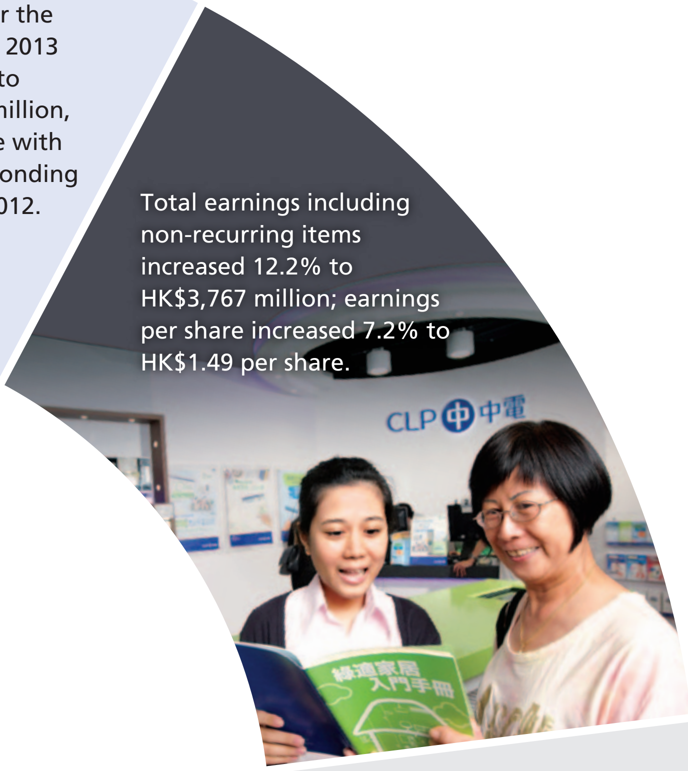
CLP 中電

2013 INTERIM REPORT

Powering Asia Responsibly

Group operating earnings for the first half of 2013 amounted to HK$3,896 million, comparable with the corresponding period in 2012.

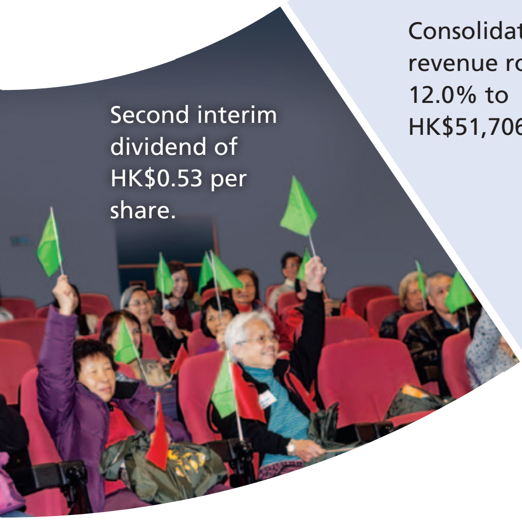


Total earnings including non-recurring items increased 12.2% to HK$3,767 million; earnings per share increased 7.2% to HK$1.49 per share.

Operating earnings from our electricity business in Hong Kong increased 5.5% to HK$3,417 million.

Operating loss from our Australia business was HK$45 million (as compared to earnings of HK$268 million in 2012) due to a challenging operating environment.

Consolidated revenue rose 12.0% to HK$51,706 million.



Second interim dividend of HK$0.53 per share.

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

Contents

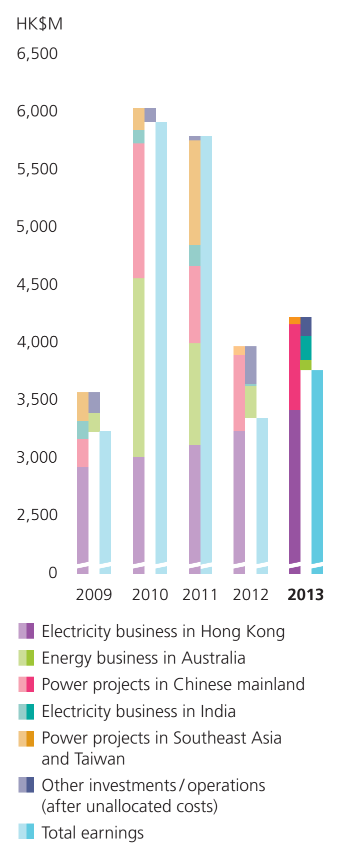
Financial Highlights

Operating earnings remained stable at HK$3.9 billion; total earnings including non-recurring items increased 12.2% to HK$3.8 billion.

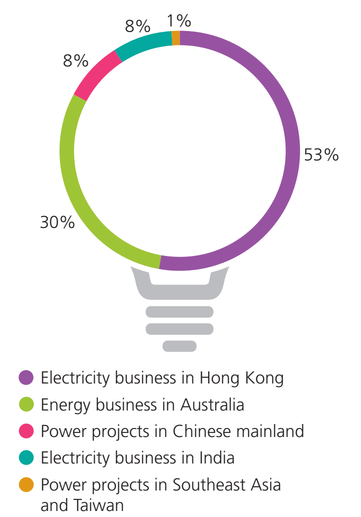
	Six months ended 30 June 2013	2012	Increase / (Decrease) %
For the period *(in HK$ million)*			
Revenue			
Electricity business in Hong Kong (HK)	15,767	15,442	2.1
Energy business in Australia	33,753	28,909	16.8
Others	2,186	1,805	
Total	51,706	46,156	12.0
Earnings			
Electricity business in HK	3,417	3,240	5.5
Energy business in Australia	(45)	268	N/A
Other investments / operations	765	709	
Unallocated net finance costs	(15)	(39)	
Unallocated Group expenses	(226)	(281)	
Operating earnings	3,896	3,897	–
Divestment from Boxing Biomass	(87)	–	
Yallourn mine flooding	(42)	(644)	
Tax consolidation benefit from Australia	–	103	
Total earnings	3,767	3,356	12.2
Net cash inflow from operating activities	5,507	14,540	(62.1)
Per share *(in HK$)*			
Earnings per share	1.49	1.39	7.2
Dividends per share			
First interim	0.53	0.53	
Second interim	0.53	0.53	
Total interim dividends	1.06	1.06	–
Ratio			
Interest cover [1] (times)	4	3	

	30 June 2013	31 December 2012	Increase / (Decrease) %
At the end of the reporting period *(in HK$ million)*			
Total assets	214,763	228,756	(6.1)
Total borrowings	62,655	66,198	(5.4)
Shareholders' funds	86,733	91,127	(4.8)
Per share *(in HK$)*			
Shareholders' funds per share	34.33	36.07	(4.8)
Ratios			
Total debt to total capital [2] (%)	41.9	42.1	
Net debt to total capital [3] (%)	38.8	36.8	

Total Earnings (First 6 months)



Total Assets at 30 June 2013



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.

Chairman's Statement

Dear Shareholders,

In my recent Chairman's Statements in CLP Holdings' Annual and Interim Reports, I pointed out that while our business is well-balanced and resilient, we are not immune from the risks and challenges inherent in Asia Pacific's energy business and the markets in which we operate. As many of you know, the nature of the power sector necessitates a long-term view – given the scale and lifespan of our investments and the array of stakeholders impacted by our operations, there is no quick-fix solution to the challenges that have weighed on the Group over the past six months. It is against this background that I present a mixed picture of our business for the first half of 2013.

While we continue to face exceptional difficulties in Australia and India, our strong performances in Hong Kong and the Chinese mainland underscore the benefits of maintaining a diversified portfolio such as ours.

In the first half of 2013, the Group's operating earnings were HK$3,896 million, comparable with HK$3,897 million from the same period in 2012. The Group's total earnings, including one-off items, were HK$3,767 million, an increase of 12.2% from the corresponding period in the previous year. Notwithstanding the demanding operating conditions, we have maintained the level of the first and second interim dividends for 2013 at HK$0.53 per share.

In the following sections, I will describe the performance of each of our major business streams, with a particular focus on Australia due to its very challenging market conditions. My discussion will also take account of major opportunities and hurdles that have influenced our results for the first six months of this year, and may continue to bear upon our performance for the remainder of 2013.

Hong Kong

Our Hong Kong electricity business remains the core of the Group's activities with operating earnings of HK$3,417 million, an increase from HK$3,240 million in the first six months of 2012. Our business performance remained stable during the reporting period.

The year of 2013 is of great significance to our operations in Hong Kong – a number of regulatory decisions will be made this year with implications on our business here.

First, the current Scheme of Control (SoC) Agreement under which we operate provides for an Interim Review in 2013. Under this review, changes to the SoC can be made by mutual agreement between CLP and the Government. The Interim Review is now underway. We have been and will continue to work closely with the Government to conduct the review in accordance with the mechanism stipulated in the SoC Agreement and give careful consideration to the interests of our shareholders, customers, stakeholders, and the community at large.

Second, as part of the SoC, we are also required to submit a new Development Plan to the Government covering investment needed for our Hong Kong business over the period 2014 to 2018. This has been presented and is currently under review by Government. Our proposal is practical, reasonable, and aims to strike a balance among safety, reliability, environmental performance and cost. We will work collaboratively and proactively with the Government to ensure that due regard is paid to system security and operational needs to support Hong Kong's long-term development whilst maintaining cost effective tariffs and managing increasing fuel costs in the best way possible.

Third, the Government is expected to launch a consultation on the territory's future fuel mix for power generation in the second half of 2013. I would like to reiterate that energy policy should be made jointly by the community and the Government with a clear understanding of the implications and consequences of various energy choices as there are inherent trade-offs associated with each type of power generation. CLP's role is to implement any roadmap resulting from the joint decision. We are also committed to facilitate the making of an informed decision on Hong Kong's energy policy by providing relevant information to our stakeholders. Together, we can achieve the Chief Executive's vision for Hong Kong as "a healthy, low-carbon and resource-saving metropolis that is in harmony with nature".

I would like to express again in the most emphatic terms – CLP is firmly committed to serving Hong Kong. We have been serving Hong Kong for over 110 years and I believe it is not immodest of me to say that we have a proud record of service to this remarkable place. Our commitment is to continue to provide Hong Kong with reliable, clean and affordable energy in support of its long-term development.

Australia

Results from Australia continue to reflect the extremely challenging business environment in the country's energy markets. The business results were highly disappointing and we have reported a loss of HK$45 million during the first half of 2013, compared with earnings of HK$268 million for the same period the previous year. Excluding changes in the fair value of energy hedging instruments and inclusive of normalisation adjustments commonly used in Australia, the normalised net profit after tax and before fair value adjustments was HK$55 million compared with HK$807 million in the first half of 2012.

The Australia energy market is facing unprecedented structural changes that are taking place at a rapid pace. In particular, the past two years have seen a pronounced decline in residential electricity demand in response to rising prices, and the deployment of rooftop solar photovoltaic systems and energy efficiency savings have more than offset any increase in demand from population growth. Commercial and industrial demand has also been impacted materially by a difficult manufacturing environment, in part due to rising energy costs, a highly valued Australian dollar and a slowing global economy.

This soft demand environment, combined with an increase in renewable energy generation due to the Australian Government's Renewable Energy Target (RET) scheme, has suppressed wholesale prices, and this is likely to continue. These factors are impacting the industry as a whole, providing difficult trading conditions for ourselves and our major competitors alike.

Separate from the market conditions, the financial performance of the business continues to be adversely influenced by a series of issues related to the implementation of its new customer billing system as well as labour issues at Yallourn.

EnergyAustralia has encountered a number of issues during the implementation of its new billing system such as delays in registrations, billings, and customer collections, resulting in additional costs. However, we envisage that these defects will be resolved methodically, and that the new billing system will ultimately deliver the anticipated operational and efficiency benefits.

Industrial action related to a new Enterprise Bargaining Agreement (EBA) during the first half of 2013 resulted in reduced output and plant availability at Yallourn Power Station and further contributed to the weak financial performance of the business. Negotiations around the EBA covering approximately 120 of the 500 Yallourn employees are ongoing and industrial action continues. Management is working to mitigate the financial impact on the company, which includes the decision to delay a major outage at Yallourn without compromising its operational reliability. We intend to maintain a flexible workplace agreement that enables Yallourn to remain competitive in a difficult market environment.

Heavy rainfall in eastern Victoria during June has affected the Yallourn Mine and work on the Morwell River Diversion repairs. There has been no material impact on the output of the power station or damage to the repair works, but it has resulted in delays to the completion of the construction of the repairs.

We are not waiting for wholesale prices to rebound or competitive intensity to reduce in order to improve our financial performance. EnergyAustralia has taken a number of measures to improve the fundamentals of its business with the aim of reducing costs, increasing efficiency and enhancing capabilities so that the business is better placed to manage evolving market and economic conditions and to meet customer expectations.

