Powering Asia Responsibly

2012 Interim Report

CLP 中電

CONTENTS

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 2012 decreased by 22.4% to HK$3,897 million.
- Steady performance from Hong Kong and China but reduced earnings from Australia and India.
- Total earnings taking into account non-recurring items such as the impact of the Yallourn mine flooding, decreased 42.1% to HK$3,356 million.
- Operating earnings from our electricity business in Hong Kong increased by 4.0% to HK$3,240 million.
- Operating earnings from our Australia business fell from HK$1,191 million to HK$268 million substantially due to mark-to-market accounting.
- Consolidated revenue rose by 13.5% to HK$46,156 million.
- Second interim dividend of HK$0.53 per share.

Financial Highlights

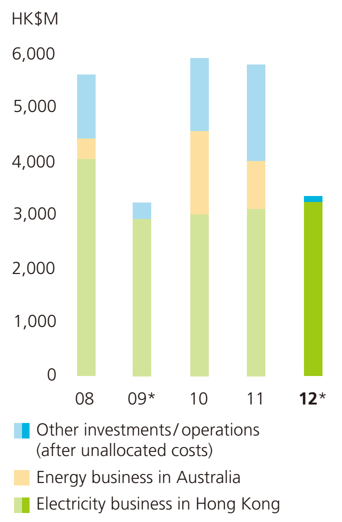
Operating earnings down 22.4% to HK$3.9 billion substantially due to unfavourable mark-to-market movements of energy contracts in Australia; total earnings including non-recurring items dropped 42.1% to HK$3.4 billion.

	Six months ended 30 June 2012	2011	Increase / (Decrease) %
For the period *(in HK$ million)*			
Revenue			
Electricity business in Hong Kong (HK)	15,442	14,429	7.0
Energy business in Australia	28,909	24,670	17.2
Others	1,805	1,579	
Total	46,156	40,678	13.5
Earnings			
Electricity business in HK	3,240	3,114	4.0
Energy business in Australia	268	1,191	(77.5)
Other investments / operations	709	987	
Unallocated net finance costs	(39)	(17)	
Unallocated Group expenses	(281)	(250)	
Operating earnings	3,897	5,025	(22.4)
Yallourn mine incident	(644)	–	
Tax consolidation benefit from Australia	103	–	
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	–	(640)	
Total earnings	3,356	5,800	(42.1)
Net cash inflow from operating activities	14,540	6,779	114.5
Per share *(in HK$)*			
Earnings per share	1.39	2.41	(42.1)
Dividends per share			
First interim	0.53	0.52	
Second interim	0.53	0.52	
Total interim dividends	1.06	1.04	1.9
Ratio			
Interest cover [1] (times)	3	6	

	30 June 2012	31 December 2011	Increase / (Decrease) %
At the end of the reporting period *(in HK$ million)*			
Total assets	217,020	214,288	1.3
Total borrowings	66,024	65,521	0.8
Shareholders' funds	79,927	81,259	(1.6)
Per share *(in HK$)*			
Shareholders' funds per share	33.22	33.77	(1.6)
Ratios			
Total debt to total capital [2] (%)	45.2	44.6	
Net debt to total capital [3] (%)	42.5	43.1	

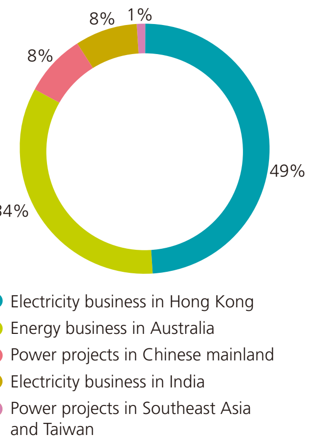
Notes:
1 Interest cover = Profit before income tax and interest / (Interest charges + capitalised interest)
2 Total debt to total capital = Debt / (Equity + debt). Debt = Bank loans and other borrowings.
3 Net debt to total capital = Net debt / (Equity + net debt). Net debt = Debt - bank balances, cash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

Total Earnings (First 6 months)



* In 2009 and 2012 total earnings from Australia were a loss of HK$164 million and HK$273 million respectively. Therefore, in the chart these have been netted against "Other investments / operations (after unallocated costs)".

Total Assets at 30 June 2012



Chairman's Statement

Dear Shareholders,

In my Chairman's Statement to last year's Interim Report, I remarked on the fact that, whilst the power sector in Asia provided tremendous opportunities for companies such as CLP, the sector was also characterised by considerably greater volatility than might have been the case ten or twenty years ago. I also mentioned that whilst our business is well balanced, our differing business streams are operating well and we are investing for the future, the scale, nature and diversity of our portfolio could not safeguard CLP against the effects of some of the risks and challenges inherent in our business and the markets in which we operate.

CLP Holdings' results for the first half of this year reflect those previous comments.

During this period, the Group's operating earnings were HK$3,897 million compared with HK$5,025 million in 2011. The Group's total earnings, including the one-off items, were HK$3,356 million, a decline of HK$2,444 million from the corresponding period in 2011. In the following paragraphs of this Chairman's Statement, I wish to describe the performance of each of our major business streams, as well as the major challenges and opportunities which lie behind our results for the first six months of this year and which will bear upon our performance over the remainder of 2012.

Hong Kong

Our Hong Kong electricity business remains the core of the Group's activity with operating earnings of HK$3,240 million, a slight increase from HK$3,114 million in the first six months of 2011. The increase in earnings was mainly due to increased average net fixed assets, partly offset by higher interest expense due to higher interest rates on higher borrowings to finance ongoing investment in Hong Kong electricity infrastructure.

Preparing for the arrival of new gas supplies within the next 12 months in anticipation of the depletion of the Yacheng gas field has been a key area of focus for the Hong Kong business. We still await approval from the HKSAR Government for the gas supply agreement to allow the import of PetroChina's second West-to-East Pipeline gas to feed the Black Point Power Station. However, construction of a new sub-sea pipeline and a new gas receiving station for this purpose is making good progress. The generating units at Black Point Power Station are progressively being modified to enable them to operate with natural gas supplied from this new source.

While the price of the new gas supply is generally in line with prevailing international gas prices, it will be about three times that of the Yacheng gas contract whose pricing and terms were concluded 20 years ago when oil prices were much lower. Additionally we will need to increase our gas consumption by 2015 in order to meet tighter emissions caps set by the Government. The combined impact of these factors will ultimately be higher fuel costs over the next few years as Hong Kong makes the shift to using more clean natural gas in place of coal. Hong Kong needs to import all its fuel requirements, and international fuel prices remain volatile and have been at historic high levels in recent years.

CLP has responded to the community's demand for greater action on air pollution in Hong Kong and natural gas will play an increasingly important role in sustaining Hong Kong's effort to improve its air quality. We believe we have a responsibility to provide honest information to the people of Hong Kong about energy choices and the corresponding cost consequences so that we can shape the development of this great city together. For our part, we will spare no efforts to control costs and seek ways to minimise the impact of higher gas prices on our customers over the next few years. Additionally we have stepped up efforts to support our customers to better manage their own energy consumption and become more energy efficient.

We welcome the inauguration of the new Administration and look forward to working with them on a number of important issues relating to the electricity sector. Their strong support is needed for the smooth transition to the new gas supplies which will commence within the next 12 months. We will engage constructively with Government and the community on a practical plan for meeting proposed climate change goals and achieving air quality objectives. The question of whether Hong Kong should import more nuclear power from the Mainland as proposed in the Government's Climate Change Strategy and Action Agenda in September 2010 needs to be debated within the community. CLP welcomes an honest and open dialogue between the Government and the community on energy policy so that, as a society, we can strike a proper balance between reliability, environmental performance and cost.

Australia

The operating earnings from our Australia electricity generation and electricity and gas retail business during the six months to 30 June 2012 were HK$268 million, compared to HK$1,191 million in the same period last year. Operating earnings in 2012 included a fair value loss of HK$438 million compared to HK$34 million in the corresponding period of the prior year.

As advised in the public announcement we made on 9 July 2012, total earnings from our Australia activities have been adversely impacted by the flooding at the Yallourn Power Station mine which occurred following heavy rainfall at the beginning of June. Our colleagues have made tremendous and unstinting efforts to minimise the impact of the flooding and to restore mine operations and power generation as quickly as possible. Nonetheless, the financial consequences of the loss of generation from Yallourn, coupled with the projected costs of restoring the mine to sustainable, safe and secure operations are considerable. In line with CLP's prudent approach to such matters, we have decided to acknowledge the cost of the Yallourn flooding as fully as is appropriate in the Interim Financial Statements.

We continue to make good progress in the integration with our existing TRUenergy business of the EnergyAustralia retail business and the Delta Western GenTrader contracts which we acquired from the New South Wales (NSW) Government in March 2011. A visible expression of this integration will be the rebranding of our Australia business, under the single brand of "EnergyAustralia" with effect from October this year. We will also be rolling out a new customer care and billing system at the beginning of September. This will deliver enhanced customer service, including the capacity to offer new products to our customers, and to do so more quickly and effectively.

As shareholders will be aware, the operating earnings from our Australia business take into account the fair value of derivatives entered into by TRUenergy as part of its energy trading and risk management activities. There can be a considerable shift in the fair value of those derivatives from one accounting period to another. This has been the case for the first half of 2012, where we have recorded a loss of HK$438 million, compared to a loss of HK$34 million in the corresponding period in 2011. This loss represents the accounting treatment of mark-to-market movements of energy contracts. In particular these movements reflect falling forward prices for electricity in Australia, and the lower prices of caps which are used to guard against the consequences of future volatility in the price of electricity in Australia's national electricity market.

I must emphasise that the trading and energy derivative activities which are reflected in these mark-to-market movements are not speculative. On the contrary, they are part and parcel of good practice in the management of risks arising from a competitive and complex electricity market. Amongst other benefits, these derivatives allow us to use our generating assets more effectively and, on the retail side, help protect us against unforeseen rises in the cost of electricity we supply to our customers. The nature of our business in Australia and the ongoing use of derivatives to manage energy risk mean that significant fluctuations in the reported operating earnings from Australia will remain a continuing feature of our financial statements.

I am well aware of continuing market and media speculation about the possible listing of EnergyAustralia on the Australian Securities Exchange. Our position on this matter is clear and oft-repeated. Whilst a listing is an option for serious consideration, we have not yet taken any decision as to the principle, terms or timing of any such step. In any event, we do not envisage that any listing would take place this year. In the meantime, work is still being undertaken in preparation for a possible future listing. Much of this is beneficial to TRUenergy, such as strengthened organisational capability and enhanced management information and reporting systems, irrespective of whether or when a listing were pursued.

Chinese Mainland

Earnings from CLP's investments in the Chinese mainland (including our 25% stake in the Daya Bay Nuclear Power Station, 70% of whose output serves Hong Kong) totalled HK$661 million during the first half of 2012, a slight decrease compared to HK$668 million in the corresponding period last year.

The earnings from our investments in coal-fired plant benefited from the tariff increases made in April and December last year. A slight reduction in earnings from our wind projects was due to lower than average wind resources and some grid restrictions, whilst lower rainfall reduced the earnings from our hydro power stations at Jiangbian and Dali Yang_er.

We still await approval from the Mainland's regulatory authority for our investment in a 17% equity share in the Yangjiang Nuclear Power Station project (6,000MW) in Guangdong. However, the conclusion of the National Nuclear Safety Review instructed by the PRC Government, in light of last year's Fukushima accident, confirms that the substantial growth in the Mainland's nuclear energy generating capacity, of which Yangjiang forms part, will continue to move ahead, with additional safety features and disaster response capabilities being embedded in both existing power stations and new projects. We are optimistic that CLP's proposed investment in Yangjiang will receive the necessary approvals and that the longstanding relationship with China Guangdong Nuclear Power Group, established at Daya Bay and now being taken forwards at Yangjiang, will provide a long-term platform for our shareholders to participate in the growth of nuclear energy in the Mainland.

India

Earnings from our India business declined to a loss of HK$19 million compared to a profit of HK$183 million in the first half of 2011. Leaving aside an accounting loss of HK$60 million in the form of an exchange loss on translation net of fair value gains, this result is primarily attributable to our greenfield coal-fired power station at Jhajjar, whose two units moved to completion in March and July this year. The inability of Coal India Limited (CIL), the monopoly Union Government owned coal supplier, to deliver coal to Jhajjar on an adequate, timely and reliable basis has handicapped both the commissioning process and the commercial generation of electricity. This is a nationwide problem, which has been having a widespread and negative impact on coal-fired generation plant throughout India. As such, this issue has been receiving close and constant attention from the highest levels of the Indian Government including the Prime Minister's office, a process in which CLP has been directly and heavily engaged. Whilst the situation is by no means resolved, revised fuel supply arrangements are being put in place for Jhajjar, including access to imported coal. Whilst the remainder of the year may continue to be difficult at Jhajjar, we believe that, overtime, the coal supply situation should stabilise and then improve.

Our wind energy investments in India started to show an improved performance from the previous year. In light of the commissioning at the start of the year of the Andhra Lake project, our largest wind project in India, and the fact that the majority of wind resources in India arise during the monsoon season (which broadly runs from June to September) we are looking to see further improvement in the performance of our wind energy portfolio through to the end of this year.

Shareholder Value

Notwithstanding challenging operating conditions, we have increased the level of the first and second interim dividends for 2012 to HK$0.53 per share (compared to HK$0.52 per share the previous year). Shareholders will recall that, following the reduction in earnings from our Hong Kong electricity business which followed the cut in permitted return as part of the new Scheme of Control entered into in 2008, dividends were maintained at the same level from 2007 until we announced a small increase in the fourth interim dividend for 2011. Although the increase in interim dividends is modest, I believe that shareholders will welcome this as a clear signal of our aim to return to a steady upwards trend in dividend payments, in line with the underlying performance of the Group's business.

The CLP Group's financial performance during the period to 30 June 2012 has been adversely affected by difficult and challenging operating conditions. Some of these, such as at Yallourn, have been specific to our assets, whilst others, such as at Jhajjar, have been the result of wider influences. Our business is one which rewards expertise and commitment. We have also learned, over many years, that this is also a business which repays patience and perseverance. I am convinced and confident that our financial strength, operating skills and presence across a range of markets, fuels and technologies give us the capability to manage the challenges and exploit the opportunities presented by the Asian power sector and deliver long-term and sustainable value to our shareholders.

