective and environmentally responsible as regards both local air quality and climate change. Different fuel types have different characteristics; there is no single fuel source or generating technology which by itself can satisfy Hong Kong's electricity needs in every respect.

CLP will continue to be an honest, informed and authoritative contributor to the debate about the energy choices which Hong Kong must make and the implications of those choices. Once these choices have been made, CLP will implement the policy direction in an expert, responsible, safe and cost-effective manner. CLP will add value not only in the way in which energy is generated, but also in helping our customers and the public to use energy wisely.

In support of the Government's efforts to promote wider adoption of electric vehicles (EVs), the EV leasing scheme was launched in January 2011 in which five corporations signed up to become partners. The scheme covers leasing of CLP's EVs for a period of one year with the option of then purchasing the leased EV.

As the global trend of power grid modernisation continues, CLP has embarked on the integration of transmission,

distribution and metering infrastructures through the use of cutting edge digital and communication technologies supported by advanced monitoring and management solutions. Our smart grid experience centre, which is the first exhibition and education facility of its kind in Hong Kong, was opened in March 2011. This will help to raise public awareness of smart grid technologies by showcasing their features and benefits and providing demonstrations.

Following the success of phase one of the Town Island project which consisted of a 20kW solar photovoltaic panel system, construction of the second phase has commenced and is expected to be completed by 2012. The second phase comprises a further 572 solar panels and two wind turbines totalling 192kW.

The roll-out of our Emission Management Information System has further improved the integrity and robustness of our emissions data reporting. We will continue to look into other areas such as emissions data measurement and transmission to explore further improvement in order to ensure CAPCO stays at the forefront of environmental management initiatives.

Work is ongoing on the feasibility study for an offshore wind farm of up to 200MW near Sai Kung. Contracts have been awarded for the fabrication and installation of a temporary offshore wind data collection mast to collect detailed site environmental data. The data collection mast is designed with a suction caisson foundation to minimise disturbance to the seabed and the general environment.



Emissions Control Project completion ceremony at Castle Peak “B” Power Station

Our major plans and activities for the second half of 2011 include:

- continuing to closely monitor fluctuations in gas availability from the existing Yacheng gas field and prudently manage gas usage prior to the arrival of replacement gas;
- accelerating the pace of work on securing the three gas sources outlined in the Inter-Government MOU signed in August 2008, including progressing contracts for gas supply, and the commercial arrangement and technical development of the related pipeline infrastructure;
- enhancement of stakeholder engagement activities and communication plans in relation to nuclear safety to reinforce public confidence in nuclear power and its ability to meet Hong Kong's energy demands safely and securely;
- engaging with the HKSAR Government on a practical plan for meeting climate change goals and achieving air quality objectives;
- taking forward innovative initiatives such as EV market development, pilot smart grid projects and supporting the development of local renewable energy projects;
- stepping up efforts towards achieving and promoting energy efficiency through public education and the provision of energy efficiency related services; and
- managing critical business issues, including tariff, environment and electricity market development, through excellence in operations, as well as clarity and credibility of communications.

### *Energy Business in Australia*

On 1 March 2011, TRUenergy completed the A\$2.181 billion (after adjustments) acquisition of EnergyAustralia Retail, the largest electricity retailer in NSW, as well as the Delta Western GenTrader contract for the Mount Piper (1,400MW) and Wallerawang (1,000MW) coal-fired power stations and two power station development sites. The acquisition of a third development site is expected to be completed during August 2011.

Integration of the acquired businesses into TRUenergy is being overseen by an Integration Management Office. A NSW office has been established to facilitate management of a Transition Services Agreement (TSA), which will run for up to a period of three years. As part of the sale process, that part of the EnergyAustralia business retained by the NSW Government has been re-branded as Ausgrid. Under the TSA, Ausgrid staff will continue to provide service to existing EnergyAustralia customers.

The GenTrader contract has now been fully integrated into TRUenergy and is being managed as part of TRUenergy's overall generation portfolio. The focus over the coming six months will be on integration of the sales and marketing functions and the wholesale business to allow TRUenergy to drive the strategic direction of the broader integrated business.

The NSW Independent Pricing and Regulatory Tribunal handed down its final price determination on 14 June. The determination allows average increases in regulated prices of 17.9% for EnergyAustralia residential and small business customers from 1 July 2011 prices. This comprised a 9% increase for higher network costs and 6% due to the increased costs associated with the Australian Government's Renewable Energy Target scheme.

The Australian Government announced its two-stage carbon policy framework on 10 July. The proposed framework, which still needs to pass through Parliament, will involve a carbon tax for the first three years beginning on 1 July 2012, to be followed by an emissions trading scheme.

Key elements of the carbon policy announcement are:

- a default target of 5% abatement against year 2000 CO<sub>2</sub> emissions by 2020;
- a fixed carbon price of A\$23 per tonne for the first three years, beginning on 1 July 2012. There will be a real annual increase in the carbon price of 2.5%;
- from 1 July 2015 Australia will move to an emissions trading scheme with the carbon price set by the market;
- up to 50% of emissions permits under the scheme may be purchased from international markets;
- an Energy Security Fund will be established to administer:
  - transitional assistance provided for generators with emissions intensity between 1 tonne / MWh and 1.3 tonnes / MWh. A\$1 billion will be provided as cash compensation in the first year and 41.7 million permits will be made available annually for four years beginning from 2013 / 2014. TRUenergy is expected to receive around 25% of this assistance; and
  - a payment for closure programme whereby the Australian Government will negotiate for the closure of 2,000MW of electricity generation capacity by 2020. To be eligible generator intensity needs to be at least 1.2 tonnes / MWh.

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TRUenergy will receive financial support and an allocation of free permits over the first five years of the scheme. Under the previous Electricity Sector Adjustment Scheme proposed as part of the 2009 Carbon Pollution Reduction Scheme, CLP would have received transitional assistance over 10 years. There are fewer permits under the new Energy Security Fund package, but the criteria for receiving permits has been reduced to make the package more targeted at higher emissions intensive generators, particularly brown coal-fired power stations.

The Australian Government's proposals need further detailing and development and to go through the Parliamentary legislative process. Legislation is expected to be presented to Parliament during the Spring Sitting which begins in mid-August. If introduced in mid-August, it is likely to have received royal assent and to become law in early September.

TRUenergy's proposal to build a solar plant of up to 180MW in Victoria was unsuccessful in a competitive process to secure funding in Round 1 of the Australian Government's Solar Flagships Program. The Mallee Solar Park proposal had been shortlisted under the Federal programme and had received the support of the Victorian State Government. On 18 June, the Government announced the two successful Round 1 projects. TRUenergy will continue to work with all levels of Government to assess options to progress the Mallee Solar Park proposal, including in Round 2 of the Solar Flagships Program.

At Yallourn, Unit 4 underwent a major 60-day outage during April and May. This included the installation of new high and intermediate pressure turbines and a double unit outage to complete works on cooling tower 3. Based on initial testing in June the redesign and repacking of the cooling tower has resulted in a significant improvement in the water tower's performance. Work on the new Maryvale coal field progressed to schedule during the first half of the year and included the development of the Maryvale embankment and conveyor systems.

Tallawarra and Hallett Power Stations, and the Iona Gas Plant have all performed well during the first half of 2011. Gas turbine "C" inspection planning for the major outage at Tallawarra in the third quarter is progressing to schedule. The 2011 shutdown at Hallett was completed successfully and the expansion project involving the commissioning of an additional gas turbine has been incorporated smoothly into plant operations. This expansion has added 23MW to the capacity of the power station. The Iona gas storage and processing facility successfully completed its major outage for

2011 with a full plant shutdown to allow the completion of inspection and maintenance work.

System Integration Testing for Project Odyssey, TRUenergy's new retail customer service and billing platform, continues and has achieved 80% completion at the end of June. The project is now preparing for TRUenergy User Acceptance Testing which will commence in September. An early release of Odyssey complaints system (INFRA) and associated reporting solution (retail data warehouse) occurred during June to assist the retail business with day-to-day activities. The early release will also help the project assess the critical support processes ahead of a full Odyssey roll-out which is targeted for early 2012.

The new Victorian State Government is reviewing the future of the Victorian Advanced Metering Infrastructure (AMI) Programme. While this occurs the roll-out of smart meters to small customers has continued to progress as originally planned and was ahead of the 25% mandated target for mid-2011.

TRUenergy's Retail Strategy Team is participating in the government review process and is also conducting research into customers' needs and perceptions around energy, energy management and smart meter technologies. This will be critical to the development of TRUenergy's plans to trial a range of customer offerings that will be enabled by smart meters.

Within TRUenergy, the immediate focus for AMI is on operational readiness and the implementation of a new Meter Data Management System (MDMS). The MDMS is scheduled for completion by the end of 2011.

CLP and Hydro Tasmania entered an agreement to end the six-year-old Roaring 40s wind farm development joint venture in April following a strategic review. The disaggregation of the Roaring 40s joint venture between CLP and Hydro Tasmania was completed on 30 June 2011. This resulted in a gain of HK\$337 million which has been recorded in the interim accounts.

Under the disaggregation the assets were divided to allow both businesses to pursue their wind development objectives separately. The Waterloo wind farm and Roaring 40s' share in the Cathedral Rocks wind farm, as well as a number of development opportunities on the Australian mainland, will be integrated into the TRUenergy generation portfolio. Hydro Tasmania has taken ownership of the operating wind farms at Studland Bay and Bluff Point (previously known as Woolnorth) in north-west Tasmania together with a share of development opportunities there.

On 18 July TRUenergy announced that it had entered an agreement to acquire an effective interest in over 500 petajoules of coal seam gas reserves in the Gunnedah basin in northern NSW for A\$284 million from gas producer Santos.

This was part of the binding agreements by Santos to acquire 100% of outstanding ordinary shares in coal seam gas company Eastern Star Gas (ESG), with the subsequent sale to TRUenergy of a 20% working level interest in key ESG production and exploration permits and others assets.

Two U.S. private placements were completed, raising US\$270 million with funding on 20 December 2010 and 24 January 2011 and the second raising US\$225 million with funding on 17 March 2011. The tenor of the financing ranges from 8 to 15 years.

Bank refinancing for A\$2.05 billion was completed on 28 June 2011. The new debt facilities comprise a A\$700 million three-year working capital facility and a A\$1.35 billion revolving facility split equally over three, four and five years.

In the second half of 2011, TRUenergy will continue to focus on:

- integrating the EnergyAustralia sales and marketing functions and the wholesale business into TRUenergy and continuing to effectively manage the TSA to achieve a smooth ownership transition of EnergyAustralia into TRUenergy;
- managing the Delta Western GenTrader contract as part of the TRUenergy portfolio;

- achieving customer growth and maintaining retail margins;
- effectively and efficiently managing our operations;
- maintaining the delivery of Project Odyssey (our new retail customer services and billing platform) as planned;
- integrating the Waterloo and Cathedral Rocks wind farm assets into the TRUenergy portfolio; and
- completion of TRUenergy's acquisition of a 20% working level interest in key ESG production and exploration permits and other assets.

### *Chinese Mainland*

With the start of the 12<sup>th</sup> Five-Year Plan period the Mainland economy is expected to continue to grow steadily. Double-digit growth in electricity demand and consumption was maintained in the first half of 2011 and a generally balanced supply-demand of electricity is expected to continue nationwide during 2011. However, power shortages may occur in certain areas due to a combination of high demand growth, low rainfall and high coal prices which affect hydro and coal-fired power stations respectively. The on-grid tariff increases in 15 provinces on 10 April 2011 and the increase in retail tariffs (except for residential users) on 1 June 2011 provided slight relief to the pressure of high coal prices on coal-fired plants.

Coal production increased by 13% year on year in the first half of 2011. It is expected that the supply of coal will be generally sufficient for demand, but shortage in coal supply is expected to occur in certain regions constrained by



Shandong Boxing Biomass Plant

## Performance and Outlook

transportation. Chinese mainland domestic coal prices were stable at the beginning of the year, but have since increased with greater demand as we enter the summer months.

The People's Bank of China is expected to continue its prudent monetary policy in 2011 by maintaining high levels of RMB deposit reserve requirement ratio and benchmark interest rate for deposits and lending in order to ease excessive liquidity and help curb increasing inflation and asset bubbles. Consequently the capital markets in the Mainland are expected to experience tightened liquidity and increases in funding costs.

The safe operation of Daya Bay was not affected by the earthquake that occurred in Japan in March 2011. It has remained under normal operation throughout the first six months of the year. Following the Fukushima incident, a comprehensive safety review was conducted by the National Nuclear Safety Administration (NNSA), the nuclear safety regulator in the Mainland, at all nuclear power stations including Daya Bay. It is expected that the final result of the review will be submitted to the State Council before year end. Preliminary results confirmed that the design and operation of Daya Bay were in full compliance with the existing national regulations and standards. Prior to NNSA's review, Daya Bay had also conducted its own internal review to ensure its safe operation.

Earlier in the year in January, an enhanced notification mechanism was put into effect to provide information on the website of Hong Kong Nuclear Investment Company Limited on any non-emergency licensing operational events, that is to say events with no nuclear safety consequences and no impact to the external environment or public safety, at Daya Bay within two working days following their occurrences. This was a change to the previous practice of providing the information in the following month. It is to be noted that matters of an emergency nature would be handled according to the established protocols between the HKSAR Government and the relevant authorities in the Mainland.

After careful review, the decision was made to acquire a 17% interest in the nuclear power project in Yangjiang, Guangdong and will set up a joint venture with CGNPC, the long time partner of CLP in Daya Bay. The Yangjiang Nuclear Power Station is located in the west of Guangdong, approximately 220 kilometres away from Hong Kong, and will comprise six units of 1,080MW pressurised water reactors. CLP had shown its interest in the project in July 2010 when a memorandum of understanding was entered into with CGNPC. The project will supply power to the market of Guangdong and serves to help achieve the environmental target of the Guangdong

Province. The mature Chinese pressurised water reactor technology (CPR 1000) will be used in the project. The safe and reliable performance of Daya Bay over the past 17 years has given CLP confidence in the CPR 1000 technology and in CGNPC's capabilities in the construction and the operation of the power station. The experience and technical know-how gained over the years of operation are also important factors taken into consideration. The technology has been approved by NNSA.

Construction of CLP's wholly-owned Jiangbian hydro project (3 x 110MW) in Sichuan Province was completed on 23 June 2011 after the successful 72-hour test run of the third unit. All three units have now entered commercial service and are operating at full load. The first two units entered commercial service on 28 April 2011 and 11 June 2011 respectively. Completion of the project was five weeks ahead of schedule and the project cost was within budget.

The Fangchenggang Power Station has operated reliably so far this year, with utilisation generally similar to the corresponding period last year. We have conducted trials with a wider range of coal types than originally intended for the plant and demonstrated the ability to use sub-bituminous types that are available at somewhat lower prices than standard bituminous coal. The stable operating performance of Fangchenggang, coupled with its ability to source competitively-priced international coal, has supported CLP's aim to move forward with the development of Fangchenggang II, an additional 1,320MW of ultra-supercritical generating capacity. The Guangxi Government has submitted the project proposal for Fangchenggang II to the NDRC and approval is being awaited.

Approval for CLP's wholly-owned Qian'an II wind project (49.5MW) was obtained in February 2011. Erection of all 33 wind turbines and installation of substation equipment were completed, with pre-commissioning tests underway for energisation.

Construction of CLP's wholly-owned Penglai I wind project (48MW) is in progress and erection of wind turbines commenced in early June 2011. Rongcheng III wind project (49.5MW), in which CLP owns a 49% equity stake, successfully commenced operation in January 2011. Construction of Chongming Island wind project (48MW), in which CLP owns a 29% equity stake, commenced in May 2011.

Subsequent to modifications to the Shandong Boxing Biomass Plant, with the installation of an additional 15MW condensing turbine, operational flexibility and plant efficiency have been improved by allowing generation of electricity independently



of steam sales. We have refined our fuel procurement strategy so that an improved supply of varied biomass fuels can be maintained at reasonable prices.

In February 2011 CGN CLP Energy Services (Shenzhen) Co. Ltd was established as a joint venture with CGNPC to further participate in the growing energy services market in the Mainland. Setting up this joint venture is a strategic move to grow our energy services business (enabling a range of services including consulting, implementation and provision of funding) while extending customer relationships and building the CLP brand in Southern China.

Looking ahead to the second half of 2011, the focus of our activities in the Mainland will be to:

- further improve the operating and financial performance of our power stations;
- maintain high despatch at Fangchenggang;
- reduce fuel costs by pursuing long-term coal supply contracts and sourcing alternative coal supplies;
- take forward the proposed development of Fangchenggang II;
- complete all regulatory processes for the establishment of the Sino-foreign joint venture for the Yangjiang project;
- follow-up with joint venture partners on any necessary actions that may arise from the NNSA comprehensive safety review of Daya Bay and Yangjiang;
- take Qian'an II wind project and Penglai I wind project towards commercial operation by the third quarter of 2011 and the fourth quarter of 2011 respectively; and

- continue to build our wind power portfolio by developing new wholly-owned or majority-owned projects, or by expansion of minority-owned projects at existing project sites.

### *India*

The GPEC plant continues to perform well, with no major operational issues. However, due to the commissioning of several large coal-fired power projects in Gujarat, we have seen the despatching of the plant at lower levels than in the past.

The 50.4MW Samana II wind farm was fully commissioned on 31 January 2011 and is now feeding power into the grid under the terms of a long-term agreement with the State utility. 72MW of the wind farm at Saundatti has achieved commissioning. Construction of the remaining 10.4MW of capacity is awaiting allocation of land by the Government.

On 25 February 2011 the 39.6MW Harapanahalli wind farm in Karnataka was fully commissioned. Construction continues at our 113.6MW wind project at Andhra Lake with commissioning still expected to occur later this year.

CLP India signed agreements with Enercon India Limited in February 2011 for two new wind projects that are located in Andhra Pradesh (Project Narmada – 50.4MW) and Rajasthan (Project Sipla – 102.4MW). Land acquisition is in progress and preliminary construction activities have commenced. Both projects are expected to be commissioned in the first quarter of 2012.



The Jhajjar Project under construction

## Performance and Outlook

Construction of the Jhajjar project has continued under difficult conditions due to shortages of local labour. However, virtually all equipment is now on site and we are still working towards the original schedule for commercial operation of the two units during the first half of 2012. The substation was successfully energised on 6 June and this allows commissioning activities to proceed. Jhajjar safety management remains one of our greatest challenges due to relatively low prevailing standards of safety culture in the area. We have therefore introduced additional programmes such as an initiative where all CLP employees walk the site daily, specifically looking for safety-related issues.

The original terms for the Jhajjar project required all coal to be supplied from domestic sources. It now appears, however, that there will be a shortfall in domestic supply and there may need to be some imported coal. We are in close contact with the relevant Indian authorities to determine a level of imported coal that is technically acceptable within the design of the boilers and to agree the means of importation and delivery. It is important that these issues are resolved in the near future.

In the coming months, the focus of our activities will be to:

- manage the construction of the Jhajjar project towards commissioning in the first half of 2012 and to resolve the coal supply issues;
- complete our wind projects at Andhra Lake and Saundatti; and
- secure long-term (5 to 10 years) gas supply contracts for GPEC.

### *Southeast Asia and Taiwan*

CLP completed the divestment of its 13.36% effective interest in EGCO in early April 2011 along with an associated restructuring of our OneEnergy joint venture with Mitsubishi. The sale price for our share in EGCO of US\$273 million (HK\$2,122 million) has been received in full and a gain of HK\$876 million was recognised.

Construction of the 55MW Lopburi solar plant in Thailand by NED, one-third owned by CLP, is on schedule for commissioning in phases during late 2011 to early 2012. Preliminary work for an 8MW expansion at an adjacent site is continuing.

Ho-Ping Power Plant achieved good operational and safety performance, but financial performance has been affected significantly by the major overhaul in the first quarter and high coal market prices. Ho-Ping will eventually be compensated for coal price increases through an energy tariff adjustment linked to the off-taker Taiwan Power Company's coal price, but with a one-year delay.

We have been developing the Vung Ang 2 and Vinh Tan 3 coal-fired projects in Vietnam in partnership with Mitsubishi and other local entities. The feasibility study reports for both projects have been approved and we are negotiating details of the various project documents with the Vietnamese Government. We have also started negotiations on the engineering, equipment procurement, construction, financing and fuel supply that will be required to implement the projects.