As part of a broad response to the slowdown in energy demand in Australia, we are reviewing EnergyAustralia's generating capacity and energy hedging activities. To provide further flexibility and to reduce cost, EnergyAustralia recently acquired the Mount Piper and Wallerawang power stations in New South Wales (NSW). Direct ownership represents an opportunity to improve on the indirect exposures that we have under the existing GenTrader Agreements.

We are also closely monitoring external factors that are a further overhang to the business. Unfavourable and uncertain regulatory risks, such as the issues highlighted below, are some examples:

- The Government's "hard-wired" 2020 renewable energy target will force increasing volumes of new renewable energy into an already oversupplied market. This will place greater risk to the stability of the underlying energy market, especially in the context of falling demand and rapidly rising electricity retail prices.
- Retail price regulation in NSW has resulted in tariffs that do not reflect the underlying costs of purchasing, transmitting and retailing electricity.
- The recent change of leadership and the federal election in the second half of 2013 may also bring about changes to the country's carbon policy. We are assessing the implications of these potential changes to our business.

In summary, against a backdrop of adverse economic and wholesale market conditions the business will continue to face immense difficulties. As such, it may take some time for our improvement measures to come into fruition. In the meantime, the senior management team and the Board of EnergyAustralia will continue to focus on reducing costs and improving operational efficiency of the business.

India

Loss from our India business increased to HK$212 million in the first half of 2013 from a loss of HK$19 million in the same period a year ago.

Availability of fuel, for both coal and gas, has been the utmost concern for our thermal power plants and the power sector as a whole. These issues are not unique to our business, as they are affecting the Indian power sector at large. While the underlying profitability of our gas-fired plant at Paguthan is protected under the existing Power Purchase Agreement (PPA), we have seen severe impacts on our coal-fired power station at Jhajjar, where the inadequate, irregular and poor quality of coal deliveries from Coal India have impeded the plant's operational and financial performances.

We have continued to work with relevant government authorities and officials across all levels to secure additional supplies of coal. I am encouraged to see that our efforts have led to some improvements. Specifically:

- Approval has been received for the import of 1.7 million tonnes of coal up to May 2014 representing about a third of our requirements. We can recover the costs of imported coal through our tariff.
- The plant equipment has been modified to accommodate varying quality and types of coal.
- The Indian government has recently granted approval to allow power companies that rely principally on domestic coal to buy imports to make up for local shortfalls and to pass on the costs of imported coal to customers.

I expect further improvements in the commercial performance of Jhajjar over the next 6 to 18 months although it may take two to three years before the power station reaches a point of stability and starts to deliver earnings closer to the original investment case.

Our new investment focus for now, and until the fuel shortage situation is resolved, is on growing our wind portfolio. I am pleased to report that upon completion of the Jath Wind Farm, our wind portfolio in India will cross the 1,000MW milestone. This will cement CLP's leading position in wind energy generation in India as we realise our *Climate Vision 2050*.

Chinese Mainland

Operating earnings from the Chinese mainland, including our 25% stake in the Daya Bay Nuclear Power Station, totalled HK$835 million during the first half of 2013, a 26.3% increase against HK$661 million in the first six months of 2012.

Even though the demand for power nationally grew at a slower pace in the first half of 2013, our coal-fired generating plants in China benefited from reasonable levels of despatch and stable coal prices.

Given the reliable operating performance of Phase I of the Fangchenggang Power Station and growth in demand for electricity in Guangxi Region, we will focus on obtaining final approvals to proceed with the construction of Fangchenggang Phase II.

Management Transition

On 30 September, we will have a new Chief Executive Officer on board.

Having served as CEO for over 13 years, Andrew Brandler will be relinquishing his executive responsibilities at CLP to take up a position at my family's private office. I would like to place on record my sincere thanks to Andrew for his hard work over the years. I am confident that his vast experience in CLP and the industry will continue to benefit us as he remains on the CLP Board.

Richard Lancaster, currently Group Director – Managing Director Hong Kong, is to succeed Andrew. Richard's expertise and experience gained through his considerable service in a range of senior management positions within CLP Power Hong Kong will ensure the smooth and effective transition of the CLP's executive leadership.

Let me conclude by stressing that we are mindful of the volatility and difficulties we are facing in various markets, and we are working hard to tackle them. I would like to reiterate here that the Board and CLP Management are focussed on addressing these challenges. Although quick-fix solutions are unlikely to come soon, I am confident that we are steering in the right direction for the long term.

As I have said before, our business is one which rewards experience and commitment, and repays patience and perseverance. Our financial strength, operating skill, a highly qualified and dedicated staff and presence across a range of markets, fuels and technologies give us the resilience and the confidence to move ahead through demanding times, and deliver long-term and sustainable value to our shareholders.

The Hon. Sir Michael Kadoorie
Hong Kong, 12 August 2013

Our Chairman greets shareholders before the Annual General Meeting

Our Investments as at 30 June 2013

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, 1,592 km of 132kV lines, 27 km of 33kV lines and 12,211 km of 11kV lines
- 60,605 MVA transformers and 216 primary and 13,591 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 a 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, Hong Kong Pumped Storage Development Company, Limited 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%

EnergyAustralia (formerly known as TRUenergy) 5,662 / 5,533MW

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

- **Cathedral Rocks** (50% JV) wind farm (66MW)
- **Delta Western GenTrader** (Mount Piper and Wallerawang) off-take from coal-fired power stations (2,400MW)[2]
- **Ecogen** (Newport and Jeeralang) off-take from gas-fired plant (966MW)
- **Hallett** gas-fired power station (203MW)
- **Iona** gas storage facility and processing plant (22PJ)
- **Narrabri** (20%) (>500PJ of equity coal seam gas 3P)
- **Pine Dale** – black coal mine
- Equity in **Queensland coal seam methane tenements**
- **Tallawarra** gas-fired power station (420MW)
- **Waterloo** wind farm (25% equity / 100% off-take) (111MW)
- **Wilga Park** (20%) gas-fired power station (16MW)
- **Yallourn** coal-fired power station (1,480MW)

Note:

(2) On 25 July 2013, EnergyAustralia announced the acquisitions of the Mount Piper and Wallerawang power stations, releasing EnergyAustralia from the fixed contractual commitments under the Delta Western GenTrader Agreements.

Chinese Mainland Investments Gross / Equity MW

Equity Interest

Equity Interest	Investment
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 (廣東省)
70%	**CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 1,260 / 882MW** Owns and operates two 630MW supercritical coal-fired units at Fangchenggang (防城港), Guangxi (廣西) with Guangxi Water & Power Engineering (Group) Co., Ltd.
49%	**CLP Guohua Shenmu Power Company Limited (Shenmu) 220 / 108MW** Owns and operates **Shenmu Power Station** in Shaanxi (陝西) (220MW) in joint venture with China Shenhua Energy
30%	**CSEC Guohua International Power Company Limited (CSEC Guohua) 7,650 / 1,333MW (3)** Ownership interests in five coal-fired power stations with China Shenhua Energy: • 100% of **Beijing Yire** (400MW) • 65% of **Panshan** in Tianjin (天津) (1,030MW) • 55% of **Sanhe I and II** in Hebei (河北) (1,300MW) • 50% of **Suizhong I and II** in Liaoning (遼寧) (3,600MW) • 65% of **Zhungeer II and III** in Inner Mongolia Autonomous Region (內蒙古自治區) (1,320MW)
29.4%	**Shandong Zhonghua Power Company, Ltd. (SZPC) 3,060 / 900MW** Owns four coal-fired power stations in Shandong (山東) with China Guodian Corporation and EDF International: • **Heze II** (600MW) • **Liaocheng I** (1,200MW) • **Shiheng I and II** (1,260MW)
15.75%	**CGN Wind Power Company Limited (CGN Wind) 1,794 / 251MW (4)** Owns and operates 1,794MW of wind projects in various parts of China
50%	**CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99 / 24MW (5)** Owns two wind farms in Liaoning: 49% of **Qujiagou** (49.5MW) and 49% of **Mazongshan** (49.5MW)
100%	**CLP (Laiwu) Renewable Energy Limited (Laiwu I Wind) 50 / 50MW** Owns **Laiwu I Wind Farm** (49.5MW) in Shandong, which is expected to commence operation in early 2014
100%	**CLP (Penglai) Wind Power Ltd. (Penglai I Wind) 48 / 48MW** Owns and operates **Penglai I Wind Farm** (48MW) in Shandong
45%	**Huadian Laizhou Wind Power Company Limited (Laizhou Wind) 90 / 41MW** Owns two wind farms in Shandong: **Laizhou I** (40.5MW) in operation and **Laizhou II** (49.5MW) under development
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)
49%	**Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW** Owns three wind farms in Jilin (吉林): **Datong** (49.5MW), **Shuangliao I** (49.3MW) and **Shuangliao II** (49.5MW)

Note:

(3) 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.

(4) The 251 equity MW attributed to CLP, through its 15.75% equity interest in CGN Wind, takes into account that CGN Wind holds varying equity interests in the generating assets included in the 1,794 gross MW.

(5) 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.

Our Investments as at 30 June 2013

Chinese Mainland Investments Gross / Equity MW

Equity Interest

100% — **Qian'an IW Power Company Limited (Qian'an I Wind) 50 / 50MW (Qian'an II Wind) 50 / 50MW**
Owns and operates two wind farms in Jilin: **Qian'an I** (49.5MW) and **Qian'an II** (49.5MW)

49% — **Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 445 / 218MW**
Owns nine wind farms in Shandong:
- **Dongying Hekou** (49.5MW)
- **Haifang** (49.5MW), suspended due to land issues
- **Lijin I** (49.5MW)
- **Lijin II** (49.5MW)
- **Rongcheng I** (48.8MW)
- **Rongcheng II** (49.5MW)
- **Rongcheng III** (49.5MW)
- **Zhanhua I** (49.5MW)
- **Zhanhua 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)

29% — **Shanghai Chongming Beiyan Wind Power Generation Company Limited (Shanghai Chongming Wind) 48 / 14MW**
Owns **Chongming Wind Farm** (48MW) in Shanghai (上海)

45% — **Sinohydro CLP Wind Power Company Limited (Changling II Wind) 50 / 22MW**
Owns **Changling II Wind Farm** (49.5MW) in Jilin

100% — **CLP Sichuan (Jiangbian) Power Company Limited (Jiangbian Hydro) 330 / 330MW**
Owns and operates **Jiangbian Hydropower Station** (330MW) in Sichuan (四川)

100% — **Dali Yang_er Hydropower Development Co., Ltd. (Yang_er Hydro) 50 / 50MW**
Owns and operates **Yang_er Hydropower Station** (50MW) in Yunnan (雲南)

49% — **Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200 / 600MW**
PSDC (of which ExxonMobil Energy Limited holds 51%) 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 hydropower stations (125MW) in Guangdong

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 + 25 tonnes / hour steam) in Shandong

51% — **Jinchang Zhenxin PV Power Company Limited (Jinchang Solar) 100 / 51MW**
Owns **Jinchang Solar Power Station** (100MW) in Gansu (甘肅); project construction completed in the second quarter of 2013

India Investments Gross / Equity MW

Equity Interest

100%

CLP India Private Limited (CLP India) 705 / 705MW

- **Paguthan Power Station** (formerly known as GPEC Gas Plant) – 655MW combined-cycle gas-fired power plant in Gujarat. The plant is designed to run on natural gas with naphtha as alternate fuel
- **Samana Phase I** (50.4MW) in Gujarat. The project is fully commissioned

100%

CLP Wind Farms (India) Private Limited (CLP Wind Farms) 901 / 901MW

- **Andhra Lake** (106.4MW) in Maharashtra
- **Bhakrani** (102.4MW) with 76MW commissioned and remainder under construction in Rajasthan
- **Jath** (130MW) under construction in Maharashtra
- **Mahidad** (50.4MW) under construction in Gujarat
- **Samana Phase II** (50.4MW) in Gujarat
- **Saundatti** (72MW) and **Harapanahalli** (39.6MW) in Karnataka
- **Sipla** (50.4MW) in Rajasthan
- **Tejuva** (100.8MW) under construction in Rajasthan
- **Theni Phase I** (49.5MW) in Tamil Nadu
- **Yermala** (148.8MW) under construction in Maharashtra

100%

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

Khandke (50.4MW) in Maharashtra. The project is fully commissioned

100%

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

Theni Phase II (49.5MW) in Tamil Nadu. The project is fully commissioned

100%

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

Jhajjar Power Station (1,320MW) comprising two 660MW supercritical coal-fired units at Jhajjar, Haryana. Unit 1 and Unit 2 achieved commercial operation on 29 March 2012 and 19 July 2012 respectively

Southeast Asia and Taiwan Investments Gross / Equity MW

Equity Interest

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) 63 / 21MW

NED owns an operating 63MW 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

The decrease in earnings contributions from Australia and India was offset by increased contributions from Hong Kong and the Chinese mainland. Operating earnings were maintained at HK$3,896 million. Total earnings, after including one-off items, rose from HK$3,356 million to HK$3,767 million, a 12.2% increase from the same period last year.