The Hon. Sir Michael Kadoorie
Hong Kong, 14 August 2012

Greeting our shareholders before the 2012 Annual General Meeting

Our Investments as at 30 June 2012

Wind power | Hydro power | Biomass power | Nuclear power
Coal power | Gas power | Solar power

Hong Kong Investments

Equity Interest

100%

CLP Power Hong Kong Limited (CLP Power Hong Kong)[1]

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

- 555 km of 400kV lines, 1,561 km of 132kV lines, 27 km of 33kV lines and 11,935 km of 11kV lines
- 59,766 MVA transformers and 216 primary and 13,436 secondary substations in operation

40%

Castle Peak Power Company Limited (CAPCO)[1], 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:

- **Yallourn** coal-fired power station 1,480MW
- **Tallawarra** gas-fired power station 420MW
- **Hallett** gas-fired power station 203MW
- **Delta Western GenTrader** (Mount Piper and Wallerawang) off-take from coal-fired power stations 2,400MW
- **Newport** and **Jeeralang** off-take from gas-fired plant 966MW
- **Waterloo** wind farm 111MW
- **Cathedral Rocks** (50% JV) wind farm 66MW
- **Iona** Gas Storage facility and processing plant 22PJ
- **Gunnedah Basin** 20% (>500PJ of equity coal seam gas)
- Equity in **Queensland coal seam methane tenements**

Chinese Mainland Investments Gross / Equity MW

Equity Interest

25%

Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968 / 492MW
GNPJVC constructed the Guangdong Daya Bay Nuclear Power Station (GNPS) at Daya Bay. 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

30%

CSEC Guohua International Power Company Limited (CSEC Guohua) 7,650 / 1,333MW[(2)]
Ownership interests in five coal-fired power stations:

- 100% of Beijing Yire (400MW)
- 65% of Panshan in Tianjin (1,030MW)
- 55% of Sanhe I and II in Hebei (1,300MW)
- 50% of Suizhong I and Suizhong II in Liaoning (3,600MW)
- 65% of Zhungeer II and III in Inner Mongolia Autonomous Region (1,320MW)

49%

CLP Guohua Shenmu Power Company Limited (Shenmu) 220 / 108MW
Owns and operates Shenmu Power Station in Shaanxi (220MW)

29.4%

Shandong Zhonghua Power Company, Ltd. (SZPC) 3,060 / 900MW
Owns four coal-fired power stations in Shandong:

- Shiheng I and II (1,260MW)
- Liaocheng I (1,200MW)
- Heze II (600MW)

70%

CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 1,260 / 882MW
Owns and operates two 630MW supercritical coal-fired units at Fangchenggang, Guangxi

49%

Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 445 / 218MW
Owns nine wind farms in Shandong:

- Rongcheng I (48.8MW)
- Rongcheng II (49.5MW)
- Rongcheng III (49.5MW)
- Dongying Hekou (49.5MW)
- Lijin I (49.5MW)
- Lijin II (49.5MW)
- Zhanhua I (49.5MW)
- Zhanhua II (49.5MW)
- Haifang (49.5MW), under development

49%

Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW
Owns three wind farms in Jilin: Datong (49.5MW), Shuangliao I (49.3MW) and Shuangliao II (49.5MW)

45%

Shandong Huaneng Wind Joint Ventures (Shandong Huaneng Wind) 96 / 43MW
Owns three wind farms in Shandong: Changdao (27.2MW), Weihai I (19.5MW) and Weihai II (49.5MW)

100%

Qian'an IW Power Company Limited (Qian'an I Wind) 50 / 50MW (Qian'an II Wind) 50 / 50MW
Owns and operates Qian'an I (49.5MW) and Qian'an II (49.5MW) wind farms in Jilin

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	Investment
45%	**Sinohydro CLP Wind Power Company Limited (Changling II Wind) 50 / 22MW** Owns Changling II wind farm (49.5MW) in Jilin
45%	**Huadian Laizhou Wind Power Company Limited (Laizhou Wind) 41 / 18MW** Owns Laizhou wind farm (40.5MW) in Shandong
50%	**CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99 / 24MW(3)** Owns two wind farms in Liaoning: 49% of Qujiagou (49.5MW) and 49% of Mazongshan (49.5MW)
100%	**CLP (Penglai) Wind Power Ltd. (Penglai I Wind) 48 / 48MW** Owns and operates Penglai I wind farm (48MW) in Shandong
32%	**CGN Wind Power Company Limited (CGN Wind) 2,001 / 524MW(4)** Owns and operates 1,878MW of wind projects in various parts of China
25%	**Huaneng Shantou Wind Power Company Limited (Nanao II Wind) 45 / 11MW (Nanao III Wind) 15 / 4MW** Owns two wind farms in Guangdong: Nanao II (45MW) and Nanao III (15MW)
29%	**Shanghai Chongming Beiyan Wind Power Generation Company Limited (Shanghai Chongming Wind) 48 / 14MW** Owns Chongming wind farm (48MW) in Shanghai, under construction
49%	**Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200 / 600MW** 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%	**Huaiji Hydropower Stations (Huaiji Hydro) 125 / 106MW** Owns and operates 12 small hydro power stations (125MW) in Guangdong
100%	**Dali Yang_er Hydropower Development Co., Ltd. (Yang_er Hydro) 50 / 50MW** Owns and operates Yang_er hydro power station (50MW) in Yunnan
100%	**CLP Sichuan (Jiangbian) Power Company Limited (Jiangbian Hydro) 330 / 330MW** Owns and operates Jiangbian hydro power station (330MW) in Sichuan
79%	**CLP Huanyu (Shandong) Biomass Heat and Power Company Limited (Boxing Biomass) Equivalent of 15 / 12MW** Owns and operates Boxing biomass combined heat and power plant (15MW + 75 tonnes / hour steam) in Shandong

Notes:

(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.

(4) The 524 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 2,001 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.

India Investments Gross / Equity MW

Equity Interest	Investment
100%	**CLP Wind Farms (Khandke) Private Limited (Khandke Wind) 50 / 50MW** • Khandke Wind – 50.4MW project in Maharashtra. The project is fully commissioned
100%	**CLP India Private Limited (CLP India) 705 / 705MW** • Paguthan Plant (formerly known as 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 project in Gujarat. The project is fully commissioned
100%	**CLP Wind Farms (India) Private Limited (CLP Wind Farms) 572 / 572MW** • Samana Phase II (50.4MW) in Gujarat • Saundatti project (72MW) and Harapanahalli project (39.6MW) in Karnataka • Andhra Lake project (106.4MW) in Maharashtra • Theni Phase I project (49.5MW) in Tamil Nadu • Sipla project (50.4MW), 13.6MW commissioned and balance 36.8MW under construction, in Rajasthan • Bhakrani project (102.4MW) under construction in Rajasthan • Tejuva project (100.8MW) under construction in Rajasthan
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 – 1,320MW (2 x 660MW) coal-fired project, being constructed using supercritical technology at Jhajjar, Haryana. Unit 1 and Unit 2 achieved commercial operation on 29 March 2012 and19 July 2012 respectively

Southeast Asia and Taiwan Investments Gross / Equity MW

Equity Interest	Investment
20%	**Ho-Ping Power Company (HPC) 1,320 / 264MW** HPC owns the 1,320MW coal-fired Ho-Ping Power Station in Taiwan. CLP's 20% interest is held through OneEnergy Taiwan Ltd, a 50:50 project vehicle with Mitsubishi Corporation. Taiwan Cement Corporation owns the other 60% interest in HPC
33.3%	**Natural Energy Development Co., Ltd. (NED) 55 / 18MW** NED owns an operating 55MW solar farm in Lopburi Province in Central Thailand. NED is a joint venture company with equal shareholding by CLP, Mitsubishi Corporation and Electricity Generating Public Company Limited

Financial Review

Our Financial Performance

Operating earnings down 22.4% to HK$3,897 million, substantially attributable to the unfavourable mark-to-market movements of energy contracts in Australia. Total earnings declined from HK$5,800 million to HK$3,356 million, a 42.1% decrease from the same period last year, mainly as a result of the Yallourn mine incident and the absence of gains from asset disposals.

	Six months ended 30 June					
	2012		2011		Increase / (Decrease)	
	HK$M	HK$M	HK$M	HK$M	HK$M	%
Electricity business in Hong Kong (HK)		3,240		3,114	126	4.0
Energy business in Australia		268		1,191	(923)	(77.5)
PSDC and sales to Guangdong from HK	58		49			
Nuclear power business	268		319			
Other power projects in Chinese mainland	393		349			
Electricity business in India	(19)		183			
Power projects in Southeast Asia and Taiwan	73		28			
Other earnings	(64)		59			
Earnings from other investments/ operations		709		987	(278)	(28.2)
Unallocated net finance costs		(39)		(17)		
Unallocated Group expenses		(281)		(250)		
Operating earnings		3,897		5,025	(1,128)	(22.4)
Yallourn mine incident		(644)		–		
Tax consolidation benefit from Australia		103		–		
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		–		(640)		
Total earnings		3,356		5,800	(2,444)	(42.1)

Hong Kong

Earnings from our HK electricity business grew slightly on higher average net fixed assets, partly offset by increased interest expense resulting from higher interest rates and borrowings.

Australia

Operating earnings from Australia decreased by HK$923 million. This was due to unfavourable mark-to-market movements of energy contracts because of falls in forward prices (in particular NSW cap prices as a result of lack of market volatility), lower pool prices, higher operating costs following the NSW acquisition and reduced generation revenue from Yallourn after the mine incident. These negative factors were partly offset by a full six months contribution from the NSW acquisition (as compared to only four months in 2011).

Chinese Mainland

Earnings from GNPJVC were adversely affected by a planned refuelling outage during the period and the lower average shareholders' funds for profit determination. Dividend income of HK$55 million from Daya Bay Nuclear Power Operations and Management Company, Limited offset part of the decrease.

Earnings from the Shandong and Fangchenggang coal-fired power stations improved in 2012 with the benefit from the tariff uplifts in April and December 2011. This improvement was partly offset by the effects of lower rainfall on our hydro projects, and lower wind speeds and more grid restrictions on our wind projects.

India

Whilst the operations of our Paguthan Plant remained stable, the loss from CLP India was largely attributable to the operating loss from Jhajjar as a result of a shortage in coal supply after the commissioning of Unit 1 in late March 2012. In addition, a net translation loss (as compared to a gain in 2011) on U.S. dollar loans relating to Jhajjar further reduced the contribution from CLP India.

Southeast Asia and Taiwan

Earnings were mainly attributable to Ho-Ping in Taiwan (after the sale of EGCO in February 2011) which improved as a result of higher generation and energy charge during the period. The commissioning of the Lopburi solar project in Thailand also contributed to the increase.

Non-recurring Items

In June 2012, heavy rain across Gippsland in Victoria, Australia preceded a breach in the Morwell River Diversion which flooded the coal mine at Yallourn. The costs of the incident, including a provision for river diversions, levees and dewatering and an impairment of fixed assets, amounted to HK$644 million (A$83 million) at 30 June 2012. On the other hand, TRUenergy recognised a tax consolidation benefit of HK$103 million (A$13 million) as a result of legislative amendments to the tax consolidation rules in Australia in June 2012.

Readers should bear in mind that the 2012 first half included full six months results post NSW acquisition, as compared to four months results in the first half of 2011.

Group's Financial Results

	Notes to the Financial Statements	Six months ended 30 June 2012 HK$M	2011 HK$M	Increase / (Decrease) HK$M	%
Revenue	*4*	**46,156**	40,678	5,478	13.5
Expenses		**(40,779)**	(34,163)	6,616	19.4
Finance costs	*7*	**(3,143)**	(2,858)	285	10.0
Income tax expense	*8*	**(466)**	(940)	(474)	(50.4)
Earnings attributable to shareholders		**3,356**	5,800	(2,444)	(42.1)

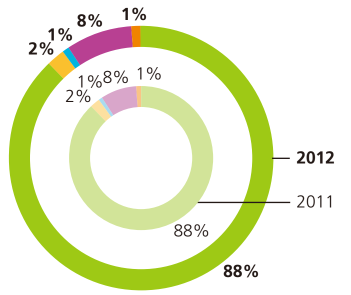
Revenue and Expenses

Revenue from our Hong Kong electricity business grew 7% as a result of more units sold and higher fuel clause revenue to recover increased fuel costs. In Australia, in addition to the full six months effect of the NSW acquisition, the uplifts in electricity tariffs since July 2011 also contributed to the increase in revenue. In India, the additional revenue from the commissioning of more wind farms and Jhajjar was offset by the decrease in the average Indian rupee exchange rate during the period.

The majority of expenses is under the "Purchases of electricity, gas and distribution services" category. The increase in expenses was mainly attributable to the rise in transmission and distribution charges, the full six months effect of the NSW acquisition, the mark-to-market loss on energy contracts of HK$626 million (2011: HK$48 million) and the costs of the Yallourn mine incident (HK$920 million).

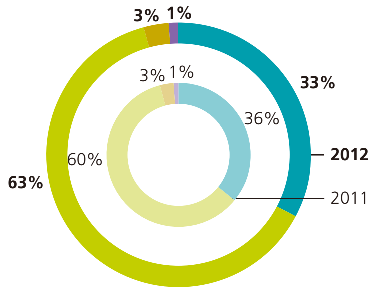
Analysis of Revenue

By Nature



Sales of electricity
Finance lease income
Other revenue
Lease service income
Sales of gas

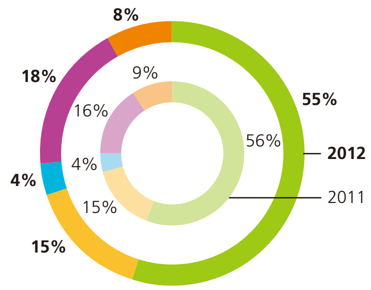
By Region



Hong Kong
Australia
India
Others

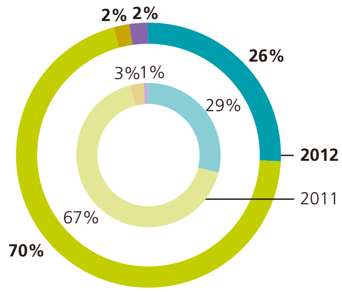
Analysis of Expenses

By Nature



Purchases of electricity, gas and distribution services
Staff expenses
Fuel and other operating expenses
Operating lease and lease service payments
Depreciation and amortisation

By Region



Hong Kong
Australia
India
Others

Finance Costs

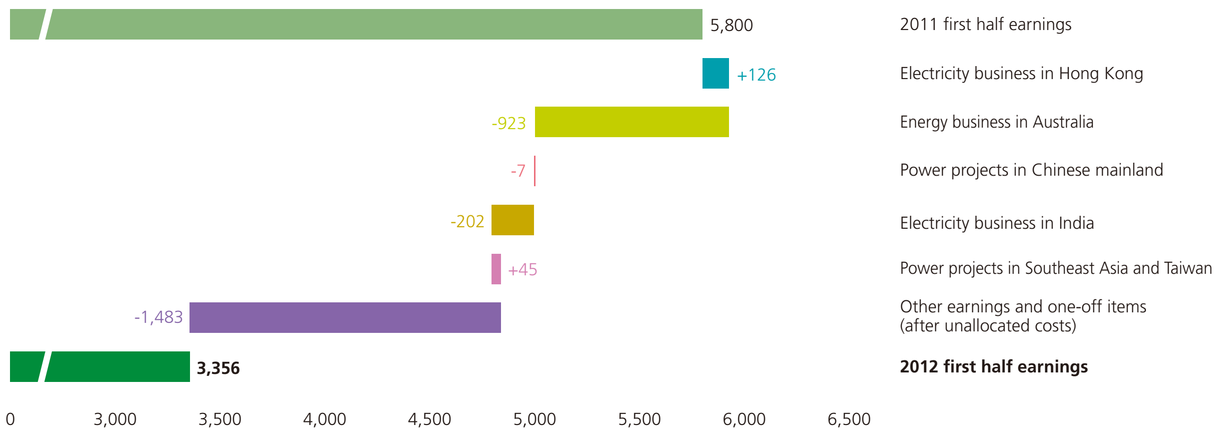
The increase in finance costs was mainly attributable to higher interest expense on higher borrowings and lower finance costs being capitalised upon the commissioning of Jiangbian and Jhajjar Unit 1.

Income Tax Expense

Income tax expense decreased by 50% mainly attributable to the decrease in operating earnings, and the tax consolidation benefit of HK$103 million (A$13 million) recognised as a result of legislative amendments to the tax consolidation rules in Australia.

Earnings Attributable to Shareholders

Group Earnings (HK$M)



The electricity business in Hong Kong remains our core business and contributed HK$3,240 million to the Group's total earnings, as compared to HK$3,114 million in 2011.

The energy business in Australia now accounts for 34% and 63% of the Group's total assets and revenue respectively. Its earnings are susceptible to market forces, and to the mark-to-market movements of energy contracts, which are used to hedge our exposure in a competitive electricity market, as part of good risk management practice. The decline in contribution to total earnings from HK$888 million in 2011 to a loss of HK$273 million also reflects the costs of restoring the Yallourn mine to sustainable and safe operations.

Average exchange rate	Six months ended 30 June 2012	2011	Decrease %
Australian dollar : Hong Kong dollar	**8.0144**	8.1353	(1.5)
Indian rupee : Hong Kong dollar	**0.1481**	0.1732	(14.5)

Group's Financial Position

	Notes to the Financial Statements	At 30 June 2012 HK$M	At 31 December 2011 HK$M	Increase / (Decrease) HK$M	%
Fixed assets	11	129,424	128,571	853	0.7
Goodwill and other intangible assets	12	27,161	27,369	(208)	(0.8)
Trade and other receivables	17	17,880	17,103	777	4.5
Trade and other payables	18	21,336	16,990	4,346	25.6
Derivative financial instrument assets*	15	6,264	7,185	(921)	(12.8)
Derivative financial instrument liabilities*	15	6,523	7,294	(771)	(10.6)
Bank loans and other borrowings*	19	66,024	65,521	503	0.8

* Including current and non-current portions

Period end exchange rate	At 30 June 2012	At 31 December 2011	Decrease %
Australian dollar : Hong Kong dollar	7.7868	7.8894	(1.3)
Indian rupee : Hong Kong dollar	0.1366	0.1457	(6.2)

Fixed Assets and Capital Commitments

In Hong Kong, we invested over HK$2.8 billion during the period on generation, transmission and distribution and customer service facilities to uphold our high quality electricity supply to the territory. The completion of Units 1 and 2 of Jhajjar in India also added HK$1 billion to fixed assets.