The key tasks for the second half of 2011 will include:

- maintaining the good operational and safety performance of Ho-Ping;
- starting to commission the 55MW Lopburi solar project in Thailand and finalising arrangements for the 8MW expansion;
- finalising key contracts for the Vung Ang 2 project, assessing the economics and progressing negotiations with the Vietnamese Government on the project documents;
- obtaining proposals for the key contracts for the Vinh Tan 3 project and progressing negotiations with the Vietnamese Government on the project documents; and
- reviewing any opportunities in renewable energy that arise in the Indochina area.

### *Human Resources*

As at 30 June 2011, the Group employed 6,185 staff (2010: 5,904), of whom 3,941 were employed in the Hong Kong electricity and related business, 1,934 by our businesses in Australia, the Chinese mainland, India, Southeast Asia and Taiwan, as well as 310 by CLP Holdings. Total remuneration for the six months ended 30 June 2011 amounted to HK\$2,011 million (2010: HK\$1,718 million), including retirement benefit costs of HK\$147 million (2010: HK\$131 million).

### *Safety*

Safety performance, in terms of number of injury incidents, has been worse this year compared to the same period last year.

There were four fatal incidents in India. The investigation into the fatality of a subcontractor worker on 3 February 2011 at the Jhajjar site has been completed. The main area of concern relates to the control of temporary floor openings at height and improvement measures have been implemented. On 11 June there was one fatality to a contractor supervisor at the Andhra Lake wind farm project resulting from a vehicle accident. On 22 June there were a further two fatalities at the Jhajjar site. This accident involved two subcontractor

workers who entered a confined space area of a coal mill at the boiler basement. Accident investigation panels have been set up to look into the incidents and resulting actions will be determined by the findings of the panel.

Safety management at the Jhajjar construction site continues to be a concern despite extensive efforts across all organisations that are involved. Various safety management reviews were conducted at the Jhajjar site in India, together with an initiative to increase the engagement of employees in the health and safety efforts.

In addition to these significant incidents, there were three other fatal incidents at assets in the Chinese mainland in which CLP holds minority ownership and minority operational controls. In March, there was one fatality at the Hongji project of China CGN Wind in Inner Mongolia, where a subcontractor engineer was electrocuted. Later in March, a fatality occurred when a subcontractor worker fell from height. In July, a fatality occurred at Wuluji wind farm of China CGN Wind where a contractor driver was involved in a traffic incident on a public road in Inner Mongolia.

In Hong Kong there were serious injuries to two subcontractor workers during work near an overhead power line and to two CLP employees in a flashover during routine switchgear maintenance.

Safety management systems of various assets continue to be aligned with the enhanced Group standard. Safety leading indicators, including pre-work risk assessment practices have been implemented and have been shown to reduce work safety risks. For example, a surveillance audit on the Yallourn safety management system in Australia was completed against the national standard and a gap audit was completed at Hallett in preparation for formal certification against the same standard. Various safety leadership workshops and site inspections were conducted at the Qian'an and Penglai wind farms in the Chinese mainland.

We were recognised as a Model Enterprise for Safety Culture by the Sichuan Provincial Government for efforts on the Jiangbian hydro project, being the only enterprise from Ganzi Prefecture to receive this award.

CLP received ten awards in Hong Kong for outstanding site safety performance through the Construction Industry Safety Award Scheme organised by the Occupational Safety & Health (OSH) Council and the Labour Department. CLP also received 13 awards in the Considerate Contractors Site Award Scheme organised by the Development Bureau of the Hong Kong Government. CLP employees also won the Silver and Bronze awards in the annual scheme for Outstanding Employees in OSH organised by the OSH Council. Whilst these awards are welcome recognition of the hard work of CLP staff in

implementing and promoting safe working environments, more work is needed and will be undertaken to ensure that a safe working environment exists wherever we operate.

## *Environment*

As environmental regulatory development and stakeholder expectations on environmental performance increase across the Asia-Pacific region, so do our responsibilities in managing these risks and expectations. Reporting requirements are increasing not only in the number of environmental aspects, but also in the level of detail and frequency of reporting. During the first half of 2011, we experienced some regulatory non-compliance at our Tallawarra facilities in Australia involving late information reporting and submission, not relating to any breaches of emissions limits or standards. This is being reviewed and rectified.

## *Climate Change*

Our decision to reduce the carbon intensity of our generation portfolio entails a fundamental change in the way we do business and measure our performance. We met our 2010 carbon intensity target of 0.8kg CO<sub>2</sub>/kWh and we are now working towards meeting our updated 2020 target of 0.6kg CO<sub>2</sub>/kWh. Our target to have 20% of our generating capacity in non-carbon emitting sources by 2020 was met on 31 December 2010, 10 years ahead of schedule and so we have updated our non-carbon emitting target to 30% by 2020. At the start of this year, renewable energy accounted for 16.8% of CLP Group's generation portfolio, making good progress towards our renewable energy target of 20% by 2020.

In the first half of 2011, we have seen various developments in climate change related policies in the countries where we operate. China's 12<sup>th</sup> Five-Year Plan, adopted in March, set several new carbon and energy targets with 2010 as their baseline. It will increase the proportion of non-fossil fuels in energy consumption to 11.4% by 2015 and 15% by 2020 as well as reduce the CO<sub>2</sub> emissions per unit of GDP by 17% by 2015. In April, the Indian Bureau of Energy Efficiency implemented a three-year PAT (Perform Achieve & Trade) Scheme to improve energy efficiency in large energy-intensive industries, which include thermal power plants. In Australia, the government has announced a carbon tax of A\$23 per tonne for 500 companies which will transition to a market-based trading scheme in 2015. Since CLP operates facilities in these countries, we will continue to monitor and assess these developments so that we can plan and respond to the economic, social and environmental challenges of our business. We will also review our Climate Vision 2050 targets again by 2013, in anticipation of further national developments, as well as more certainty on whether or not an international framework will continue to develop.

## Performance and Outlook

CLP continues to participate as one of the leaders in power generation in the Asia-Pacific region in the international climate change framework discussions through the World Business Council for Sustainable Development (WBCSD). CLP is a signatory of the WBCSD's Manifesto for Energy Efficiency in Buildings which calls on members to take voluntary action in improving energy efficiency in its buildings. In the first half of 2011, CLP commenced work to create an energy baseline for its commercial buildings, carrying out energy audits, working with building users in setting reduction targets and implementing energy efficiency initiatives.

In May, we submitted our response to the 2011 Carbon Disclosure Project (CDP), a programme in which we have participated since its inception in 2000. Our response includes an in-depth and transparent discussion of our carbon emissions, trends, risks, opportunities and management of the climate change issue within CLP and is publicly available on CDP's website.

### Air Quality

In December 2010, the Emissions Control (EC) Project was completed at our Castle Peak "B" Power Station in Hong Kong which boosts its already high-standard emissions performance, making it one of the cleanest coal-fired power stations in the world. The EC Project includes retrofitting flue gas desulphurisation (FGD) equipment, nitrogen oxide reduction plant and other facilities. With the installation, sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and the respirable suspended particulates (RSP) are substantially reduced.

We continued our efforts to reduce air emissions from the facilities in our Group portfolio. Between 2009 and 2010 we reduced the emissions of SO<sub>2</sub> by 49%, NO<sub>x</sub> by 10% and total suspended particulates by 6%. In Hong Kong alone, from 1990 to 2010 total emissions of NO<sub>x</sub>, SO<sub>2</sub>, and RSP fell by 85%, 85% and 82% respectively, despite total electricity demand rising almost 80%.

In the Chinese mainland we have made progress at our coal-fired generating units in optimising coal consumption rates and auxiliary power consumption through the fine-tuning of boiler combustion and equipment modification. FGD plant efficiency and reliability were maintained to minimise SO<sub>2</sub> emissions. We are also looking at installing selective catalytic reduction facilities on our new and existing generating units to further reduce NO<sub>x</sub> emissions.

### Water

Water and energy are intricately linked. We need water to generate energy and we need energy to extract, process and deliver clean water. Water is particularly important for power generation with thermal and hydropower projects resting

on long-term assumptions about current and future water availability. With water risk being an important emerging issue, CLP is participating in the development and pilot of the WBCSD Global Water Tool for Utilities, which is scheduled to be launched later this year. CLP also participated in the 2011 CDP Water Disclosure Project which collects critical water related data from the world's largest corporations. We map our water usage and assess risks relative to our regional operations and supply chains by understanding our water needs in relation to local conditions, such as water availability (current and projected), water scarcity, access to safe drinking water sources and sanitation, as well as population and industrial growth.

Going forward, we will continue to build our capacity in monitoring, assessing and responding to the emerging issue of water risk.

### Clean Energy Impacts

Every energy type will have its positive and negative environmental attributes and clean energy is no exception. The challenge with new technologies is that the full range of possible impacts are rarely predicted until there is more widespread implementation of these technologies. We are therefore strengthening our capability to follow developments in clean energy and implementation of renewable energy projects to anticipate possible unintended negative environmental impacts and to look for solutions to manage them. We will continue to apply expertise and innovation to address these concerns, and to ensure that we continuously act in an environmentally responsible manner.

### *Stakeholder Engagement*

As a business that has been in operation for over a hundred years, CLP recognises the importance of understanding evolving societal needs and expectations on the power industry. Active and constructive dialogues with governments and community bodies on energy issues are part of daily operations to enable us to anticipate and respond to the changing external environment and public concerns.

In the first half of 2011 we have engaged in activities which reflect our commitment to our stakeholders and which ensure all effort is made to integrate and engage our stakeholders across all aspects of the business.

2011 began with a Group-wide exercise on sustainability. This exercise was led by a taskforce comprising five outstanding CLP engineers, our "COOL Captains", who made a personal commitment to develop solutions to enhance CLP's sustainable business practices. The team undertook a comprehensive study open to all employees and based on that produced a set of sustainability goals for CLP which have

since been adopted by Management and communicated to employees. These sustainability goals will be implemented by business operations as part of our business planning process and will help drive CLP towards our vision of being the leading responsible energy provider in the Asia-Pacific region, from one generation to the next.

Our Senior Management participated in a number of forums to exchange views with policy makers, capital providers, multi-lateral institutions, international environmental organisations, academics and global thought leaders in order to stay well informed of global best practices and emerging issues. Their combined efforts are contributing to a better understanding of the power industry in Asia amongst world energy leaders.

CLP also keeps abreast of energy and environmental policy development in the region. In April, we supported a forum jointly organised by The Climate Group, Civic Exchange and Climate Change Business Forum on China's 12<sup>th</sup> Five-Year Plan in Hong Kong. Leading Mainland academic professor Wang Yi and opinion leader Ms. Changhua Wu shared their views on the environmental and energy aspects of the 12<sup>th</sup> Five-Year Plan to an engaged audience of around 150 people. In addition, under the CLP-Tsinghua University Clean Energy Education Fund, research was completed which provides insights into deployable technologies and their economics in order to assist the Mainland towards a future of low-carbon power generation.

In June 2011, CLP supported a Civic Exchange forum entitled "Increasing Nuclear Literacy in Hong Kong" that brought together speakers of international and local experts, along

with officials from the HKSAR Government. Attended by some 300 members of the community, the forum addressed the technical aspects of nuclear power generation, the HKSAR Government's emergency response system, and the safety features of next generation nuclear technologies that are being deployed in the Mainland. To meet an increased public interest in nuclear, CLP is preparing for a nuclear resources centre for further outreach to the community.

The GREEN<sup>PLUS</sup> Gallery was officially opened in April following the launch of the GREEN<sup>PLUS</sup> programme last year to assist small and medium enterprises (SMEs) and non-governmental organisations (NGOs) to take up energy efficiency practices. GREEN<sup>PLUS</sup> is a collaborative effort between CLP and the community, represented by the HKSAR Government, environmental organisations, academics, contractor associations and professional bodies in promoting demand-side energy efficiency applications. Over 200 schools, NGOs, and SMEs have participated in the programme with tailor-made energy-saving plans.

In the final stages of developing its carbon policy the Australian Government agreed to bilateral negotiations with coal-fired generation owners to discuss possible transitional arrangements. TRUenergy continued to be involved in negotiations with key departments and in the carbon debate more broadly.

The Australian Government also formed an Investor Reference Group (IRG), which was made up of representatives from the energy sector, including TRUenergy, the National Electricity Market (NEM) operator and regulator, as well as the financial sector. The IRG produced a report to Government that



The 2011 "Project COOL" kick-off ceremony

## Performance and Outlook

supported the case for appropriate transitional support for generators to avoid impairment of assets and to ensure the stability of the NEM.

TRUenergy also continued to work within the communities where it operates to ensure their concerns were heard and that they were able to inform future projects.

Going forward CLP will continue to be an active participant in energy and environmental forums and debates in both local markets and in major conferences where international policies and issues are deliberated and shaped. We are committed to delivering our target carbon intensity reduction by 75% by 2050, as set out in our CLP Group Climate Vision. We will continue to operate our business in a socially and environmentally responsible manner. We will also continue to value our relationships with our stakeholders in every community in which we operate.

### *Sustainability Report*

A sustainable business must be one which meets the needs of its stakeholders today, whilst looking ahead and positioning itself to meet the needs of our future stakeholders in the years to come. To enable this CLP strives to offer an integrated picture of our business, how it is managed and where it is heading. That is why we have incorporated environmental, social and community elements into our strategy, planning and reporting in addition to the traditional financial aspects.

CLP is one of the few energy companies in the Asia-Pacific region to have publicly announced its voluntary carbon

intensity reduction targets and to report regularly on its progress. CLP has been publishing extensive information about its social and environmental performance since 2002. This year we have explained further about the connection between this performance and our business bottom line to strengthen the concept that our financial performance is also essential to the sustainability of our business. The electronic version of the Report is updated along with this Interim Report in order to provide our stakeholders with the latest information.

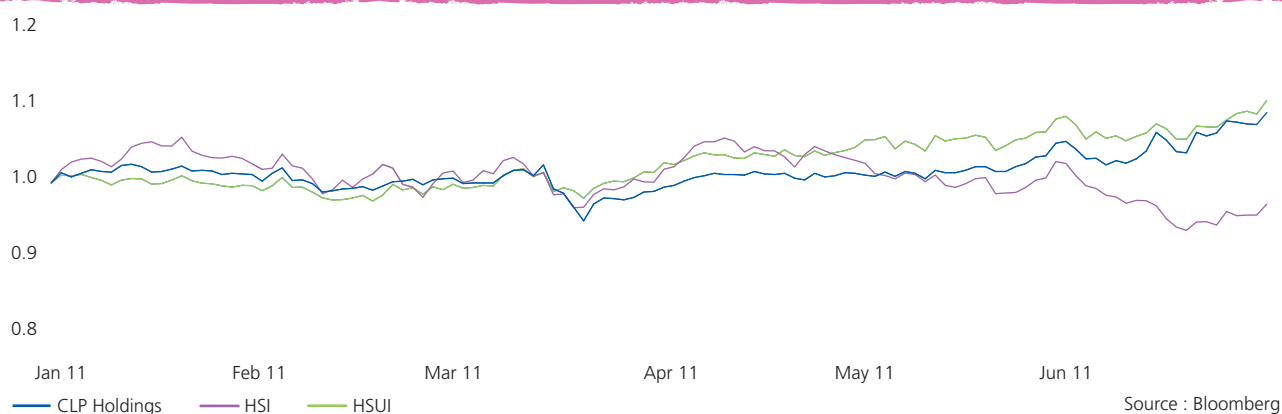
### *Shareholder Value*

During the first half of 2011, CLP's share price and the Hang Seng Utilities Index (HSUI) rose by 9.27% and 10.87% respectively whilst the Hang Seng Index (HSI) dropped by 2.77%.

At the Annual General Meeting held on 12 May 2011, shareholders endorsed the practice to pay four interim dividends each year instead of three interim dividends and a final dividend. Accordingly, the Board has decided to continue this practice and will keep the Company's dividend policy and practice under review in the interests of the Company and shareholders.

The fourth interim dividend for 2010 of HK\$0.92 per share was paid to shareholders on 28 March 2011. The first interim dividend for 2011 of HK\$0.52 per share was paid on 15 June 2011 and the second interim dividend of HK\$0.52 per share will be paid on 15 September 2011.

Relative Performance – CLP vs Local Benchmark Indices (1 Jan 2011 – 30 Jun 2011) (Base: 31 December 2010 = 1.0)



## Financial Review

### *Events that Shaped Our Financial Performance in the First Half*

Growth in operating earnings was maintained in the first half of 2011, mostly due to the earnings from our increased investment in Australia. The events which had significant impacts on the Group's financial results and position during the past six months are highlighted below:

- In March, TRUenergy completed the acquisition of EnergyAustralia's retail gas and electricity business, long-term off-take contract for the output from Delta Electricity's Mount Piper and Wallerawang power stations ("GenTrader contract"), and certain power station development sites. The assets purchased in this transaction (the "NSW Acquisition") are in the process of being integrated into TRUenergy and have considerable impact on the income statement and balance sheet. An overview of the NSW Acquisition is set out on page 25.
- At the end of June, the Group and Hydro Tasmania brought a close to the Roaring 40s joint venture. Under the separation arrangement, the Group disposed of its interest in Roaring 40s but took over the wind farms at Waterloo and Cathedral Rocks as well as certain development projects, with the payment of A\$11 million (HK\$93 million) to make up the balance. A gain of HK\$337 million resulted.
- A total of HK\$12.2 billion of new borrowings (made up of HK\$2.7 billion and A\$1.2 billion) was incurred to finance the NSW Acquisition. Together with other financing activities, our gearing (total debt to total capital) increased from 35.9% to 44.3% since last year end, whilst remaining at a manageable level. Please refer to pages 27 to 29 for comments from our credit rating agencies.
- The average exchange rate of Australian dollar increased 18.1% over the same period 2010. Its closing rate was also 5.2% higher. The corresponding translation effects on TRUenergy's income statement and balance sheet were material.
- Due to the challenges to becoming a majority shareholder in EGCO, combined with competing demands for CLP's capital elsewhere, the Group finally decided to sell its entire 13.36% effective interest therein in February for a consideration of US\$273 million (HK\$2,122 million). We thereby recognised a gain of HK\$876 million. After the sale, we retain our presence in the region with our investments in Ho-Ping, Taiwan and in a solar project in Thailand.

### *Financial Outlook for the Second Half*

The matters described above will likely affect the mix of contribution from different segments in the second half of 2011 and beyond. In addition, the following issues will also have a bearing on the Group's financial outlook in the second half:

- In early July, the Australian Government announced its revised carbon pricing mechanism and related policies, including a transitional assistance package for the generating sector. Although these proposals still need to go through the legislative process, they nevertheless may have an adverse impact on our business in Australia, in particular Yallourn Power Station.
- The inability to secure tariff rises which are sufficient to allow generators to pass on the increase in coal prices continues to be a challenge to coal-fired projects in the Chinese mainland, including those in which CLP holds an interest.
- Following the NSW Acquisition, TRUenergy now accounts for about 36% of our business by total assets and 23% by operating earnings. Any change of the Australian dollar exchange rate would affect the Group's financial results and position.

Group's Financial Results

|                                       | Notes to the Financial Statements | Six months ended 30 June |               |                                  |       |
|---------------------------------------|-----------------------------------|--------------------------|---------------|----------------------------------|-------|
|                                       |                                   | 2011<br>HK\$M            | 2010<br>HK\$M | Increase / (Decrease)<br>HK\$M % |       |
| Revenue                               | 6                                 | 40,245                   | 27,618        | 12,627                           | 45.7  |
| Expenses                              |                                   | (33,730)                 | (21,997)      | 11,733                           | 53.3  |
| Finance costs                         | 9                                 | (2,858)                  | (1,958)       | 900                              | 46.0  |
| Income tax (expense)/ credit          | 10                                | (940)                    | 228           | 1,168                            | N/A   |
| Earnings attributable to shareholders |                                   | 5,800                    | 5,921         | (121)                            | (2.0) |

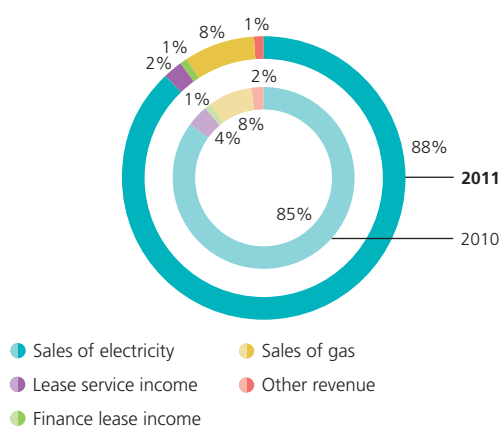
Revenue and Expenses

The NSW Acquisition is the main reason for the increase in revenue and expenses. Revenue from energy business outside Hong Kong now represents over 60% of our total revenue.