	Six months ended 30 June					
	2013		2012		Increase / (Decrease)	
	HK$M	HK$M	HK$M	HK$M	HK$M	%
Electricity business in Hong Kong (HK)		3,417		3,240	177	5.5
Energy business in Australia		(45)		268	(313)	N/A
PSDC and sales to Guangdong from HK	55		58			
Nuclear power business	294		268			
Other power projects in Chinese mainland	541		393			
Electricity business in India	(212)		(19)			
Power projects in Southeast Asia and Taiwan	63		73			
Other earnings	24		(64)			
Earnings from other investments/ operations		765		709	56	7.9
Unallocated net finance costs		(15)		(39)		
Unallocated Group expenses		(226)		(281)		
Operating earnings		3,896		3,897	(1)	–
Divestment from Boxing Biomass		(87)		–		
Yallourn mine flooding		(42)		(644)		
Tax consolidation benefit from Australia		–		103		
Total earnings		3,767		3,356	411	12.2

Average exchange rate

	Six months ended 30 June		Decrease
	2013	2012	%
Australian dollar / Hong Kong dollar	7.8086	8.0144	(2.6)
Indian rupee / Hong Kong dollar	0.1405	0.1481	(5.1)

Hong Kong

Earnings from Hong Kong electricity business grew by 5.5% on higher average net fixed assets.

Australia

Our Australia business recorded an operating loss of HK$45 million, as compared to earnings of HK$268 million in the first half of 2012. Despite tariff uplifts in July 2012 and January 2013, the loss was mainly attributable to lower mass market gross margin on decreased customer usage, reduced generation from Yallourn which was driven by lower plant availability and industrial action, higher bad and doubtful debt expenses, and higher employee and consultancy costs to support higher call volumes in customer service centres, partly offset by lower unfavourable mark-to-market movements of energy contracts.

Chinese Mainland

Earnings from coal-fired projects, in particular Shandong joint venture, increased as a result of lower coal prices. In addition, earnings from hydro projects, such as Jiangbian and Huaiji, improved due to higher generation as a result of higher rainfall. Our wind portfolio contributed earnings of HK$74 million compared to HK$97 million last year due to lower wind speeds, grid restrictions and the pending renewal of the policy of Shandong provincial subsidy.

India

The loss from CLP India was mainly attributable to Jhajjar as a result of the on-going coal supply shortage. In addition, a net translation loss on U.S. dollar loans and foreign currency retention payables relating to Jhajjar further reduced the contribution from CLP India.

Southeast Asia and Taiwan

Lower earnings from Southeast Asia and Taiwan were mainly due to Ho-Ping's provision for a penalty imposed by Taiwan Fair Trade Commission (HK$62 million) and lower generation, partly offset by higher earnings from Lopburi solar project in Thailand since its full commercial operation in March 2012.

Non-recurring Items

A loss of HK$87 million, which includes impairment and a provision for divestment costs, was made for Boxing Biomass. In addition, a further provision of A$6 million (HK$42 million) has been made for the remediation work as a result of the Yallourn coal mine flooding in June 2013.

Group's Financial Results

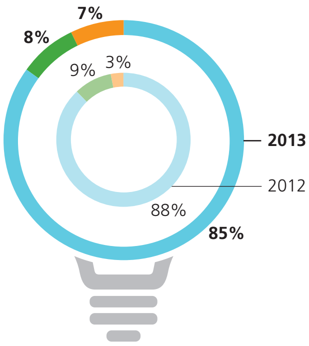
	Notes to the Financial Statements	Six months ended 30 June 2013 HK$M	2012 HK$M	Increase / (Decrease) HK$M	%
Revenue	*4*	51,706	46,156	5,550	12.0
Expenses		(45,510)	(40,779)	4,731	11.6
Finance costs	*7*	(3,382)	(3,143)	239	7.6
Income tax expense	*8*	(628)	(466)	162	34.8
Earnings attributable to shareholders		3,767	3,356	411	12.2

Revenue and Expenses

Notwithstanding the effect of depreciation of Australian dollar on revenue, total revenue increased by 12.0% to HK$51,706 million. Revenue from EnergyAustralia increased mainly as a result of higher generation revenue on higher pool prices (due to the effect of carbon tax effective 1 July 2012), electricity and gas retail prices uplifts since July 2012 and the recognition of the remaining cash assistance received under the Energy Security Fund (ESF) of HK$1,005 million (A$129 million) as revenue in the first half of 2013. In India, additional revenue was recorded owing to the commissioning of more wind farms and Jhajjar's unit 1 and 2 in March and July 2012.

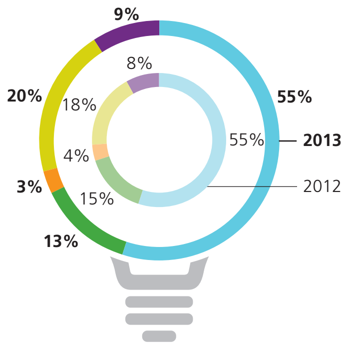
Over 70% of the Group's expenses related to our Australia business. The increase in "Purchases of electricity, gas and distribution services" expenses was mainly attributable to increase in pool purchases (which embedded the impact of carbon cost) and the rise in transmission and distribution charges. In addition, the "Fuel and other operating expenses" increased as a result of the recognition of carbon cost for own generation of HK$2,521 million (A$323 million) under the Clean Energy Legislative Package effective 1 July 2012.

Analysis of Revenue
By Nature



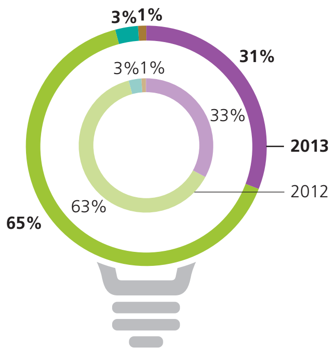
Sales of electricity · Sales of gas · Others

Analysis of Expenses
By Nature



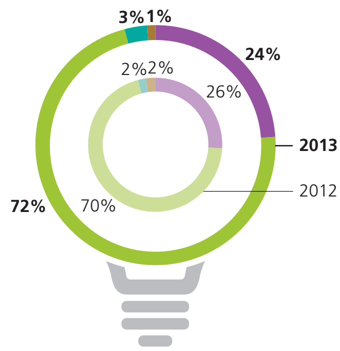
Purchases of electricity, gas and distribution services · Operating lease and lease service payments · Staff expenses · Fuel and other operating expenses · Depreciation and amortisation

By Region



Hong Kong · Australia · India · Others

By Region



Hong Kong · Australia · India · Others

Finance Costs

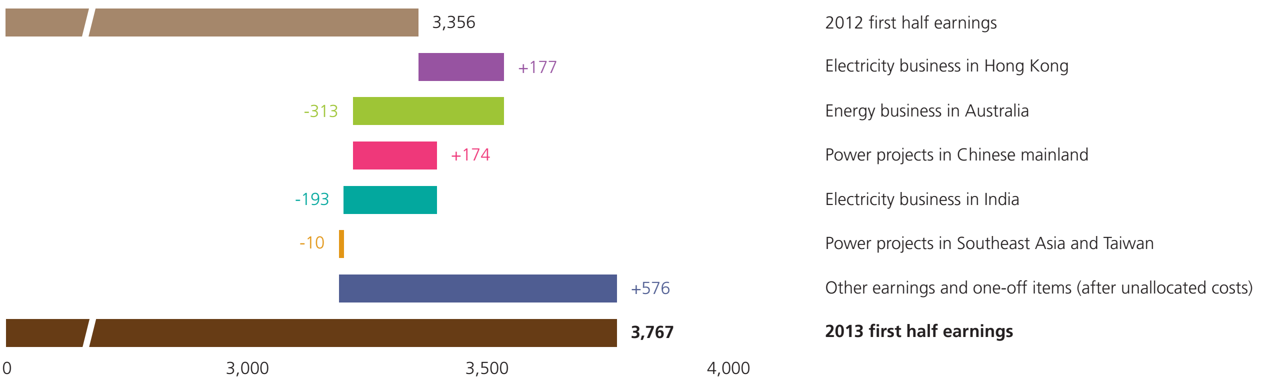
The increase in finance costs was mainly attributable to lower finance costs being capitalised upon the commissioning of Jhajjar and other wind projects in India, and higher interest costs in Australia as a result of the early close-out of certain interest rate swaps during the period.

Income Tax Expense

Excluding the tax consolidation benefit of HK$103 million in 2012, income tax expense increased slightly by HK$59 million.

Earnings Attributable to Shareholders

Group Earnings (HK$M)



The electricity business in Hong Kong remains our core business and contributed HK$3,417 million (2012: HK$3,240 million) to the Group's total earnings.

Operating earnings from our Australia business fell from earnings of HK$268 million to a loss of HK$45 million, reflecting the challenging operating environment including decreases in customer usage and wholesale prices (before carbon tax).

Whilst the continuous coal shortage in Jhajjar impacted CLP India's performance adversely, the reduced coal prices in Chinese mainland have improved earnings from our coal-fired power plants.

Total earnings including the costs of restoring the Yallourn mine and the divestment costs for Boxing Biomass increased 12.2% to HK$3,767 million.

Group's Financial Position

	Notes to the Financial Statements	At 30 June 2013 HK$M	At 31 December 2012 HK$M	Increase / (Decrease) HK$M	%
Fixed assets	*11*	**127,582**	132,463	(4,881)	(3.7)
Goodwill and other intangible assets	*12*	**25,496**	28,479	(2,983)	(10.5)
Trade and other receivables	*17*	**20,498**	18,552	1,946	10.5
Trade and other payables	*18*	**17,140**	21,732	(4,592)	(21.1)
Derivative financial instrument assets*	*15*	**4,486**	5,044	(558)	(11.1)
Derivative financial instrument liabilities*	*15*	**5,288**	5,846	(558)	(9.5)
Bank loans and other borrowings*	*19*	**62,655**	66,198	(3,543)	(5.4)

* Including current and non-current portions

Period end exchange rate

	At 30 June 2013	At 31 December 2012	Decrease %
Australian dollar / Hong Kong dollar	**7.1801**	8.0469	(10.8)
Indian rupee / Hong Kong dollar	**0.1291**	0.1417	(8.9)

Fixed Assets and Capital Commitments

To enhance the reliability, stability and efficiency of electricity supply in Hong Kong, we invested HK$3.0 billion in generation, transmission and distribution networks, as well as in customer services and supporting facilities. The on-going construction of wind projects and other capital works at Jhajjar in India also contributed HK$526 million additions to fixed assets.

Capital commitments at 30 June 2013 amounted to HK$19.1 billion, which mainly related to the transmission and distribution networks in Hong Kong and generation assets in Australia and India.

Goodwill and Other Intangible Assets

As most goodwill and other intangible assets related to our Australia business, the decrease in Australian dollar closing rate reduced the overall balance.

Trade and Other Receivables

The increase in trade and other receivables reflects the seasonal factor of higher electricity sales in Hong Kong (Summer) and gas sales in Australia (Winter) in June.

Trade and Other Payables

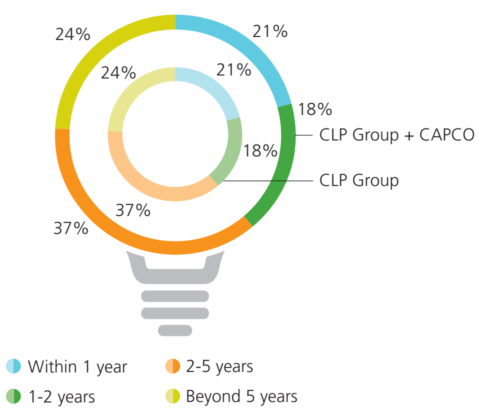
Trade and other payables decreased mainly due to the recognition of the remaining cash assistance under the ESF (which was recorded as deferred revenue of HK$1,035 million (A$129 million) at year end 2012) to revenue, and the settlement of carbon tax liabilities and Renewable Energy Target obligations in Australia during the period.