Capital commitments at 30 June 2012 stood at HK$21.7 billion. These mainly represented the works on the transmission and distribution network in Hong Kong and other capital works in Australia and India.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets related mostly to our Australia business. In June 2012, the acquisition of a strategic coal mine business gave rise to goodwill of HK$170 million (A$23 million). The decrease in the closing rate of Australian dollar, however, resulted in an overall decrease in the balance.

Trade and Other Receivables

The increase in trade and other receivables was mainly seasonal with higher electricity sales in Hong Kong (Summer) and gas sales in Australia (Winter) in June. In addition, a recoverable amount of HK$503 million was recorded with respect to the Rent and Rates Special Rebate to customers in Hong Kong, pending the decision of the Lands Tribunal on our appeals.

On the other hand, a deposit (HK$1,159 million) paid by CLP for the investment in Yangjiang nuclear power project was refunded in January 2012.

Trade and Other Payables

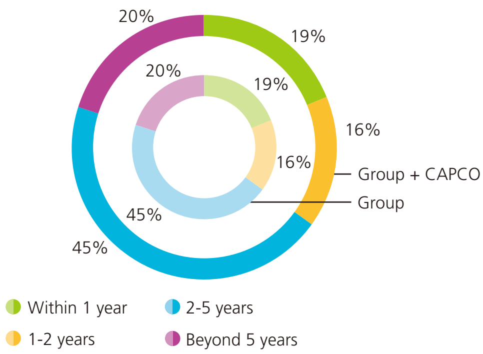
The significant increase in trade and other payables was mainly attributable to the receipt of interim refunds of HK$1,521 million from the Hong Kong Government which is subject to the final outcome of the rent and rates appeals, and the cash assistance of HK$2,005 million (A$258 million) received by TRUenergy under the Energy Security Fund. The receipt by TRUenergy was recorded as deferred revenue and will be amortised to profit or loss over a year starting from 1 July 2012.

Derivative Financial Instruments

As at 30 June 2012, the Group had gross outstanding derivative financial instruments amounting to HK$166.5 billion. The fair value of these derivative instruments was a net deficit of HK$259 million, representing the net amount payable if these contracts were closed out on 30 June 2012. However, changes in the fair value of derivatives have no impact on cash flows 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 2012 HK$M	31 December 2011 HK$M	30 June 2012 HK$M	31 December 2011 HK$M
CLP Group				
Forward foreign exchange contracts	99,868	104,624	1,758	1,699
Interest rate swaps / cross currency & interest rate swaps	37,960	36,598	398	413
Energy contracts	28,683	32,210	(2,415)	(2,221)
	166,511	173,432	(259)	(109)
CAPCO				
Forward foreign exchange contracts	28	48	(3)	(3)
Interest rate swaps	238	477	–	(5)
Total	166,777	173,957	(262)	(117)

Maturity Profile as at 30 June 2012



Financing and Capital Resources

The Group engaged in new financing activities in the first half of 2012 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 and risk management activities to avoid the volatility of global financial markets (availability, amount and pricing) causing material adverse impact to the Group.

In May and June 2012, CLP Holdings arranged HK$1.15 billion new bank facilities at favourable terms to further increase its firepower. As at end-June, CLP Holdings maintained HK$9.25 billion undrawn bank facilities and HK$900 million bank balances to meet business growth and contingency.

In view of greater challenges in the financial markets, CLP Power Hong Kong has commenced its funding exercise for 2012 earlier than usual. The objective is to minimise liquidity risk and enable the Group to lock in cost effective debt financing at an opportune time rather than facing undue market risks (amount, pricing, tenor) closer to the dates of debt maturity or fund usage. The details of new financing arranged this year up to July are:

(i) HK$1.4 billion 5, 7 and 15-year bonds issued under the Medium Term Note (MTN) Programme and HK$1.3 billion 3-year committed bank facilities arranged between January and April 2012; and

(ii) JPY3 billion (HK$294 million) 10-year bond issued under the MTN Programme in July 2012. All the Japanese yen proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk.

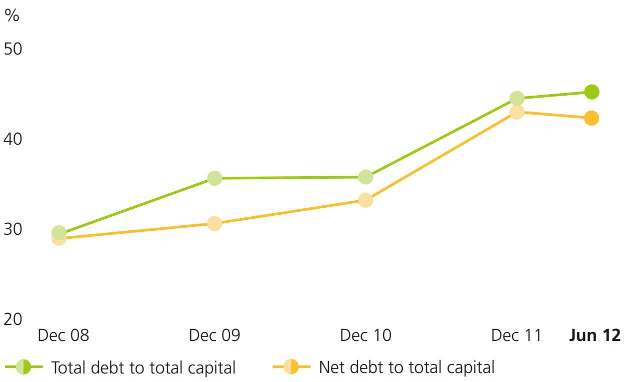
Financing and Capital Resources (continued)

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 may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2012, notes with an aggregate nominal value of about HK$19.6 billion have been issued under the MTN Programme.

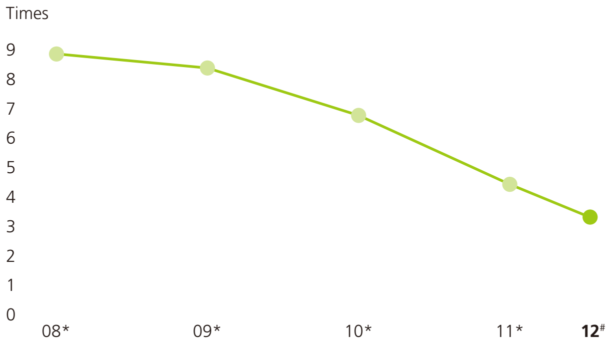
In Australia, TRUenergy successfully arranged US$400 million (HK$3.1 billion) 5, 7, 10, 12 and 15-year bonds through a U.S. private placement in March 2012. All the U.S. dollar proceeds were swapped back into fixed rate Australian dollars to mitigate foreign exchange and interest rate risks. In India, Jhajjar refinanced Rs.4.3 billion (HK$587 million) loans from nine Indian banks by loans from two international banks with reduced funding cost in July 2012.

This year, the Group continues to maintain an appropriate portion of committed credit facilities to ensure funding certainty. As long term interest rates are close to historically low levels and certain investors are willing to extend the tenor of their holdings for higher yield, CLP Power Hong Kong and TRUenergy have taken the opportunity to further extend the debt tenor and diversify the investor base. As at end June 2012, we maintained lending relationship with 59 financial institutions to facilitate business growth. Our efforts in diversification of debt funding to avoid over-concentration risk are illustrated in the charts below. We remain cautious in transacting only with integrated financial institutions which have strong credit standings in order to ensure our counterparties will perform their contractual obligations. The debts of our subsidiaries are without recourse to CLP Holdings. Of the Group's total borrowings, HK$8,115 million as at 30 June 2012 was secured by fixed and floating charges over the assets of our subsidiaries in India, and HK$3,256 million was secured by right of receipt of tariff, fixed assets and land use rights of subsidiaries in the Chinese mainland. The Group's total debt to total capital ratio as at 30 June 2012 was 45.2% (31 December 2011: 44.6%), decreasing to 42.5% (31 December 2011: 43.1%) after netting off bank balances, cash and other liquid funds as at 30 June 2012. Interest cover for the six months ended 30 June 2012 was 3 times. As at 30 June 2012, the Group's fixed rate debt as a proportion of total debt was approximately 63% (61% for the Group and CAPCO combined).

Gearing

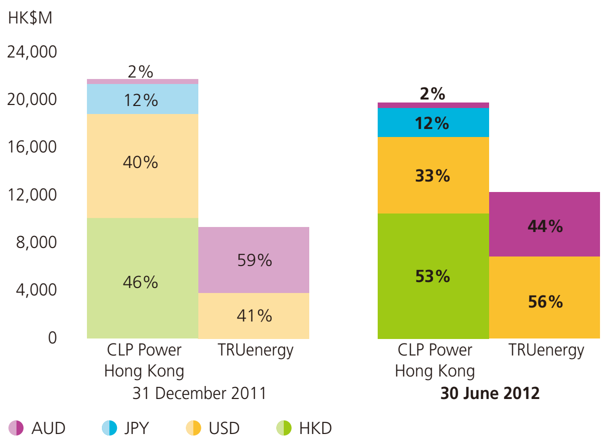


Interest Cover

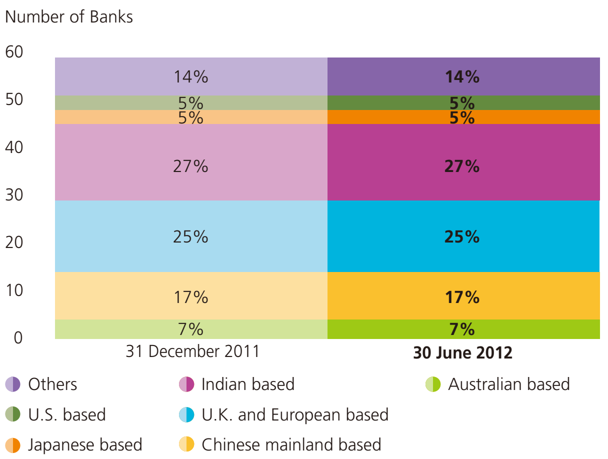


* Calculated on annual profit or loss figures
\# Calculated on interim profit or loss figures

Currency of Bond Funding



CLP Banking Relationship – Balanced Mix of Lending Financial Institutions



Financing and Capital Resources (continued)

Debt Profile as at 30 June 2012

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	Other Subsidiaries[1] HK$M	Group HK$M	Group + CAPCO HK$M
Available Facility[2]	16,600	32,290	43,533	**92,423**	**98,751**
Loan Balance	7,349	26,950	31,725	**66,024**	**71,922**
Undrawn Facility	9,251	5,340	11,808	**26,399**	**26,829**

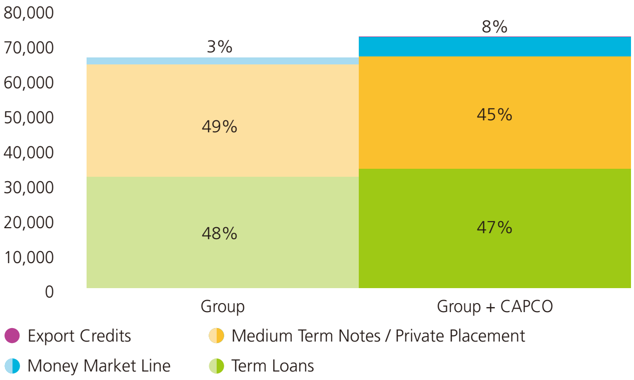
Notes:

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 2012 was included in the total amount of Available Facility. The Available Facility in TRUenergy excludes facility set aside for guarantees.

Loan Balance – Type

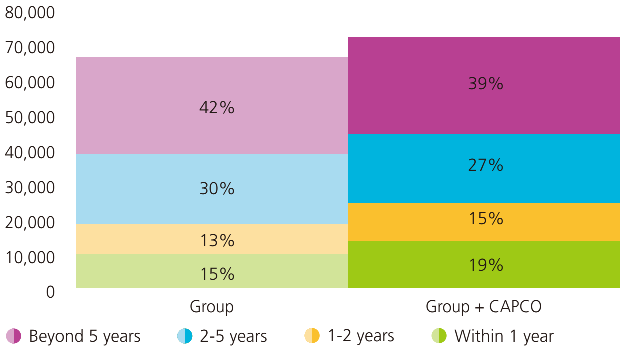
HK$M



Note: Export credits 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.

Loan Balance – Maturity

HK$M



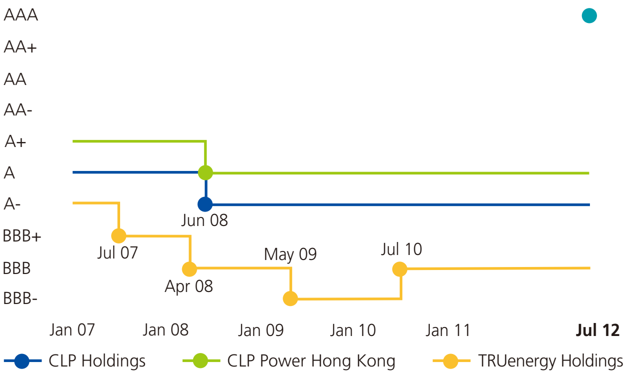
Note: Loan balance between two to five years includes loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

Credit Rating

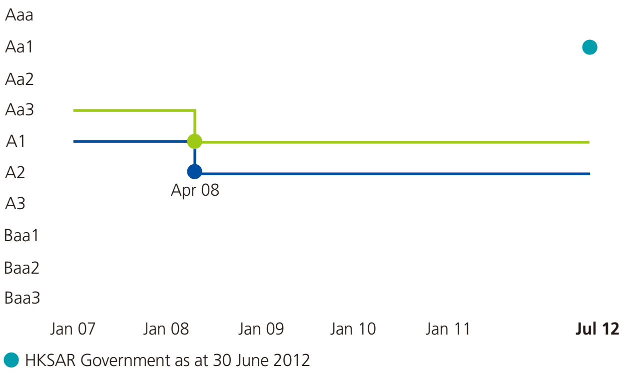
CLP's commitment to prudent financial and risk management along with disciplined investment strategy have enabled the Group to maintain good investment grade credit ratings throughout the previous decades. CLP's ability to maintain a good credit standing and access the financial markets at cost-effective terms is crucial if we are to meet our business needs and objectives.

Long-term Credit Ratings – Foreign Currency and Local Currency

Standard & Poor's



Moody's



CLP Holdings

Moody's: Re-affirmed the A2 credit rating with stable outlook in March 2012

Positives	Negatives
• Sound liquidity profile and good operating track record • Prudent and gradual approach in pursuing overseas expansion • Strong and predictable cash flows from CLP Power Hong Kong, which operates in highly stable regulatory environment • Ability to access the domestic and international bank and capital markets • Availability of sizeable committed bank facilities • Well managed debt maturity profile	• Weakened financial profile due to debt-funded overseas expansion, albeit still appropriate for the rating • Expansion in riskier, non-regulated merchant energy and retail businesses • NSW acquisition put pressure on the Group's financials with a temporary weakening in 2011, but expected to improve in 2012 and then onwards as a result of increased earnings from NSW business and Jhajjar project in India

Standard & Poor's (S&P): Re-affirmed the A- credit rating with stable outlook in March 2012

Positives	Negatives
• Anticipate financial strength to improve meaningfully from 2013 due to: (1) higher returns from Hong Kong operations from further capital expenditure and stable local electricity demand; (2) higher earnings from its enlarged Australian operations after integration of the NSW assets in 2013; (3) the full commissioning of Jhajjar project in India in 2012; and (4) growing earnings from renewable energy investments • Adequate liquidity supported by strong operating cash flow from Hong Kong operations and its strong financial flexibility • Strong commitment to deleveraging and its record of disposing assets to optimise the portfolio	• Expansion into unregulated power generation assets in the Asia-Pacific could weaken its strong business profile • Higher leverage has weakened the Group's financial health and put pressure on its modest financial risk profile

CLP Power Hong Kong

Moody's: Re-affirmed the A1 credit rating with stable outlook in March 2012

Positives	Negatives
• Strong and highly predictable cash flow generated from SoC operations • Regulatory framework, transparent tariff system and 100% cost pass-through • Good track record in accessing domestic and international bank and capital markets • Well managed debt maturity profile	• Liquidity profile may be pressured to a certain extent by its dividend payments to CLP Holdings • Long-term capital expenditure plan • Rating constrained by CLP Holdings' continuous expansion into the more risky non-regulated energy and retail businesses in the region

S&P: Re-affirmed the A credit rating with stable outlook in March 2012

Positives	Negatives
• Excellent business risk profile, regulatory regime protects CLP Power Hong Kong from rising fuel costs and ensures stable operating cash flows • Sound bank relationships and good reputation in the capital market • Good liability management with diversified debt sources and tenors • Liquidity remains adequate	• Uncertainty surrounding the expansion of CLP Holdings in unregulated businesses outside Hong Kong partly offset the strengths of CLP Power Hong Kong • The Government's environment regulations could result in some uncertainty in mid to long-term operations and financing needs

TRUenergy Holdings

S&P: Re-affirmed the BBB credit rating with stable outlook in May 2012

Positives	Negatives
• Benefit from a higher rated owner, CLP Holdings • Strong liquidity profile and continued prudent risk management practices • Vertically integrated electricity generation and retailing components of the business • Operational flexibility derived from the portfolio of plants by fuel and dispatch merit order • Increased scale and diversity of operations attained from the NSW energy acquisitions could improve TRUenergy's business risk profile	• Risk of integrating NSW assets, while holding market share, and completion of the new customer care and billing system • Challenges to manage potential portfolio changes to mitigate its exposure to the government's carbon abatement scheme

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 for managing treasury risk. We also monitor our risk exposures with the assistance of a "Value-at-Risk" (VaR) methodology, Volumetric Limits 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 2011 Annual Report at pages 80, 103 to 113 and 202 to 210.