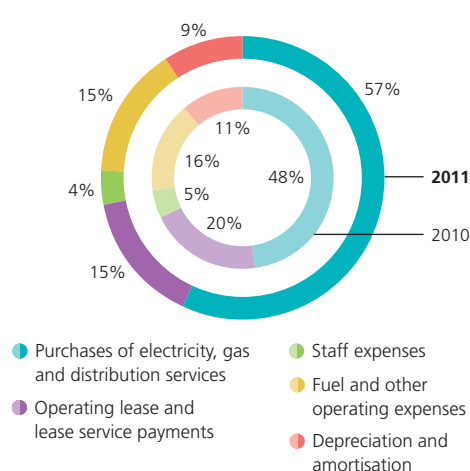
Setting aside the effect of the NSW Acquisition, it was the uplift of retail electricity and gas prices in Australia since May 2010 and during 2011, and higher sales volume, together with the higher average exchange rate of Australian dollar, which contributed most of the increase in revenue. Revenue from our Hong Kong and India electricity businesses remained stable.

The increase in expenses was also attributable to TRUenergy. The increase in sales volume (mainly from the customers brought in from EnergyAustralia) led to significant increase in "purchases of electricity, gas and distribution services". Additional depreciation and amortisation on NSW assets, the fuel costs for Mount Piper and Wallerawang power stations, and higher operating costs from the enlarged Australia operation also contributed to the increase.

Analysis of Revenue



Analysis of Expenses



Finance Costs

Higher finance costs were the result of higher interest on increased borrowings to finance the investments and capital expenditures during the period, in particular the NSW Acquisition. The amount of borrowings was 40% higher than the corresponding period last year. In addition, finance lease charges paid by CLP Power Hong Kong to CAPCO also increased based on the higher average finance lease balance, due to the recent commissioning of the emissions control facilities at Castle Peak Power Station.

Income Tax (Expense)/Credit

Excluding the one-off tax consolidation benefit of HK\$989 million in 2010, income tax expense increased by 23.5%, which was in line with the increase in operating earnings.



## Earnings Attributable to Shareholders

|  | Six months ended 30 June |              |       |              | Increase / (Decrease) |              |
|--|--------------------------|--------------|-------|--------------|-----------------------|--------------|
|  | 2011                     |              | 2010  |              | HK\$M                 | %            |
|  | HK\$M                    | HK\$M        | HK\$M | HK\$M        |                       |              |
| Electricity business in Hong Kong (HK)               |                          | 3,114        |       | 3,014        | 100                   | 3.3          |
| Electricity sales to Chinese mainland from HK        | 11                       |              | 25    |              |                       |              |
| Generating facilities in Chinese mainland serving HK | 361                      |              | 351   |              |                       |              |
| Other power projects in Chinese mainland             | 349                      |              | 458   |              |                       |              |
| Energy business in Australia                         | 1,166                    |              | 461   |              |                       |              |
| Electricity business in India                        | 183                      |              | 115   |              |                       |              |
| Power projects in Southeast Asia and Taiwan          | 28                       |              | 191   |              |                       |              |
| Other earnings                                       | 55                       |              | 53    |              |                       |              |
| <b>Earnings from other investments/operations</b>    |                          | <b>2,153</b> |       | <b>1,654</b> | <b>499</b>            | <b>30.2</b>  |
| Unallocated net finance costs                        |                          | (17)         |       | (8)          |                       |              |
| Unallocated Group expenses                           |                          | (250)        |       | (225)        |                       |              |
| <b>Operating earnings</b>                            |                          | <b>5,000</b> |       | <b>4,435</b> | <b>565</b>            | <b>12.7</b>  |
| Gain on sale of EGCO                                 |                          | 876          |       | –            |                       |              |
| Gain on reorganisation of Roaring 40s                |                          | 337          |       | –            |                       |              |
| Valuation gain on Hok Un redevelopment               |                          | 202          |       | –            |                       |              |
| Stamp duty for NSW Acquisition                       |                          | (615)        |       | –            |                       |              |
| Gain on sale of CLP Power China (Anshun)             |                          | –            |       | 400          |                       |              |
| Tax consolidation benefit from Australia             |                          | –            |       | 989          |                       |              |
| Yallourn coal mine subsidence insurance recovery     |                          | –            |       | 97           |                       |              |
| <b>Total earnings</b>                                |                          | <b>5,800</b> |       | <b>5,921</b> | <b>(121)</b>          | <b>(2.0)</b> |

Operating earnings increased by 12.7% to HK\$5,000 million, benefiting mainly from the improved and expanded operations in Australia. Including the one-off items, total earnings attributable to shareholders reduced to HK\$5,800 million, a 2.0% decrease.

**Hong Kong:** Earnings from the HK electricity business grew slightly on higher average net fixed assets. This was partly offset by higher interest expenses on higher borrowings.

**Chinese Mainland:** Rising coal prices significantly affected the performance of our coal-fired projects. The tariff adjustments since mid-April 2011 for certain coal-fired projects and increased contributions from wind projects (due to expanded capacity) offset part of the decrease.

**Australia:** With additional contributions from the NSW retail business, the uplift of retail electricity and gas prices, and the favourable mark-to-market movement of energy derivatives, earnings from Australia more than doubled. The increase was partly offset by lower generation at Yallourn, lower contribution from Ecogen and higher operating and interest costs following the NSW Acquisition.

**India:** The increase was mainly attributable to the translation gain of foreign currency receivables under the power purchase agreement of GPEC of HK\$15 million (2010: loss of HK\$37 million). The operating earnings of GPEC remained steady and reflected the sound performance of GPEC. Commissioning of additional wind projects made a positive, though lower than expected, contribution to earnings.

**Southeast Asia and Taiwan:** Lower earnings reflected the discontinued contribution from EGCO after its sale in February 2011. There was also a lower contribution from Ho-Ping due to higher coal prices and the effects of a major overhaul in the first quarter of 2011.

**Non-recurring Items:** A gain of HK\$876 million was recognised on the sale of our entire interest in EGCO. The reorganisation of Roaring 40s also gave rise to a gain of HK\$337 million. The revaluation of the commercial section of the Hok Un redevelopment, namely the Fisherman's Wharf, added another gain of HK\$202 million. On the other hand, stamp duty of A\$78 million (HK\$615 million) was paid in respect of the NSW Acquisition.

Group's Financial Position

|  | Notes to<br>the Financial<br>Statements | At 30 June<br>2011<br>HK\$M | At 31 December<br>2010<br>HK\$M | Increase / (Decrease)<br>HK\$M | %      |
|--|---|-----------------------------|---------------------------------|--------------------------------|--------|
| Fixed assets                                 | 13                                      | 131,061                     | 115,731                         | 15,330                         | 13.2   |
| Goodwill and other intangible assets         | 14                                      | 26,386                      | 9,150                           | 17,236                         | 188.4  |
| Deferred tax assets                          |   | 1,259                       | 4,210                           | (2,951)                        | (70.0) |
| Derivative financial instrument assets*      | 17                                      | 5,703                       | 4,345                           | 1,358                          | 31.3   |
| Derivative financial instrument liabilities* | 17                                      | 7,729                       | 2,011                           | 5,718                          | 284.3  |
| Other non-current liabilities                | 24                                      | 2,719                       | 1,276                           | 1,443                          | 113.1  |
| Bank loans and other borrowings*             | 21                                      | 65,774                      | 44,623                          | 21,151                         | 47.4   |



\* Including current and non-current portions

### Fixed Assets and Capital Commitments

The Group continues to invest heavily in capital assets, reflecting the highly capital-intensive nature of our business.

In Hong Kong, as well as the full commissioning of emissions control facilities at Castle Peak Power Station in March 2011, we continued to upgrade and enhance our transmission and distribution network and invested HK\$1.9 billion during the period. On-going construction of Jhajjar Power Station and renewable projects in India added HK\$2.9 billion of fixed assets to the Group. In Australia, the NSW Acquisition brought in HK\$6.2 billion fixed assets, mainly related to the Mount Piper Power Station, which has been accounted for as a finance lease.

Capital commitments at 30 June 2011 amounted to HK\$24.4 billion, representing mainly the capital works in Hong Kong, enhancement work for Mount Piper, and the on-going construction work at the Jhajjar Power Station.

### Goodwill and Other Intangible Assets

Goodwill of HK\$14.0 billion, arising from the NSW Acquisition, was recognised together with other intangible assets (mainly contracted customers) of HK\$1.8 billion.

### Deferred Tax Assets

Most of the deferred tax assets related to TRUenergy in Australia. The significant decrease in deferred tax assets was attributable to the deferred tax liabilities of HK\$2.7 billion recognised upon the NSW Acquisition. Utilisation of the tax losses by higher profit in TRUenergy also reduced the balance.

### Other Non-current Liabilities

The significant increase in non-current liabilities was due to the recognition of deferred consideration for the NSW Acquisition of A\$239 million (HK\$1,894 million). The current portion of the deferred consideration of HK\$556 million was included under trade and other payables.



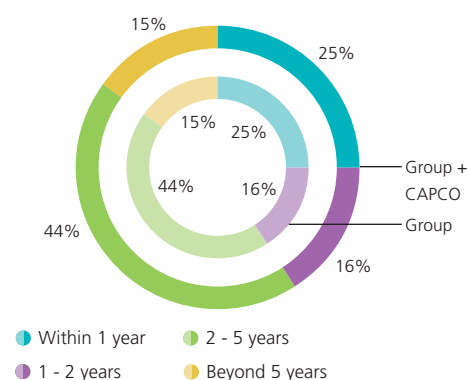
As the impact of the NSW Acquisition on our financial position is considerable, it is illustrated opposite.

## Derivative Financial Instruments

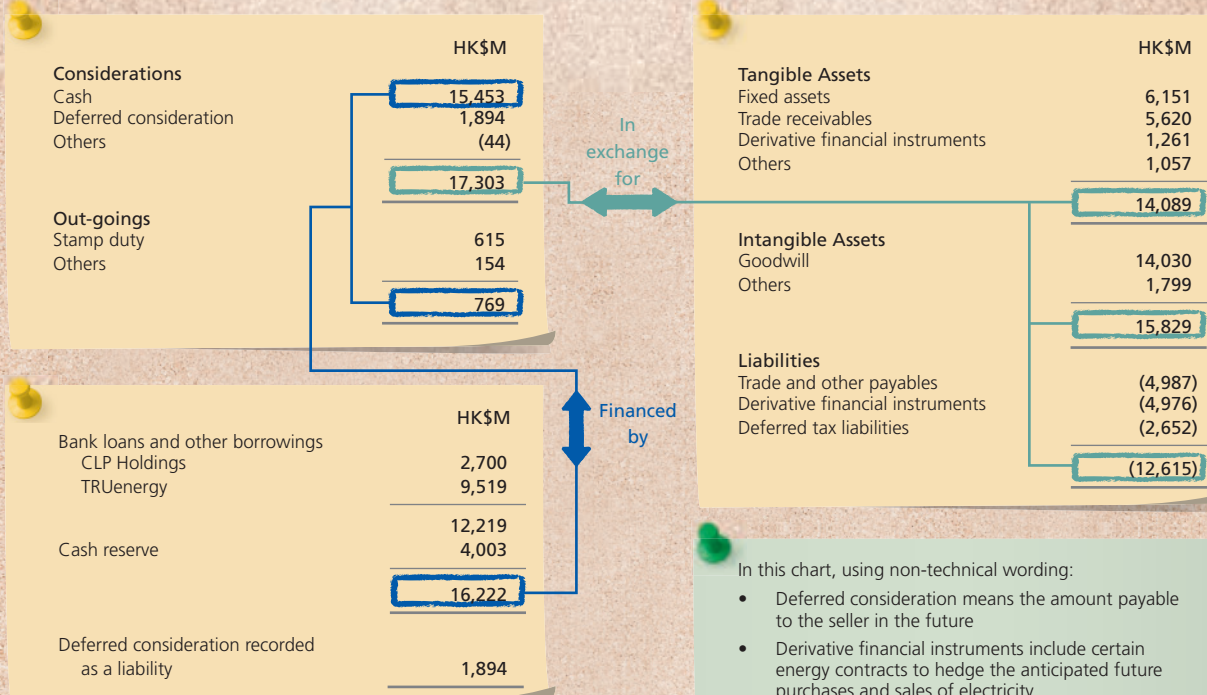
As at 30 June 2011, the Group had gross outstanding derivative financial instruments amounting to HK\$158.2 billion. The fair value of these derivative instruments was a net deficit of HK\$2.0 billion (included the net derivative liabilities of HK\$3.7 billion from the NSW Acquisition), representing the net amount payable if these contracts were closed out on 30 June 2011. However, changes in the fair value of derivatives will have no impact on cash flow until settlement. The breakdown by type and maturity profile of the derivative financial instruments is shown below:

|  | Notional Amount |                  | Fair Value Gain/(Loss) |                  |
|--|-----------------|------------------|------------------------|------------------|
|  | 30 June 2011    | 31 December 2010 | 30 June 2011           | 31 December 2010 |
|  | HK\$M           | HK\$M            | HK\$M                  | HK\$M            |
| <b>CLP Group</b>   |                 |                  |                        |                  |
| Forward foreign exchange contracts                         | 90,506          | 86,603           | 749                    | 1,075            |
| Interest rate swaps / cross currency & interest rate swaps | 32,221          | 24,498           | (123)                  | 375              |
| Energy contracts   | 35,437          | 14,805           | (2,652)                | 884              |
|  | <b>158,164</b>  | <b>125,906</b>   | <b>(2,026)</b>         | <b>2,334</b>     |
| <b>CAPCO</b>   |                 |                  |                        |                  |
| Forward foreign exchange contracts                         | 65              | 163              | (4)                    | (11)             |
| Interest rate swaps  | 715             | 953              | (16)                   | (29)             |
| <b>Total</b>   | <b>158,944</b>  | <b>127,022</b>   | <b>(2,046)</b>         | <b>2,294</b>     |

Maturity Profile as at 30 June 2011



## Overview of the NSW Acquisition



In this chart, using non-technical wording:

- Deferred consideration means the amount payable to the seller in the future
- Derivative financial instruments include certain energy contracts to hedge the anticipated future purchases and sales of electricity
- Deferred tax liabilities broadly means Australian income tax payable in the future

## Financing and Capital Resources

The Group engaged in new financing activities in the first half of 2011 in support of the expansion of its electricity business. We continued to apply a prudent approach, characterised by liquidity, diversification and timeliness, to all financing arrangements to avoid the present credit tightening (both as to amounts and pricing) in the region having a material impact on the Group.

In May 2011, CLP Holdings successfully completed a HK\$5.2 billion 5-year revolving bank loan facility with a consortium of 16 international and regional banks. The terms of this revolving loan facility were identical to the HK\$6 billion revolving facility that the Company arranged in 2010 when the financial market was more liquid. Together with the HK\$2.4 billion bilateral bank facilities arranged in the first half of 2011, CLP Holdings has obtained a total of HK\$7.6 billion new credit facilities to support our business growth and maintain ample liquidity for contingencies.

Up to July 2011, CLP Power Hong Kong successfully arranged HK\$4.1 billion new financing at attractive interest rates. This included HK\$255 million 30-year Hong Kong dollar bonds at 4.1% fixed rate which is the longest tenor of debt that the Group has ever procured. The details are:

- (i) A US\$300 million (HK\$2.3 billion) 10-year bond issued on 5 July 2011 under the Medium Term Note (MTN) Programme at 4.75% coupon. This bond issue was strongly supported by investors with an order book of US\$2.7 billion (9 times coverage). The bond is a Regulation S issue with listing on the Hong Kong Stock Exchange. All the U.S. dollars proceeds were swapped back into Hong Kong dollars to mitigate foreign currency risk;
- (ii) HK\$615 million 15, 20 and 30-year fixed rate bonds issued under the MTN Programme at coupon rates of 3.97%, 4.00% and 4.10% respectively. These long-tenured fixed rate bonds have further lengthened CLP Power Hong Kong's debt maturity and locked in favourable fixed interest rate levels during a low interest rate environment; and
- (iii) HK\$1.2 billion 5 and 7-year bank credit facilities arranged at attractive terms.

CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US\$3.5 billion, increased from US\$2.5 billion, may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2011, notes with an aggregate nominal value of about HK\$17.6 billion have been issued under the MTN Programme.

In Australia, TRUenergy successfully arranged A\$2.05 billion (HK\$17.06 billion) debt with 14 multinational banks in June 2011. This comprised A\$1.35 billion 3, 4 and 5-year revolving facilities and a A\$700 million 3-year working capital facility mainly to refinance the NSW Acquisition. The strong support for TRUenergy in the banking sector was evidenced by 2 times oversubscription and completion at terms better than the maturing debt. In addition, TRUenergy issued a total of US\$495 million bonds with tenor up to 15 years through a U.S. private placement between December 2010 and March 2011. In the Chinese mainland, CLP China procured a RMB300 million (HK\$361 million) project level loan for the CLP wholly-owned Qian'an Phase II wind power project in Jilin Province, amidst a challenging monetary situation. In India, CLP India negotiated with lenders to reduce the interest rate of the Rupee project loan for Jhajjar and arranged a US\$50 million project loan to fund the construction of the Andhra Lake wind project.

This year, the Group continues to maintain an appropriate portion of committed credit facilities to ensure funding certainty. We also made particular efforts to extend debt maturity and reduce refinancing risk, particularly for the businesses in Hong Kong and Australia. During the first half of 2011 we have increased our banking relationships from 57 financial institutions to 60 to further facilitate business growth and spread out concentration risk. We remain cautious in transacting only with integrated financial institutions which have very strong credit standings in order to ensure our counterparties will perform the contractual obligations in good order. The debts of our subsidiaries are without recourse to CLP Holdings. Of the Group's total borrowings, HK\$8,087 million as at 30 June 2011 was secured by fixed and floating charges over the assets of our subsidiaries in India. HK\$2,890 million was secured by right of receipt of tariff, fixed assets and land use rights of subsidiaries in the Chinese mainland. HK\$176 million was secured by Renewable Energy Certificates of TRUenergy. The Group's total debt to total capital ratio as at 30 June 2011 was 44.3% (31 December 2010: 35.9%), decreasing to 42.8% (31 December 2010: 33.3%) after netting off bank balances, cash and other liquid funds as at 30 June 2011. The increase in debt gearing as compared with last year is mainly due to new financing to support our overseas business expansion, including the NSW Acquisition and construction of Jhajjar coal-fired project in India, partly offset by proceeds from the divestment of our interest in EGCO. Interest cover for the six months ended 30 June 2011 was 6 times. As at 30 June 2011, the Group's fixed rate debt as a proportion of total debt was approximately 56% (56% for the Group and CAPCO combined).