Derivative Financial Instruments

As at 30 June 2013, the Group had gross outstanding derivative financial instruments amounted to HK$166.6 billion. The fair value of these derivative instruments was a net deficit of HK$802 million, representing the net amount payable if these contracts were closed out on 30 June 2013. 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 2013 HK$M	31 December 2012 HK$M	**30 June 2013 HK$M**	31 December 2012 HK$M
CLP Group				
Forward foreign exchange contracts and foreign exchange options	**99,365**	106,490	**1,415**	1,454
Interest rate swaps / cross currency interest rate swaps	**47,076**	44,790	**(407)**	(448)
Energy contracts	**20,207**	23,092	**(1,810)**	(1,808)
	166,648	174,372	**(802)**	(802)
CAPCO				
Forward foreign exchange contracts	**146**	160	**(9)**	(3)
Total	**166,794**	174,532	**(811)**	(805)

Maturity Profile as at 30 June 2013



Financing and Capital Resources

The Group engaged in new financing activities in the first half of 2013 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.

CLP Holdings maintained adequate liquidity with undrawn bank facilities of HK$15.1 billion and bank balances of HK$1.3 billion as at the end of June 2013 to meet business growth and contingency. This included a new HK$500 million 3-year committed bank loan facility arranged in January 2013 at favourable terms.

CLP Power Hong Kong completed the majority of its funding requirement for 2013 before the second quarter of 2013 when interest rate had remained low and the bond markets were robust. The prudent financing strategy has enabled the company 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 up to June 2013 are:

(i) HK$750 million 3-year committed bank facilities arranged in March 2013 at attractive rates; and

(ii) a A$20 million (HK$161 million) 10-year bond issued under the Medium Term Note (MTN) Programme in May 2013. Australian dollar proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk.

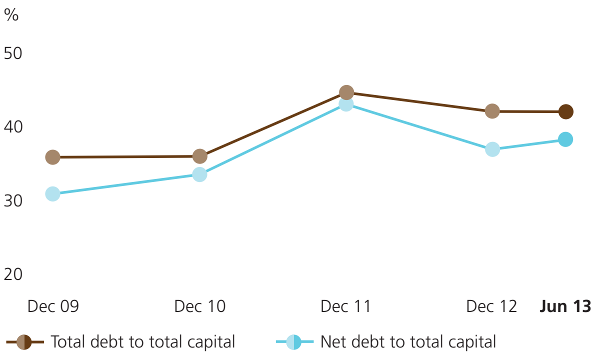
CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$4.5 billion, increased from US$3.5 billion, may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2013, notes with an aggregate nominal value of about HK$25.5 billion have been issued under the MTN Programme.

Financing and Capital Resources (continued)

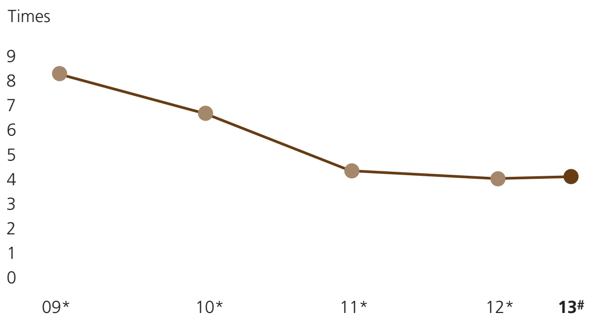
In Australia, EnergyAustralia extended a A$700 million (HK$5,026 million) working capital facility in July 2013 by one year to June 2016 with existing lenders at lower interest margin. The sale proceeds from disposal of 75% interest in the Waterloo Wind Farm has reduced the gearing ratio of the business. In India, CLP India arranged a total of Rs.8.1 billion (HK$1,039 million) short-term bank loans in the first half of 2013 to bridge finance the construction of various wind projects which will be replaced by long-term financing after construction completion. In the Chinese mainland, a non-recourse project level bank loan of RMB750 million (HK$946 million) for the Jinchang solar project (51% CLP owned) was arranged in May 2013, amidst a tightened credit market.

This year, the Group continues to maintain an appropriate portion of committed credit facilities to ensure funding certainty. As at the end of June 2013, we maintained lending relationships with 57 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$9,054 million as at 30 June 2013 was secured by fixed and floating charges over the assets of our subsidiaries in India, and HK$3,314 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 2013 was 41.9% (31 December 2012: 42.1%), decreasing to 38.8% (31 December 2012: 36.8%) after netting off bank balances, cash and other liquid funds as at 30 June 2013. Interest cover for the six months ended 30 June 2013 was 4 times. As at 30 June 2013, the Group's fixed rate debt as a proportion of total debt was approximately 58% (56% for the Group and CAPCO combined).

Gearing

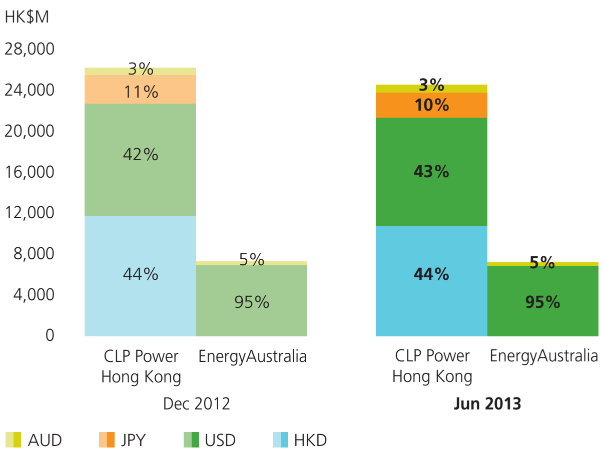


Interest Cover

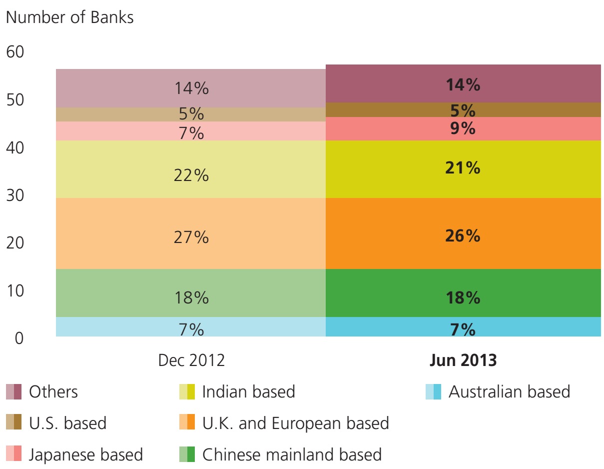


* Calculated on annual profit or loss figures
# Calculated on interim profit or loss figures

Currency of Bond Funding



CLP Banking Relationships – A Balanced Mix of Lending Financial Institutions



Financing and Capital Resources (continued)

Debt Profile as at 30 June 2013

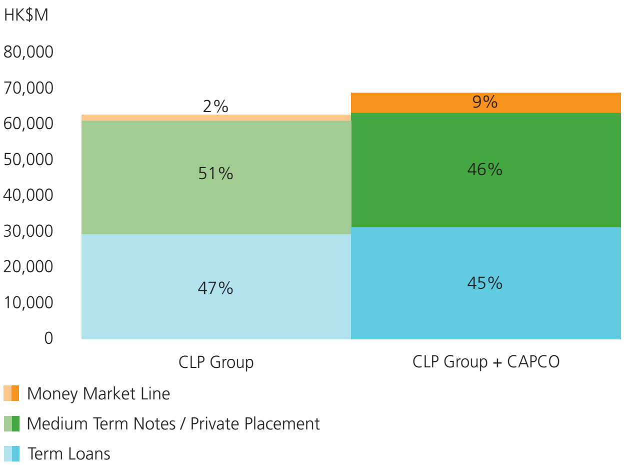
	CLP Holdings HK$M	CLP Power Hong Kong HK$M	Other Subsidiaries[1] HK$M	CLP Group HK$M	CLP Group + CAPCO HK$M
Available Facility[2]	16,600	37,583	39,935	**94,118**	**101,746**
Loan Balance	1,549	31,793	29,313	**62,655**	**69,045**
Undrawn Facility	15,051	5,790	10,622	**31,463**	**32,701**

Notes:

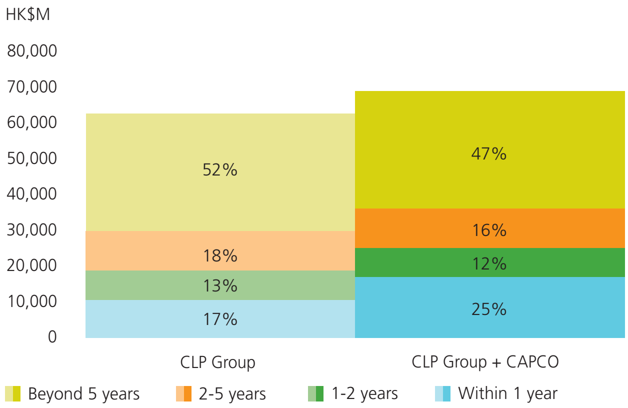
1 Mainly relates to EnergyAustralia and subsidiaries in India.

2 For the MTN Programme, only the amount of the bonds issued as at 30 June 2013 was included in the total amount of Available Facility. The Available Facility in EnergyAustralia excludes a facility set aside for guarantees.

Loan Balance – Type



Loan Balance – Maturity

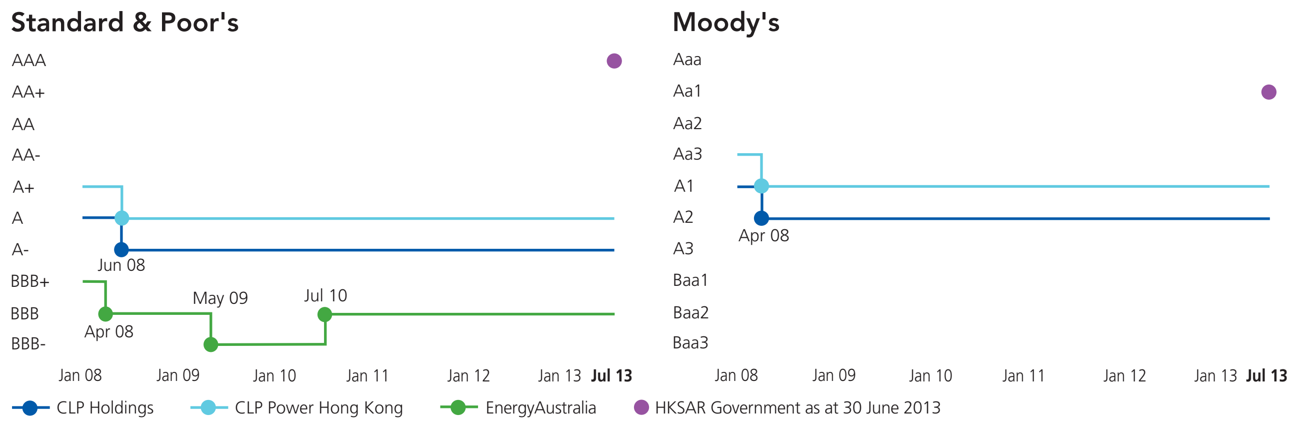


Note: Loan balance between two to five years includes loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

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. In February and March 2013, Standard & Poor's (S&P) re-affirmed the A-/A and Moody's re-affirmed the A2/A1 credit ratings of CLP Holdings and CLP Power Hong Kong respectively. In April 2013, S&P revised the outlook of EnergyAustralia's BBB credit rating to negative from stable quoting EnergyAustralia will face a weaker financial profile due to structural changes in the electricity market of Australia. We have been working closely with S&P to explain the business strategy and financial position of EnergyAustralia.