Performance and Outlook

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 2012.

Electricity Business in Hong Kong

In the first six months of 2012, local sales of electricity were 15,035 gigawatt hours (GWh), an increase of 4.8% over the same period last year. The sales growth was supported by increased loading arising from higher humidity in the first quarter and hotter weather in the second quarter. This weather effect was particularly significant in the residential sector, whereas in the manufacturing sector it was largely offset by the ongoing and longstanding decline in the local manufacturing industry.

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

	Increase		As Percentage of Total Local Sales
Residential	252GWh	6.6%	27%
Commercial	226GWh	3.8%	41%
Infrastructure & Public Services	209GWh	5.6%	26%
Manufacturing	3GWh	0.3%	6%

Sales to the Chinese mainland amounted to 1,002GWh, an increase of 18.1% as compared to the same period last year. This was attributable to the different timing of sales to Guangdong Power Grid Corporation, compared to the lower sales in the first half of 2011. Total electricity sales, including both local sales and sales to the Chinese mainland, increased by 5.6% over the same period last year to 16,037GWh.

With effect from 1 January 2012 there was a 4.9% average net tariff increase for our Hong Kong electricity customers. This was the result of increases of 4.2 cents in basic tariff and 3.7 cents in fuel clause charge, partially offset by a special rebate of 3.3 cents. These rises were needed to meet the increasingly stringent Government emissions regulations to support Hong Kong's drive for better air quality, leading to the need to invest in emissions control facilities and new infrastructure to use much more natural gas for power generation. Even with these increases, our tariffs remain highly competitive when compared with other major metropolitan cities. In Hong Kong, the electricity we supply remains affordable, reflecting our efforts over many years to reduce costs and improve efficiency. For example, over the last 25 years the overall increase in CLP's tariff is lower than that of the Consumer Price Index, rises in average wage levels and the costs charged by other public utilities. We continue to work hard on the delivery of a quality electricity service to customers, at a competitive price and in an environmentally friendly manner, to meet the demand of our customers.

To enhance supply quality and reliability, as well as to provide for demand created by infrastructure development projects, CLP incurred HK$3.7 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, especially those supporting government's infrastructure developments such as the Express Rail Link, Shatin to Central Link, West Kowloon Cultural District, Hong Kong Boundary Crossing Facilities and "Energising Kowloon East";
- reinforcement of 400kV overhead line towers to better withstand super-typhoons; and
- refurbishment of ageing equipment and the addition of condition monitoring systems which check the health status of critical transmission plant on a real time basis.

In the night of 23/24 July 2012 the typhoon signal no. 10 was hoisted for the first time since 1999 as Severe Typhoon Vicente passed by Hong Kong. Supply to 36,500 customers was affected. Despite gale force winds and heavy rainfall, by around 10 a.m. the following morning supply had been safely restored to all except about 4,000 customers, whose supply was also restored during the day. This outstanding performance in highly adverse weather conditions was a testimony to the robustness of our transmission system and the efforts of our staff.

On 25 July, subsequent to Typhoon Vicente, a section of the coal conveyor belt structure transporting coal to Castle Peak A Power Station detached and fell to the ground. The incident caused no injuries but coal delivery to the A Station was temporarily affected as a result. Restoration work for the conveyor belt is now progressing and it may take two to three months to resume coal supply to the A Station. Power supply to our customers has remained unaffected despite the hot weather and high electricity demand.

We are following the development of the Government's energy strategy subsequent to the Government's public consultation on Hong Kong's Climate Change Strategy and Action Agenda. Work continues on securing gas contemplated under the inter-Government Memorandum of Understanding (MOU) on energy supplies signed in August 2008. While approval from the HKSAR Government is still pending for the gas supply agreement with Mainland suppliers, for which negotiations were finalised in late 2011, the necessary infrastructure to transport and receive these new gas supplies is progressing as planned.

For the new sub-sea pipeline that will transport the gas supplies from PetroChina's second West-to-East Pipeline to Black Point Power Station, construction in Mainland waters is now approximately 50% complete. Construction in Hong Kong waters commenced in June. The new gas receiving station at Black Point Power Station should be completed by the end of 2012. We are working closely with PetroChina and Shenzhen Gas on site selection and project approval activities for the proposed new Liquefied Natural Gas terminal in Shenzhen.

Options for the additional import of nuclear energy to Hong Kong are being evaluated to meet increasing electricity demand and to ensure that this is done in line with any decision by the Government regarding the role of nuclear energy in Hong Kong.

CLP provided support to the Government in their review of the Daya Bay nuclear contingency plan and participated in their two-day emergency exercise held in April to assess the effectiveness of the plan and the capability of Government's emergency response, based on a simulated nuclear accident at Daya Bay that led to radiation release and required Government counter-measures.

The CLP Nuclear Resources Centre in Hong Kong was officially launched in May. This is part of ongoing initiatives to enhance public knowledge of nuclear and radiation protection related matters.

The third, fourth and fifth units of plant modification at Black Point Power Station were successfully completed. Modifications of the remaining units will continue in the second half of 2012 with all units to be completed by early 2013. These modifications will enable the Black Point Power Station to migrate progressively from the existing Yacheng gas supply to the future new gas supplies from the Chinese mainland.

With full operation of the emissions control facilities at Castle Peak Power Station in 2011, our overall emissions performance continued to meet the stringent regulatory requirements.

CLP has recorded a double-digit annual growth in electricity demand from data centres within our supply area. In the Tseung Kwan O Industrial Estate alone, there are around ten large-scale international data centres under various stages of development.

Further to the successful launch of the 24-hour INFOLINE service and weekend customer installation inspection service in 2011, a new Customer Services Implementation Plan for 2012 has been launched. This will enhance the provision to customers in each tariff class of customised and value-added services. We have also further stepped up our efforts in promoting energy efficiency and conservation which include the recent changes in electricity bills to show additional information about actual average daily consumption and equivalent CO_2 emission per unit of energy.

We are continuing to test various smart grid technologies. On the basis of the preliminary results from pilot projects, collaboration with all relevant stakeholders including the Government is underway to define and then implement those smart grid technologies which will most benefit our Hong Kong customers.

On 15 March 2012 the Company announced that it, together with China Southern Power Grid Co., Ltd (CSG), was in discussions to acquire the 60% equity interest in Castle Peak Power Company Limited (CAPCO) currently held by ExxonMobil Energy Limited (EMEL), a subsidiary of Exxon Mobil Corporation (ExxonMobil). The Company also explained that there have been discussions over some time between the Company and ExxonMobil regarding the divestment of EMEL's interest in CAPCO, although CSG was a new party in these discussions. Currently, the Company has nothing further to add to this announcement.

CLP relocated its administrative office at Argyle Street to 8 Laguna Verde Avenue, Hung Hom on 28 May 2012. CLP has operated its administrative and management functions out of Argyle Street building since 1940. The building has served the Company well as it grew over the decades. However, as a building of over 70 years old, it has reached a point where it is no longer suitable for modern business needs. Moreover, changes to fire safety and building regulations require substantial and expensive renovation works. The departure from Argyle Street does allow the possibility of residential redevelopment at the site. However, the decision, timing and details of any such redevelopment are not yet determined. We are aware of the heritage value of the Argyle Street building, in particular the Clock Tower which will be a familiar sight to many of our fellow citizens. We are working towards an outcome, such as the preservation of the Clock Tower and its use for community purposes, which would see a proper balance being struck between the legitimate interest of CLP's shareholders in the realisation of value from the redevelopment of the site and the community's desire, supported by Government, to see the preservation of an important and distinctive element of Hong Kong's built heritage.

Outlook for the second half of 2012:

- Continuing to monitor gas availability from the existing Yacheng gas field and prudently managing gas usage prior to the arrival of replacement gas;
- Ensuring all infrastructure and plant modification works continue to progress on schedule in order to accept deliveries of new gas supplies by first quarter of 2013;
- Securing HKSAR Government approval for a new gas supply agreement for one of the three sources outlined in the MOU;
- Managing our operating costs amidst volatile international fuel prices and rising local labour costs so as to minimise the tariff increase impact on our customers;
- Stepping up efforts towards promoting energy efficiency through public education and the provision of energy efficiency related services;
- Continuing to enhance stakeholder engagement activities and communication plans in relation to nuclear safety issues so as to assist an informed debate on the future energy mix for Hong Kong;
- Engaging actively with the HKSAR Government on a practical plan for meeting proposed climate change goals and achieving air quality objectives, as well as starting to plan and pursue the major infrastructure developments in our business which will be needed if these policies are to be successfully implemented on time; and
- Taking forward innovative initiatives such as supporting Government in promoting the adoption of electric vehicles in Hong Kong, piloting smart grid projects including advanced metering infrastructure and facilitating the development of the best local renewable energy projects and their integration with the grid.

Energy Business in Australia

In Australia we have continued to build TRUenergy as a strong integrated and diversified energy business.

We have a large generation portfolio diversified by fuel type, geography and operating mode and we are Australia's largest generator by output. The portfolio includes the Yallourn brown coal-fired generator in Victoria; the Mount Piper and Wallerawang black coal-fired generators in NSW; gas-fired generation at Tallawarra in NSW, Hallett in SA, and Newport and Jeeralang in Victoria; and wind farms at Waterloo and Cathedral Rocks in SA.

Total generation output for the six months was 11% higher than last year, driven by the inclusion of a full six-month contribution from the NSW GenTrader assets of Mount Piper and Wallerawang and high general levels of availability across the portfolio.

In June fuel supply to the largest generator in the portfolio, Yallourn, was restricted due to a flooding event at the Yallourn mine. Despite this event we were able to cover the requirements of our retail business and third party contracts from other generators in the portfolio and purchases from the pool market, albeit at higher costs than would have been the case had Yallourn remained in full operation.

The disruption to fuel supply at Yallourn was caused by the collapse of a coal supply conveyor tunnel that runs beneath the Morwell River Diversion on 6 June. This destroyed one of four main trunk conveyors supplying coal to the power station and stopped the operation of two other conveyors. The power station was able to maintain output from one of its four generating units throughout June while recovery works were commenced.

Piping and pumping to divert the normal flows of the Morwell River across the mine and into the Latrobe River has been introduced and this will remain in place until a full repair of the Morwell River Diversion structure is completed.

Good progress has since been made on the reinstatement of full operations at the Yallourn Power Station with three of the power station's four generating units operating from 18 July following the recovery of one of the main trunk conveyors in mid-July.

The implications of the Yallourn mine incident on our Financial Statements for the first half of 2012 are discussed more fully in Note 6 to the Financial Statements at page 50 of this Interim Report.

Piping to manage flows of Morwell River across Yallourn coal mine

The Newport and Jeeralang gas-fired power stations in Victoria are available to us under the Ecogen Master Hedge agreement, and we utilised the flexibility of these arrangements to help manage the restricted outage at Yallourn. High availability at the Tallawarra gas-fired power station in NSW and high start availability at the gas-fired Hallett Power Station, which is used to meet peak demand periods, also helped us manage our load profiles across the period.

We are the third largest energy retailer in Australia with a market share of 22% of customer accounts across eastern Australia. We have significant presence in the two largest markets, Victoria and NSW, which are also where our largest generation positions are located.

Electricity sales volumes increased by 14% compared with the prior period reflecting the additional contribution from the NSW energy retail business. Underlying demand was, however, weaker as a result of mild weather conditions and a general decline in per customer usage seen across the economy in eastern Australia. Gas sales declined by 2% compared with the prior period as a result of these same factors.

Australia's energy markets remain amongst the most competitive in the world, with high levels of customer churn. TRUenergy continued to perform well in our two major markets with NSW electricity churn out of 15.8%, compared to a market rate of 17.3% and Victorian electricity churn out at 21.4%, compared to a market rate of 25.6%.

While our customer acquisitions increased compared with last year, the increased churn in the market exceeded our acquisition rate and consequently our final customer account numbers at 30 June were 54,000 or 2% lower than at the same time last year. Our marketing activity is planned to increase in the second half as we deploy our new billing systems and roll out a single national brand. On 24 July we were named the successful retailer for the One Big Switch campaign. This provides access to a significant number of pre-registered customers across eastern Australia who wish to access new energy offerings. This is likely to significantly offset the reduction in customer accounts in the first half.

The deployment of a new customer care and billing system, known as Odyssey, in September is designed to transform our customer service and billing capabilities. We completed user acceptance testing of the system in June 2012 and the platform will be deployed after a final pilot test and full dress rehearsal.

We made significant improvements in our retail business billing and registration processes in the first half which also led to a major improvement in call centre performance. A significant number of calls are now being handled by our interactive voice response systems, while of those requiring a consultant, approximately 80% of calls offered were answered within 30 seconds.

Work progressed well towards the introduction of a single national brand for the Australia retail business later this year. The rebranding provides a strong marketing opportunity and will be supported by a strategic communications and advertising campaign in Australia's major markets.

Current EnergyAustralia and TRUenergy customers are being progressively advised of the rebranding, while an internal engagement programme, including regular briefings and workshops, has been rolled out to our employees.

EnergyAustralia has become the retail partner for the Australian Government's Smart Grid, Smart City project. The project will trial smart technology and smarter energy products including innovations in digital communications, metering and sensors in the Hunter Valley, north of Sydney and Greater Sydney.

In pricing, the NSW Independent Pricing and Regulatory Tribunal (IPART) released its final price determination on the average electricity prices effective from 1 July 2012. The average increase for EnergyAustralia's customers (residential and small business) was 20.6%, primarily due to rising network costs and the introduction of the carbon price.

During the first half of 2012, we acquired Enhance Place Pty Limited, a small, open cut coal miner that supplies around 350,000 tonnes of black coal a year to the Mount Piper Power Station. Since 1 March 2011 we have held the power trading rights to the Mount Piper and Wallerawang Power Stations as part of the Delta Western GenTrader contracts, and this acquisition provides a strong strategic fit in securing fuel supplies over the medium term.

The NSW Government also passed legislation to privatise its three generation businesses, including Delta Electricity, which owns the Mount Piper and Wallerawang Power Stations. The other NSW generation businesses to be privatised are Eraring Energy and Macquarie Generation. The State will retain ownership of the network businesses. Details of the sale process are yet to be released.

On 29 June the Australian Government announced an extension to the timeframe beyond 30 June 2012 for its contract for closure programme under which it is seeking to negotiate the closure of up to 2,000MW of emissions-intensive generation capacity by 2020. TRUenergy has submitted a proposal under the programme. The Government has indicated it would endeavour to reach an outcome in coming months.

The 123MW Stony Gap wind farm planning approval was delayed. The wind farm is one of the first to be assessed under new South Australian wind farm planning guidelines.