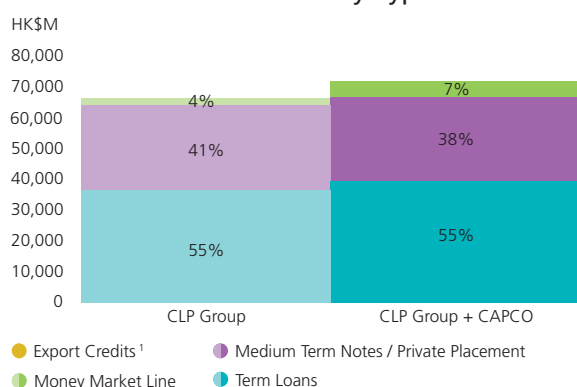
## Financing and Capital Resources (continued)

|                                 | CLP Holdings<br>HK\$M | CLP Power<br>Hong Kong<br>HK\$M | Other<br>Subsidiaries <sup>1</sup><br>HK\$M | Group<br>HK\$M | Group +<br>CAPCO<br>HK\$M |
|---------------------------------|-----------------------|---------------------------------|---|----------------|---------------------------|
| Available Facility <sup>2</sup> | 15,750                | 30,592                          | 43,467                                      | 89,809         | 96,034                    |
| Loan Balance                    | 4,876                 | 27,114                          | 33,784                                      | 65,774         | 71,100                    |
| Undrawn Facility                | 10,874                | 3,478                           | 9,683                                       | 24,035         | 24,934                    |

Notes:

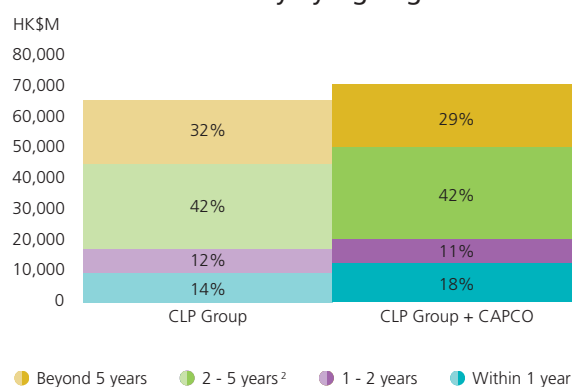
- 1 Mainly relates to TRUenergy and subsidiaries in India.
- 2 For the MTN Programme, only the amount of the bonds issued as at 30 June 2011 was included in the total amount of Available Facility. The Available Facility in TRUenergy excludes facility set aside for guarantees.

### Loan Balance by Type



● Export Credits<sup>1</sup>    ● Medium Term Notes / Private Placement  
● Money Market Line    ● Term Loans

### Maturity by Ageing



● Beyond 5 years    ● 2 - 5 years<sup>2</sup>    ● 1 - 2 years    ● Within 1 year

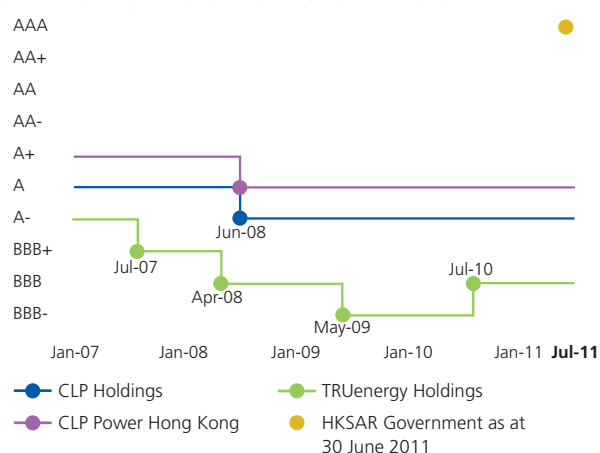
Notes:

- 1 Export credits only accounted for less than 0.1% of the total loan balance of the Group and CAPCO combined (nil for the Group) and are not reflected in the chart above.
- 2 Including loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

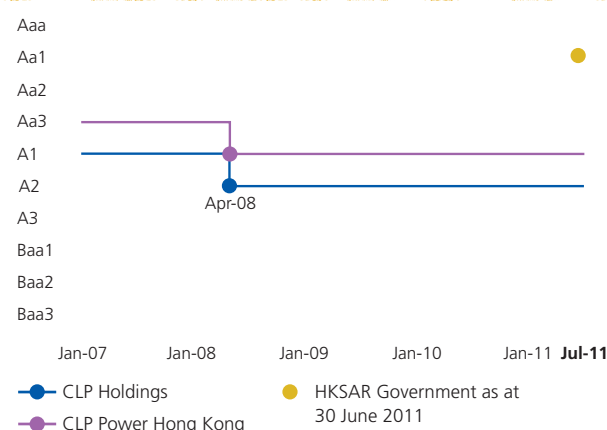
## Credit Rating

CLP's prudent financial and risk management and a disciplined investment strategy have enabled the Group to maintain good investment grade credit ratings during both favourable and challenging times. CLP's ability to maintain a good credit standing and access the financial markets at cost-effective terms is crucial if we are to meet our business needs and objectives. In March, Standard & Poor's (S&P) and Moody's re-affirmed the A-/A2 credit ratings of CLP Holdings and A/A1 credit ratings of CLP Power Hong Kong with stable outlooks. This effectively removed the credit watch on both companies which were placed by S&P and Moody's following TRUenergy's announcement of its successful bid in the NSW Acquisition.

### Standard & Poor's Long-term Credit Ratings – Foreign Currency and Local Currency



### Moody's Long-term Credit Ratings – Foreign Currency and Local Currency



CLP Holdings

Moody's Rating

In March 2011, Moody's re-affirmed the A2 credit rating of CLP Holdings with stable outlook.

|           |  |
|-----------|--|
| Positives | <ul style="list-style-type: none"> <li>• Sound liquidity profile and good operating track record</li> <li>• Management's prudent and gradual approach in pursuing overseas expansion</li> </ul> <p><i>After NSW Acquisition</i></p> <ul style="list-style-type: none"> <li>• No material impact on CLP Holdings' business and financial profiles</li> <li>• Strategic benefits to TRUenergy and immediately earnings-accretive</li> <li>• Significant increase in TRUenergy's customer base, improvement of geographical diversification, and economies of scale</li> <li>• TRUenergy will become the second-largest player in Australia's retail electricity market</li> <li>• Provides TRUenergy with a long-term supply of electricity to match growing demand and to maintain a balanced hedging profile</li> <li>• Helps counteract TRUenergy's exposure to the uncertainties related to future carbon emission regulations in Australia</li> </ul> |
| Negatives | <ul style="list-style-type: none"> <li>• Weakened financial profile due to debt-funded overseas expansion, albeit still appropriate for the rating</li> <li>• Expansion in riskier, non-regulated merchant energy and retail businesses in the region has raised the overall business risk</li> </ul> <p><i>After NSW Acquisition</i></p> <ul style="list-style-type: none"> <li>• CLP Holdings' financial metrics would weaken temporarily in 2011, but would improve in 2012 and afterwards as a result of the full-year contributions from the NSW business and the commissioning of the Jhajjar project in India</li> </ul>  |

S&P Rating

In March 2011, S&P re-affirmed the A- credit rating of CLP Holdings with stable outlook.

|           |   |
|-----------|---|
| Positives | <ul style="list-style-type: none"> <li>• Financial flexibility would improve by 2012, given: (1) higher returns from Hong Kong operations due to further capital expenditure under a government-approved business plan; (2) higher earnings from its enlarged Australian operations; (3) steady earnings from Chinese mainland investments; and (4) expected full commissioning of Jhajjar project in India by mid-2012</li> <li>• Strong business risk profile due to the stable and regulatory SoC operations in Hong Kong</li> <li>• Management's strong commitment to deleveraging the balance sheet by 2012</li> <li>• Liquidity remains adequate</li> </ul> |
| Negatives | <ul style="list-style-type: none"> <li>• The NSW Acquisition will weaken the Group's financial health in 2011 due to the increased debt</li> <li>• Overseas expansion in recent years which weakened CLP Holdings' business risk profile</li> </ul>   |

## CLP Power Hong Kong

### Moody's Rating

In March 2011, Moody's re-affirmed the A1 credit rating of CLP Power Hong Kong with stable outlook.

|           |  |
|-----------|--|
| Positives | <ul style="list-style-type: none"><li>• Strong and highly predictable cash flow generated from SoC operations</li><li>• Regulatory framework continues to offer a transparent tariff system, allowing 100% cost pass-through</li><li>• Financial profile remains strong for its ratings, in consideration of its low business risk profile</li><li>• Good track record in accessing domestic and international bank and capital markets</li><li>• Well managed debt maturity profile</li><li>• Comfort was drawn from CLP Holdings' good corporate governance practice, as well as its sound track record for high transparency and disclosure</li></ul> |
| Negatives | <ul style="list-style-type: none"><li>• Liquidity profile may be pressured to a certain extent by its dividend payments to CLP Holdings</li><li>• Long-term capital expenditure plan</li><li>• Ratings of CLP Power Hong Kong and CLP Holdings are closely linked, and a material deterioration in one could mean rating pressure for the other</li><li>• Rating constrained by CLP Holdings' continuous expansion into the more risky non-regulated energy and retail businesses in the region</li></ul>  |

### S&P Rating

In March 2011, S&P re-affirmed the A credit rating of CLP Power Hong Kong with stable outlook. This reflected stable operations and cash flow, adequate liquidity and good liability management practices with diversified funding sources and debt tenors.

## TRUenergy Holdings

### S&P Rating

In July 2011, S&P re-affirmed the BBB credit rating of TRUenergy Holdings with stable outlook.

|           |   |
|-----------|---|
| Positives | <ul style="list-style-type: none"><li>• Support from a strongly rated owner, CLP Holdings</li><li>• Vertically integrated electricity generation and retailing components of the business, with market diversity</li><li>• Operational flexibility provided by a diverse portfolio of generation fired by brown coal, black coal, and gas</li><li>• Strong liquidity following the refinancing of maturing debt</li></ul> |
| Negatives | <ul style="list-style-type: none"><li>• Integration risks from the acquisition of assets in NSW in early 2011</li><li>• Potential exposure to higher competitive pressures</li><li>• Over the longer term, a need to manage its asset portfolio to mitigate the impact of the government's carbon policy</li></ul>  |

## Risk Management

The Group's investments and operations have resulted in exposure to foreign currency risks, interest rate risks, credit risks, as well as the price risks associated with the sale and purchase of electricity in Australia. We actively manage these risks by using different derivative instruments with the objective of minimising the impact of rate and price fluctuations on earnings, reserves and tariff charges to customers. In meeting the objectives of risk management, we always prefer simple, cost-efficient and HKAS 39 hedge-effective instruments. For instance, we prefer foreign currency forward contracts, cross currency and interest rate swaps to options and structured products. We also monitor our risk exposures with the assistance of a "Value-at-Risk" (VaR) methodology and stress testing techniques. Other than very limited energy trading activities engaged by our Australia business, all derivative instruments are employed solely for hedging purposes. Various risk factors faced by the Group and the management of them are set out in detail in our 2010 Annual Report at pages 115 to 121 and 198 to 206.

# Corporate Governance

## *Corporate Governance Practices*

In the Corporate Governance Report of 24 February 2011, which was published in our 2010 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) in February 2005 (further updated in February 2009). This incorporated all of the Code Provisions and Recommended Best Practices in the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange (the Stock Exchange Code), save for one exception.

This single deviation from the Recommended Best Practices of the Stock Exchange Code relates to the recommendation that an issuer should announce and publish quarterly financial results. The considered reasons for this deviation were stated in the Corporate Governance Report on page 101 of the Company's 2010 Annual Report. Although CLP does not issue quarterly financial results, CLP issues quarterly statements which set out key financial and business information such as revenue, electricity sales, dividends and progress in major activities over the quarter.

During the six months ended 30 June 2011 the Company met the Code Provisions set out in the Stock Exchange Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules).

In the Corporate Governance Report we described the structure of CLP's Corporate Governance Framework and how various key players are involved in ensuring the application of good governance practices and policies within the CLP Group. The progress made in 2010 in the evolution of CLP's corporate governance practices was set out in the Corporate Governance Report on page 101 of the Company's 2010 Annual Report. In 2011, we made further progress in our corporate governance practices. This included:

- (a) sharing our expertise and views on corporate governance issues by participating in formal and informal focus groups organised by the Hong Kong Stock Exchange, as well as by responding to the formal Consultation Paper issued by the Hong Kong Stock Exchange on Review of The Code on Corporate Governance Practices and Associated Listing Rules;
- (b) adopting a consolidated Code of Conduct for all CLP Group companies to reflect global best practices and to meet the expectations of all stakeholders; and
- (c) having sought approval from shareholders at the Annual General Meeting held on 12 May 2011 on the four interim dividend practice. Accordingly, the Board has decided to continue this practice and will keep the Company's dividend policy and practice under review, in the interests of the Company and its shareholders.

As at 30 June 2011 the composition of the Board of CLP Holdings was as follows:

| <b>Non-executive Directors</b>      | <b>Independent Non-executive Directors</b> | <b>Executive Directors</b>           |
|-------------------------------------|--|--------------------------------------|
| The Honourable Sir Michael Kadoorie | Mr. Vernon Francis Moore                   | Mr. Andrew Clifford Winawer Brandler |
| Mr. William Elkin Mocatta           | Mr. Loh Chung Hon Hansen                   | Mr. Tse Pak Wing Peter               |
| Mr. Ronald James McAulay            | Professor Tsui Lam Sin Lai Judy            | Mr. Peter William Greenwood          |
| Mr. John Andrew Harry Leigh         | Sir Roderick Ian Eddington                 |                                      |
| Mr. Ian Duncan Boyce                | Mr. Nicholas Charles Allen                 |                                      |
| Dr. Lee Yui Bor                     |  |                                      |
| Mr. Paul Arthur Theys               |  |                                      |

The Honourable Sir Sze Yuen Chung retired as an Independent Non-executive Director of CLP Holdings effective from the conclusion of the 2011 Annual General Meeting held on 12 May 2011. On 16 August 2011, the Board appointed Mr. Cheng Hoi Chuen Vincent and Mrs. Law Fan Chiu Fun Fanny as Independent Non-executive Directors of CLP Holdings to take effect from 17 August 2011.

The composition of Board Committees remains the same as set out in the Corporate Governance Report (pages 106, 107 and 122), save that Mr. Nicholas C. Allen was appointed a member of the Nomination Committee in place of Sir S. Y. Chung with effect from 13 May 2011.

There were no substantial changes to the information of Directors as disclosed on pages 96 and 97 of the 2010 Annual Report and on CLP's website. The positions held by each Director with CLP Holdings' subsidiary companies and their directorships held in the last three years in public companies are updated in each Director's biography on CLP's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman and two members having appropriate professional



qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters.

At the Company's Annual General Meeting held on 12 May 2011, shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's External Auditors for the financial year ending 31 December 2011.

## *Change of Remuneration*

### Non-executive Directors

There has been no change to the basis of determining Directors' remuneration. The levels of fees payable to Non-executive Directors and Independent Non-executive Directors for serving on the Board and Board Committees remain the same as last year, and as approved by shareholders at the Annual General Meeting held on 27 April 2010. The levels of fees payable to Directors were set out in the Remuneration Report on page 125 of the Company's 2010 Annual Report.

### Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management for the six months ended 30 June 2011 are set out in the table below. It should be noted that the amounts disclosed comprise remuneration paid and accrued in respect of service during the first six months of 2011 and, in the case of the annual and long-term incentive, service and performance in previous years. Both annual incentive and long-term incentive are paid annually in the first half of the year, but relate to previous years performance.

As a result, the totals set out in the following table do not represent half of the remuneration which will actually be paid and accrued in respect of service in 2011.

|  | Performance Bonus*   |                              |                                 |                               |                             |                            | Total<br>HK\$M |
|--|--|------------------------------|---------------------------------|-------------------------------|-----------------------------|----------------------------|----------------|
|  | Base<br>Compensation,<br>Allowances<br>& Benefits<br>HK\$M | Annual<br>Incentive<br>HK\$M | Long-term<br>Incentive<br>HK\$M | Provident                     |                             |                            |                |
|  |  |                              |                                 | Fund<br>Contribution<br>HK\$M | Final<br>Payment**<br>HK\$M | Other<br>Payments<br>HK\$M |                |
| <b>Paid in the six months ended 30 June 2011</b>   |  |                              |                                 |                               |                             |                            |                |
| CEO  |  |                              |                                 |                               |                             |                            |                |
| (Mr. Andrew Brandler)                              | 3.5  | 5.2                          | 5.1 <sup>(a)</sup>              | 0.4                           | –                           | –                          | 14.2           |
| Group Executive Director                           |  |                              |                                 |                               |                             |                            |                |
| (Mr. Peter P. W. Tse)                              | 2.4  | 3.1                          | 1.7                             | 0.3                           | –                           | –                          | 7.5            |
| Group Executive Director – Strategy                |  |                              |                                 |                               |                             |                            |                |
| (Mr. Peter W. Greenwood)                           | 2.6  | 3.9                          | –                               | 0.3                           | –                           | –                          | 6.8            |
| Group Director & Chief Financial Officer           |  |                              |                                 |                               |                             |                            |                |
| (Mr. Mark Takahashi)                               | 2.1  | 3.1                          | 1.4                             | 0.3                           | –                           | –                          | 6.9            |
| Vice Chairman – CLP Power Hong Kong                |  |                              |                                 |                               |                             |                            |                |
| (Mrs. Betty Yuen)                                  | 1.5  | 3.1 <sup>(b)</sup>           | 4.2 <sup>(c)</sup>              | 0.2                           | –                           | –                          | 9.0            |
| Group Director – Managing Director Hong Kong       |  |                              |                                 |                               |                             |                            |                |
| (Mr. Richard Lancaster)                            | 2.1  | 3.1                          | 0.8                             | 0.2                           | –                           | –                          | 6.2            |
| Group Director – Managing Director Australia       |  |                              |                                 |                               |                             |                            |                |
| (Mr. Richard McIndoe)                              | 2.5  | 3.7                          | 2.1                             | 0.3                           | –                           | 6.4 <sup>(d)</sup>         | 15.0           |
| Group Director – Operations                        |  |                              |                                 |                               |                             |                            |                |
| (Mr. Peter Littlewood)                             | 1.8  | 2.7                          | 1.2                             | 0.3                           | –                           | –                          | 6.0            |
| Managing Director – India                          |  |                              |                                 |                               |                             |                            |                |
| (Mr. Rajiv Mishra)                                 | 1.7  | 2.4                          | 1.9 <sup>(e)</sup>              | 0.2                           | –                           | –                          | 6.2            |
| Managing Director – China                          |  |                              |                                 |                               |                             |                            |                |
| (Dr. Ko Yu Ming)                                   | 1.3  | 1.7                          | 0.8                             | 0.2                           | –                           | –                          | 4.0            |
| Managing Director – Southeast Asia                 |  |                              |                                 |                               |                             |                            |                |
| (Mr. Mark Jobling) <sup>(f)</sup>                  | 1.6  | 2.9                          | 5.3                             | 0.2                           | 10.0                        | –                          | 20.0           |
| Group Director – Corporate Finance and Development |  |                              |                                 |                               |                             |                            |                |
| (Mr. Stefan Robertsson)                            | 1.4  | 1.9                          | 1.0                             | 0.2                           | –                           | –                          | 4.5            |
|  | 24.5   | 36.8                         | 25.5                            | 3.1                           | 10.0                        | 6.4                        | 106.3          |

## Corporate Governance

### Notes:

- (a) This figure included the final value of additional discretionary long-term incentive for year 2008 of HK\$2 million paid to Mr. Andrew Brandler in January 2011.
  - (b) This figure included the additional discretionary annual incentive for year 2010 of HK\$1 million paid to Mrs. Betty Yuen in March 2011.
  - (c) This figure included the final value of additional discretionary long-term incentive for year 2008 of HK\$2 million paid to Mrs. Betty Yuen in January 2011.
  - (d) Payment for tax equalisation, housing allowance and children's education allowances for secondment to Australia for Mr. Richard McIndoe. Out of this payment, HK\$5.6 million (88%) was the tax payment to the tax authority of the country where the executive was based during secondment.
  - (e) This figure included the final value of additional discretionary long-term incentive for year 2008 of HK\$0.8 million paid to Mr. Rajiv Mishra in January 2011.
  - (f) Mr. Mark Jobling left the Company as Managing Director – Southeast Asia with effect from 1 July 2011. The annual incentive of HK\$2.9 million was for the years 2010 and 2011 paid to him this year. The amount for 2011 was pro rata. The long-term incentive of HK\$5.3 million was for the years 2008, 2009, 2010 and 2011 paid to him this year. Final payment of HK\$10 million included payment in lieu of notice, ex-gratia payment, compensation for loss of office and discretionary final performance bonus paid to him.
- \* Performance bonus consists of (i): annual incentive and (ii): long-term incentive. These payments and awards were approved by the Human Resources and Remuneration Committee.
- (i) The total amount of annual incentive includes the accruals that have been made from January to June 2011 in the performance bonus for the Executive Directors and members of Senior Management at the target level (at 50% of base salary) of performance; and the actual bonus paid in 2011 for the previous year in excess of the previous accruals made.
  - (ii) The long-term incentive is the incentive for 2008, paid in 2011 when the vesting conditions had been satisfied. In 2011, there was an increase in the target long-term incentive award from 25% of base salary to 33.3%. The rationale for this change is to align this long-term incentive element of senior executive remuneration more closely with international market practice, and ensure that our total remuneration package remains competitive. As there is a three-year vesting period for the awards, the payment of long-term incentive award for 2011 will be made in 2014.
- \*\* The final payment is not part of the remuneration arrangement of the Group, but may be payable, where appropriate, upon approval by the Chairman of the Human Resources & Remuneration Committee.