Long-term Credit Ratings – Foreign Currency and Local Currency



CLP Holdings

Moody's: Re-affirmed the A2 credit rating with stable outlook in March 2013

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 • Ability to access the domestic and international bank and capital markets • Availability of sizeable committed bank facilities • Well managed debt maturity profile • Prudent financial management as evidenced by CLP Holdings' share placement exercise in late 2012 to enhance its financial flexibility and capital structure	• Weakened financial profile due to debt-funded acquisition of New South Wales assets and increased volatility in overseas businesses • Expansion in riskier, non-regulated merchant energy and retail businesses has raised the overall business risk • Credit metrics are not expected to materially improve in 2013 given the difficult operating environment in Australia and the uncertainty related to new arrangements on coal supplies for Jhajjar. Nevertheless, CLP Holdings' overall credit metrics in the next two to three years will still be consistent with its current rating level, albeit at the low end of the rating range • Leverage will stay high owing to large capital expenditure needs to support its expanding operations and delay in its initial public offering plans for EnergyAustralia

S&P: Re-affirmed the A- credit rating with stable outlook in February 2013

Positives	Negatives
• Strong business risk profile and modest financial risk profile • Expect financial strength to improve meaningfully from 2014 due to: (1) higher returns from Hong Kong operations due to tariff increase, further capital expenditure and stable local electricity demand; (2) higher earnings from its Australian operations where the New South Wales assets likely to be almost completely integrated by the end of 2013; and (3) growing earnings from renewable energy investments • Strong financial flexibility because of good access to bank facilities and capital markets • Adequate liquidity supported by strong operating cash flow from Hong Kong operations and its strong financial flexibility • Commitment to deleveraging and its record of disposing assets to optimise the portfolio	• Expanding Asia Pacific power investments temper the strengths that CLP Power Hong Kong brings to the parent and increase CLP Holdings' business and operating risks while weakening its credit protection measures • Power generation assets in Asia Pacific are riskier and have less stable cash flows than the Hong Kong business • New generation facilities under construction in Australia, India and the Chinese mainland carry higher operating risks, and are potentially subject to increasing supervision and costs relating to carbon emission and environmental issues; and introduce execution and integration risks to the Group's operations • Challenges in managing potential changes in generation portfolio of Australian business to mitigate its exposure to the government's carbon abatement scheme over the mid to long-term • Lack of fuel supply in Jhajjar, India, has adversely affected the operations

CLP Power Hong Kong

Moody's: Re-affirmed the A1 credit rating with stable outlook in March 2013

Positives	Negatives
• Projected financial profile remains strong for its rating, in consideration of its low business risk profile • 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 • Secured a 20-year gas supply from the Second West-East Gas Pipeline through the gas supply agreement between CAPCO and PetroChina which strengthens CLP Power Hong Kong's position to meet the carbon emission requirements of Hong Kong	• Liquidity profile may be pressured to a certain extent by its dividend payments to CLP Holdings and its 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 • New gas supply comes with higher costs and capital investment, which exert pressure to increase tariffs and leverage

S&P: Re-affirmed the A credit rating with stable outlook in February 2013

Positives	Negatives
• Excellent business risk profile, favourable regulatory regime protects CLP Power Hong Kong from rising fuel costs and ensures stable operating cash flows • Monopoly in its service area, satisfactory operating record and modest financial risk profile • Sound bank relationships and good reputation in the capital market • Good liability management with diversified debt sources and tenors • Liquidity remains adequate • Expect to maintain its financial risk profile over the next two years while prudently increasing debt and retaining strong financial flexibility • Long-term gas supply agreement with PetroChina ensures the stability of gas supply and enables CLP Power Hong Kong to move to cleaner fuel	• 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 • New gas supply agreement results in more capital expenditure on the construction of infrastructure and associated facilities, and thus raises funding needs

EnergyAustralia

S&P: Revised the outlook of EnergyAustralia's BBB credit rating to negative from stable in April 2013

Positives	Negatives
• Benefit from a higher rated owner, CLP Holdings • Strong liquidity profile • Vertically integrated electricity generation and retailing components of the business	• Financial profile could be weaker than expected due to structural changes in the electricity market • Lower energy consumption, soft electricity prices, and competition for retail market share • Challenge of transitioning to a new information technology platform to improve the cost base and support operating cash flow • Ongoing risk of integrating the retail business • Exposure to the competitive electricity wholesale and retail markets

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 forward foreign currency contracts or cross currency interest rate swaps to structured products for managing financial risk. We also monitor our risk exposures with the assistance of "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 2012 Annual Report on pages 76 and 77, 111 to 118 and 211 to 220.

Performance and Business 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 2013.

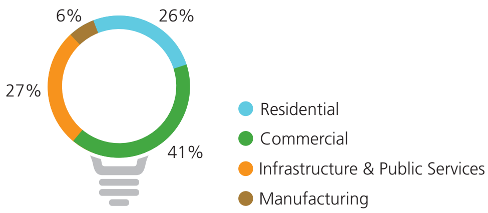
Hong Kong

In the first six months of 2013, local sales of electricity were 14,806 gigawatt hours (GWh), a decrease of 1.5% over the same period last year. Although sales to the Commercial and Infrastructure & Public Services sectors experienced slight growth, this was offset by a 6% decline in the Residential sector. Sales to the Manufacturing sector also decreased by 2.8%. The overall reduction was attributable to the lower humidity in the first quarter and cooler weather in the second quarter compared with the same periods in 2012, which included an extra day due to that being a leap year.

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

	Increase / (Decrease)	
Residential	(243GWh)	(6.0%)
Commercial	20GWh	0.3%
Infrastructure & Public Services	19GWh	0.5%
Manufacturing	(25GWh)	(2.8%)

As Percentage of Total Local Sales



Sales to the Chinese mainland amounted to 620GWh, a decrease of 38.1% as compared to the same period last year. This was primarily due to lower committed sales to the Guangdong Power Grid Corporation. Total electricity sales, including both local sales and sales to the Chinese mainland, decreased by 3.8% over the same period last year to 15,426GWh.

CLP was able to keep its average 2013 basic tariff unchanged due to continued stringent management of capital and operating expenditures and higher than expected electricity sales attributable to warmer weather in 2012. Nonetheless, average net tariff increased by 5.9% with effect from 1 January 2013 largely because of the increase in fuel costs of the new natural gas supplies through the Second West-East Gas Pipeline (WEPII) and a downward adjustment to the rent and rates special rebate. Whilst the WEPII gas is priced at the prevailing international market level, it is around three times the price of that from the existing Yacheng gas field, which was contracted 20 years ago when energy prices were significantly lower. This new gas source is, however, needed to replace declining supply from the Yacheng field and to meet our environmental commitments.

In April, the Lands Tribunal ruled in favour of CLP in its appeal against the Commissioner of Rating and Valuation over rate and rent valuations dating back to 1999 / 2000. Subsequently, both parties have lodged valuation reviews with the Lands Tribunal in relation to detailed valuation issues arising from the ruling. We do not expect the outcome of these reviews to be available within this year. Nevertheless, we stand by our commitment to return to customers any refunds we receive from Government just as we have done in the past through the rent and rates special rebate.

CLP also introduced a new Energy Saving Rebate Scheme on 1 January 2013 to encourage energy efficiency and assist low-consumption customers. Under the scheme, it is anticipated that about 35% of residential customers and 44% of small business customers will bear no increase, or even enjoy a small reduction in their electricity bills depending on their consumption levels.

In the first half of 2013, our Hong Kong business invested HK$3 billion in generation, transmission and distribution networks, as well as in customer services and support facilities. These investments reinforce existing power networks, such as strengthening of our 400kV overhead line towers to withstand super typhoons. They also safeguard the timely provision of new electricity supply facilities for residential property developments and new infrastructure projects such as the Kai Tak Development Area (including the Kai Tak Cruise Terminal which opened in June), new railway lines and the Hong Kong-Zhuhai-Macau Bridge. To meet the anticipated increase in load demand from the fast-growing data centre sector, we are also building at full speed a 132kV substation in Tseung Kwan O Industrial Estate, a popular location for large data centres. The substation is expected to be commissioned in 2014.

As part of the SoC Agreement, CLP is required to submit a new Development Plan to the Government when the current Plan expires. In May, we submitted the Development Plan relating to the capital expenditure for the provision and future development of our electricity system over the period 2014-2018. Whilst there is uncertainty regarding Hong Kong's future fuel mix and regulatory regime, CLP has presented a practical and prudent Development Plan to support the planned growth of Hong Kong, and to ensure a safe and reliable supply for our customers while meeting environmental obligations in the years ahead. We will work closely with the Government to ensure due regard is paid to system and operational needs to meet the expectations of our customers and the wider community whilst maintaining cost effective tariffs and managing increasing fuel costs in the best way possible.

The current SoC Agreement provides for an Interim Review in 2013, in which changes to the Agreement can be made by mutual consent between CLP and the Government. The Interim Review process has already begun. The Government has solicited views from the community and, as with previous interim reviews, CLP will approach the discussions with the Government in a constructive and open manner.

The arrival of natural gas from PetroChina's WEPII at the end of last year marked a major step in the implementation of the Memorandum of Understanding (MOU) signed between the HKSAR Government and the Central People's Government in 2008. According to the MOU, a Gas Supply Agreement (GSA) with PetroChina has been signed for the supply of WEPII gas to Hong Kong from 2013 for the next 20 years. The GSA has also been approved by the HKSAR Government. This new gas resource is delivered through a new 20-km subsea pipeline connecting to WEPII at Dachan Island in Shenzhen and ending at Black Point Power Station (BPPS). These new facilities, referred to as "The Hong Kong Branch Line" (HKBL), are jointly owned by PetroChina (60%) and CLP (40%). Construction and commissioning of HKBL is now completed. In June, the compressors on Dachan Island, the subsea pipeline, the end station and associated gas receiving facilities at BPPS successfully completed a 72-hour performance test. In addition, seven out of Black Point's eight generation units have been converted, with conversion of the final unit scheduled to be completed in the third quarter. CLP has now started using the WEPII gas.

CLP delivers one of the most reliable electricity services in the world. In the first half of 2013, despite thundery weather and heavy rainstorms in May and June, supply reliability was maintained at above 99.999%. This demonstrates CLP's operational excellence in improving the resilience of its power system that comprises a significant portion of overhead lines.

CLP is supportive of promoting energy efficiency and conservation and has been actively helping our customers to save energy by undertaking a wide range of education and promotion activities. We are strengthening our demand side management measures to reduce critical peak demand – the single largest driver for infrastructure investments. Pilot programmes launched include Advanced Metering Infrastructure (AMI) for residential and small-to-medium commercial customers, and Automated Demand Response and Bilateral-Contract Demand Response for larger-scale commercial and industrial customers. These programmes are complemented with incentives to help customers identify energy saving opportunities and better control their electricity usage, especially during times of peak demand. CLP will gain valuable information through these pilots, which in turn will enable us to identify the best way forward to work with customers on demand side management and to encourage behavioural changes.

Moreover, we successfully rolled out in early July a more versatile and user-friendly customer relationship management system to enhance customer experience and improve operational performance in sales and marketing, and customer service.

Recognising the demand for greater transparency on the operation of Daya Bay Nuclear Power Station, which supplies electricity to Hong Kong, we proactively developed various communication channels such as the Nuclear Resources Centre (NRC) and launched a nuclear energy website to enhance public literacy on nuclear energy. In the first half of 2013, NRC received over 4,000 stakeholders including government officials, professionals, shareholders and students.

CLP has also continued to support the deployment of renewable energy in Hong Kong. To date, we have supported the connection of 134 small renewable energy systems to the grid. Our work on Town Island, where CLP constructed the city's first commercial-scale, standalone renewable energy supply system that optimises the use of solar, wind and land resources, has been recognised in a public campaign organised by The Hong Kong Institution of Engineers as one of the ten "Hong Kong People Engineering Wonders in the 21st Century".

CLP recognises the importance of giving considerations to the views and values of our stakeholders. We will continue our efforts to keep our stakeholders, including government officials, legislators, academics, chambers of commerce, professional bodies, think tanks, district leaders, green groups and media, abreast of our business development and new initiatives through meetings, seminars and educational workshops.

Outlook

Outlook for the second half of 2013:

- Engaging actively with the Government to complete the Interim Review of the SoC Agreement;
- Securing Government's approval for the new Development Plan covering 2014 to 2018;
- Continuing to monitor and manage the gas supply from the existing Yacheng gas field and explore other long-term gas supply options outlined in the MOU;
- Ensuring smooth implementation of the new GSA with PetroChina, safe and reliable operation of HKBL, and completing all gas receiving infrastructure and plant modification works at BPPS to receive deliveries of new gas supplies;
- Managing our operating costs to minimise the impact of tariff increases on our customers;
- Stepping up efforts to promote energy efficiency through public education and the provision of energy efficiency related services; and
- Facilitating an informed discussion in the community on the future energy mix for Hong Kong through stakeholder engagement activities.

CLP launches a city-wide energy saving competition for a greener Hong Kong

Australia

Over the past 12 months the Australian energy market has been very challenging. While the decline in commodity prices and weak export demand drove down usage in the industrial sector, residential demand was affected by continued increases in rooftop solar photovoltaic systems and energy efficiency savings. This dramatic reduction in electricity demand, combined with an increase in renewable energy generation, continues to weigh heavily on wholesale prices. The Australian Energy Market Operator recently forecast energy demand over the next 10 years to grow at a 1.3% average annual rate under its medium economic scenario with the only major positive factor being the start-up of three large Liquefied Natural Gas (LNG) liquefaction terminals in Queensland. Average annual demand growth in NSW and Victoria is forecast to be relatively modest at 0.6% and 1.0% respectively.

EnergyAustralia's business performance is also impacted by its ability to manage effectively the changes to the energy markets that results from the Australian Government's Clean Energy Future and RET policy settings.

These factors were largely reflected in the announcement by S&P on 30 April 2013 to revise the outlook of EnergyAustralia's BBB credit rating from stable to negative.