On 1 July the Australian Government's carbon pricing legislation came into effect. The package includes a default target of 5% abatement on 2000 CO_2 equivalent emissions by 2020 across the Australian economy, a fixed carbon price for the first three years beginning on 1 July and starting at A$23 per tonne for liable entities. The fixed carbon price will rise at 2.5% each year.

To facilitate the transition to lower carbon emissions the Government established an Energy Security Fund. Under the Fund a total of A$5.5 billion in the form of cash and free permits has been allocated to emission intensive coal-fired generation plant to be distributed as follows:

- a one-off payment of A$1 billion to be divided between recipient generators in proportion to their historical emission intensity and output and deliverable by 30 June 2012. On 22 June 2012 TRUenergy received a cash payment of A$257.5 million (or 25.75% of the total) as part of this arrangement.
- four annual allocations of 41.7 million free carbon permits to be divided between recipient generators in proportion to their historical emission intensity and output, deliverable on 1 September 2013, 2014, 2015 and 2016, respectively. TRUenergy anticipates receiving a further 25.75% of these allocations conditional on Yallourn passing a power system reliability test (administered by the Australian Energy Market Operator) and publishing a Clean Energy Investment Plan.

In the second half of 2012, TRUenergy will focus on:

- the launch of a new single brand to build our national retail position;
- completing the introduction of our new customer care and billing system to transform our customer service and billing capabilities;
- the introduction of innovative retail products and services, such as home energy reporting; and
- maintenance of operational performance at Yallourn Power Station following the recovery of mine operations.

Chinese Mainland

Economic growth in China is forecast to be 7.5% in 2012, which is significantly lower than the 9.2% achieved in 2011. Growth in electricity demand is likely to be somewhat slower as a result.

Conditions in the Chinese coal industry are changing with a fast expanding production capacity, but a slower growth in demand. Investment in the coal industry was RMB1,250 billion during the 11th Five-Year Plan Period. Looking more broadly, we see that international and domestic coal market prices are all lower in the first half of 2012. Thermal coal stockpiled at China's largest loading port at Qinhuangdao has risen to its highest level since the financial crisis in 2008.

Fangchenggang Power Station has operated reliably so far this year and remains one of the major profit contributors to CLP's Mainland business. Utilisation was similar to the corresponding period in 2011. We have successfully completed trials with a wider range of coal types than originally considered in the plant design, thus giving more choices in sourcing supply and scope for reducing costs.

The stable operating performance of Fangchenggang, together with the ability to source competitively-priced international coal, supports CLP's proposal to move forward with the Fangchenggang Stage II project. This will add 1,320MW of ultra-supercritical generating capacity on the same site. The Guangxi Government submitted the project proposal to the National Development and Reform Commission (NDRC) and in-principle approval was obtained in July 2012. This will enable us to proceed with further preparatory work in anticipation of final approval.

The PRC Government issued its findings and necessary improvement measures in mid-June following a comprehensive safety review of the nuclear installations in the Mainland post Fukushima. This review concluded that operating nuclear power units have fully adopted the national nuclear safety standards and the latest International Atomic Energy Agency safety standards. Daya Bay Nuclear Power Station has been confirmed to have adequate guidelines in place to manage severe accidents including the impact of a potential regional tsunami. Even so, a number of enhancements are being implemented at Daya Bay to reinforce the continuation of Daya Bay's longstanding safety record.

Completion of the acquisition of a 17% equity share in the Yangjiang Nuclear Power Station project (6 x 1,080MW of the CPR1000 technology) in Guangdong is still awaiting regulatory approval. Construction of the station commenced in 2008 with expected commissioning in phases between 2013 and 2017 supplying power to Guangdong.

Since the introduction in January 2011 of an enhanced public notification mechanism for non-emergency Licensing Operating Events (LOE) for Daya Bay, there was a Level "0" LOE incident reported within 2 working days through the mechanism in April 2012, serving to keep the public informed even though there was no nuclear safety significance nor any impact on external environment and public safety in the incident.

Average wind speeds in Shandong and Jilin Provinces continue to be lower than long-term averages by between 2% and 10%, and the utilisation hours of our wind portfolio in 2012 will be below planned levels as a result. China is experiencing a low wind period that began in 2011 and has so far extended into the first six months of 2012. Downward variations in wind speed of this magnitude and duration have been recorded several times over the past 30 years.

The wind turbines at Qian'an Phases I and II in Jilin Province are operating smoothly but there are significant restrictions on production due to grid constraints. This is also a problem for other wind farms in the same region. Our wholly-owned wind project, Penglai Phase I (48MW), achieved commercial operation in February 2012 and has operated well so far.

Rainfall in western China was 30 to 40% lower than forecast in the first half of 2012 and generation from the Jiangbian and Dali Yang_er hydro stations was correspondingly reduced. We have taken the opportunity to maintain the plant during this dry weather period in preparation for the rainy season. The situation was different for the small Huaiji hydro units, which experienced higher rainfall.

We continue our efforts to improve performance of the Boxing biomass plant by optimising combustion conditions to the available biomass material. We were able to procure cotton stalk residue at times of seasonal availability from local farms. Boxing was registered as an emissions reduction project under the Clean Development Mechanism in July 2011 and we have started discussion with potential buyers of Certified Emission Reduction credits.

CGN CLP Energy Services (Shenzhen) Co. Ltd, a joint venture company established with China Guangdong Nuclear Power Holding Company Limited (CGNPC) in 2011, has gained a foothold in the southern China energy services market through steady expansion of projects in business areas such as energy audit, consultancy, servo motor application and LED lighting. The joint venture increases our customer network and builds CLP's presence in southern China.

Outlook for the second half of 2012:

- Effective maintenance and technical improvements at Fangchenggang to maximise availability for high dispatch periods and improve generation efficiency;
- Obtaining final NDRC approval to proceed with the construction of Fangchenggang II;
- Restructuring minority-owned coal-fired joint venture projects;
- Following up with our joint venture partners on the safety enhancement measures recommended by the National Nuclear Safety Administration in the comprehensive safety review with regard to Daya Bay Nuclear Power Station;
- Continuing to improve public knowledge and understanding in nuclear related matters in Hong Kong, including the launch of a new nuclear energy website;
- Completing the process for the acquisition by CLP of its minority stake in the Yangjiang project and thereafter monitoring its progress to support completion on time and within budget;
- Obtaining Provincial Development and Reform Commission's approval of the Laiwu Phase I wind project, in Shandong, and commencing construction;
- Completing the construction of the Chongming wind project in Shanghai;
- Submission of the Penglai Phase II and Laiwu Phase II wind projects to the National Energy Administration for registration;
- Identifying other wind power development opportunities; and
- Maintaining high operational standards at Jiangbian and exploring new project opportunities to build on the experience gained in hydropower projects.

Tree planting in Qian'an Wind Farm

India

The Jhajjar project declared commercial operation for its first unit on 29 March 2012. Since then the station has been running at irregular intervals due to the lack of coal. However, on 7 June 2012 the project company signed a Fuel Supply Agreement with Central Coalfields Limited (CCL), a subsidiary of CIL, the state-owned monopoly, for a quantity of 5.21 million tonnes for twenty years. It is expected that CCL will be able to supply around 60% of the signed quantity, although CCL will not have a liability to pay liquidated damages for any shortfall in coal deliveries over at least the coming three years. In addition to the above, approval to import 1 million tonnes of coal has recently been received from the Haryana State off-taker. With both these agreements the plant is expected to run to improving capacity.

Commercial operation of the second unit was achieved on 19 July 2012, within schedule and in accordance with the terms of the power purchase agreement (PPA).

The Paguthan Plant has a PPA with the Gujarat State off-taker under which the fuel costs are passed through. During the first half of the year the plant has run at a capacity of around 40% as the supply of gas from Reliance Industries, which is the cheapest gas source, has fallen by 50% from its peak levels. Based on the current scenario it is expected that gas availability will fall further and that imported gas prices will continue to remain high. To date, this shortage has not impacted the profitability of the project significantly as the PPA protects the returns of the plant.

During the period the Andhra Lake wind project (106MW) was fully commissioned and the Sipla wind project (50.4MW) in the state of Rajasthan was partly commissioned. The balance of the turbines at Sipla are expected to be commissioned by the third quarter of 2012.

The first half of the year is the low wind season in India. The monsoon season which runs from early June to the end of September should increase the output and, therefore, the earnings from our wind energy portfolio in the latter part of the year.

Outlook for the second half of 2012:

- The focus at Jhajjar will remain primarily on ensuring a continuous and regular supply of coal to run the plant at a sustained level. To this end intensive efforts will continue with the State, Central Government and CIL;
- We expect to complete the Sipla project in the second half of the year. Two new projects with a total installed capacity of 203.2MW are under construction in the state of Rajasthan and should be fully commissioned in later half of 2012 and first half of 2013; and
- We will continue existing efforts to diversify our portfolio by "run of river" hydro and solar projects, although such projects will be considered only on a selected basis having regard to critical issues such as land acquisition, reliable technology and a supportive tariff regime.

Southeast Asia and Taiwan

Ho-Ping Power Station has operated at high levels of availability and continues to provide an economic supply of power to the Taiwan grid. We have passed a milestone of 3 million manhours on site, accumulated over the past seven years, without a lost time injury to our operating staff.

The Environmental Protection Bureau of Hualien County, where Ho-Ping is located, issued a penalty notice of NT$442 million due to exceedance of a coal consumption limit in 2009 and 2010. This limit was imposed through the environmental impact assessment and has been applied even though emissions to the environment remained well within the allowed concentrations. Ho-Ping is considering an appeal.

Taipower has put increased pressure on all the independent power producers (IPPs) in Taiwan, including Ho-Ping, to reduce the tariff applicable under the long-term PPAs. Ho-Ping management has been coordinating efforts with its shareholders and also other IPPs to argue that Taipower should honour its commitments under these agreements.

Our 55MW Lopburi solar project in Thailand achieved full commercial operation on 29 March 2012. Arrangements for an 8MW expansion at the site are progressing.

We are exploring two coal-fired project opportunities in Vietnam, both based on imported coal and both on a build, operate and transfer basis. The status of these is as follows:

Vung Ang II – discussions with the Vietnam Government have established contractual conditions for the project development and operation. We now have sufficiently firm pricing of capital and operating costs to be able to enter tariff negotiations with Government. The outcome will determine whether the project is viable.

Vinh Tan III – similar negotiations are underway with the Vietnam Government on the principles of the various contracts that would be involved in developing the project. We have obtained competitive bids for the construction of the power station and the supply of fuel such that we can determine the economics of the investment and the cost of power.

The key tasks for the second half of 2012 will include:

- maintaining good operational performance at Ho-Ping;
- constructing the 8MW expansion of the Lopburi solar project; and
- continuing negotiations with the Vietnam Government on the Vung Ang II and Vinh Tan III projects.

Human Resources

As at 30 June 2012, the Group employed 6,429 staff (2011: 6,185), of whom 4,064 were employed in the Hong Kong electricity and related business, 2,095 by our businesses in Australia, the Chinese mainland, India, Southeast Asia and Taiwan, as well as 270 by CLP Holdings. Total remuneration for the six months ended 30 June 2012 amounted to HK$2,140 million (2011: HK$2,011 million), including retirement benefit costs of HK$157 million (2011: HK$147 million).

TRUenergy has launched a Diversity Charter and Diversity Council. The Charter identifies TRUenergy's commitment to workplace diversity in its different forms, and the Diversity Council will ensure delivery on that commitment. The Managing Director – TRUenergy will chair the Diversity Council.

Safety

Safety performance in terms of the number of fatalities has been better than the same period last year and in 2010. No fatal incident occurred in our majority-owned and operationally-controlled assets in the first half of this year. One of the reasons for the improvement is the completion of major construction projects in India, the Chinese mainland and Thailand.

Several lost time injuries (occupational injuries that result in a worker missing one scheduled workday or more after the day of the injury) occurred in various assets and sharing of the lessons learnt has been conducted in all regions to prevent reoccurrence.

Other safety initiatives conducted across the Group in the first half of the year included safety conferences, peer reviews, safety reviews of construction projects and participation in the World Association of Nuclear Operators nuclear safety peer review at Daya Bay Power Station. We also conducted a number of emergency exercises such as a nuclear incident emergency drill and China region emergency management drill to see our readiness in case of emergency. We also participated in the nuclear emergency drill organised by the HKSAR Government.

Looking forward to the second half of 2012, we will continue our peer review programme across our assets and we will further enhance our safety management framework to ensure that a safe working environment exists.

Environment

Power generation has always had an impact on the environment and as such, expectations from stakeholders on how we manage and report our environmental performance and risks continue to rise. For the first half of 2012, we had no environmental regulatory non-compliances.

In addition, we are also making good progress in implementing environmental management systems at our operationally-controlled facilities across the region, with the aim of achieving ISO14001 certification for the relevant facilities by the end of 2012.

Climate Change

In 2007, we announced our commitment to voluntarily reduce the carbon intensity of our generation portfolio resulting in a fundamental shift in the way we manage and grow our business. We met our 2010 carbon intensity target of 0.8 $kgCO_2/kWh$ and we managed to keep our 2011 carbon intensity at the same level despite the lower availability of natural gas and need for more coal at our Hong Kong power plant. We are now working towards meeting our updated 2020 target of 0.6 $kgCO_2/kWh$. At the start of 2012, renewable energy accounted for 18.3% of CLP Group's generation portfolio, which puts us on a solid path towards meeting our renewable energy target of 20% by 2020.

In Hong Kong, concerning the Climate Change Strategy and Action Agenda proposed by Government and the fuel mix target of 50% nuclear, 40% gas, 3 to 4% renewable energy and not more than 10% coal by 2020, Government is still considering views from the public before finalising its intended policy direction. As climate change policies continue to evolve in the markets where CLP has a presence, we will continue to monitor and assess these developments so that we can plan and respond to the economic, social and environmental challenges posed to our business.

Air Quality

During the first half of 2012, we continued our efforts to reduce emissions from the facilities under our operational control. Between 2010 and 2011 we reduced the emissions of Sulphur Dioxide (SO_2) by 4% and total suspended particulates by 3%. In Hong Kong alone, from 1990 to 2011 total emissions of Nitrogen Dioxide, SO_2, and respirable suspended particulates fell by 82%, 88% and 82% respectively, despite total electricity demand rising over 80%. We are also making good progress in our efforts to secure new sources of natural gas for our generation facilities in Hong Kong. In addition, following completion of a public consultation on Hong Kong Air Quality Objectives (AQO) in 2009, HKSAR Government announced their plan to implement a new AQO in 2014. Government drew up 19 air quality improvement measures including increase of natural gas ratio in local electricity generation to 50%. The proposed gas ratio was in line with the recommendations in the AQO consultation paper, and was adopted as an assumption for setting the emission caps for power plant in 2015.

Water

Water risks for many utilities across the world stem from water availability, poor water quality, flooding, compliance costs (both for treatment prior to and after use) as well as reputational issues due to water mismanagement, particularly in communities with high levels of water stress. In anticipation of these increasing business risks related to water, CLP participated in the development and pilot of the World Business Council for Sustainable Development Global Water Tool for Utilities. In addition, CLP participates in the 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 current and projected water availability. We also track and publish our water usage statistics for power plant under our operational control.

Sustainability Report

Since 2002, CLP has been publishing extensive information about its social and environmental performance where we disclose our successes and setbacks with equal honesty. Although reporting requirements are not only increasing in terms of frequency but also in the level of detail and disclosure, we fulfilled all our environmental regulatory reporting commitments in the first half of 2012. In addition, we also continued our participation this year in various investor surveys and initiatives which measure, rate and track the sustainability performance of companies. These include the Dow Jones Sustainability Index, the Hang Seng Corporate Sustainability Index and the Carbon Disclosure Project.