### *Internal Control*

In respect of the year ended 31 December 2010, the Board considered CLP's internal control system effective and adequate. During the six months ended 30 June 2011, no significant areas of concern that might affect shareholders were identified. One out of 13 reports on the Group's affairs submitted by Group Internal Audit during this period carried an unsatisfactory audit opinion, and the issues arising from this audit are being addressed by management. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 111 to 113 of the Company's 2010 Annual Report.

### *Interests in CLP Holdings' Securities*

Since 1989, the Company has adopted its own CLP Securities Code. This is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities. The current CLP Securities Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2011.

We have voluntarily extended the ambit of the CLP Securities Code to cover Senior Management (comprising the three Executive Directors and senior managers as set out on page 31 of this Report; their biographies are set out on CLP's website) and other "Specified Individuals" such as other managers in the CLP Group.

All members of the Senior Management have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2011.

Save for the interests disclosed on page 33 by the three Executive Directors, the interests in 10,600 shares disclosed by the Group Director – Operations, and the interests in 600 shares respectively disclosed by the Group Director – Managing Director Hong Kong and Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2011.

## Interests of Directors and Chief Executive Officer

The interests/short positions of each of the Directors and Chief Executive Officer in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30 June 2011, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

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

The interests of Directors and Chief Executive Officer in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30 June 2011 were as follows:

| Directors  | Capacity         | Total Interests in Number of Ordinary Shares of the Company | % of the Issued Share Capital of the Company |
|--|------------------|---|--|
| The Hon. Sir Michael Kadoorie                    | Note (a)         | 457,172,780   | 19.00023                                     |
| Mr. William Mocatta                              | Note (b)         | 400,000   | 0.01662                                      |
| Mr. R. J. McAulay                                | Note (c)         | 273,611,649   | 11.37138                                     |
| Mr. J. A. H. Leigh                               | Note (d)         | 209,104,077   | 8.69042                                      |
| Mr. Andrew Brandler<br>(Chief Executive Officer) | Note (e)         | 10,600  | 0.00044                                      |
| Mr. Peter P. W. Tse                              | Note (f)         | 20,600  | 0.00086                                      |
| Dr. Y. B. Lee                                    | Note (g)         | 15,806  | 0.00066                                      |
| Mr. Peter W. Greenwood                           | Beneficial owner | 600   | 0.00002                                      |

Notes:

- (a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 457,172,780 shares in the Company. These shares were held in the following capacity:
- 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.
  - 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon. Sir Michael Kadoorie is one of the discretionary objects.
  - 237,044,212 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
  - 147,980,670 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
  - 1,000,000 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
  - 1,000,000 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.
- For the purpose of the Securities and Futures Ordinance, the spouse of The Hon. Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in (ii) to (vi) above. The spouse of The Hon. Sir Michael Kadoorie was therefore deemed to be interested in 457,172,780 shares in the Company representing approximately 19.00% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 457,171,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 457,171,537 shares attributed to her for disclosure purposes.
- (b) Mr. William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:
- 250,000 shares were held in the capacity as the founder of a discretionary trust.
  - 150,000 shares were held by a trust of which Mr. William Mocatta is one of the beneficiaries.
- (c) Mr. R. J. McAulay was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 273,611,649 shares in the Company. These shares were held in the following capacity:
- 13,141 shares were held in a personal capacity.
  - 70,146,655 shares were ultimately held by discretionary trusts, of which Mr. R. J. McAulay is one of the discretionary objects.
  - 203,451,853 shares were ultimately held by a discretionary trust, of which Muriel, Lady Kadoorie, mother-in-law of Mr. R. J. McAulay, is the founder and a beneficiary and Mr. R. J. McAulay, his wife and members of his family are discretionary objects.
- (d) Mr. J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 209,104,077 shares in the Company. These shares were held in the following capacity:
- 90,000 shares were held in a beneficial owner capacity.
  - 5,562,224 shares were ultimately held by a discretionary trust. Mr. J. A. H. Leigh was deemed to be interested in such 5,562,224 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 5,562,224 shares.
  - 203,451,853 shares were ultimately held by a discretionary trust. Mr. J. A. H. Leigh was deemed to be interested in such 203,451,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 203,451,853 shares.
- (e) 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.
- (f) 600 shares were held in a personal capacity and 20,000 shares were held in a beneficial owner capacity.
- (g) 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.

## Corporate Governance

Messrs. I. D. Boyce, V. F. Moore, Hansen C. H. Loh, Paul A. Theys and Nicholas C. Allen, Professor Judy Tsui and Sir Rod Eddington who are Directors of the Company, and Mr. Neo Kim Teck who is an Alternate Director, have each confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2011. None of the Directors or the Chief Executive Officer had interests in debentures, under equity derivatives or in underlying shares of the Company and its associated corporations as at 30 June 2011.

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

None of the Directors or the Chief Executive Officer had short positions in respect of shares, debentures, under equity derivatives or interests in underlying shares of the Company and its associated corporations as at 30 June 2011.

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

### Interests of Substantial Shareholders

The interests/short positions of substantial shareholders in the shares and underlying shares of the Company as at 30 June 2011, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

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

The Company had been notified of the following substantial shareholders' interests in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30 June 2011:

| Substantial Shareholders  | Capacity   | Total Interests in Number of Ordinary Shares of the Company |                 | % of the Issued Share Capital of the Company |
|---|--|---|-----------------|--|
| Bermuda Trust Company Limited   | Trustee/Interests of controlled corporations                 | 518,278,544   | Note (a)        | 21.54  |
| Bermuda Trust (Cayman) Limited  | Trustee/Interests of controlled corporations                 | 218,171,475   | Note (d)        | 9.07   |
| Guardian Limited  | Beneficiary/Interests of controlled corporations             | 209,014,077   | Note (h)        | 8.69   |
| Harneys Trustees Limited (formerly known as HWR Trustees Limited)               | Interests of controlled corporations                         | 394,660,706   | Note (c)        | 16.40  |
| Lawrencium Holdings Limited   | Beneficiary  | 147,980,670   | Note (b)        | 6.15   |
| Lawrencium Mikado Holdings Limited  | Beneficiary  | 239,044,212   | Note (b)        | 9.93   |
| The Magna Foundation  | Beneficiary  | 239,044,212   | Note (b)        | 9.93   |
| Mikado Investments (PTC) Limited (formerly known as Mikado Investments Limited) | Interest of controlled corporation/<br>Beneficiary of trusts | 239,044,212   | Note (a)        | 9.93   |
| The Mikado Private Trust Company Limited  | Trustee/Interests of controlled corporations                 | 387,024,882   | Note (b)        | 16.08  |
| Muriel, Lady Kadoorie   | Founder and Beneficiary                                      | 203,451,853   | Note (d)        | 8.46   |
| New Mikado Holding Inc. (formerly known as Mikado Holding Inc.)                 | Trustee  | 239,044,212   | Note (a)        | 9.93   |
| Oak CLP Limited   | Beneficiary  | 196,554,172   | Note (d)        | 8.17   |
| Oak (Unit Trust) Holdings Limited   | Trustee  | 196,554,172   | Note (a)        | 8.17   |
| The Hon. Sir Michael Kadoorie   | Note (e)   | 457,172,780   | Note (e)        | 19.00  |
| Mr. R. J. McAulay   | Note (f)   | 273,611,649   | Note (f)        | 11.37  |
| Mr. J. A. H. Leigh  | Notes (g) & (h)  | 209,104,077   | Notes (g) & (h) | 8.69   |
| Mr. R. Parsons  | Trustee  | 209,014,077   | Note (h)        | 8.69   |

Notes:

(a) Bermuda Trust Company Limited was deemed to be interested in the shares in which New Mikado Holding Inc. (formerly known as Mikado Holding Inc.), Mikado Investments (PTC) Limited (formerly known as Mikado Investments Limited), Oak (Unit Trust) Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon. Sir Michael Kadoorie and/or Mr. R. J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

In addition, the Company was notified by Oak (Unit Trust) Holdings Limited that it was interested in 196,554,172 shares as at 26 August 2003. However, Bermuda Trust Company Limited indicated in its latest disclosure form that as at 8 October 2009, it was interested in, inter alia, 203,451,853 shares through its wholly-owned subsidiary, Oak (Unit Trust) Holdings Limited. Therefore, Oak (Unit Trust) Holdings Limited was interested in the same 203,451,853 shares as at 8 October 2009 but was not itself under a duty to notify the Company of the change under the Securities and Futures Ordinance.

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

(c) Harneys Trustees Limited (formerly known as HWR Trustees Limited) controlled The Mikado Private Trust Company Limited and another company and was therefore deemed to be interested in the shares in which such companies were deemed to be interested.

(d) Bermuda Trust (Cayman) Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and/or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust (Cayman) Limited in the shares of the Company include the shares held by a discretionary trust of which Muriel, Lady Kadoorie is a founder and a beneficiary and of which Mr. R. J. McAulay is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

In addition, the Company was notified by Oak CLP Limited that it was interested in 196,554,172 shares as at 26 August 2003. However, Bermuda Trust (Cayman) Limited indicated in its disclosure form that as at 5 February 2004, it was interested in 203,451,853 shares through its wholly-owned subsidiary, Oak CLP Limited. Therefore, Oak CLP Limited was interested in the same 203,451,853 shares as at 5 February 2004 but was not itself under a duty to notify the Company of the change under the Securities and Futures Ordinance.

(e) See Note (a) under "Interests of Directors and Chief Executive Officer".

(f) See Note (c) under "Interests of Directors and Chief Executive Officer".

(g) See Note (d) under "Interests of Directors and Chief Executive Officer".

(h) Mr. R. Parsons and Mr. J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 209,014,077 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr. J. A. H. Leigh and Mr. R. Parsons.

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

As at 30 June 2011, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

### Interests of Any Other Persons

As at 30 June 2011, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2011.

# Consolidated Income Statement - Unaudited

|   | Note | Six months ended 30 June |               |
|---|------|--------------------------|---------------|
|   |      | 2011<br>HK\$M            | 2010<br>HK\$M |
| <b>Revenue</b>  | 5, 6 | 40,245                   | 27,618        |
| <b>Expenses</b>   |      |                          |               |
| Purchases of electricity, gas and distribution services |      | (19,088)                 | (10,650)      |
| Operating lease and lease service payments              |      | (5,187)                  | (4,498)       |
| Staff expenses  |      | (1,318)                  | (1,066)       |
| Fuel and other operating expenses                       |      | (5,113)                  | (3,426)       |
| Depreciation and amortisation                           |      | (3,024)                  | (2,357)       |
|   |      | (33,730)                 | (21,997)      |
| Other income  | 7    | 628                      | 400           |
| Operating profit  | 8    | 7,143                    | 6,021         |
| Finance costs   | 9    | (2,858)                  | (1,958)       |
| Finance income  | 9    | 65                       | 36            |
| Share of results, net of income tax                     |      |                          |               |
| Jointly controlled entities                             | 15   | 2,012                    | 1,264         |
| Associated companies                                    | 16   | 381                      | 335           |
| Profit before income tax                                |      | 6,743                    | 5,698         |
| Income tax (expense)/ credit                            | 10   | (940)                    | 228           |
| Profit for the period                                   |      | 5,803                    | 5,926         |
| <b>Earnings attributable to:</b>                        |      |                          |               |
| Shareholders  |      | 5,800                    | 5,921         |
| Non-controlling interests                               |      | 3                        | 5             |
|   |      | 5,803                    | 5,926         |
| <b>Dividends</b>  | 11   |                          |               |
| First interim paid                                      |      | 1,251                    | 1,251         |
| Second interim declared                                 |      | 1,251                    | 1,251         |
|   |      | 2,502                    | 2,502         |
| <b>Earnings per share, basic and diluted</b>            | 12   | HK\$2.41                 | HK\$2.46      |

The notes on pages 42 to 62 are an integral part of these condensed consolidated interim financial statements.

# Consolidated Statement of Comprehensive Income - Unaudited

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M  |
| <b>Profit for the period</b>   | <b>5,803</b>             | <b>5,926</b>   |
| Other comprehensive income   |                          |                |
| Exchange differences on translation  | 2,050                    | (1,023)        |
| Cash flow hedges   | (369)                    | (86)           |
| Net fair value (losses) / gains on available-for-sale investments                        | (43)                     | 8              |
| Share of other comprehensive income of jointly controlled entities                       | (370)                    | (20)           |
| Reclassification adjustments   |                          |                |
| Sale of an available-for-sale investment   | (171)                    | –              |
| Sale of a jointly controlled entity  | (320)                    | –              |
| Sale of a subsidiary   | –                        | (91)           |
| Acquisition of additional interest in a jointly controlled entity to become a subsidiary | –                        | (17)           |
| <b>Other comprehensive income for the period, net of tax</b>                             | <b>777</b>               | <b>(1,229)</b> |
| <b>Total comprehensive income for the period</b>   | <b>6,580</b>             | <b>4,697</b>   |
| Total comprehensive income attributable to:  |                          |                |
| Shareholders   | 6,575                    | 4,691          |
| Non-controlling interests  | 5                        | 6              |
|  | <b>6,580</b>             | <b>4,697</b>   |

The notes on pages 42 to 62 are an integral part of these condensed consolidated interim financial statements.

# Consolidated Statement of Financial Position - Unaudited

|   |      | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---|------|--------------------------|------------------------------|
|   | Note |                          |                              |
| <b>Non-current assets</b>                                 |      |                          |                              |
| Fixed assets  | 13   | 131,061                  | 115,731                      |
| Leasehold land and land use rights under operating leases | 13   | 1,789                    | 1,729                        |
| Goodwill and other intangible assets                      | 14   | 26,386                   | 9,150                        |
| Interests in jointly controlled entities                  | 15   | 17,955                   | 20,476                       |
| Interests in associated companies                         | 16   | 1,547                    | 2,378                        |
| Finance lease receivables                                 |      | 2,238                    | 2,286                        |
| Deferred tax assets                                       |      | 1,259                    | 4,210                        |
| Fuel clause account                                       |      | 58                       | 294                          |
| Derivative financial instruments                          | 17   | 3,402                    | 2,736                        |
| Available-for-sale investments                            | 18   | 1,489                    | 1,512                        |
| Other non-current assets                                  |      | 148                      | 139                          |
|   |      | <b>187,332</b>           | <b>160,641</b>               |
| <b>Current assets</b>                                     |      |                          |                              |
| Inventories – stores and fuel                             |      | 1,591                    | 751                          |
| Trade and other receivables                               | 19   | 19,701                   | 11,118                       |
| Finance lease receivables                                 |      | 155                      | 144                          |
| Available-for-sale investments                            |      | –                        | 336                          |
| Derivative financial instruments                          | 17   | 2,301                    | 1,609                        |
| Bank balances, cash and other liquid funds                |      | 3,799                    | 4,756                        |
|   |      | <b>27,547</b>            | <b>18,714</b>                |
| <b>Current liabilities</b>                                |      |                          |                              |
| Customers' deposits                                       |      | (4,213)                  | (3,979)                      |
| Trade and other payables                                  | 20   | (15,461)                 | (11,344)                     |
| Income tax payable  |      | (245)                    | (165)                        |
| Bank loans and other borrowings                           | 21   | (9,471)                  | (7,816)                      |
| Obligations under finance leases                          | 22   | (2,124)                  | (1,995)                      |
| Derivative financial instruments                          | 17   | (2,394)                  | (932)                        |
|   |      | <b>(33,908)</b>          | <b>(26,231)</b>              |
| Net current liabilities                                   |      | <b>(6,361)</b>           | <b>(7,517)</b>               |
| <b>Total assets less current liabilities</b>              |      | <b>180,971</b>           | <b>153,124</b>               |



|   |             | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---|-------------|--------------------------|------------------------------|
|   | <i>Note</i> |                          |                              |
| <b>Financed by:</b>                       |             |                          |                              |
| <b>Equity</b>                             |             |                          |                              |
| Share capital                             |             | 12,031                   | 12,031                       |
| Share premium                             |             | 1,164                    | 1,164                        |
| Reserves                                  | 25          |                          |                              |
| Declared dividends                        |             | 1,251                    | 2,214                        |
| Others                                    |             | 68,325                   | 64,252                       |
| Shareholders' funds                       |             | 82,771                   | 79,661                       |
| Non-controlling interests                 |             | 92                       | 97                           |
|   |             | <b>82,863</b>            | <b>79,758</b>                |
| <b>Non-current liabilities</b>            |             |                          |                              |
| Bank loans and other borrowings           | 21          | 56,303                   | 36,807                       |
| Obligations under finance leases          | 22          | 25,405                   | 25,105                       |
| Deferred tax liabilities                  |             | 7,675                    | 7,590                        |
| Derivative financial instruments          | 17          | 5,335                    | 1,079                        |
| Scheme of Control (SoC) reserve accounts  | 23          | 671                      | 1,509                        |
| Other non-current liabilities             | 24          | 2,719                    | 1,276                        |
|   |             | <b>98,108</b>            | <b>73,366</b>                |
| <b>Equity and non-current liabilities</b> |             | <b>180,971</b>           | <b>153,124</b>               |



William Mocatta  
Vice Chairman  
Hong Kong, 16 August 2011



Andrew Brandler  
Chief Executive Officer



Mark Takahashi  
Chief Financial Officer

The notes on pages 42 to 62 are an integral part of these condensed consolidated interim financial statements.

## Consolidated Statement of Changes in Equity - Unaudited

|   | Attributable to Shareholders |                        |                   |                | Non-controlling Interests<br>HK\$M | Total Equity<br>HK\$M |
|---|------------------------------|------------------------|-------------------|----------------|------------------------------------|-----------------------|
|   | Share Capital<br>HK\$M       | Share Premium<br>HK\$M | Reserves<br>HK\$M | Total<br>HK\$M |                                    |                       |
| Balance at 1 January 2011                                   | 12,031                       | 1,164                  | 66,466            | 79,661         | 97                                 | 79,758                |
| Total comprehensive income for the period                   | –                            | –                      | 6,575             | 6,575          | 5                                  | 6,580                 |
| Dividends paid  |                              |                        |                   |                |                                    |                       |
| 2010 fourth interim   | –                            | –                      | (2,214)           | (2,214)        | –                                  | (2,214)               |
| 2011 first interim  | –                            | –                      | (1,251)           | (1,251)        | –                                  | (1,251)               |
| Dividends paid to non-controlling interests of subsidiaries | –                            | –                      | –                 | –              | (10)                               | (10)                  |
| <b>Balance at 30 June 2011</b>                              | <b>12,031</b>                | <b>1,164</b>           | <b>69,576</b>     | <b>82,771</b>  | <b>92</b>                          | <b>82,863</b>         |
| Balance at 1 January 2010                                   | 12,031                       | 1,164                  | 57,566            | 70,761         | 107                                | 70,868                |
| Total comprehensive income for the period                   | –                            | –                      | 4,691             | 4,691          | 6                                  | 4,697                 |
| Dividends paid  |                              |                        |                   |                |                                    |                       |
| 2009 final  | –                            | –                      | (2,214)           | (2,214)        | –                                  | (2,214)               |
| 2010 first interim  | –                            | –                      | (1,251)           | (1,251)        | –                                  | (1,251)               |
| Dividends paid to non-controlling interests of subsidiaries | –                            | –                      | –                 | –              | (17)                               | (17)                  |
| Balance at 30 June 2010                                     | 12,031                       | 1,164                  | 58,792            | 71,987         | 96                                 | 72,083                |

The notes on pages 42 to 62 are an integral part of these condensed consolidated interim financial statements.