The introduction of the carbon pricing in Australia in 2012 had a major impact on EnergyAustralia, and the policy has already been changed once since it was implemented. The current Federal Government has announced its intention to change the country's carbon policy again, while the opposition party is campaigning on a platform to abolish the tax. With a Federal Election to be held in the second half of 2013, this has led to significant uncertainty in this area. The changes proposed by the current Government, if legislated, may significantly reduce the value of compensation owing to EnergyAustralia from the introduction of carbon pricing. EnergyAustralia is closely monitoring the situation and assessing its impact.

Amidst this difficult market environment, EnergyAustralia is also addressing a number of internal challenges. These include technical difficulties with the new billing system, disruptions at the Yallourn Power Station and higher integration costs of the retail business and Delta Western GenTrader contracts acquired as part of the energy industry reforms in NSW in 2011.

In the second half of 2012 the company rebranded its entire Australian business to EnergyAustralia and implemented a new billing system (Customer First, C1) for its TRUenergy customers. As is often the case with sophisticated new information technology systems, we have encountered a number of significant implementation issues. This has led in some cases to a negative impact on customer experience, delays in the processing of customer accounts as well as higher operating costs associated with implementing a stabilisation programme.

At Yallourn, EnergyAustralia entered into conciliation negotiations with a number of unions representing the power station operations and maintenance employees over a new Enterprise Bargaining Agreement. Negotiations have been difficult and one union involved (the Construction Forestry Manufacturing and Energy Union (CFMEU)) has undertaken a campaign of industrial action over several months this year, and which is on-going. This action was escalated on 21 June, when the CFMEU implemented work bans that included running up generation when demand is at its lowest and winding it back when demand is highest. To mitigate losses and protect other jobs on site, EnergyAustralia took the difficult decision to lock-out those employees undertaking this damaging industrial action. EnergyAustralia is committed to reaching agreement with employees as soon as possible and has undertaken a number of conciliation sessions at Fair Work Commission, Australia's national workplace relations tribunal. However, EnergyAustralia will need to see greater flexibility than has been shown by the CFMEU to date and a genuine commitment to negotiation. EnergyAustralia is committed to maintaining a flexible agreement that enables it to remain competitive at Yallourn and navigate a difficult market environment.

Work continued on the Morwell River Diversion following the collapse of the coal conveyor tunnel beneath the diversion in June 2012. Remediation of the Diversion is continuing with some delays experienced due to poor weather conditions. The removal of flood water from the mine concluded in early February 2013. However, heavy rains in June 2013 resulted in further water flow into the Yallourn East Field Mine. The water flow into the mine was part of EnergyAustralia's contingency programme during the diversion construction to manage any water flows exceeding the capacity of the temporary river-to-river pumping and pipeworks system.

In order to address the sector-wide external pressures and internal challenges, EnergyAustralia has instigated a number of programmes that focus on improved business productivity and cost reduction, including:

- retail and corporate efficiency programmes aimed at improving operational efficiencies and enhancing customer experience;
- an assessment of how to optimise the operation of Yallourn Power Station in light of the introduction of the carbon pricing regime in July 2012, lower energy demand and increased energy supply and capacity in the wholesale market; and
- cost control measures including changes in procurement policy and structural changes across the organisation, resulting in approximately 100 permanent positions being made redundant and 50 contractor positions being terminated over the 2013 calendar year.

In spite of these challenges, generation performance across the portfolio was satisfactory, with total outputs from the Tallawarra, Hallett and Cathedral Rocks stations being higher for the first six months of 2013 compared to the first half of 2012. The Iona Gas Plant continued to perform well. Gas throughput, stored gas and plant availability in the first half of 2013 all exceeded the levels in the same period in 2012.

To provide further flexibility to its energy generation portfolio and reduce costs, EnergyAustralia announced on 25 July 2013 the acquisitions of the Mount Piper and Wallerawang power stations. The total purchase price for the acquisitions was approximately A$475 million (HK$3,426 million), which included the balance of the deposits of the Delta Western GenTrader Agreements held by the NSW State Government of approximately A$315 million (HK$2,272 million) at completion, and a net cash consideration of A$160 million (HK$1,154 million). The acquisitions will release EnergyAustralia from the fixed contractual commitments under the Delta Western GenTrader Agreements, providing the opportunity for immediate savings in capital and operating expenditures.

On 31 May 2013, EnergyAustralia sold a 75% interest in the Waterloo Wind Farm. EnergyAustralia will continue to operate and manage the wind farm. It will also continue to receive the energy off-take and the large-scale generation certificates that the site creates, which help EnergyAustralia meet its RET obligations. EnergyAustralia realised total proceeds of A$228 million (HK$1,704 million) from the transaction. Separately, the Waterloo Wind Farm has received Development Plan Consent from the Clare and Gilbert Valleys councils. This project will see an additional six turbines added to the plant, bringing the site's generation capacity to approximately 129MW.

Remediation work at Yallourn

In retail, customer account numbers increased by around 56,000 during the first half of 2013, a net gain of approximately 43,000 electricity and 13,000 gas accounts. EnergyAustralia's electricity churn rates in its two major markets of 17.3% in NSW and 25.7% in Victoria, were below market churn rates of 20.2% in NSW and 30.9% in Victoria.

Electricity sales volumes decreased 11% compared to the prior period. The reduction was predominantly due to lower sales to large industrial and commercial customers in addition to lower mass market usage. EnergyAustralia's gas sales increased 4% compared with the prior period reflecting higher sales to large industrial and commercial customers partially offset by lower mass market sales.

The NSW Independent Pricing and Regulatory Tribunal handed down its final electricity price determination on 17 June 2013. The determination allows average increases in electricity regulated prices of 1.7% across NSW, with regulated prices in the EnergyAustralia region increasing 3.2%. The increases took effect on 1 July 2013. The Queensland Competition Authority also approved increases in electricity regulated prices for Queensland effective 1 July 2013. The main regulated residential tariff in Queensland increased 22.6%.

South Australia's deregulated retail electricity and gas pricing took effect from February 2013. Further, the Queensland Government announced that it will move to deregulated retail electricity price caps supported by price monitoring in southeast Queensland by July 2015. In May 2013, the Australian Energy Market Commission also released a draft report on the effectiveness of competition for small electricity and natural gas customers in NSW. The draft report found that competition in NSW's retail energy markets is delivering benefits to customers and therefore recommended that retail electricity and gas price regulations be removed.

In response to customer feedback, EnergyAustralia led the industry and announced in February 2013 that it would exit the door-knocking sales channel effective 31 March 2013. Subsequently, major competitors, Origin and AGL, announced they would exit. EnergyAustralia's move came before the Australian Competition and Consumer Commission filed proceedings in the Federal Court of Australia in March 2013 against EnergyAustralia and four marketing and sales companies it engaged to undertake door-to-door selling on their behalf. The EnergyAustralia Board established a committee to oversee the company and adopt more robust compliance processes to meet its obligations under the Australian Consumer Law, particularly as they relate to sales and marketing.

In keeping with the objective of finding smarter ways to engage with customers, EnergyAustralia was named by the Australian Government as the retail partner for its "Smart Grid, Smart City Project" in 2012. With 5,000 trial customers, the initiative has produced strong customer engagement and behavioural changes. EnergyAustralia also launched Australia's first-ever energy management smart phone application, helping customers understand and control their usage.

Outlook

The outlook for the energy sector for the coming year appears significantly more challenging than previous years. As such, EnergyAustralia continues to focus on delivering productivity changes to reduce costs incurred while building the business. The key projects for the second half of 2013 will be:

- implementing cost reduction initiatives arising from the retail and corporate efficiency programmes;
- continuing stabilisation activities associated with the new customer management and billing system;
- continuing plans for the integration of the NSW retail business into EnergyAustralia's platform;
- increasing the level of low-cost direct sales via the web and own Contact Centre;
- integrating the Mount Piper and Wallerawang power stations into the EnergyAustralia operating portfolio;
- optimising our operations at Yallourn in response to the changes in wholesale market conditions and the impact of the carbon regime and the RET; and
- continuing to advocate for retail price deregulation in NSW.

These programmes are aimed at maintaining the value of the business through improved customer service, sharp focus on cost reduction, more optimal operational performance, and disciplined use of capital. EnergyAustralia anticipates that outcomes from these programmes will take time to come to fruition, but they will help EnergyAustralia to respond to the new, challenging realities in its market environment.

Chinese Mainland

National demand for electricity grew at a slower pace of 5.1% for the first six months of 2013 due to decreased demand in the manufacturing sector and greater emphasis on energy conservation. The economic performance of our coal-fired generating plants improved due to higher inventories of coal throughout the country and stable coal prices in the domestic and international markets.

Fangchenggang Power Station in Guangxi continued to operate reliably throughout the first half of 2013. We are retrofitting selective catalytic reduction equipment to reduce nitrogen oxide emissions to comply with new emission limits, which will come into effect in July 2014. We are also awaiting final project approval from the National Development and Reform Commission for the construction of two additional 660MW ultra-supercritical units at the site. Preparatory work is underway and full construction will start as soon as final approval is granted.

In terms of renewable energy, generation at the Huaiji and Jiangbian hydro projects was higher than last year due to greater rainfall but the Dali Yang_er hydro project has been affected by several years of low rainfall. The Jiangbian hydropower station has been affected by grid restrictions due to the commissioning of other large-hydro units in the region. We expect the grid restrictions to be resolved when the inter-provinces transmission network, which is currently under construction, comes online.

While operations have commenced at the Chongming wind project (48MW) in Shanghai, where CLP has a 29% equity stake, heavy grid restrictions in Northeastern China and lower-than-average wind speeds meant that our wind assets are producing at a level that was lower than planned during the first half of the year. Monthly wind speeds during the second quarter of 2013 have improved and are moving towards long-term averages.

Construction of CLP's wholly-owned Laiwu Phase I wind project in Shandong (49.5MW) is underway and we expect commercial operation to commence in the first quarter of 2014. We also registered three wholly-owned wind projects for development with the National Energy Administration, pending approvals from the provincial governments. These projects include Xundian Phase I in Yunnan, Laizhou Phase I in Shandong, and Jiangshan Phase I in Zhejiang, each of 49.5MW.

Jinchang Solar Farm – CLP's first solar project in the Chinese mainland

The restructuring of CGN Wind has also been completed. The Ministry of Commerce approved a further injection of equity by the China General Nuclear Power Corporation (CGNPC), which resulted in a dilution of CLP's interests from 32% to 15.75%. We prefer to concentrate new investment in projects where CLP has a majority ownership.

CLP also completed construction of the Jinchang solar project (100MW) in the second quarter of 2013, which is our first solar project in China. The experience from Jinchang will enable us to explore other solar project investment opportunities with a focus on regions with good solar energy resources and low grid-restriction risks.

The problems with feedstock procurement at our biomass plant at Boxing in Shandong remain a major obstacle to achieving reasonable operating economics. Since there is no foreseeable change to the operating environment, we are exploring divestment options in view of the difficulty in maintaining long-term sustainability of this type of generation.

Daya Bay Nuclear Power Station, in which CLP has a 25% stake, continued to maintain its longstanding safety record in the first half of 2013. Additional safety measures are being implemented in accordance with the regulatory schedule and as required in the comprehensive safety review of nuclear installations by the PRC Government.

CLP continues to work with CGNPC, our longstanding partner in Daya Bay, to pursue regulatory approval for the acquisition of a 17% equity share in the Yangjiang nuclear power station project (6 x 1,080MW) in Guangdong. The project will be commissioned in phases, with Unit 1 expected to be in operation in 2013 to supply power to Guangdong.

In addition, we are continuing our efforts to work with CGNPC to explore the feasibility of additional import of nuclear power supply to Hong Kong, subject to the decision of the HKSAR Government on the appropriate fuel mix for electricity generation.

Outlook

Outlook for the second half of 2013:

- Improving the environmental performance at Fangchenggang I;
- Obtaining final approval to proceed with the construction of Fangchenggang II;
- Reducing our positions in minority-owned coal-fired joint ventures if the opportunity to do so on commercially acceptable terms arises;
- Continuing the construction of the Laiwu Phase I (49.5MW) wind project;
- Continuing final-stage development work for Xundian Phase I and Laizhou Phase I wind projects, as well as obtaining approval and commencing construction for Huadian Laizhou Phase II wind project (49.5MW each);
- Completing the commissioning and operation of the Jinchang solar project and exploring new investment opportunities for other solar power investments;
- Continuing to work with our joint venture partners on the safety enhancement measures required by the National Nuclear Safety Administration in the comprehensive safety review with regard to Daya Bay Nuclear Power Station;
- Working with CGNPC to complete the process for the acquisition by CLP of a minority stake in the Yangjiang project, including the necessary state-level approvals, and thereafter to monitor progress towards completion on time and within budget;
- Exploring the opportunities for further participation in the ongoing development of the Mainland's nuclear energy generating capacity; and
- Exploring divestment options for Boxing biomass.