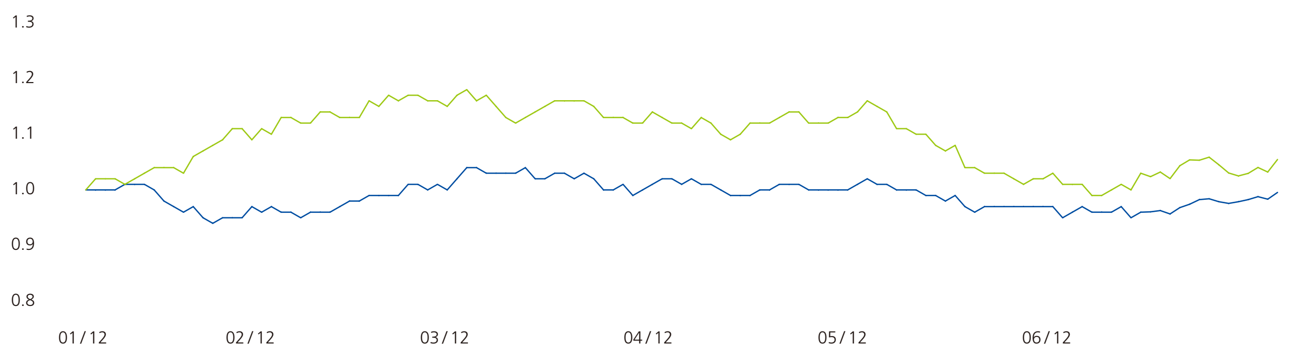
Our sustainability performance is updated for the first half of 2012 in our online interim Sustainability Report along with this Interim Report to provide our readers with the latest update and information.

Shareholder Value

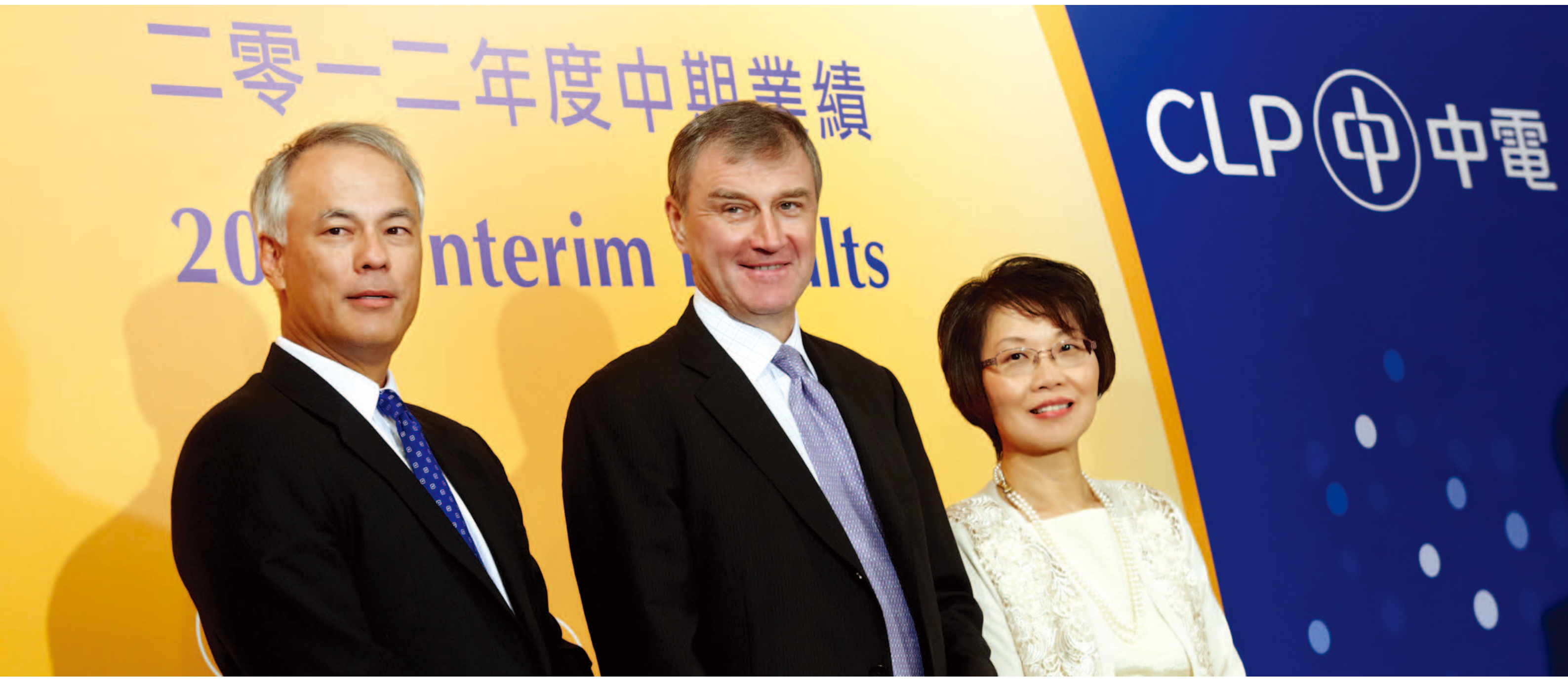
During the first half of 2012, CLP's share price dropped by 0.45% whilst the Hang Seng Index (HSI) rose by 5.46%.

The fourth interim dividend for 2011 of HK$0.96 per share was paid to shareholders on 22 March 2012. The first interim dividend for 2012 of HK$0.53 per share was paid on 15 June 2012 and the second interim dividend of HK$0.53 per share will be paid on 14 September 2012.

Relative Performance – CLP vs HSI (1 Jan 2012 – 30 Jun 2012) (Base: 31 December 2011 = 1.0)



Source: Bloomberg



Announcing CLP Holdings' 2012 Interim Results

Corporate Governance

Corporate Governance Practices

In the Corporate Governance Report of 27 February 2012, which was published in our 2011 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) in February 2005 (most recently updated in February 2012). This incorporated all of the Code Provisions and Recommended Best Practices in the then Appendix 14, "Code on Corporate Governance Practices" (the Stock Exchange Code) issued by the Hong Kong Stock Exchange in effect before 1 April 2012 and in the revised Appendix 14, "Corporate Governance Code and Corporate Governance Report" (the revised Stock Exchange Code) which came into effect on 1 April 2012, save for one exception.

This single deviation from the Recommended Best Practices of the revised 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 87 of the Company's 2011 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 2012 the Company met the Code Provisions set out in the Stock Exchange Code and the revised 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 2011 in the evolution of CLP's corporate governance practices was set out in the Corporate Governance Report on page 87 of the Company's 2011 Annual Report. So far in 2012, we have made further progress in our corporate governance practices. This included:

(a) formalising the reporting to the Human Resources & Remuneration Committee of the training and continuous professional development of Senior Management;

(b) continuing a two-way communication with institutional and retail investors on corporate governance policies and practices; and

(c) undertaking a performance evaluation of the CLP Holdings Board and Board Committees, with an aim to finalising the analysis by the last quarter of 2012.

As at 30 June 2012 the composition of the Board of CLP Holdings was as follows:

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

Since January 2012, there have been a number of changes in the Board as set out below:

- Mr. James F. Muschalik replaced Mr. Neo Kim Teck as Mr. Paul A. Theys' alternate on the Board with effect from 20 January 2012;
- Mrs. Fanny Law resigned as an Independent Non-executive Director on 20 April 2012 and was re-appointed as an Independent Non-executive Director with effect from 1 August 2012;
- Mr. Hansen C. H. Loh retired as an Independent Non-executive Director effective from the conclusion of the 2012 Annual General Meeting held on 8 May 2012; and
- Mr. Peter P. W. Tse retired as an Executive Director and was re-designated as a Non-executive Director with effect from 16 May 2012.

The composition of Board Committees remains the same as set out in the Annual Report (pages 93, 114, 116 and 118), save that

- Mr. Hansen C. H. Loh resigned as a member of the Audit Committee and Nomination Committee with effect from 2 April 2012;
- Mr. Vincent Cheng was appointed a member of the Nomination Committee with effect from 2 April 2012;
- Mrs. Fanny Law resigned as a member of the Audit Committee and Sustainability Committee on 20 April 2012 and was re-appointed as a member of these two Committees with effect from 1 August 2012; and
- Mr. Peter P. W. Tse resigned as a member of the Finance & General Committee, following his retirement as an Executive Director on 16 May 2012.

There were no substantial changes to the information of Directors as disclosed on pages 82 and 83 of the 2011 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 Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company during the six-month period ended 30 June 2012. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During this period, no current Director held directorships in more than four public companies including the Company. No Executive Directors hold any directorship in any other public companies, but they are encouraged to participate in professional, public and community organisations. Other details of Directors' appointments are available 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 2012. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman, Mr. Vernon Moore, Professor Judy Tsui and Mr. Nicholas Allen having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters, and Mrs. Fanny Law having extensive experience in public administration.

At the Company's Annual General Meeting held on 8 May 2012, shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2012. Shareholders also approved amending Article 139 of the Articles of Association of the Company to provide greater flexibility for the Board, rather than the shareholders through a general meeting, to declare a dividend which may be satisfied by a distribution in specie, in cases where a listing of the Company's assets is obtained.

Further information of CLP's corporate governance practices is set out in the Corporate Governance section of CLP's website.

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.

Mr. Peter P. W. Tse, upon his re-designation as a Non-executive Director with effect from 16 May 2012, has entered into a service contract with CLP Properties Limited for one year from 16 May 2012 to provide consultancy services on property matters at a fee based on actual time incurred at an hourly rate of HK$3,200. This service contract can be terminated by CLP Properties Limited or Mr. Tse by giving one month's notice.

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management for the six months ended 30 June 2012 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 2012 and, in the case of the annual and long-term incentives, 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 2012.

	Base Compensation, Allowances & Benefits HK$M	Performance Bonus* Annual Incentive HK$M	Performance Bonus* Long-term Incentive HK$M	Provident Fund Contribution HK$M	Other Payments HK$M	Total HK$M
Paid in the six months ended 30 June 2012						
CEO (Mr. Andrew Brandler)	3.7	5.2	2.8	0.4	–	12.1
Group Executive Director – Strategy (Mr. Peter W. Greenwood)	2.7	3.9	–	0.3	–	6.9
Group Director & Chief Financial Officer (Mr. Mark Takahashi)	2.3	3.0	1.5	0.3	–	7.1
Vice Chairman – CLP Power Hong Kong (Mrs. Betty Yuen)	1.6	3.1 (a)	2.2	0.2	–	7.1
Group Director – Managing Director Hong Kong (Mr. Richard Lancaster)	2.3	3.0	1.0	0.3	–	6.6
Managing Director – TRUenergy (Mr. Richard McIndoe) (b)	3.6	6.2	2.2	0.2	5.6 (c)	17.8
Group Director – Operations (Mr. Peter Littlewood)	1.9	2.7	1.1	0.2	–	5.9
Managing Director – India (Mr. Rajiv Mishra)	1.6	2.1	0.7	0.2	–	4.6
Former Group Executive Director (Mr. Peter P. W. Tse) (d)	2.0	3.6	8.9	0.2	–	14.7
	21.7	32.8	20.4	2.3	5.6	82.8

Notes:

(a) This figure included the additional discretionary annual incentive for year 2011 of HK$1 million paid to Mrs. Betty Yuen in March 2012.

(b) Effective 1 April 2012 Mr. Richard McIndoe's employment was transferred from CLP Holdings (as Group Director – Managing Director Australia) to TRUenergy (as Managing Director – TRUenergy) and he was employed on a local TRUenergy contract. All allowances related to the secondment from CLP Holdings including housing allowance, children's education allowances and tax equalisation on base compensation, allowances and benefits ceased on 31 March 2012. Mr. Richard McIndoe's local remuneration package is aligned with the Australian market and was approved by the Human Resources & Remuneration Committee in February 2012. The local package includes participation in the TRUenergy superannuation, local annual incentive and long-term incentive schemes. As a result no CLP Holdings long-term incentive award was made to Mr. Richard McIndoe in 2012. He will not participate in the CLP Holdings annual incentive scheme for 2012, and no pension contributions will be made by CLP Holdings.

(c) Payment for tax equalisation, housing allowance and children's education allowances from 1 January to 31 March 2012 for secondment to Australia. Out of this payment, HK$5.2 million (93%) was the tax payment to the tax authority of the country where the executive was based during secondment.

(d) Mr. Peter P. W. Tse retired from the Company as Group Executive Director with effect from 16 May 2012. The annual incentive of HK$3.6 million was for the years 2011 and 2012 paid to him this year. The long-term incentive of HK$8.9 million was for the years 2009, 2010, 2011 and 2012 paid to him this year. The annual incentive and long-term incentive for the year 2012 were made on a pro rata basis.

* Performance bonus consists of (i): annual incentive and (ii): long-term incentive. These payments and awards were approved by the Human Resources & Remuneration Committee.

(i) The total amount of annual incentive includes the accruals that have been made from January to June 2012 in the performance bonus at the target level (at 50% of base salary for all Executive Directors and members of Senior Management except Mr. Richard McIndoe whose target annual incentive is 75% of fixed annual remuneration under the TRUenergy local annual incentive scheme) of performance; and the actual bonus paid in 2012 for the previous year in excess of the previous accruals made.

(ii) The long-term incentive is the incentive for 2009, paid in January 2012 when the vesting conditions had been satisfied.

Internal Control

In respect of the year ended 31 December 2011, the Board considered CLP's internal control system effective and adequate. During the six months ended 30 June 2012, no significant areas of concern that might affect shareholders were identified. All of the 10 reports on the Group's affairs submitted by Group Internal Audit during this period carried satisfactory audit opinions. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 98 to 99 of the Company's 2011 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 2012.

We have voluntarily extended the ambit of the CLP Securities Code to cover Senior Management (comprising the two Executive Directors, a former Executive Director and senior managers as set out on page 34 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 2012.

Save for the interests disclosed below by the two Executive Directors, the interests in 10,600 shares disclosed by the Group Director – Operations and the interests in 600 shares disclosed by the Group Director – Managing Director Hong Kong, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2012.

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 2012, 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 2012 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)	209,114,077	8.69084
Mr. Andrew Brandler (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:

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

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

iii) 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.

iv) 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.

v) 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.

vi) 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:

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

ii) 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:

i) 13,141 shares were held in a personal capacity.

ii) 70,146,655 shares were ultimately held by discretionary trusts, of which Mr. R. J. McAulay is one of the discretionary objects.

iii) 203,451,853 shares were ultimately held by a discretionary trust, of which 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 209,114,077 shares in the Company. These shares were held in the following capacity:

i) 100,000 shares were held in a beneficial owner capacity.

ii) 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.

iii) 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.

Messrs. I. D. Boyce, V. F. Moore, Paul A. Theys, Nicholas C. Allen, Vincent Cheng, Professor Judy Tsui and Sir Rod Eddington who are Directors of the Company, and Mr. James F. Muschalik 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 2012. 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 2012.

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 2012.

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 2012, 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 2012:

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 / 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
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)	209,114,077	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 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 2012, 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 2012, 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 2012.