# Consolidated Statement of Cash Flows - Unaudited

|  | Note | Six months ended 30 June |              |         |              |
|--|------|--------------------------|--------------|---------|--------------|
|  |      | 2011                     |              | 2010    |              |
|  |      | HK\$M                    | HK\$M        | HK\$M   | HK\$M        |
| <b>Operating activities</b>  |      |                          |              |         |              |
| Net cash inflow from operations  |      | 6,866                    |              | 5,984   |              |
| Interest received  |      | 58                       |              | 37      |              |
| Income tax paid  |      | (325)                    |              | (155)   |              |
| Net cash inflow from operating activities                                    |      |                          | 6,599        |         | 5,866        |
| <b>Investing activities</b>  |      |                          |              |         |              |
| Capital expenditure  |      | (7,891)                  |              | (5,006) |              |
| Capitalised interest paid  |      | (324)                    |              | (233)   |              |
| Proceeds from disposal of fixed assets                                       |      | 68                       |              | 205     |              |
| Additions of intangible assets   |      | (56)                     |              | (30)    |              |
| Additions of available-for-sale investments                                  |      | (5)                      |              | (1,190) |              |
| Acquisition of business  | 4(A) | (15,453)                 |              | –       |              |
| Acquisition of subsidiaries  | 4(C) | 179                      |              | (38)    |              |
| Reorganisation of OneEnergy and proceeds from sale of interest in EGCO       | 4(B) | 2,192                    |              | –       |              |
| Proceeds from sale of a subsidiary   |      | –                        |              | 852     |              |
| Repayments from/(investments in and advances to) jointly controlled entities |      | 57                       |              | (1,237) |              |
| Associated companies   |      | –                        |              | 7       |              |
| Dividends received from jointly controlled entities                          |      | 1,042                    |              | 1,392   |              |
| Associated companies   |      | 1,228                    |              | 138     |              |
| Net cash outflow from investing activities                                   |      |                          | (18,963)     |         | (5,140)      |
| Net cash (outflow)/inflow before financing activities                        |      |                          | (12,364)     |         | 726          |
| <b>Financing activities</b>  |      |                          |              |         |              |
| Proceeds from long-term borrowings   |      | 40,146                   |              | 7,445   |              |
| Repayment of long-term borrowings  |      | (23,361)                 |              | (7,384) |              |
| Repayment of obligations under finance leases                                |      | (1,085)                  |              | (820)   |              |
| Increase/(decrease) in short-term borrowings                                 |      | 2,023                    |              | (346)   |              |
| Interest and other finance costs paid  |      | (2,929)                  |              | (1,928) |              |
| Dividends paid to shareholders   |      | (3,465)                  |              | (3,465) |              |
| Dividends paid to non-controlling interests of subsidiaries                  |      | (10)                     |              | (17)    |              |
| Net cash inflow/(outflow) from financing activities                          |      |                          | 11,319       |         | (6,515)      |
| Net decrease in cash and cash equivalents                                    |      |                          | (1,045)      |         | (5,789)      |
| Cash and cash equivalents at beginning of period                             |      |                          | 4,023        |         | 7,148        |
| Effect of exchange rate changes  |      |                          | 59           |         | (22)         |
| <b>Cash and cash equivalents at end of period</b>                            |      |                          | <b>3,037</b> |         | <b>1,337</b> |
| <b>Analysis of balances of cash and cash equivalents</b>                     |      |                          |              |         |              |
| Short-term investments   |      |                          | –            |         | 47           |
| Deposits with banks  |      |                          | 2,541        |         | 1,116        |
| Cash at banks and on hand  |      |                          | 1,258        |         | 882          |
| Bank balances, cash and other liquid funds                                   |      |                          | 3,799        |         | 2,045        |
| Excluding:   |      |                          |              |         |              |
| Cash restricted for specific purposes  |      |                          | (762)        |         | (700)        |
| Bank deposits with maturities of more than three months                      |      |                          | –            |         | (8)          |
|  |      |                          | <b>3,037</b> |         | <b>1,337</b> |

The notes on pages 42 to 62 are an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General Information

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

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 SoC entered with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the SoC Agreement are summarised on pages 207 and 208 of the 2010 Annual Report.

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 16 August 2011.

## 2. Basis of Preparation

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

The accounting policies used in the preparation of this set of condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2010, except that the Group has adopted the following new/revised Hong Kong Financial Reporting Standards (HKFRS) standards and interpretations effective 1 January 2011:

- HKAS 24 (Revised) "Related Party Disclosures"
- HKICPA's improvements to HKFRS published in May 2010

The adoption of these new/revised HKFRS standards and interpretations has no significant impact on the results and the financial position of the Group.



Interim financial statements are a set of "condensed" financial statements which include fewer disclosures than the full set for the whole year. However, the current financial information presented represents our selection of disclosures (on top of the minimum prescribed disclosures) which we believe are the most important ones in order for readers to grasp the changes of the Group since last December. To understand our interim financial statements more effectively, we suggest readers might read these statements together with our 2010 Annual Report.

## 3. Critical Accounting Estimates and Judgments

In preparing the financial statements, management is required to exercise significant judgments in the selection and application of accounting principles, as well as in making estimates and assumptions. Apart from the Australia climate change policy as discussed below, those more significant judgments and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions, are set out on pages 159 and 160 of the 2010 Annual Report.

### Australia Climate Change Policy

#### Introduction

Recent developments in climate change policy in Australia pose potentially significant financial risks to the Group's business in Australia. The position up to 31 December 2010 was disclosed on page 159 of the 2010 Annual Report.

### 3. Critical Accounting Estimates and Judgments (continued)

#### Australia Climate Change Policy (continued)

##### Background

On 27 April 2010, the Australian Government announced that it did not intend to reintroduce the Carbon Pollution Reduction Scheme bill, previously defeated three times in the Senate, again before 2012. Slow progress towards a comprehensive global agreement as well as continued opposition domestically was cited as reasons for the delay. On 27 September 2010 the Australian Government announced the membership and terms of reference for the new Multi-Party Climate Change Committee (the "Committee") to explore options for the introduction of a carbon price (as the starting position of the Committee).

On 24 February 2011 the Committee released a proposal for policy architecture and implementation arrangements for a carbon pricing mechanism. The proposal focused on the high level framework, start date, potential mechanisms to enable the transition from a fixed to a floating carbon price, sectoral coverage and international linking arrangements.

On 10 July 2011 the Australian Government announced its revised carbon pricing mechanism and related policies, along with its transitional assistance package for the generation sector. The policies are wide-ranging and include revisions to income tax for Australian taxpayers as well as varied measures to address affected industries. With the package of assistance the Australian Government has acknowledged the need for transitional support for existing coal-fired generators and particularly for brown coal-fired power stations. The proposed carbon pricing mechanism if implemented will include the following elements:

- From 1 July 2012 – a three years fixed carbon price period will commence, with annual surrender of permits and no permit banking. The anticipated fixed carbon price will start at A\$23 per tonne and will be subject to revision.
- From 1 July 2015 – a floating carbon price period will commence including a 50% limit on the importation of international permits for surrender by domestic liable parties each year (until 2020).
- From 2014 the Australian Government plans to determine and release five years of emissions caps commencing 1 July 2015. It is anticipated that updated five year forecasts will be released on a rolling annual basis.

Draft legislation was released on 28 July 2011 for consultation and will be introduced into the Parliament during the Spring Sitting which begins in mid-August.

##### Potential Implications for TRUenergy

The possible introduction of climate change legislation may have a significant impact on TRUenergy's business, in particular on the Yallourn brown coal-fired generation business. It may result in a significant impairment of the business due to either a reduction in the earnings from a combination of reduced output and increased costs, not fully offset by higher electricity prices and/or a reduction in the useful life of the asset.

Uncertainty remains regarding the timing and structure of any climate change legislation. As such, the introduction of climate change legislation presents an unquantifiable, but potentially material risk to the Group. At 30 June 2011, no impact of climate change legislation has been reflected in the Group's financial statements (including impairment model cash flows, assumptions on discount rate, asset useful lives, outage rates and capital expenditure) on the basis that there is currently uncertainty in relation to the likely structure, timing and impact of any climate change legislation. The carrying amount of the Yallourn power station assets, which comprised a single cash generating unit, was A\$1,710 million (HK\$14,238 million) at 30 June 2011 (31 December 2010: A\$1,656 million (HK\$13,103 million)). Other parts of the Group in Australia may also be impacted adversely or favourably.

### 4. Business Combinations and Reorganisations

#### (A) New South Wales (NSW) Acquisition

On 14 December 2010 the Group entered into an agreement with the NSW Government to acquire 100% of EnergyAustralia Retail, the Delta Western GenTrader contract and Project Sites (the "NSW Acquisition"). The acquisition was completed on 1 March 2011 except for a development site, Mount Piper Extension, which is expected to complete in the second half of 2011.

#### 4. Business Combinations and Reorganisations (continued)

##### (A) New South Wales (NSW) Acquisition (continued)

EnergyAustralia Retail is an energy retailing business with a customer base of approximately 1.5 million billable connections across the east coast of Australia. The acquisition of EnergyAustralia Retail does not include EnergyAustralia's electricity distribution network, which will continue to be owned and operated by the vendor. The EnergyAustralia Retail business consists of the customer accounts and associated assets, but does not include the transfer of employees or physical assets. The Group has entered into a Transitional Service Agreement with the vendor to ensure the smooth integration of EnergyAustralia customers into the TRUenergy business.

The Delta Western GenTrader contract comprises long-term exclusive off-take arrangements to control the dispatch and buy the output of the black coal-fired power stations of Delta Electricity at Mount Piper and Wallerawang. The Mount Piper and Wallerawang Power Stations have a power generating capacity of 1,400MW and 1,000MW respectively. In accordance with the terms of the GenTrader contract, Delta Electricity will continue to own, operate and maintain the power stations and employ a workforce for these purposes, while the Group has exclusive rights to trade the electricity for the anticipated life of each power station. The Group will make periodic payments to Delta Electricity ("Fixed and Variable Charges") which are intended to cover Delta Electricity's costs of operating and maintaining the stations, including capital expenditure.

The Project Sites are three development sites for potential new power station projects located at Marulan and Mount Piper. Their development is subject to obtaining all necessary licences and approvals, and future market conditions.

The acquisition offers an opportunity for the Group to strengthen its position in NSW, the largest energy market in Australia, and is in line with the Group's objective of building a diversified and integrated energy business in Australia. The total consideration for the acquisition is A\$2,181 million (HK\$17,303 million). The final consideration will be adjusted in the second half upon completion of a working capital adjustment with respect to the difference between the working capital balance agreed under the Sale and Purchase Agreement and the final audited accounts. The following table summarises the consideration paid and the amounts of the assets and liabilities recognised at the acquisition date. The provisional measurements of fixed assets, other intangible assets, deferred tax, working capital, derivative financial instruments and goodwill are subject to change. The initial accounting for the NSW Acquisition has only been provisionally determined as the necessary market valuation and other calculations have not been finalised.

|  | HK\$M   |
|--|---------|
| Consideration  |         |
| Cash   | 15,453  |
| Deferred consideration <sup>(a)</sup>                                      | 1,894   |
| Others   | (44)    |
| Total consideration <sup>(b)</sup>   | 17,303  |
| Recognised amounts of identifiable assets acquired and liabilities assumed |         |
| Fixed assets <sup>(c)</sup>  | 6,151   |
| Other intangible assets  | 1,799   |
| Trade receivables <sup>(d)</sup>   | 5,620   |
| Derivative financial instrument assets                                     | 1,261   |
| Other current assets   | 1,057   |
| Trade and other payables   | (4,987) |
| Deferred tax liabilities   | (2,652) |
| Derivative financial instrument liabilities                                | (4,976) |
| Total identifiable net assets  | 3,273   |
| Goodwill <sup>(e)</sup> (Note 14)  | 14,030  |
|  | 17,303  |

## 4. Business Combinations and Reorganisations (continued)

### (A) New South Wales (NSW) Acquisition (continued)

Acquisition-related costs charged to profit or loss (included in fuel and other operating expenses) totalled HK\$769 million, which comprised stamp duty of HK\$615 million and other costs of HK\$154 million.

Notes:

- (a) A payable for the GenTrader contract with respect to Wallerawang Power Station of A\$239 million (HK\$1,894 million) was recognised upon the acquisition. This represents the fair value of committed, contracted and unavoidable fixed capital charges that must be paid to Delta Electricity in return for no future economic benefit.
- (b) A contingent acquisition payment of up to an additional A\$60 million (HK\$476 million) is payable by TRUenergy Holdings Pty Ltd (TRUenergy) if the Australian Tax Office rules that GenTrader upfront capacity payments are tax deductible. The Group is not aware of any similar circumstances or structures where the Australian Tax Office has allowed such deductions. The Group therefore considers that an additional payment by TRUenergy is unlikely and no consideration has been recorded for this contingent payment.
- (c) Including leased fixed assets of Mount Piper Power Station of A\$761 million (HK\$6,039 million). The GenTrader arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17 whilst the corresponding obligations under finance leases have been effectively paid upfront as part of the consideration.
- (d) The fair value of trade receivables acquired is HK\$5,620 million, with the gross contractual amount being HK\$5,767 million. The Group expects HK\$147 million to be uncollectible.
- (e) The goodwill arising from the acquisition is attributed to increased business scale, diversity of earnings, greater liquidity and access to capital, and other cost and revenue synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue and profit included in the consolidated income statement from 1 March 2011 to 30 June 2011 contributed by the NSW Acquisition was HK\$9,941 million and HK\$635 million respectively. If, which was not the case, the NSW Acquisition had been effected from 1 January 2011, our estimate is that the consolidated income statement would have shown revenue of HK\$45,273 million and profit of HK\$5,843 million. These are "pro-forma" numbers given for illustrative purposes only, based on certain judgments and assumptions relating to what the consolidated income statement might have been in the hypothetical case that the NSW Acquisition had been effected two months earlier.

### (B) Reorganisation of OneEnergy Limited (OneEnergy) and sale of interest in Electricity Generating Public Company Limited (EGCO)

In February 2011, the Group, Mitsubishi Corporation (MC) and OneEnergy (a 50% owned jointly controlled entity of the Group with MC) entered into an agreement in relation to the reorganisation of OneEnergy and the divestment of the Group's interest in EGCO.

Prior to the reorganisation, the Group had an effective interest (both direct and indirect interest through OneEnergy) of approximately 13.36% in EGCO. As part of the reorganisation, the Group and OneEnergy sold all their interests in EGCO to a company owned by MC and its business partner. The total consideration for the divestment is US\$273 million (HK\$2,122 million). In addition, OneEnergy became a wholly-owned subsidiary of the Group after the reorganisation and the Group continues to hold a 20% effective interest in Ho-Ping Power Company in Taiwan through OneEnergy Taiwan Ltd (a 50% owned jointly controlled entity held by OneEnergy with MC).

The reorganisation was completed in April 2011 and the Group recognised a total gain of HK\$876 million, which comprised the gain on sale of the Group's direct interest in EGCO of HK\$171 million (Note 7) and an amount included in the share of results of OneEnergy of HK\$705 million (being the gain on sale of the indirect interest in EGCO) (Note 15).

### (C) Reorganisation of Roaring 40s Renewable Energy Pty Ltd (Roaring 40s)

On 30 June 2011, the Group completed the reorganisation of its 50% investment in the Roaring 40s joint venture. Under the reorganisation, the Group acquired 100% interest in Waterloo wind farm, 50% interest in Cathedral Rocks wind farm and certain development site assets from Roaring 40s. Consideration for these assets was the Group's 50% existing interest in Roaring 40s and a cash payment of A\$11 million (HK\$93 million). As a result of the reorganisation, the interest in Roaring 40s was effectively sold and a gain of HK\$457 million was recognised (Note 7). Taking into account the loss on deemed cancellation of a pre-acquisition off-take contract between TRUenergy and Waterloo wind farm of HK\$120 million, the overall gain on the reorganisation was HK\$337 million.

## 5. Segment Information

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

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

|  | Hong Kong<br>HK\$M | Australia<br>HK\$M | Chinese<br>Mainland<br>HK\$M | India<br>HK\$M | Southeast<br>Asia &<br>Taiwan<br>HK\$M | Unallocated<br>Items<br>HK\$M | Total<br>HK\$M |
|--|--------------------|--------------------|------------------------------|----------------|--|-------------------------------|----------------|
| <b>Six months ended 30 June 2011</b>               |                    |                    |                              |                |  |                               |                |
| Revenue  | 14,520             | 24,237             | 210                          | 1,257          | 18                                     | 3                             | 40,245         |
| Operating profit / (loss)                          | 4,671              | 2,153              | 12                           | 414            | 143                                    | (250)                         | 7,143          |
| Finance costs                                      | (1,737)            | (878)              | (46)                         | (179)          | –                                      | (18)                          | (2,858)        |
| Finance income                                     | 2                  | 30                 | 1                            | 29             | 2                                      | 1                             | 65             |
| Share of results, net of income tax                |                    |                    |                              |                |  |                               |                |
| Jointly controlled entities                        | 792                | 15                 | 443 <sup>(a)</sup>           | –              | 762                                    | –                             | 2,012          |
| Associated companies                               | –                  | 40                 | 341 <sup>(a)</sup>           | –              | –                                      | –                             | 381            |
| Profit / (loss) before income tax                  | 3,728              | 1,360              | 751                          | 264            | 907                                    | (267)                         | 6,743          |
| Income tax expense                                 | (346)              | (472)              | (38)                         | (81)           | (3)                                    | –                             | (940)          |
| Profit / (loss) for the period                     | 3,382              | 888                | 713                          | 183            | 904                                    | (267)                         | 5,803          |
| Earnings attributable to non-controlling interests | –                  | –                  | (3)                          | –              | –                                      | –                             | (3)            |
| Earnings / (loss) attributable to shareholders     | 3,382              | 888                | 710                          | 183            | 904                                    | (267)                         | 5,800          |
| <b>At 30 June 2011</b>                             |                    |                    |                              |                |  |                               |                |
| Fixed assets                                       | 84,741             | 29,897             | 4,684                        | 11,642         | 2                                      | 95                            | 131,061        |
| Interests in                                       |                    |                    |                              |                |  |                               |                |
| Jointly controlled entities                        | 9,140              | 83                 | 7,443                        | –              | 1,289                                  | –                             | 17,955         |
| Associated companies                               | –                  | 29                 | 1,518                        | –              | –                                      | –                             | 1,547          |
| Deferred tax assets                                | –                  | 1,186              | 64                           | 9              | –                                      | –                             | 1,259          |
| Other assets                                       | 7,185              | 45,209             | 2,547                        | 7,480          | 31                                     | 605                           | 63,057         |
| Total assets                                       | 101,066            | 76,404             | 16,256                       | 19,131         | 1,322                                  | 700                           | 214,879        |



## 5. Segment Information (continued)

|  | Hong Kong<br>HK\$M | Australia<br>HK\$M | Chinese<br>Mainland<br>HK\$M | India<br>HK\$M | Southeast<br>Asia &<br>Taiwan<br>HK\$M | Unallocated<br>Items<br>HK\$M | Total<br>HK\$M |
|--|--------------------|--------------------|------------------------------|----------------|--|-------------------------------|----------------|
| Six months ended 30 June 2010                      |                    |                    |                              |                |  |                               |                |
| Revenue  | 13,798             | 12,307             | 144                          | 1,341          | 26                                     | 2                             | 27,618         |
| Operating profit/(loss)                            | 4,486              | 1,154              | 427                          | 183            | (4)                                    | (225)                         | 6,021          |
| Finance costs                                      | (1,480)            | (387)              | (24)                         | (59)           | –                                      | (8)                           | (1,958)        |
| Finance income                                     | –                  | 19                 | 1                            | 16             | –                                      | –                             | 36             |
| Share of results, net of income tax                |                    |                    |                              |                |  |                               |                |
| Jointly controlled entities                        | 549                | (17)               | 534 <sup>(a)</sup>           | –              | 198                                    | –                             | 1,264          |
| Associated companies                               | –                  | 3                  | 332 <sup>(a)</sup>           | –              | –                                      | –                             | 335            |
| Profit/(loss) before income tax                    | 3,555              | 772                | 1,270                        | 140            | 194                                    | (233)                         | 5,698          |
| Income tax (expense)/credit                        | (463)              | 775                | (56)                         | (25)           | (3)                                    | –                             | 228            |
| Profit/(loss) for the period                       | 3,092              | 1,547              | 1,214                        | 115            | 191                                    | (233)                         | 5,926          |
| Earnings attributable to non-controlling interests | –                  | –                  | (5)                          | –              | –                                      | –                             | (5)            |
| Earnings/(loss) attributable to shareholders       | 3,092              | 1,547              | 1,209                        | 115            | 191                                    | (233)                         | 5,921          |
| At 31 December 2010                                |                    |                    |                              |                |  |                               |                |
| Fixed assets                                       | 82,829             | 20,093             | 3,907                        | 8,814          | 3                                      | 85                            | 115,731        |
| Interests in                                       |                    |                    |                              |                |  |                               |                |
| Jointly controlled entities                        | 9,144              | 1,018              | 7,371                        | –              | 2,943                                  | –                             | 20,476         |
| Associated companies                               | –                  | 36                 | 2,342                        | –              | –                                      | –                             | 2,378          |
| Deferred tax assets                                | –                  | 4,146              | 64                           | –              | –                                      | –                             | 4,210          |
| Other assets                                       | 6,288              | 18,257             | 2,308                        | 7,044          | 378                                    | 2,285                         | 36,560         |
| Total assets                                       | 98,261             | 43,550             | 15,992                       | 15,858         | 3,324                                  | 2,370                         | 179,355        |

Note:

- (a) Out of the amounts, HK\$379 million (2010: HK\$368 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. Revenue

|                         | Six months ended 30 June |               |
|-------------------------|--------------------------|---------------|
|                         | 2011<br>HK\$M            | 2010<br>HK\$M |
| Sales of electricity    | 34,629                   | 23,462        |
| Lease service income    | 819                      | 1,044         |
| Finance lease income    | 176                      | 180           |
| Sales of gas            | 3,501                    | 2,387         |
| Other revenue           | 412                      | 488           |
|                         | <b>39,537</b>            | <b>27,561</b> |
| Transfer for SoC (note) | 708                      | 57            |
|                         | <b>40,245</b>            | <b>27,618</b> |

Note: Under the SoC, if the gross tariff revenue in Hong Kong in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund under the SoC (Note 23). In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in the income statement.