India

Performance of our power plant at Jhajjar continued to be impacted by coal shortages, with only one of its two units running during the first half of 2013. As a result, JPL's eligibility to earn capacity charges was affected, as the plant operated at less than 40% availability. JPL was unable to meet its financial covenants and CLP India had to inject funds through shareholder loans, recognising the positive fundamentals of JPL. We have been exploring and pursuing various solutions to address the situation and there have been positive developments that lead us to believe that the situation will improve in the second half of 2013.

After extensive efforts, JPL obtained approval from the Chief Minister of Haryana to procure 1.7 million tonnes of imported coal through May 2014 to make up the shortfall in domestic coal supply by Coal India. Improvements in plant equipment and processes have also been made to better accommodate coal of varying quality. Since May 2013, JPL has been blending imported coal at 35% of the total required volumes. Consequently, both units of the plant have been able to generate consistently starting July 2013, with availability at 85.7% in July.

On 14 March 2013, JPL filed a petition against its off-takers on disputes over the commissioning date of Unit 1, which has implications on the payment of capacity charges, claiming payments for coal losses incurred during transit from the coal mine to the plant, coal-handling agent's charges and Unscheduled Interchange charges payable as per the Central Electricity Regulatory Commission Regulation 2009.

Generation at our gas-fired plant in Paguthan has been around 7%, mainly due to gas-supply shortages. Even though we have a contracted supply of 1.3 million cubic meters of gas per day with Reliance Industries Limited (RIL), we have received no gas since 1 March 2013 due to the sharp reduction in gas extraction from RIL's KG D-6 gas field, our principal gas source. Additionally, allocation of domestic gas to the power sector has been reduced drastically with the first priority accorded to the fertilizer sector.

Although the current PPA protects Paguthan's revenue as long as the power plant is available for despatch, the plant's off-taker, Gujarat Urja Vikas Nigam Limited (GUVNL), has requested Paguthan to reduce fixed charges under the PPA as it had purchased negligible amount of power from Paguthan. CLP India held an initial round of meeting with GUVNL to address the issue. We will continue to pursue the matter as we explore other sources of reasonably-priced domestic gas to support Paguthan.

Technician performing maintenance work at Jhajjar's coal conveyor system

Our wind energy portfolio in India performed within our expectations in the first half of 2013. We commissioned the Bhakrani (54.4MW) and Sipla (50.4MW) wind projects in the state of Rajasthan. Reinforcing our strategy to focus on renewable energy in India, CLP has decided to invest in the Jath wind project (130MW) in Maharashtra. Construction is expected to commence in September 2013 with a target commissioning in December 2014. Upon completion of this project, our wind portfolio in India will grow beyond 1,000MW, cementing our position as the country's largest wind energy producer, whether domestic or foreign.

Outlook

In the second half of 2013, CLP India will focus on:

- moving JPL towards a long-term and sustainable financial viability by establishing a framework for the procurement of imported coal with the Government of India and by continuing to work with other stakeholders to improve the availability of domestic coal;
- continuing longstanding efforts to secure adequate, reliable and reasonably-priced gas supplies for Paguthan from domestic sources; and
- maintaining steady growth of our wind energy business and starting construction of Jath Wind Farm.

Southeast Asia and Taiwan

In Southeast Asia, we completed an 8MW expansion to the Lopburi solar project in Thailand, which brought the plant's total capacity to 63MW. Developed by Natural Energy Development Co., Ltd. (NED), in which CLP has one-third shareholding, this is the first utility-scale solar project in our portfolio. CLP provided management leadership and technical support for the development, construction and operation of the solar plant.

In Vietnam, we are in negotiations with the Government on key project agreements so that we can ascertain the viability of the two coal-fired projects, Vung Ang II and Vinh Tan III, and make investment decisions accordingly.

Development of Vung Ang II has come to a critical stage whereby we are negotiating with the Government on tariff levels and US dollar payment guarantee. Engineering, procurement and construction contracts (EPC) and coal supply and transportation contracts have substantially been finalised. We have also started discussions with potential lenders. Work on Vinh Tan III has progressed well. The EPC contractor has been selected and coal supply and transportation contracts have been largely finalised. We have also started negotiations on the PPA and other key agreements with the Government.

In Taiwan, where CLP has a 20% stake in Ho-Ping Power Company, the state-owned off-taker Taiwan Power Company (Taipower) has been requesting all independent power producers (IPPs) since 2008 to reduce the agreed upon tariffs as stated in respective long-term PPAs. The IPPs, which include Ho-Ping, consider this request unreasonable and have been involved in discussions with Taipower to explain their position. Notwithstanding ongoing discussion, in March 2013, the Fair Trade Commission (FTC) fined all IPPs for alleged concerted actions to oppose Taipower's request. Ho-Ping was penalised NT$1.35 billion (CLP's share was about HK$62 million equivalent, net of tax), which is being paid in 60 monthly instalments. Ho-Ping has appealed against the FTC's decision and, if the appeal is not successful, it may take proceedings under administrative law.

Outlook

Outlook for the second half of 2013:

- Appealing against the FTC penalty, and maintaining safe and reliable operation at Ho-Ping;
- Establishing management systems and operating the Lopburi solar project successfully; and
- Finalising negotiations on the major project agreements and contracts for Vung Ang II and Vinh Tan III projects in Vietnam such that investment decisions can be made.

Human Resources

As at 30 June 2013, the Group employed 6,634 staff (2012: 6,429), of whom 4,111 were employed in the Hong Kong electricity and related business, 2,269 by our businesses in Australia, the Chinese mainland, India, Southeast Asia and Taiwan, as well as 254 by CLP Holdings. Total remuneration for the six months ended 30 June 2013 amounted to HK$2,108 million (2012: HK$2,140 million), including retirement benefit costs of HK$186 million (2012: HK$157 million).

Safety

At CLP we strongly believe that a job not done safely is a job not done properly. This is a belief and expectation that applies to all employees and contractors – our shared goal is zero injuries. In the first six months, no fatal incidents occurred in any of our assets. Overall safety performance of CLP employees improved, with lost time injury rate (LTIR), or the number of lost time injuries for every 200,000 work hours of exposure, fell from 0.09 last year to 0.08 in 2013.

However, total safety performance, including employees and contractors, deteriorated (LTIR in 2013: 0.21; 2012: 0.14). A major factor contributing to the deterioration is an incident at JPL in India on 12 April 2013, as a result of which five people were injured. An investigation was conducted to avoid reoccurrence of the incident. We also engaged NOSA, the internationally recognised health and safety consultant, to conduct a NOSA 5 star safety training at JPL to further enhance the safety knowledge of the employees.

Unfortunately on 13 July 2013 a fatal accident occurred to a contractor at JPL, in spite of all safety efforts made. We have set up an independent panel to look into the root cause of the incident.

Nonetheless, zero injuries remain our target. To achieve that, we are now developing the Critical Risk Standards, which will be used to align the best practices across all CLP power stations in different countries. We plan to complete the development in 2013 and start implementation next year.

Environment

We continue to work towards minimising and better managing the environmental impact of our operations. Our various initiatives have received positive feedback from our stakeholders, such as customers, regulators and the communities in which we serve. In the first half of the year, CLP Group had no environmental regulatory non-compliance that resulted in fines or prosecutions, and CLP Power Hong Kong has achieved full environmental compliance during that period.

CLP's electric coach – first in Hong Kong

Climate Change

Our voluntary commitment to reduce the carbon intensity of our generation portfolio as set out in our *Climate Vision 2050* continues to influence the decisions we make in the development and operation of our business. As of the end of 2012, our carbon intensity had decreased to 0.77kg CO_2/kWh. This was principally due to reduced coal-fired generation at Yallourn Power Station in Australia, following the introduction of the carbon pricing mechanism and in response to weaker wholesale prices and falling demand.

By 2020, our goal is to have 30% of our equity-based generation capacity from non-carbon emitting sources, of which at least 20% of our equity generation capacity will be from renewable sources. As of 1 January 2013, 23.8% of our total portfolio was non-carbon emitting generation, of which 20.2% was from renewable generation. These percentages will be reduced upon the completion of the acquisitions of the Mount Piper and Wallerawang power stations in Australia.

Air Quality

We continue to monitor and work towards reducing the air emissions from our generation assets. As of the end of 2012, we had reduced our emissions of sulphur dioxide (SO_2) by 2%, nitrogen oxides (NO_X) by 11%, and total suspended particulates (TSP) by 24% compared to 2011 at facilities under our operational control.

In Hong Kong, we have consistently complied with the more stringent SO_2, NO_X and respirable suspended particulates (RSP) emissions caps set by Government in 2010 through the successful implementation of the Emissions Control Project at Castle Peak Power Station. With the availability of new gas supplies, we will be able to comply with the further reductions in tightened emissions caps that will come into force in 2015.

Our efforts to support the Government's call to improve Hong Kong's air quality extend beyond the borders of our power stations. CLP has provided planning support to the public transport sector on power supply and charging facility requirement to facilitate their electrification such as e-bus and e-taxi, as well as transforming its own vehicular fleet towards a greener one, including the introduction of Hong Kong's first electric coach to encourage the wider adoption of environmentally-friendly transport options.

Water

Reliably-available water is critical for the operation of our thermal power stations due to their need for cooling and process water. It also directly affects the performance of our hydroelectric power stations. As of the beginning of 2013, we had not experienced any major issue related to water scarcity or shortage at the local facility level, and all facilities withdrew water according to license entitlement without known adverse effects on water sources.

Work continues on the Group-wide water study, which commenced in 2012. This study is being conducted to give us a baseline from which we will pursue future water efficiency and water saving measures. We also participate in the Water Disclosure Project (WDP), which collects critical water related data from the world's largest corporations. For each of the WDP responses we use the World Business Council for Sustainable Development Global Water Tool for Utilities to determine whether any of our operations are in water stressed areas. We also run an internal process to 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 plants under our operational control on an annual basis.

Sustainability Report

Earlier this year CLP published its 11th annual Sustainability Report, which presented our environmental and social performance at a level of detail in line with that of previous years. Similar to years past, this report contained a set of key performance indicators, which included quantitative metrics, primarily in the environmental and social areas, which were verified by third parties. In keeping with our custom of informing our stakeholders of our sustainability performance at the same time as our annual financial performance, we have incorporated material environmental, social and governance (ESG) information in the Annual Report since the production of our first 2011 Integrated Annual Report.

We have also continued our participation in several investor surveys and indices which measure and benchmark our sustainability performance in relation to that of other companies. Examples include the Dow Jones Sustainability Index, the Hang Seng Corporate Sustainability Index and the

Carbon Disclosure Project. The 2012 editions of these indices are currently being compiled by the relevant parties and the rankings will be published in the second half of 2013.

In line with our move towards integrated reporting, we have decided not to publish a separate, standalone Interim Sustainability Report this year. The information we would have included in our Interim Sustainability Report has been integrated into this document, primarily in this "Performance and Business Outlook" section.

Stakeholder Engagement & Social Performance

The energy-infrastructure investment decisions that we make today have long-term implications to the communities we serve. That is why CLP holds a long-term view and ascribes to the principle of sustainable development on the way we manage and operate our business.

With 2012 marking the first decline in global investments in renewable energy and 2013 starting off with a somewhat unclear outlook, our work in the first half of 2013 has centered on deepening our stakeholders' understanding of the renewable energy sector. In addition to our advocacy efforts on clean energy policies and participation at leading energy and investor summits, CLP also organised the first Asia meeting of the San Giorgio Group, a working group of key financial intermediaries and institutions, to identify solutions that could catalyst green financing in Asia. Through proactive knowledge, experiences and insights sharing with policymakers, regulators and capital providers, we are hopeful that better market conditions and regulations will be in place to realise our vision for sustainable energy for all.

Complementing our work around climate change, CLP continued to support research and development of papers that advocates the sustainable development agenda through our participation in working groups led by the World Business Council for Sustainable Development and the World Energy Council. In line with our sustainability commitment, with the Stock Exchange of Hong Kong intending to make ESG reporting mandatory in 2015, CLP held its first webcast to explain our performances in these dimensions and how they contribute to our financial performances to build capacity on integrating ESG into annual reporting cycles.

Since our investments tend to be held for many years, we continued to apply our skills and resources strategically to support activities that create positive impacts on community development for the short- and long-term. Highlights include:

Hong Kong

We launched a one-off Community Care Subsidy programme in 2013 to help alleviate tariff pressure on the grassroots families in our service area. A subsidy of HK$300 was offered to each approved eligible household.