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 40 to 63 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 2012 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, 14 August 2012

Consolidated Income Statement – Unaudited

	Note	Six months ended 30 June 2012 HK$M	2011 HK$M
Revenue	4, 5	46,156	40,678
Expenses			
Purchases of electricity, gas and distribution services		(22,289)	(19,048)
Operating lease and lease service payments		(6,253)	(5,187)
Staff expenses		(1,447)	(1,318)
Fuel and other operating expenses		(7,470)	(5,586)
Depreciation and amortisation		(3,320)	(3,024)
		(40,779)	(34,163)
Other income		–	628
Operating profit	6	5,377	7,143
Finance costs	7	(3,143)	(2,858)
Finance income	7	145	65
Share of results, net of income tax			
Jointly controlled entities	13	1,212	2,012
Associated companies	14	234	381
Profit before income tax		3,825	6,743
Income tax expense	8	(466)	(940)
Profit for the period		3,359	5,803
Earnings attributable to:			
Shareholders		3,356	5,800
Non-controlling interests		3	3
		3,359	5,803
Dividends	9		
First interim paid		1,275	1,251
Second interim declared		1,275	1,251
		2,550	2,502
Earnings per share, basic and diluted	10	HK$1.39	HK$2.41

The notes on pages 46 to 63 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30 June	
	2012	2011
	HK$M	HK$M
Profit for the period	3,359	5,803
Other comprehensive income		
Exchange differences on translation	(999)	2,050
Cash flow hedges	(99)	(369)
Net fair value gains / (losses) on available-for-sale investments	6	(43)
Share of other comprehensive income of jointly controlled entities	(13)	(370)
Reclassification adjustments		
Sale of an available-for-sale investment	–	(171)
Sale of a jointly controlled entity	–	(320)
Other comprehensive income for the period, net of tax	(1,105)	777
Total comprehensive income for the period	2,254	6,580
Total comprehensive income attributable to:		
Shareholders	2,253	6,575
Non-controlling interests	1	5
	2,254	6,580

The notes on pages 46 to 63 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2012 HK$M	31 December 2011 HK$M
Non-current assets			
Fixed assets	*11*	129,424	128,571
Leasehold land and land use rights under operating leases	*11*	1,890	1,811
Goodwill and other intangible assets	*12*	27,161	27,369
Interests in jointly controlled entities	*13*	18,129	18,226
Interest in an associated company	*14*	1,522	1,465
Finance lease receivables		1,678	1,847
Deferred tax assets		1,522	1,276
Fuel clause account		–	212
Derivative financial instruments	*15*	4,420	5,027
Available-for-sale investments	*16*	1,291	1,288
Other non-current assets		141	141
		187,178	187,233
Current assets			
Inventories – stores and fuel		1,536	1,470
Renewable energy certificates		1,476	2,316
Trade and other receivables	*17*	17,880	17,103
Finance lease receivables		143	142
Derivative financial instruments	*15*	1,844	2,158
Bank balances, cash and other liquid funds		6,963	3,866
		29,842	27,055
Current liabilities			
Customers' deposits		(4,361)	(4,297)
Trade and other payables	*18*	(21,336)	(16,990)
Income tax payable		(374)	(143)
Bank loans and other borrowings	*19*	(9,632)	(12,596)
Obligations under finance leases	*20*	(2,277)	(2,200)
Derivative financial instruments	*15*	(1,749)	(2,212)
		(39,729)	(38,438)
Net current liabilities		(9,887)	(11,383)
Total assets less current liabilities		177,291	175,850

	Note	30 June 2012 HK$M	31 December 2011 HK$M
Financed by:			
Equity			
Share capital		12,031	12,031
Share premium		1,164	1,164
Reserves	*22*		
Declared dividends		1,275	2,310
Others		65,457	65,754
Shareholders' funds		79,927	81,259
Non-controlling interests		94	93
		80,021	81,352
Non-current liabilities			
Bank loans and other borrowings	*19*	56,392	52,925
Obligations under finance leases	*20*	24,657	25,196
Deferred tax liabilities		8,156	7,979
Derivative financial instruments	*15*	4,774	5,082
Scheme of Control (SoC) reserve accounts	*21*	520	643
Fuel clause account		217	–
Other non-current liabilities		2,554	2,673
		97,270	94,498
Equity and non-current liabilities		177,291	175,850

William Mocatta
Vice Chairman
Hong Kong, 14 August 2012

Andrew Brandler
Chief Executive Officer

Mark Takahashi
Chief Financial Officer

The notes on pages 46 to 63 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity – Unaudited

	Attributable to Shareholders					
	Share Capital HK$M	Share Premium HK$M	Reserves HK$M	Total HK$M	Non-controlling Interests HK$M	Total Equity HK$M
Balance at 1 January 2012	12,031	1,164	68,064	81,259	93	81,352
Profit for the period	–	–	3,356	3,356	3	3,359
Other comprehensive income for the period	–	–	(1,103)	(1,103)	(2)	(1,105)
Dividends paid						
2011 fourth interim	–	–	(2,310)	(2,310)	–	(2,310)
2012 first interim	–	–	(1,275)	(1,275)	–	(1,275)
Balance at 30 June 2012	**12,031**	**1,164**	**66,732**	**79,927**	**94**	**80,021**
Balance at 1 January 2011	12,031	1,164	66,466	79,661	97	79,758
Profit for the period	–	–	5,800	5,800	3	5,803
Other comprehensive income for the period	–	–	775	775	2	777
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)
Balance at 30 June 2011	12,031	1,164	69,576	82,771	92	82,863

The notes on pages 46 to 63 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June			
	2012		2011	
	HK$M	HK$M	HK$M	HK$M
Operating activities				
Net cash inflow from operations	14,674		7,046	
Interest received	108		58	
Income tax paid	(242)		(325)	
Net cash inflow from operating activities		14,540		6,779
Investing activities				
Capital expenditure	(5,149)		(7,891)	
Capitalised interest paid	(276)		(324)	
Proceeds from disposal of fixed assets	24		68	
Additions of intangible assets	(212)		(56)	
Additions of available-for-sale investments	–		(5)	
Proceed from sale of an available-for-sale investment	4		–	
Acquisition of business	–		(15,453)	
Acquisition of subsidiaries	(207)		179	
Reorganisation of OneEnergy and proceeds from sale of interest in EGCO	–		2,192	
Deferred consideration paid	(261)		(180)	
Repayments from jointly controlled entities	345		57	
Dividends received from				
Jointly controlled entities	672		1,042	
Associated companies	523		1,228	
An available-for-sale investment	61		–	
Increase in bank deposits with maturities of more than three months	(3,122)		–	
Net cash outflow from investing activities		(7,598)		(19,143)
Net cash inflow / (outflow) before financing activities		6,942		(12,364)
Financing activities				
Proceeds from long-term borrowings	13,065		40,146	
Repayment of long-term borrowings	(11,603)		(23,361)	
Repayment of obligations under finance leases	(1,125)		(1,085)	
(Decrease) / increase in short-term borrowings	(391)		2,023	
Interest and other finance costs paid	(2,829)		(2,929)	
Dividends paid to shareholders	(3,585)		(3,465)	
Dividends paid to non-controlling interests of subsidiaries	–		(10)	
Net cash (outflow) / inflow from financing activities		(6,468)		11,319
Net increase / (decrease) in cash and cash equivalents		474		(1,045)
Cash and cash equivalents at beginning of period		3,104		4,023
Effect of exchange rate changes		(178)		59
Cash and cash equivalents at end of period		3,400		3,037
Analysis of balances of cash and cash equivalents				
Short-term investments		330		–
Deposits with banks		5,488		2,541
Cash at banks and on hand		1,145		1,258
Bank balances, cash and other liquid funds		6,963		3,799
Excluding:				
Cash restricted for specific purposes		(441)		(762)
Bank deposits with maturities of more than three months		(3,122)		–
		3,400		3,037

The notes on pages 46 to 63 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. The 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 211 and 212 of the 2011 Annual Report.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 14 August 2012.

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 2011, except that the Group has adopted the following revised Hong Kong Financial Reporting Standards (HKFRS) effective 1 January 2012:

- Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"
- Amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets"

The adoption of these revised HKFRS has had no significant impact on the results and the financial position of the Group.

Certain comparative amounts have been presented in more detail or reclassified to conform with current year's presentation:

- Separate presentation of HK$2,316 million of "Renewable energy certificates" which was previously included in "Trade and other receivables" on the consolidated statement of financial position at 31 December 2011;
- The following reclassifications were made on the consolidated income statement for the six months ended 30 June 2011 to reflect the nature of the transaction. These reclassifications have no overall impact to the profit for the period and are consistent with the presentation of the consolidated income statement for the year ended 31 December 2011:
  - A reclassification of certain expenses of HK$454 million previously netted in "Revenue", which resulted in an increase in both "Revenue" and "Purchases of electricity, gas and distribution services";
  - A reclassification to decrease "Fuel and other operating expenses" and "Revenue" by HK$21 million;
  - A reclassification of fair value gain to decrease "Purchases of electricity, gas and distribution services" and increase "Fuel and other operating expenses" by HK$494 million respectively.

3. Critical Accounting Estimates and Judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the more significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, as set out on pages 155 and 156 of the 2011 Annual Report.

4. Revenue

	Six months ended 30 June	
	2012	2011
	HK$M	HK$M
Sales of electricity	**40,794**	35,062
Lease service income	**726**	819
Finance lease income	**147**	176
Sales of gas	**4,041**	3,501
Other revenue	**472**	412
	46,180	39,970
Transfer for SoC (from) / to revenue (note)	**(24)**	708
	46,156	40,678

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 21). 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.

5. Segment Information

The Group operates, through its subsidiaries, jointly controlled entities, jointly controlled assets and an associated company, 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 HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2012							
Revenue	15,544	28,909	389	1,305	7	2	**46,156**
Operating profit / (loss)	4,855	326	115	378	(16)	(281)	**5,377**
Finance costs	(1,765)	(914)	(107)	(312)	–	(45)	**(3,143)**
Finance income	2	93	3	39	2	6	**145**
Share of results, net of income tax							
Jointly controlled entities	618	(4)	511 [(a)]	–	87	–	**1,212**
An associated company	–	–	234 [(a)]	–	–	–	**234**
Profit / (loss) before income tax	3,710	(499)	756	105	73	(320)	**3,825**
Income tax (expense) / credit	(516)	226	(52)	(124)	–	–	**(466)**
Profit / (loss) for the period	3,194	(273)	704	(19)	73	(320)	**3,359**
Earnings attributable to non-controlling interests	–	–	(3)	–	–	–	**(3)**
Earnings / (loss) attributable to shareholders	3,194	(273)	701	(19)	73	(320)	**3,356**
At 30 June 2012							
Fixed assets	87,076	25,063	5,075	12,041	–	169	**129,424**
Goodwill and other intangible assets	–	27,092	38	31	–	–	**27,161**
Interests in							
Jointly controlled entities	8,869	102	7,683	–	1,475	–	**18,129**
An associated company	–	–	1,522	–	–	–	**1,522**
Deferred tax assets	–	1,452	62	8	–	–	**1,522**
Other assets	8,851	20,924	2,709	5,770	60	948	**39,262**
Total assets	104,796	74,633	17,089	17,850	1,535	1,117	**217,020**

5. Segment Information (continued)

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2011							
Revenue	14,520	24,670	210	1,257	18	3	40,678
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 [(a)]	–	762	–	2,012
Associated companies	–	40	341 [(a)]	–	–	–	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
At 31 December 2011							
Fixed assets	86,384	25,511	5,199	11,360	–	117	128,571
Goodwill and other intangible assets	–	27,295	39	35	–	–	27,369
Interests in							
Jointly controlled entities	9,096	98	7,609	–	1,423	–	18,226
An associated company	–	–	1,465	–	–	–	1,465
Deferred tax assets	–	1,212	63	1	–	–	1,276
Other assets	7,959	19,047	3,605	5,910	49	811	37,381
Total assets	103,439	73,163	17,980	17,306	1,472	928	214,288

Note:

(a) Out of the total amounts of HK$745 million (2011: HK$784 million), HK$274 million (2011: HK$379 million) was attributable 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. Operating Profit

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

	Six months ended 30 June 2012 HK$M	2011 HK$M
Staff costs		
Salaries and other costs	1,344	1,222
Retirement benefits costs	103	96
Net loss on disposal of fixed assets	141	72
Yallourn mine incident (note)	920	–
Net fair value (gain) / loss on derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	(194)	105
Fuel and other operating expenses	(56)	(45)
Transactions not qualifying as hedges	637	319
Ineffectiveness of cash flow hedges	(76)	(17)
Net exchange loss / (gain)	107	(333)

Note: In June 2012, following heavy rain across Gippsland in Victoria, Australia and a subsequent breach in the Morwell River Diversion, the coal mine of Yallourn was flooded and the conveyors to supply coal from the mine to Yallourn Power Station were damaged, resulting in reduced operation of the Yallourn Power Station. Remediation work is in progress in order to allow Yallourn Power Station to resume safe and sustainable operations. Total costs of the incident, including a provision for river diversions, levees and dewatering and an impairment of fixed assets of HK$38 million (A$5 million) (2011: nil), amounted to HK$920 million (after tax: HK$644 million) (A$118 million (after tax: A$83 million)) (2011: nil).

7. Finance Costs and Income

	Six months ended 30 June 2012 HK$M	2011 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	949	857
Other borrowings		
Wholly repayable within five years	317	141
Not wholly repayable within five years	355	417
Tariff Stabilisation Fund [(a)]	1	1
Customers' deposits, fuel clause over-recovery and others	1	–
Finance charges under finance leases [(b)]	1,359	1,364
Other finance charges	207	285
Fair value loss / (gain) on derivative financial instruments		
Cash flow hedges, reclassified from equity	(20)	111
Fair value hedges	(50)	64
Ineffectiveness of cash flow hedges	34	–
Loss / (gain) on hedged items in fair value hedges	60	(58)
Other net exchange loss on financing activities	193	2
	3,406	3,184
Less: amount capitalised	(263)	(326)
	3,143	2,858

7. Finance Costs and Income (continued)

	Six months ended 30 June	
	2012	2011
	HK$M	HK$M
Finance income		
Interest income on short-term investments, bank deposits and fuel clause under-recovery	**145**	65

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 21).

(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.

8. Income Tax Expense

	Six months ended 30 June	
	2012	2011
	HK$M	HK$M
Current income tax		
Hong Kong	**340**	205
Outside Hong Kong	**120**	48
	460	253
Deferred tax		
Hong Kong	**175**	141
Outside Hong Kong (note)	**(169)**	546
	6	687
	466	940

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

Note: The amount included TRUenergy Holdings Pty Ltd (TRUenergy)'s tax consolidation benefit of HK$103 million (A$13 million). The Australian Government retrospectively implemented legislative amendments to the tax consolidation rules that were enacted in 2010. The legislation was granted royal assent on 29 June 2012. The change in legislation required a recalculation of the tax cost bases of certain assets of TRUenergy which resulted in a tax credit in the current period.

9. Dividends

	Six months ended 30 June			
	2012		2011	
	HK$ per share	**HK$M**	HK$ per share	HK$M
First interim dividend paid	**0.53**	**1,275**	0.52	1,251
Second interim dividend declared	**0.53**	**1,275**	0.52	1,251
	1.06	**2,550**	1.04	2,502

9. Dividends (continued)

At the Board meeting held on 14 August 2012, the Directors declared the second interim dividend of HK$0.53 per share (2011: 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 2012.

10. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Earnings attributable to shareholders (HK$M)	**3,356**	5,800
Number of shares in issue (thousand shares)	**2,406,143**	2,406,143
Earnings per share (HK$)	**1.39**	2.41

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 2012 and 30 June 2011.

11. 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$131,314 million at 30 June 2012 (31 December 2011: HK$130,382 million). Movements in the accounts are as follows:

	Fixed Assets							Leasehold Land and Land Use Rights under Operating Leases [(a)]
	Land		Buildings		Plant, Machinery and Equipment			
	Freehold	Leased [(a)]	Owned	Leased [(b)]	Owned	Leased [(b)]	Total	
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Net book value at 1 January 2012	880	572	12,066	5,716	81,611	27,726	128,571	1,811
Acquisition of a subsidiary	1	–	–	–	38	–	39	–
Additions	198	–	1,212	47	3,241	618	5,316	104
Transfers and disposals	–	–	(18)	(2)	(91)	(85)	(196)	–
Depreciation / amortisation	–	(8)	(143)	(166)	(1,765)	(976)	(3,058)	(23)
Impairment charge	–	–	–	–	(38)	–	(38)	–
Exchange differences	(51)	–	(119)	–	(963)	(77)	(1,210)	(2)
Net book value at 30 June 2012	**1,028**	**564**	**12,998**	**5,595**	**82,033**	**27,206**	**129,424**	**1,890**
Cost	1,028	647	16,428	11,694	126,662	50,922	207,381	2,250
Accumulated depreciation / amortisation and impairment	–	(83)	(3,430)	(6,099)	(44,629)	(23,716)	(77,957)	(360)
Net book value at 30 June 2012	**1,028**	**564**	**12,998**	**5,595**	**82,033**	**27,206**	**129,424**	**1,890**

11. 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$26,854 million (31 December 2011: HK$27,328 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$5,662 million (31 December 2011: HK$5,838 million) under the Delta Western GenTrader contracts. These arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17.