## 7. Other Income

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M |
| Gain on sale of an available-for-sale investment (Note 4(B)) | 171                      | –             |
| Gain on sale of a jointly controlled entity (Note 4(C))      | 457                      | –             |
| Gain on sale of a subsidiary                                 | –                        | 400           |
|  | <b>628</b>               | <b>400</b>    |

## 8. Operating Profit

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

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M |
| Staff costs  |                          |               |
| Salaries and other costs                                       | 1,222                    | 986           |
| Retirement benefits costs                                      | 96                       | 80            |
| Net loss/(gain) on disposal of fixed assets                    | 72                       | (36)          |
| Coal mine subsidence insurance recovery of TRUenergy           | –                        | (138)         |
| Net fair value (gain)/loss on derivative financial instruments |                          |               |
| Cash flow hedges, reclassified from equity to                  |                          |               |
| Purchases of electricity, gas and distribution services        | 105                      | (36)          |
| Fuel and other operating expenses                              | (45)                     | (30)          |
| Transactions not qualifying as hedges                          | 364                      | 225           |
| Ineffectiveness of cash flow hedges                            | (17)                     | –             |
| Net exchange (gain)/loss                                       | (333)                    | 50            |

## 9. Finance Costs and Income

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2011<br>HK\$M            | 2010<br>HK\$M |
| Finance costs   |                          |               |
| Interest expenses on  |                          |               |
| Bank loans and overdrafts   | 857                      | 480           |
| Other borrowings  |                          |               |
| Wholly repayable within five years  | 141                      | 107           |
| Not wholly repayable within five years  | 417                      | 252           |
| Tariff Stabilisation Fund <sup>(a)</sup>  | 1                        | 1             |
| Customers' deposits, fuel clause over-recovery and others                               | –                        | 1             |
| Finance charges under finance leases <sup>(b)</sup>                                     | 1,364                    | 1,158         |
| Other finance charges   | 285                      | 99            |
| Fair value loss/(gain) on derivative financial instruments                              |                          |               |
| Cash flow hedges, reclassified from equity  | 111                      | (18)          |
| Fair value hedges   | 64                       | (84)          |
| (Gain)/loss on hedged items in fair value hedges  | (58)                     | 104           |
| Other net exchange loss on financing activities   | 2                        | 79            |
|   | 3,184                    | 2,179         |
| Less: amount capitalised  | (326)                    | (221)         |
|   | 2,858                    | 1,958         |
| Finance income  |                          |               |
| Interest income on short-term investments, bank deposits and fuel clause under-recovery | 65                       | 36            |

## 9. Finance Costs and Income (continued)

Notes:

- (a) CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund under the SoC (Note 23).
- (b) Finance charges under finance leases primarily relate to contingent rent in respect of the power purchase arrangement between CLP Power Hong Kong and CAPCO accounted for as finance lease in accordance with HK(IFRIC)-Int 4 and HKAS 17.

## 10. Income Tax Expense / (Credit)

|                          | Six months ended 30 June |               |
|--------------------------|--------------------------|---------------|
|                          | 2011<br>HK\$M            | 2010<br>HK\$M |
| Current income tax       |                          |               |
| Hong Kong                | 205                      | 325           |
| Outside Hong Kong        | 48                       | 59            |
|                          | 253                      | 384           |
| Deferred tax             |                          |               |
| Hong Kong                | 141                      | 138           |
| Outside Hong Kong (note) | 546                      | (750)         |
|                          | 687                      | (612)         |
|                          | 940                      | (228)         |

Note: In 2010, the amount included TRUenergy's tax consolidation benefit of HK\$989 million (A\$144 million) as a result of certain amendments to the tax consolidation rules in Australia.

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

## 11. Dividends

|                                  | Six months ended 30 June |       |                   |       |
|----------------------------------|--------------------------|-------|-------------------|-------|
|                                  | 2011                     |       | 2010              |       |
|                                  | HK\$<br>per share        | HK\$M | HK\$<br>per share | HK\$M |
| First interim dividend paid      | 0.52                     | 1,251 | 0.52              | 1,251 |
| Second interim dividend declared | 0.52                     | 1,251 | 0.52              | 1,251 |
|                                  | 1.04                     | 2,502 | 1.04              | 2,502 |

At the Board meeting held on 16 August 2011, the Directors declared the second interim dividend of HK\$0.52 per share. The second interim dividend is not reflected as a dividend payable in the interim financial statements, but as a separate component of the shareholders' funds at 30 June 2011.

## 12. Earnings per Share

The earnings per share are computed as follows:

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2011                     | 2010      |
| Earnings attributable to shareholders (HK\$M) | 5,800                    | 5,921     |
| Number of shares in issue (thousand shares)   | 2,406,143                | 2,406,143 |
| Earnings per share (HK\$)                     | 2.41                     | 2.46      |

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2011 and 30 June 2010.

## 13. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases

Fixed assets and leasehold land and land use rights under operating leases totalled HK\$132,850 million at 30 June 2011 (31 December 2010: HK\$117,460 million). Movements in the accounts are as follows:

|  | Fixed Assets      |                                |                |                                |                                |                                | Leasehold Land and Land Use Rights under Operating Leases <sup>(a)</sup> | Leases <sup>(a)</sup> |       |
|--|-------------------|--------------------------------|----------------|--------------------------------|--------------------------------|--------------------------------|--|-----------------------|-------|
|  | Land              |                                | Buildings      |                                | Plant, Machinery and Equipment |                                |  |                       | Total |
|  | Freehold<br>HK\$M | Leased <sup>(a)</sup><br>HK\$M | Owned<br>HK\$M | Leased <sup>(b)</sup><br>HK\$M | Owned<br>HK\$M                 | Leased <sup>(b)</sup><br>HK\$M |  |                       |       |
| Net book value at 1 January 2011                       | 849               | 412                            | 10,817         | 5,907                          | 76,517                         | 21,229                         | 115,731  | 1,729                 |       |
| Acquisition of business (Note 4(A))                    | 112               | –                              | –              | –                              | –                              | 6,039                          | 6,151  | –                     |       |
| Acquisition of subsidiaries (Note 4(C))                | 61                | –                              | –              | –                              | 1,937                          | 216                            | 2,214  | –                     |       |
| Additions  | 5                 | 176                            | 1,080          | 125                            | 5,698                          | 1,354                          | 8,438  | 79                    |       |
| Transfers and disposals                                | –                 | (3)                            | (4)            | (5)                            | (58)                           | (89)                           | (159)  | –                     |       |
| Depreciation / amortisation                            | –                 | (6)                            | (113)          | (165)                          | (1,640)                        | (881)                          | (2,805)  | (22)                  |       |
| Exchange differences                                   | 22                | –                              | 73             | –                              | 1,096                          | 300                            | 1,491  | 3                     |       |
| <b>Net book value at 30 June 2011</b>                  | <b>1,049</b>      | <b>579</b>                     | <b>11,853</b>  | <b>5,862</b>                   | <b>83,550</b>                  | <b>28,168</b>                  | <b>131,061</b>   | <b>1,789</b>          |       |
| Cost   | 1,049             | 647                            | 15,007         | 11,652                         | 123,700                        | 50,341                         | 202,396  | 2,104                 |       |
| Accumulated depreciation / amortisation and impairment | –                 | (68)                           | (3,154)        | (5,790)                        | (40,150)                       | (22,173)                       | (71,335)   | (315)                 |       |
| <b>Net book value at 30 June 2011</b>                  | <b>1,049</b>      | <b>579</b>                     | <b>11,853</b>  | <b>5,862</b>                   | <b>83,550</b>                  | <b>28,168</b>                  | <b>131,061</b>   | <b>1,789</b>          |       |

### 13. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases (continued)

Notes:

- (a) Leasehold land (under finance or operating leases) is mainly held under medium-term (10 – 50 years) leases in Hong Kong.
- (b) These leased assets include mainly CAPCO's operational generating plant and associated fixed assets of net book value of HK\$27,441 million (31 December 2010: HK\$27,065 million), which are deployed for the generation of electricity supplied to CLP Power Hong Kong under the Electricity Supply Contract between the two parties; and Delta Electricity's power station at Mount Piper of net book value of HK\$6,277 million (31 December 2010: nil) under the Delta Western GenTrader contract. These arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17.



Although the GenTrader arrangements with respect to both Mount Piper and Wallerawang power stations are accounted for as finance leases, the estimated future costs (primarily fixed capital charges) of Wallerawang will not result in any corresponding future economic benefit. Therefore no value is assigned to the leased assets of Wallerawang Power Station.

### 14. Goodwill and Other Intangible Assets

|   | Goodwill<br>HK\$M | Other<br>Intangible<br>Assets<br>HK\$M | Total<br>HK\$M |
|---|-------------------|--|----------------|
| Net carrying value at 1 January 2011      | 7,701             | 1,449                                  | 9,150          |
| Acquisition of business (Note 4(A))       | 14,030            | 1,799                                  | 15,829         |
| Acquisition of subsidiaries (Note 4(C))   | 86                | 165                                    | 251            |
| Additions                                 | –                 | 100                                    | 100            |
| Amortisation                              | –                 | (197)                                  | (197)          |
| Exchange differences                      | 1,092             | 161                                    | 1,253          |
| <b>Net carrying value at 30 June 2011</b> | <b>22,909</b>     | <b>3,477</b>                           | <b>26,386</b>  |
| Cost                                      | 22,909            | 5,136                                  | 28,045         |
| Accumulated amortisation                  | –                 | (1,659)                                | (1,659)        |
| <b>Net carrying value at 30 June 2011</b> | <b>22,909</b>     | <b>3,477</b>                           | <b>26,386</b>  |

Other intangible assets mainly include contracted customers and a lease arrangement under the long-term Master Hedge Agreement with Ecogen Energy Pty Ltd arising from the acquisition of the Merchant Energy Business in Australia in May 2005.

### 15. Interests in Jointly Controlled Entities

|                     | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---------------------|--------------------------|------------------------------|
| Share of net assets | 8,417                    | 11,402                       |
| Goodwill            | 146                      | 142                          |
| Advances            | 9,392                    | 8,932                        |
|                     | <b>17,955</b>            | <b>20,476</b>                |

## 15. Interests in Jointly Controlled Entities (continued)

The Group's interests in jointly controlled entities are analysed as follows:

|   | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---|--------------------------|------------------------------|
| CAPCO   | 9,134                    | 8,871                        |
| OneEnergy Taiwan Ltd (Note 4(B))                | 1,237                    | –                            |
| OneEnergy (Note 4(B))                           | –                        | 2,887                        |
| CSEC Guohua International Power Company Limited | 2,836                    | 2,657                        |
| Shandong Zhonghua Power Company, Limited        | 901                      | 966                          |
| CLP Guangxi Fangchenggang Power Company Limited | 1,287                    | 1,477                        |
| Roaring 40s (Note 4(C))                         | –                        | 1,018                        |
| PSDC  | 177                      | 219                          |
| Others (note)                                   | 2,383                    | 2,381                        |
|   | <b>17,955</b>            | <b>20,476</b>                |

Note: Includes 49% interest in various Chinese jointly controlled entities at a carrying value of HK\$1,380 million (31 December 2010: HK\$1,267 million) in aggregate acquired from Roaring 40s in 2009.

The Group's share of net assets and results of the jointly controlled entities are as follows:

|                            | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|----------------------------|--------------------------|------------------------------|
| Non-current assets         | 34,461                   | 37,524                       |
| Current assets             | 5,198                    | 5,380                        |
| Current liabilities        | (7,810)                  | (7,564)                      |
| Non-current liabilities    | (21,765)                 | (22,338)                     |
| Non-controlling interests  | (1,667)                  | (1,600)                      |
| <b>Share of net assets</b> | <b>8,417</b>             | <b>11,402</b>                |

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M |
| Revenue                                      | 7,733                    | 7,039         |
| Expenses                                     | (5,406)                  | (5,508)       |
| Profit before income tax                     | 2,327                    | 1,531         |
| Income tax expense                           | (230)                    | (195)         |
| Non-controlling interests                    | (85)                     | (72)          |
| <b>Share of profit for the period</b> (note) | <b>2,012</b>             | <b>1,264</b>  |

Note: Includes the share of the gain on sale of interest in EGCO of HK\$705 million (2010: nil) (Note 4(B)).

## 16. Interests in Associated Companies

|                     | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---------------------|--------------------------|------------------------------|
| Share of net assets | 1,534                    | 2,366                        |
| Goodwill            | 13                       | 12                           |
|                     | <b>1,547</b>             | <b>2,378</b>                 |

The Group's interests in associated companies are analysed as follows:

|        | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|--------|--------------------------|------------------------------|
| GNPJVC | 1,518                    | 2,342                        |
| Others | 29                       | 36                           |
|        | <b>1,547</b>             | <b>2,378</b>                 |

Summarised financial information in respect of the Group's associated companies is set out below:

|   | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---|--------------------------|------------------------------|
| Total assets                                      | 12,068                   | 15,312                       |
| Total liabilities                                 | (5,964)                  | (5,884)                      |
| Net assets  | 6,104                    | 9,428                        |
| Group's share of associated companies' net assets | 1,534                    | 2,366                        |

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M |
| Revenue                                  | 4,091                    | 2,565         |
| Profit after income tax                  | 1,366                    | 1,332         |
| Group's share of profit after income tax | 381                      | 335           |



## 17. Derivative Financial Instruments

|   | 30 June 2011    |                      | 31 December 2010 |                      |
|---|-----------------|----------------------|------------------|----------------------|
|   | Assets<br>HK\$M | Liabilities<br>HK\$M | Assets<br>HK\$M  | Liabilities<br>HK\$M |
| Cash flow hedges  |                 |                      |                  |                      |
| Forward foreign exchange contracts                      | 850             | 193                  | 878              | 111                  |
| Cross currency & interest rate swaps                    | 640             | 560                  | 652              | 331                  |
| Interest rate swaps                                     | 16              | 212                  | 136              | 172                  |
| Energy contracts  | 1,405           | 3,150                | 1,408            | 566                  |
| Fair value hedges                                       |                 |                      |                  |                      |
| Cross currency & interest rate swaps                    | 137             | 122                  | 208              | 95                   |
| Held for trading or not qualifying as accounting hedges |                 |                      |                  |                      |
| Forward foreign exchange contracts                      | 126             | 34                   | 460              | 152                  |
| Cross currency & interest rate swaps                    | –               | 22                   | –                | 23                   |
| Energy contracts  | 2,529           | 3,436                | 603              | 561                  |
|   | <b>5,703</b>    | <b>7,729</b>         | <b>4,345</b>     | <b>2,011</b>         |
| Analysed as:  |                 |                      |                  |                      |
| Current   | 2,301           | 2,394                | 1,609            | 932                  |
| Non-current   | 3,402           | 5,335                | 2,736            | 1,079                |
|   | <b>5,703</b>    | <b>7,729</b>         | <b>4,345</b>     | <b>2,011</b>         |

## 18. Available-for-sale Investments

At 30 June 2011, the balance included the Group's unquoted investment in CGN Wind Power Company Limited of HK\$1,190 million (31 December 2010: HK\$1,190 million), which is treated for accounting purposes as an available-for-sale investment in accordance with Group accounting policy. There is no intention to sell the investment.

## 19. Trade and Other Receivables

|   | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---|--------------------------|------------------------------|
| Trade receivables (note)                          | 14,340                   | 7,425                        |
| Deposits and prepayments                          | 5,189                    | 3,425                        |
| Dividends receivable from                         |                          |                              |
| Jointly controlled entities                       | 114                      | 160                          |
| Associated companies                              | –                        | 48                           |
| Current accounts with jointly controlled entities | 58                       | 60                           |
|   | <b>19,701</b>            | <b>11,118</b>                |

Note: The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees.

For subsidiaries outside Hong Kong, the credit term for trade receivables ranges from about 12 to 60 days. TRUenergy in Australia determines its doubtful debts provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired.

## 19. Trade and Other Receivables (continued)

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

|              | 30 June 2011             |                   |   |                | 31 December 2010         |                   |   |                |
|--------------|--------------------------|-------------------|---|----------------|--------------------------|-------------------|---|----------------|
|              | Not<br>impaired<br>HK\$M | Impaired<br>HK\$M | Provision<br>for<br>impairment<br>HK\$M | Total<br>HK\$M | Not<br>impaired<br>HK\$M | Impaired<br>HK\$M | Provision<br>for<br>impairment<br>HK\$M | Total<br>HK\$M |
| Not yet due  | 11,486                   | 1,061             | (93)                                    | 12,454         | 5,165                    | 569               | (36)                                    | 5,698          |
| Overdue      |                          |                   |   |                |                          |                   |   |                |
| 1 – 30 days  | 369                      | 468               | (53)                                    | 784            | 277                      | 328               | (33)                                    | 572            |
| 31 – 90 days | 111                      | 204               | (81)                                    | 234            | 81                       | 239               | (63)                                    | 257            |
| Over 90 days | 798                      | 467               | (397)                                   | 868            | 746                      | 502               | (350)                                   | 898            |
|              | <b>12,764</b>            | <b>2,200</b>      | <b>(624)</b>                            | <b>14,340</b>  | <b>6,269</b>             | <b>1,638</b>      | <b>(482)</b>                            | <b>7,425</b>   |

At 30 June 2011, trade receivables of HK\$1,278 million (31 December 2010: HK\$1,104 million) were past due but not impaired. These related to a number of customers for whom there had been no recent history of default and an amount deducted by Gujarat Urja Vikas Nigam Ltd. (GUVNL) from Gujarat Paguthan Energy Corporation Private Limited (GPEC)'s January to March 2010 and January to February 2011 invoices netted with refund in March 2011, totalled HK\$576 million (31 December 2010: HK\$647 million) (Note 28(A)).

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

|                  | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|------------------|--------------------------|------------------------------|
| 30 days or below | 12,854                   | 5,534                        |
| 31 – 90 days     | 515                      | 771                          |
| Over 90 days     | 971                      | 1,120                        |
|                  | <b>14,340</b>            | <b>7,425</b>                 |

## 20. Trade and Other Payables

|   | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---|--------------------------|------------------------------|
| Trade payables <sup>(a)</sup>                                       | 8,143                    | 5,026                        |
| Other payables and accruals   | 5,583                    | 4,807                        |
| Current accounts with<br>Jointly controlled entities <sup>(b)</sup> | 1,579                    | 1,425                        |
| Associated companies  | 156                      | 86                           |
|   | <b>15,461</b>            | <b>11,344</b>                |

Notes:

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

|                  | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|------------------|--------------------------|------------------------------|
| 30 days or below | 7,608                    | 4,828                        |
| 31 – 90 days     | 111                      | 87                           |
| Over 90 days     | 424                      | 111                          |
|                  | <b>8,143</b>             | <b>5,026</b>                 |

(b) Of the amounts payable to jointly controlled entities, HK\$1,547 million (31 December 2010: HK\$1,375 million) is due to CAPCO.

## 21. Bank Loans and Other Borrowings

|  | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|--|--------------------------|------------------------------|
| Current  |                          |                              |
| Short-term bank loans  | 3,187                    | 1,161                        |
| Long-term bank loans   | 2,856                    | 6,655                        |
| Other long-term borrowings   |                          |                              |
| Medium Term Note (MTN) programme (USD) due 2012                                | 2,428                    | –                            |
| MTN programme (HKD) due 2012   | 1,000                    | –                            |
|  | <b>9,471</b>             | <b>7,816</b>                 |
| Non-current  |                          |                              |
| Long-term bank loans   | 32,470                   | 13,207                       |
| Other long-term borrowings   |                          |                              |
| MTN programme (USD) due 2020   | 3,941                    | 6,411                        |
| MTN programme (HKD) due 2013 to 2041   | 8,895                    | 9,280                        |
| MTN programme (JPY) due 2024   | 1,448                    | 1,433                        |
| Electronic Promissory Notes (EPN) and<br>MTN programme (AUD) due 2012 and 2015 | 5,816                    | 5,524                        |
| U.S. private placement notes (USD) due 2019 to 2026                            | 3,733                    | 952                          |
|  | <b>56,303</b>            | <b>36,807</b>                |
| Total borrowings   | <b>65,774</b>            | <b>44,623</b>                |

## 22. Obligations under Finance Leases

The Group's obligations under finance leases arise predominantly from the power purchase arrangement with CAPCO in respect of the operational generating plant and associated fixed assets of the Hong Kong electricity business. CAPCO's power purchase arrangement is accounted for as a finance lease in accordance with HK(IFRIC)-Int 4 and HKAS 17.

## 23. SoC Reserve Accounts

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

|                           | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---------------------------|--------------------------|------------------------------|
| Tariff Stabilisation Fund | 666                      | 1,505                        |
| Rate Reduction Reserve    | 5                        | 4                            |
|                           | <b>671</b>               | <b>1,509</b>                 |

## 24. Other Non-current Liabilities

At 30 June 2011, the balance included a payable for the GenTrader contract with respect to Wallerawang Power Station of HK\$1,331 million (31 December 2010: nil) which represented the fair value of committed, contracted and unavoidable fixed capital charges that must be paid to Delta Electricity.

## 25. Reserves

|   | Capital                        |                                  |                              |                            |                              | Total<br>HK\$M |
|---|--------------------------------|----------------------------------|------------------------------|----------------------------|------------------------------|----------------|
|   | Redemption<br>Reserve<br>HK\$M | Translation<br>Reserves<br>HK\$M | Hedging<br>Reserves<br>HK\$M | Other<br>Reserves<br>HK\$M | Retained<br>Profits<br>HK\$M |                |
|   | Balance at 1 January 2011      | 2,492                            | 7,683                        | 1,182                      | 843                          |                |
| Earnings attributable to shareholders                                 | –                              | –                                | –                            | –                          | 5,800                        | 5,800          |
| Other comprehensive income  |                                |                                  |                              |                            |                              |                |
| Exchange differences on translation of                                |                                |                                  |                              |                            |                              |                |
| Subsidiaries  | –                              | 1,871                            | –                            | –                          | –                            | 1,871          |
| Jointly controlled entities   | –                              | 175                              | –                            | –                          | –                            | 175            |
| Associated companies  | –                              | 2                                | –                            | –                          | –                            | 2              |
| Cash flow hedges  |                                |                                  |                              |                            |                              |                |
| Net fair value losses   | –                              | –                                | (671)                        | –                          | –                            | (671)          |
| Reclassification adjustment for<br>amount included in profit or loss  | –                              | –                                | 171                          | –                          | –                            | 171            |
| Tax on the above items  | –                              | –                                | 131                          | –                          | –                            | 131            |
| Available-for-sale investments  |                                |                                  |                              |                            |                              |                |
| Fair value losses   | –                              | –                                | –                            | (65)                       | –                            | (65)           |
| Tax on the above item   | –                              | –                                | –                            | 22                         | –                            | 22             |
| Share of other comprehensive income<br>of jointly controlled entities | –                              | (345)                            | –                            | (25)                       | –                            | (370)          |
| Reclassification adjustments  |                                |                                  |                              |                            |                              |                |
| Sale of an available-for-sale<br>investment                           | –                              | –                                | –                            | (171)                      | –                            | (171)          |
| Sale of a jointly controlled entity                                   | –                              | (346)                            | 26                           | –                          | –                            | (320)          |
| Total comprehensive income<br>attributable to shareholders            | –                              | 1,357                            | (343)                        | (239)                      | 5,800                        | 6,575          |
| Revaluation reserve realised due to<br>depreciation of fixed assets   | –                              | –                                | –                            | (2)                        | 2                            | –              |
| Dividends paid  |                                |                                  |                              |                            |                              |                |
| 2010 fourth interim   | –                              | –                                | –                            | –                          | (2,214)                      | (2,214)        |
| 2011 first interim  | –                              | –                                | –                            | –                          | (1,251)                      | (1,251)        |
| <b>Balance at 30 June 2011</b>  | <b>2,492</b>                   | <b>9,040</b>                     | <b>839</b>                   | <b>602</b>                 | <b>56,603</b>                | <b>69,576</b>  |

## 25. Reserves (continued)

|  | Capital<br>Redemption<br>Reserve<br>HK\$M | Translation<br>Reserves<br>HK\$M | Hedging<br>Reserves<br>HK\$M | Other<br>Reserves<br>HK\$M | Retained<br>Profits<br>HK\$M | Total<br>HK\$M |
|--|---|----------------------------------|------------------------------|----------------------------|------------------------------|----------------|
| Balance at 1 January 2010  | 2,492                                     | 3,866                            | 562                          | 725                        | 49,921                       | 57,566         |
| Earnings attributable to shareholders  | –   | –                                | –                            | –                          | 5,921                        | 5,921          |
| Other comprehensive income   |   |                                  |                              |                            |                              |                |
| Exchange differences on translation of   |   |                                  |                              |                            |                              |                |
| Subsidiaries   | –   | (1,059)                          | –                            | –                          | –                            | (1,059)        |
| Jointly controlled entities  | –   | 29                               | –                            | –                          | –                            | 29             |
| Associated companies   | –   | 6                                | –                            | –                          | –                            | 6              |
| Cash flow hedges   |   |                                  |                              |                            |                              |                |
| Net fair value losses  | –   | –                                | (58)                         | –                          | –                            | (58)           |
| Reclassification adjustment for<br>amount included in profit or loss                           | –   | –                                | (84)                         | –                          | –                            | (84)           |
| Transfer to assets   | –   | –                                | 20                           | –                          | –                            | 20             |
| Tax on the above items   | –   | –                                | 36                           | –                          | –                            | 36             |
| Available-for-sale investments   |   |                                  |                              |                            |                              |                |
| Fair value gains   | –   | –                                | –                            | 16                         | –                            | 16             |
| Tax on the above item  | –   | –                                | –                            | (8)                        | –                            | (8)            |
| Share of other comprehensive income<br>of jointly controlled entities                          | –   | –                                | –                            | (20)                       | –                            | (20)           |
| Reclassification adjustments   |   |                                  |                              |                            |                              |                |
| Sale of a subsidiary   | –   | (91)                             | –                            | –                          | –                            | (91)           |
| Acquisition of additional interest<br>in a jointly controlled entity to<br>become a subsidiary | –   | (17)                             | –                            | –                          | –                            | (17)           |
| Total comprehensive income<br>attributable to shareholders                                     | –   | (1,132)                          | (86)                         | (12)                       | 5,921                        | 4,691          |
| Revaluation reserve realised due to<br>depreciation of fixed assets                            | –   | –                                | –                            | (1)                        | 1                            | –              |
| Dividends paid   |   |                                  |                              |                            |                              |                |
| 2009 final   | –   | –                                | –                            | –                          | (2,214)                      | (2,214)        |
| 2010 first interim   | –   | –                                | –                            | –                          | (1,251)                      | (1,251)        |
| Balance at 30 June 2010  | 2,492                                     | 2,734                            | 476                          | 712                        | 52,378                       | 58,792         |

## 26. Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases, as well as intangible assets, authorised but not recorded in the statement of financial position is as follows:

|                                   | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|-----------------------------------|--------------------------|------------------------------|
| Contracted but not provided for   | 13,092                   | 17,589                       |
| Authorised but not contracted for | 11,283                   | 14,294                       |
|                                   | <b>24,375</b>            | <b>31,883</b>                |

**26. Commitments (continued)**

- (B) The Group has entered into a number of joint venture arrangements to develop power projects. At 30 June 2011, remaining equity contributions of HK\$253 million (31 December 2010: HK\$303 million) were required to be made by the Group.
- (C) The other commitments associated with NSW Acquisition but not recorded in the statement of financial position, mainly related to the operating and maintenance costs of Mount Piper and Wallerawang power stations payable under the GenTrader contract as follows:

|                           | 30 June<br>2011<br>HK\$M | 31 December<br>2010<br>HK\$M |
|---------------------------|--------------------------|------------------------------|
| Within one year           | 1,461                    | 1,189                        |
| Between one to five years | 4,275                    | 4,286                        |
| Over five years           | 8,147                    | 8,214                        |
|                           | <b>13,883</b>            | <b>13,689</b>                |

**27. Related Party Transactions**

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

- (A) Purchases of electricity from jointly controlled entities and associated companies

Details of electricity supply contracts relating to the electricity business in Hong Kong with jointly controlled entities and associated company are shown below:

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M |
| Lease and lease service payment to CAPCO                                       | 7,172                    | 6,511         |
| Purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station | 2,162                    | 2,100         |
| Pumped storage service fee to PSDC   | 258                      | 249           |
|  | <b>9,592</b>             | <b>8,860</b>  |

Amounts due to the related parties at 30 June 2011 are disclosed in Note 20.

- (B) Rendering of services to jointly controlled entities

In accordance with the CAPCO Operating Service Agreement between CLP Power Hong Kong and CAPCO, CLP Power Hong Kong is responsible to CAPCO for the efficient and proper construction, commissioning, operation and maintenance of the electricity generating facilities of CAPCO. In return, CAPCO reimburses CLP Power Hong Kong for all costs incurred in performance of the agreement. The charges from CLP Power Hong Kong to CAPCO during the period amounted to HK\$640 million (six months ended 30 June 2010: HK\$601 million) and a portion of the charges which is accounted for as operating expenses by CAPCO is covered under the Electricity Supply Contract.

Amounts due from the related parties at 30 June 2011 are disclosed in Note 19. No provisions have been made for the amounts owed by the related parties.

- (C) The advances made to jointly controlled entities are disclosed under Note 15. At 30 June 2011, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2010: nil).

## 27. Related Party Transactions (continued)

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

|  | Six months ended 30 June |               |
|--|--------------------------|---------------|
|  | 2011<br>HK\$M            | 2010<br>HK\$M |
| Fees   | 4                        | 4             |
| Base compensation, allowances and benefits in kind                                   | 25                       | 25            |
| Tax equalisation, allowances and benefits in kind for secondment to overseas offices | 6                        | 6             |
| Performance bonus  |                          |               |
| Annual incentive   | 37                       | 35            |
| Long-term incentive  | 25                       | 12            |
| Provident fund contributions   | 3                        | 3             |
| Final payment (note)   | 10                       | –             |
|  | <b>110</b>               | <b>85</b>     |

Note: The final payment included payment in lieu of notice, ex-gratia payment, compensation for loss of office and discretionary final performance bonus paid to a former senior management personnel upon leaving.

Key management personnel at 30 June 2011 comprised 12 (30 June 2010: 14) Non-executive Directors, 3 (30 June 2010: 3) Executive Directors and 9 (30 June 2010: 10) senior management personnel.

## 28. Contingent Liabilities

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

Under the original power purchase agreement between GPEC and its off-taker GUVNL, GUVNL was required to make a “deemed generation incentive” payment to GPEC when the plant availability was above 68.5% (70% as revised subsequently). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the “deemed generation incentive” payment should not be paid for the periods when the plant is declared with availability to generate on “naphtha” as fuel rather than on “gas”. GUVNL’s contention is based on a 1995 Government of India notification which disallowed “deemed generation incentive” for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK\$1,264 million). GPEC’s position, amongst other arguments, is that the GPEC power station is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the “deemed generation incentive”.

GUVNL also claimed that GPEC has wrongly received interest on “deemed loans” under the existing power purchase agreement. GUVNL’s claim rests on two main grounds: (i) GPEC had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the “deemed loans” amounts to a further Rs.830 million (HK\$145 million).

On 18 February 2009, the GERC made an adjudication on GUVNL’s claims. On the issue related to the payment to GPEC of “deemed generation incentive”, the GERC decided that the “deemed generation incentive” was not payable when GPEC’s plant was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL’s claim against GPEC in respect of deemed generation incentive payments up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,896 million (HK\$504 million). The GERC also dismissed GUVNL’s claim to recover interest on the “deemed loans”.

## 28. Contingent Liabilities (continued)

### (A) GPEC – Deemed Generation Incentive Payment and Interest on Deemed Loans (continued)

GPEC filed an appeal with the Appellate Tribunal for Electricity (ATE) against the decision of the GERC. GUVNL also filed an appeal in the ATE against an order of the GERC rejecting GUVNL's claims on interest on deemed loans and the time barring of the deemed generation claim to 14 September 2002. On 19 January 2010, the ATE dismissed both GPEC and GUVNL's appeals and upheld the decision of the GERC. GPEC has filed an appeal against the ATE order in the Supreme Court of India. The appeal petition was admitted on 16 April 2010 but the next date of hearing has not yet been fixed by the court. GUVNL has also filed a cross appeal challenging those parts of the ATE judgment which held that GUVNL's claims before September 2002 were time barred and which disallowed its claims for interest on "deemed loans".

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK\$650 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK\$87 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010. The total amount of the claim plus interest and tax with respect to the "deemed generation incentive" was therefore revised to Rs.8,968 million (HK\$1,555 million) as at 31 December 2010.

Subsequent to the above deduction, GPEC represented to GUVNL that during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK\$51 million) and interest of Rs.150 million (HK\$26 million) in March 2011. However, during the first quarter 2011, with the spot gas availability being constrained, GPEC was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.15 million (HK\$3 million). At 30 June 2011, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" was revised to Rs.8,541 million (HK\$1,487 million).

On the basis of legal advice obtained, the Directors are of the opinion that GPEC has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

### (B) Indian Wind Power Projects – Enercon's Contracts

CLP Wind Farms (India) Private Limited, GPEC and CLP India group companies ("CLP India") have invested (or are committed to invest) in around 500MW of wind power projects to be developed with Enercon India Limited ("EIL"). EIL's major shareholder, Enercon GmbH, has commenced litigation against EIL claiming infringement of intellectual property rights. CLP India, as a customer of EIL, has been named as a pro-forma defendant. Enercon GmbH is also seeking an injunction restraining CLP India's use of certain rotor blades acquired from EIL. As at 30 June 2011, the Group considered that CLP India has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits to the Group.

## 29. Events after the end of the Reporting Period

- (A) On 18 July 2011, TRUenergy entered into an agreement with Santos Limited (Santos), subject to the successful completion of Santos' acquisition of Eastern Star Gas Limited (ESG), to acquire 20% interest in key ESG production and exploration (PEL) permits and other assets (which represents over 500PJ of coal seam gas reserve in the Gunnedah Basin) from Santos for a consideration of A\$284 million (HK\$2,364 million). The transaction is expected to complete in the second half of 2011.
- (B) On 15 August 2011, the Group entered into an agreement with China Guangdong Nuclear Power Holding Company Limited to acquire 17% interest in Yangjiang Nuclear Power Company, Limited (YJNP) at a consideration of RMB954 million (HK\$1,149 million) with future investment estimated at RMB3,799 million (HK\$4,574 million). YJNP owns the Yangjiang Nuclear Power Project in Yangjiang, Guangdong which consists of six units of 1,080MW pressurised water reactors under construction.



# Report on Review of Interim Financial Statements

## To the Board of Directors of CLP Holdings Limited

(Incorporated in Hong Kong with limited liability)

### Introduction

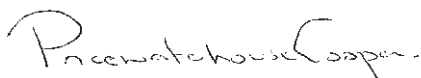
We have reviewed the interim financial information set out on pages 36 to 62 which comprise the condensed consolidated statement of financial position of CLP Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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



**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, 16 August 2011

## Scheme of Control Statement - Unaudited

The electricity-related operations of CLP Power Hong Kong and CAPCO (the SoC Companies) have been governed by the SoC Agreement with the Hong Kong Government, a summary of which is set out on pages 207 and 208 in the 2010 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2011<br>HK\$M            | 2010<br>HK\$M |
| <b>SoC revenue</b>  | <b>13,719</b>            | 13,609        |
| Expenses  |                          |               |
| Operating costs   | 1,681                    | 1,568         |
| Fuel  | 3,640                    | 3,364         |
| Purchases of nuclear electricity  | 2,162                    | 2,100         |
| Provision for asset decommissioning   | 131                      | 130           |
| Depreciation  | 1,902                    | 1,654         |
| Operating interest  | 359                      | 320           |
| Taxation  | 665                      | 765           |
|   | <b>10,540</b>            | 9,901         |
| Profit after taxation   | 3,179                    | 3,708         |
| Interest on borrowed capital  | 406                      | 372           |
| Adjustments required under the SoC (being share of profit on sale of electricity to the Chinese mainland attributable to the SoC Companies) | (17)                     | (40)          |
| Profit for SoC  | 3,568                    | 4,040         |
| Transfer from Tariff Stabilisation Fund   | 839                      | 187           |
| Permitted return  | 4,407                    | 4,227         |
| Deduct interest on / Adjustment for   |                          |               |
| Borrowed capital as above   | 406                      | 372           |
| Tariff Stabilisation Fund to Rate Reduction Reserve   | 1                        | 1             |
|   | <b>407</b>               | 373           |
| <b>Net Return</b>   | <b>4,000</b>             | 3,854         |
| Divisible as follows:   |                          |               |
| CLP Power Hong Kong   | 2,523                    | 2,453         |
| CAPCO   | 1,477                    | 1,401         |
|   | <b>4,000</b>             | 3,854         |
| CLP Power Hong Kong's share of net return   |                          |               |
| CLP Power Hong Kong   | 2,523                    | 2,453         |
| Interest in CAPCO   | 591                      | 561           |
|   | <b>3,114</b>             | 3,014         |

# Information for our Investors

## Financial Diary

|  |                   |
|--|-------------------|
| Announcement of interim results                  | 16 August 2011    |
| Interim report posted to Shareholders            | 31 August 2011    |
| Last day to register for second interim dividend | 5 September 2011  |
| Book close day                                   | 6 September 2011  |
| Payment of second interim dividend               | 15 September 2011 |
| Financial year end                               | 31 December 2011  |

## Company's Registrars

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## Interim Report

Printed in English and Chinese, available on our website at [www.clpgroup.com](http://www.clpgroup.com) by 23 August 2011 and posted to Shareholders on 31 August 2011.

Those Shareholders who (a) received our 2011 Interim Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2011 Interim Report in either English or Chinese only and would like to receive a printed copy of the other language version or receive printed copies of both language versions in future, are requested to write to the Company Secretary or the Company's Registrars.

Shareholders may at any time change their choice of the language or means of receipt of the Company's corporate communications, free of charge, by notice in writing to the Company Secretary or the Company's Registrars.

## Share Listing

CLP Holdings shares are listed on the Stock Exchange of Hong Kong and are traded over the counter in the United States in the form of American Depositary Receipts.

## Our Stock Code

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

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2011

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*Stock Code: 00002*

*This Interim Report is printed on environmentally  
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