12. Goodwill and Other Intangible Assets

	Goodwill HK$M	Licences[a] HK$M	Others[b] HK$M	Total HK$M
Net carrying value at 1 January 2012	21,616	2,412	3,341	27,369
Acquisition of a subsidiary[c]	170	–	–	170
Additions	–	–	279	279
Cost adjustment	–	(66)	–	(66)
Amortisation	–	(3)	(236)	(239)
Exchange differences	(279)	(29)	(44)	(352)
Net carrying value at 30 June 2012	**21,507**	**2,314**	**3,340**	**27,161**
Cost	21,507	2,469	4,890	28,866
Accumulated amortisation	–	(155)	(1,550)	(1,705)
Net carrying value at 30 June 2012	**21,507**	**2,314**	**3,340**	**27,161**

Notes:

(a) Licences include a 20% working level interest in petroleum licences acquired in 2011, giving the Group the right to exploration, extraction and production of petroleum within the licence area, largely within the Gunnedah Basin of New South Wales. A cost adjustment of HK$66 million (A$8.2 million) was made upon the final settlement of the acquisition during the period.

(b) The balance includes a lease arrangement under the long-term Master Hedge Agreement with Ecogen arising from the acquisition of the Merchant Energy Business in May 2005 and contracted customers.

(c) In June 2012, TRUenergy completed the acquisition of a 100% interest in Enhance Place Pty Limited for a consideration of HK$214 million (A$28.5 million). Goodwill of HK$170 million (A$23 million) was recognised which relates to synergy between the Enhance Place mine and the Mount Piper and Wallerawang power stations.

13. Interests in Jointly Controlled Entities

	30 June 2012 HK$M	31 December 2011 HK$M
Share of net assets	**8,908**	8,626
Goodwill	**149**	152
Advances	**9,072**	9,448
	18,129	18,226

13. Interests in Jointly Controlled Entities (continued)

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

	30 June 2012 HK$M	31 December 2011 HK$M
CAPCO	8,850	9,074
CSEC Guohua International Power Company Limited	2,922	2,962
CLP Guangxi Fangchenggang Power Company Limited	1,661	1,432
OneEnergy Taiwan Ltd	1,274	1,251
Shandong Zhonghua Power Company, Limited	914	924
PSDC	117	157
Others (note)	2,391	2,426
	18,129	18,226

Note: Includes 49% interest in various Chinese jointly controlled entities at a carrying value of HK$1,295 million (31 December 2011: HK$1,348 million) in aggregate acquired from Roaring 40s Renewable Energy Pty Ltd in 2009.

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

	30 June 2012 HK$M	31 December 2011 HK$M
Non-current assets	34,488	35,036
Current assets	5,251	4,650
Current liabilities	(8,454)	(8,005)
Non-current liabilities	(20,611)	(21,301)
Non-controlling interests	(1,766)	(1,754)
Share of net assets	8,908	8,626

	Six months ended 30 June 2012 HK$M	2011 HK$M
Revenue	8,331	7,733
Expenses	(6,824)	(5,406)
Profit before income tax	1,507	2,327
Income tax expense	(216)	(230)
Non-controlling interests	(79)	(85)
Share of profit for the period	1,212	2,012

14. Interest in an Associated Company

The balance represents the Group's share of net assets of GNPJVC at the end of the reporting period. Summarised financial information in respect of the Group's associated companies is set out below:

	30 June 2012 HK$M	31 December 2011 HK$M
Total assets	10,907	12,800
Total liabilities	(4,820)	(6,941)
Net assets	6,087	5,859
Group's share of the associated company's net assets	1,522	1,465

	Six months ended 30 June	
	2012 HK$M	2011 HK$M
Revenue	3,298	4,091
Profit after income tax	934	1,366
Group's share of profit after income tax	234	381

15. Derivative Financial Instruments

	30 June 2012		31 December 2011	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	1,696	33	1,752	28
Cross currency & interest rate swaps	1,848	231	1,323	216
Interest rate swaps	–	1,460	2	899
Energy contracts	831	1,981	1,469	2,797
Fair value hedges				
Cross currency & interest rate swaps	298	54	242	39
Interest rate swaps	8	11	–	–
Held for trading or not qualifying as accounting hedges				
Forward foreign exchange contracts	115	20	108	133
Energy contracts	1,468	2,733	2,289	3,182
	6,264	6,523	7,185	7,294
Analysed as:				
Current	1,844	1,749	2,158	2,212
Non-current	4,420	4,774	5,027	5,082
	6,264	6,523	7,185	7,294

16. Available-for-sale Investments

	30 June 2012 HK$M	31 December 2011 HK$M
CGN Wind Power Company Limited (CGN Wind)	1,190	1,190
Others	101	98
	1,291	1,288

In accordance with the Group's accounting policy, the unquoted investment in CGN Wind, which is denominated in Renminbi, is treated for accounting purpose as an available-for-sale investment.

17. Trade and Other Receivables

	30 June 2012 HK$M	31 December 2011 HK$M
Trade receivables [(a)]	14,074	12,702
Deposits, prepayments and other receivables [(b)]	3,501	3,951
Dividends receivable from		
Jointly controlled entities	248	36
An associated company	–	349
Current accounts with jointly controlled entities	57	65
	17,880	17,103

Notes:

(a) 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 14 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.

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

	30 June 2012				31 December 2011			
	Not impaired HK$M	Impaired HK$M	Provision for impairment HK$M	Total HK$M	Not impaired HK$M	Impaired HK$M	Provision for impairment HK$M	Total HK$M
Not yet due	10,741	1,474	(63)	12,152	8,928	1,576	(103)	10,401
Overdue								
1 – 30 days	123	786	(78)	831	346	723	(86)	983
31 – 90 days	27	384	(111)	300	89	464	(123)	430
Over 90 days	609	657	(475)	791	652	617	(381)	888
	11,500	3,301	(727)	14,074	10,015	3,380	(693)	12,702

At 30 June 2012, trade receivables of HK$759 million (31 December 2011: HK$1,087 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 the past invoices of CLP India Private Limited (CLP India) netted with refund totalled HK$452 million (Rs.3,306 million) (31 December 2011: HK$482 million (Rs.3,306 million)) (Note 25(A)) which is included in the amount aged over 90 days.

17. Trade and Other Receivables (continued)

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

	30 June 2012 HK$M	31 December 2011 HK$M
30 days or below	12,499	10,951
31 – 90 days	618	644
Over 90 days	957	1,107
	14,074	12,702

(b) CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 1999/2000 and is awaiting the decision of the Lands Tribunal. While the final resolution of the appeals is pending, CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate of 3.3 cents per unit totalling HK$503 million during the period on the assumption of a favourable outcome of the appeals. Based on current sales forecast, the Rent and Rates Special Rebate will exceed HK$1 billion by the end of the year. In the event of an unfavourable outcome of the appeals, CLP Power Hong Kong will recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to the customers and hence the amounts have been accounted for as a receivable.

18. Trade and Other Payables

	30 June 2012 HK$M	31 December 2011 HK$M
Trade payables [a]	8,443	8,824
Other payables and accruals [b]	9,226	6,373
Current accounts with		
Jointly controlled entities [c]	1,517	1,656
An associated company	145	137
Deferred revenue [d]	2,005	–
	21,336	16,990

Notes:

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

	30 June 2012 HK$M	31 December 2011 HK$M
30 days or below	7,774	8,239
31 – 90 days	228	247
Over 90 days	441	338
	8,443	8,824

(b) CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 1999/2000 and is awaiting the decision of the Lands Tribunal. During the period, interim refunds of HK$1,521 million were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decision of the Lands Tribunal and any subsequent appeals. In the event of an unfavourable outcome of the appeals, CLP Power Hong Kong will have to repay all or part of the interim refunds to Hong Kong Government and hence the amounts have been accounted for as a liability.

(c) Of the amounts payable to jointly controlled entities, HK$1,483 million (31 December 2011: HK$1,623 million) is due to CAPCO.

(d) The balance represented cash assistance received by TRUenergy in Australia under the Energy Security Fund (ESF) with respect to Yallourn Power Station. The ESF was established under the Australian Government's Clean Energy Legislation, effected 1 July 2012, which provides transitional assistance over five years to promote the transformation of the electricity generation sector from high to low emissions generation, while addressing risks to energy security that may arise from the introduction of the carbon price. Under the ESF, the compensation is provided as cash compensation for the first year (paid in June 2012) and as permits available annually for four years. The cash assistance received will be amortised to profit or loss over the relevant period from 1 July 2012 to 30 June 2013.

19. Bank Loans and Other Borrowings

	30 June 2012 HK$M	31 December 2011 HK$M
Current		
Short-term bank loans	2,323	2,802
Long-term bank loans	1,450	1,301
Other long-term borrowings		
Medium Term Note (MTN) programme (USD) due 2012	–	2,371
MTN programme (HKD) due 2013	800	1,000
Electronic Promissory Notes (EPN) and MTN programme (AUD) due 2012	5,059	5,122
	9,632	12,596
Non-current		
Long-term bank loans	30,151	30,298
Other long-term borrowings		
MTN programme (USD) due 2020 and 2021	6,415	6,376
MTN programme (HKD) due 2013 to 2041	9,696	9,095
MTN programme (JPY) due 2021 to 2026	2,449	2,502
MTN programme (AUD) due 2021	428	434
EPN and MTN programme (AUD) due 2015	389	394
U.S. private placement notes (USD) due 2017 to 2027	6,864	3,826
	56,392	52,925
Total borrowings	66,024	65,521

20. 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.

21. 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 2012 HK$M	31 December 2011 HK$M
Tariff Stabilisation Fund	513	637
Rate Reduction Reserve	7	6
	520	643

22. Reserves

	Capital Redemption Reserve HK$M	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2012	2,492	6,016	1,533	458	57,565	68,064
Earnings attributable to shareholders	–	–	–	–	3,356	3,356
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	–	(917)	–	–	–	(917)
Jointly controlled entities	–	(78)	–	–	–	(78)
An associated company	–	(2)	–	–	–	(2)
Cash flow hedges						
Net fair value gains	–	–	132	–	–	132
Reclassification adjustment for amount included in profit or loss	–	–	(270)	–	–	(270)
Tax on the above items	–	–	39	–	–	39
Available-for-sale investments						
Fair value gains	–	–	–	6	–	6
Share of other comprehensive income of jointly controlled entities	–	–	8	(21)	–	(13)
Total comprehensive income attributable to shareholders	–	(997)	(91)	(15)	3,356	2,253
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(1)	1	–
Appropriation of reserves of subsidiaries	–	–	–	3	(3)	–
Dividends paid						
2011 fourth interim	–	–	–	–	(2,310)	(2,310)
2012 first interim	–	–	–	–	(1,275)	(1,275)
Balance at 30 June 2012	**2,492**	**5,019**	**1,442**	**445**	**57,334**	**66,732**

22. Reserves (continued)

	Capital Redemption Reserve HK$M	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2011	2,492	7,683	1,182	843	54,266	66,466
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 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 of jointly controlled entities	–	(345)	–	(25)	–	(370)
Reclassification adjustments						
Sale of an available-for-sale investment	–	–	–	(171)	–	(171)
Sale of a jointly controlled entity	–	(346)	26	–	–	(320)
Total comprehensive income attributable to shareholders	–	1,357	(343)	(239)	5,800	6,575
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(2)	2	–
Dividends paid						
2010 fourth interim	–	–	–	–	(2,214)	(2,214)
2011 first interim	–	–	–	–	(1,251)	(1,251)
Balance at 30 June 2011	2,492	9,040	839	602	56,603	69,576

23. 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 2012 HK$M	31 December 2011 HK$M
Contracted but not provided for	**10,408**	10,158
Authorised but not contracted for	**11,254**	14,257
	21,662	24,415

(B) The Group has entered into a number of joint venture arrangements to develop power projects. At 30 June 2012, remaining equity contributions of HK$159 million (31 December 2011: HK$182 million) were required to be made by the Group.

24. Related Party Transactions

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

(A) Purchases of electricity from jointly controlled entities and an associated company

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

	Six months ended 30 June	
	2012	2011
	HK$M	HK$M
Lease and lease service payment to CAPCO	8,050	7,172
Purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station	1,891	2,162
Pumped storage service fee to PSDC	264	258
	10,205	9,592

Amounts due to the related parties at 30 June 2012 are disclosed in Note 18.

(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$667 million (six months ended 30 June 2011: HK$640 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 2012 are disclosed in Note 17. 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 13. At 30 June 2012, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2011: nil).

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

	Six months ended 30 June	
	2012	2011
	HK$M	HK$M
Fees	4	4
Base compensation, allowances and benefits in kind	22	25
Tax equalisation, allowances and benefits in kind for secondment to overseas offices	6	6
Performance bonus		
Annual incentive	33	37
Long-term incentive	20	25
Provident fund contributions	2	3
Final payment (note)	–	10
	87	110

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.

24. Related Party Transactions (continued)

Key management personnel at 30 June 2012 comprised 13 (30 June 2011: 12) Non-executive Directors, 2 (30 June 2011: 3) Executive Directors and 6 (30 June 2011: 9) senior management personnel.

25. Contingent Liabilities

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

Under the original power purchase agreement between CLP India and its off-taker GUVNL, GUVNL was required to make a "deemed generation incentive" payment to CLP India when the plant availability of the Paguthan Plant (Paguthan) was above 68.5% (70% as subsequently revised). 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 Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$992 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$113 million) (31 December 2011: Rs.830 million (HK$121 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India 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$396 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

CLP India 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 CLP India and GUVNL's appeals and upheld the decision of the GERC. CLP India 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$510 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$68 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

25. Contingent Liabilities (continued)

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

Subsequent to the above deduction, CLP India 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$40 million) and interest of Rs.150 million (HK$20 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$2 million). At 30 June 2012, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" was revised to Rs.8,543 million (HK$1,167 million) (31 December 2011: Rs.8,543 million (HK$1,245 million)).

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

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

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested in around 500MW of wind power projects 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 group, as a customer of EIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from EIL. As at 30 June 2012, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Land Premium of a Property in Hong Kong

The Group has received a demand note from the relevant authorities in the Hong Kong Government in an amount of HK$237 million as land premium relating to the Group's new office at Laguna Verde at Hung Hom. The Group considers, including on the basis of legal and other professional advice, that no payment is due. Exchanges are continuing regarding both the principle and quantum of any such premium.

26. Event after the End of the Reporting Period

In July 2012, TRUenergy classified its Waterloo Wind Farm in South Australia as "held for sale" following completion of stage 1 of the sale process. The bids which have been submitted are being reviewed by TRUenergy with a view to the sale process being concluded in the second half of 2012.

As at 30 June 2012, Waterloo Wind Farm was included in the Australia reporting segment.

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 211 and 212 in the 2011 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

	Six months ended 30 June	
	2012 HK$M	2011 HK$M
SoC revenue	15,464	13,719
Expenses		
Operating costs	1,740	1,681
Fuel	4,394	3,640
Purchases of nuclear electricity	1,891	2,162
Provision for asset decommissioning	148	131
Depreciation	2,015	1,902
Operating interest	381	359
Taxation	840	665
	11,409	10,540
Profit after taxation	4,055	3,179
Interest on borrowed capital	439	406
Adjustments required under the SoC (being share of profit on sale of electricity to the Chinese mainland attributable to the SoC Companies)	(27)	(17)
Profit for SoC	4,467	3,568
Transfer from Tariff Stabilisation Fund	124	839
Permitted return	4,591	4,407
Deduct interest on / Adjustment for		
Borrowed capital as above	439	406
Tariff Stabilisation Fund to Rate Reduction Reserve	1	1
	440	407
Net Return	4,151	4,000
Divisible as follows:		
CLP Power Hong Kong	2,633	2,523
CAPCO	1,518	1,477
	4,151	4,000
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	2,633	2,523
Interest in CAPCO	607	591
	3,240	3,114

Information for our Investors

Financial Diary

Announcement of interim results	14 August 2012
Interim report posted to shareholders	30 August 2012
Last day to register for second interim dividend	4 September 2012
Book close day	5 September 2012
Payment of second interim dividend	14 September 2012
Financial year end	31 December 2012

Interim Report

Printed in English and Chinese, available on our website at www.clpgroup.com by 21 August 2012 and posted to shareholders on 30 August 2012.

Those shareholders who (a) received our 2012 Interim Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2012 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.

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Our Stock Code

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

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