Youth education and community health are the foci of our community involvement in India

CLP Power Hong Kong continues to run the Hotmeal Canteen programme, which provides dietician-supervised hot meals to low-income families and the unemployed for HK$10. In April 2013, a pilot "Hotmeal Delivery" service was launched.

To promote environmental education, CLP launched the city's first e-learning kit under "Energy Technology and the Environment" liberal studies module. This free on-line platform offers comprehensive information on energy to teachers and students.

Australia

In response to the January Tasmanian bushfires, EnergyAustralia teamed up with the Red Cross and the Melbourne Stars Twenty20 cricket competition which raised A$50,000 for those affected by the fires.

EnergyAustralia also continued its support for St Vincent De Paul, a charitable organisation dedicated to serving the poor. In March, EnergyAustralia donated A$150,000 to the organisation for its purchase of three new vans and to support measures that would improve the energy efficiency of the vans for the society's soup van programme. EnergyAustralia's senior management also participated in the organisation's annual CEO Sleep Out in June 2013 and raised A$36,775 to support its programmes for the homeless.

Chinese Mainland

With our assets spreading across the Chinese mainland, employee volunteerism remains the main platform for CLP to engage with the local communities. In the first half of 2013, our volunteering teams in Fangchenggang, Boxing, Qian'an and Penglai launched events such as clothes and food donations, a community education campaign to promote environmental awareness and participated in tree-planting activities.

In response to the earthquake in the Ya'an County in Sichuan in April, our colleagues in the Chinese mainland and Hong Kong, together with matching funds from CLP, donated over HK$330,000 to the local government and charities in the Mainland and Hong Kong.

India

Our work in Paguthan continues to focus on youth education and community health. We expanded our Education Support Scheme from pure financial aid to include mentoring from CLP India staff and their families. In addition, we introduced an educational tour programme and took 1,600 students from 12 community schools residing nearby to see our assets so that they could learn outside of the classroom. On the skills enhancement front, we provided computer training for youths.

At Jhajjar, after some consultation with local community members, CLP India decided to dedicate our resources to addressing medical needs. In partnership with the Wokhardt Foundation, CLP India is funding a mobile clinic project that provides free medical services to four villages. Given the community's vast needs, we are in the process of formulating a longer-term community investment strategy and will have an update by end of this year.

Southeast Asia and Taiwan

Our activities at the Lopburi solar project focused on building upon the GreeNEDucation Museum to raise awareness about renewable energy and working with local schools. NED is working with teachers to integrate renewable energy into their lesson plans. In addition, it has installed solar panels on the rooftops of the school libraries. As the Lopburi solar project is relatively new to the community, one of NED's priorities is meeting with community members monthly to better understand their concerns.

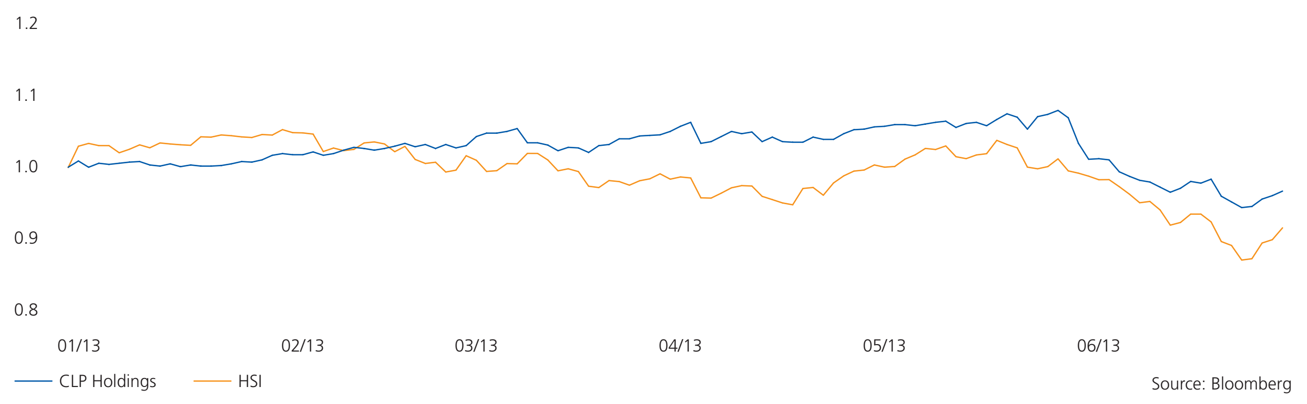
At Ho-Ping, our team supported various health and cultural activities and funded schools' scholarships and extracurricular activities.

Shareholder Value

During the first half of 2013, CLP's share price and the Hang Seng Index (HSI) dropped by 3.24% and 8.18% respectively.

The fourth interim dividend for 2012 of HK$0.98 per share was paid to shareholders on 21 March 2013. The first interim dividend for 2013 of HK$0.53 per share was paid on 14 June 2013 and the second interim dividend of HK$0.53 per share will be paid on 13 September 2013.

Relative Performance – CLP vs HSI (1 January 2013 – 30 June 2013) (Base: 31 December 2012 = 1.0)



2013 Annual General Meeting

Corporate Governance

Corporate Governance Practices

In the Corporate Governance Report of 25 February 2013, which was published in our 2012 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 Hong Kong Stock Exchange's Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save for one exception.

This single deviation from the Recommended Best Practices of the Stock Exchange Code relates to the recommendation that an issuer should announce and publish quarterly financial results. The considered reasons for this deviation were stated in the Corporate Governance Report on page 95 of the Company's 2012 Annual Report. Although CLP does not issue quarterly financial results, CLP issues quarterly statements which set out key business information such as electricity sales, dividends and progress in major activities.

During the six months ended 30 June 2013 the Company met the Code Provisions set out in the Stock Exchange Code.

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 2012 in the evolution of CLP's corporate governance practices was set out in the Corporate Governance Report on page 95 of the Company's 2012 Annual Report. So far in 2013, we have made further progress in our corporate governance practices. This included:

(a) Holding our first ESG webcast on 11 April 2013 to further enhance our communication with institutional investors and their proxy advisors on the ESG aspects of our business. Positive feedback has been received from the participants. The recording of the webcast is available on CLP's website;

(b) Enriching the composition of the Board by inviting Dr. Rajiv Behari Lall, a renowned Indian investment banker, to join the CLP Holdings Board as an additional Independent Non-executive Director;

(c) Providing training on the implementation of the Continuous Disclosure Obligation Procedures to CLP's management, subsidiaries and joint ventures; and

(d) Adopting a Board Diversity Policy.

As at 30 June 2013 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. Richard Kendall Lancaster
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	Mrs. Law Fan Chiu Fun Fanny	
Mr. Paul Arthur Theys	Ms. Lee Yun Lien Irene	

Since 1 January 2013, there have been a number of changes in the Board as set out below:

- Mr. Tse Pak Wing Peter retired as a Non-executive Director effective from the conclusion of the 2013 Annual General Meeting held on 30 April 2013;
- Mr. Peter William Greenwood retired from his position as Group Executive Director – Strategy and as an Executive Director with effect from 19 May 2013;
- Mr. Richard Lancaster was appointed an Executive Director with effect from 3 June 2013;
- Dr. Rajiv Lall was appointed an Independent Non-executive Director to take effect from 13 August 2013;
- Mr. David William Moore will replace Mr. James Frederick Muschalik as Mr. Paul Theys' alternate on the Board with effect from 13 August 2013; and
- Mr. Andrew Brandler will be succeeded as Chief Executive Officer by Mr. Richard Lancaster to take effect from 30 September 2013, and Mr. Brandler will remain on the Board.

The composition of Board Committees remains the same as set out in the 2012 Annual Report (pages 100, 101, 119, 122 and 124), save that

- Mr. Peter Greenwood retired as a member of the Finance & General Committee and the Sustainability Committee following his retirement as an Executive Director on 19 May 2013;
- Mr. Richard Lancaster was appointed a member of the Finance & General Committee and the Sustainability Committee with effect from 3 June 2013; and
- Dr. Rajiv Lall was appointed a member of the Finance & General Committee to take effect from 13 August 2013.

There were no substantial changes to the information of Directors as disclosed on pages 90 and 91 of the 2012 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 2013. 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 Directors held directorships in more than five 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 2013. 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. Mrs. Fanny Law has extensive experience in public administration and Ms. Irene Lee has wide experience in investment banking and financial services.

At the Company's Annual General Meeting held on 30 April 2013 shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2013.

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

The revised levels of fees payable to Non-executive Directors and Independent Non-executive Directors for serving on the Board and Board Committees for each of the financial years of 2013, 2014 and 2015, effective from 1 May in respect of each year, have been approved by shareholders at the Annual General Meeting held on 30 April 2013. The revised levels of fees payable to Directors were set out in the Human Resources & Remuneration Committee Report on page 126 of the Company's 2012 Annual Report.

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management for the six months ended 30 June 2013 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 2013 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 2013.

	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 2013						
CEO						
(Mr. Andrew Brandler)	3.8	4.2	4.9	0.5	–	13.4
Group Executive Director – Strategy						
(Mr. Peter Greenwood) [(a)]	2.5	5.4	5.2	0.3	–	13.4
Executive Director						
Group Director – Managing Director Hong Kong						
(Mr. Richard Lancaster)	2.4	2.4	3.0[(b)]	0.3	–	8.1
Group Director & Chief Financial Officer						
(Mr. Mark Takahashi)	2.4	2.4	2.8	0.3	–	7.9
Vice Chairman – CLP Power Hong Kong						
(Mrs. Betty Yuen)	1.7	2.4[(c)]	–	0.2	–	4.3
Managing Director – EnergyAustralia						
(Mr. Richard McIndoe) [(d)]	5.4	4.6	3.3	0.1	2.0[(e)]	15.4
Group Director – Operations						
(Mr. Peter Littlewood)	2.0	2.2	2.3	0.2	–	6.7
Managing Director – India						
(Mr. Rajiv Mishra)	1.6	1.5	2.0	0.2	–	5.3
	21.8	25.1	23.5	2.1	2.0	74.5

Notes:

(a) The annual incentive of HK$5.4 million was for the years 2012 and 2013 paid to Mr. Peter Greenwood this year. This figure included the additional discretionary annual incentive for year 2013 of HK$2 million paid to him this year. The long-term incentive of HK$5.2 million was for the years 2010, 2011, 2012 and 2013 paid to him this year. The annual and long-term incentives for the year 2013 were made on a pro rata basis in respect of Mr. Greenwood's service up to 19 May 2013.

(b) This figure included the additional discretionary long-term incentive for year 2010 of HK$709,554 paid to Mr. Richard Lancaster in January 2013.

(c) This figure included the additional discretionary annual incentive for year 2012 of HK$750,000 paid to Mrs. Betty Yuen in March 2013.

(d) The EnergyAustralia Board approved the 2013 target annual incentive for Mr. Richard McIndoe to be increased from 75% to 100% of Fixed Annual Remuneration (FAR) with the maximum remaining unchanged at 150% of FAR.

(e) Australian tax equalisation for the long-term incentive for year 2010.

* Performance bonus consists of (i) annual incentive and (ii) long-term incentive. These payments and awards were approved by the Human Resources & Remuneration Committee or the EnergyAustralia Board for Mr. Richard McIndoe.

(i) The total amount of annual incentive includes the accruals that have been made from January to June 2013 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 100% of FAR under the EnergyAustralia local annual incentive scheme) of performance; and the actual bonus paid in 2013 for the previous year in excess of the previous accruals made.

(ii) The long-term incentive is the incentive for 2010, paid in January 2013 when the vesting conditions had been satisfied.

Internal Control

In June 2013 Group Internal Audit has undertaken and completed a Post Implementation Review of EnergyAustralia's new billing and customer management system – Customer First (C1). A significant number of control issues in C1 were identified. The issues were reviewed by the CLP Holdings Audit Committee as well as the EnergyAustralia Audit & Risk Committee and are being actively addressed by EnergyAustralia management, including substantive testing undertaken to gain additional comfort over revenue accruals and provisions made in the interim financial statements. Save for the control issues identified in C1, no other significant areas of concern that might affect shareholders were identified during the six months ended 30 June 2013.

During the six-month period ended 30 June 2013, one single report submitted by Group Internal Audit regarding Accounts Payable at EnergyAustralia carried an unsatisfactory audit opinion. The issues arising from this audit are being addressed by management. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 106 to 108 of the Company's 2012 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 2013.

We have voluntarily extended the ambit of the CLP Securities Code to cover Senior Management and other "Specified Individuals" such as other managers in the CLP Group.

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 2013.

Save for the interests disclosed on page 40 by Mr. Andrew Brandler and Mr. Richard Lancaster and the interests in 10,600 shares disclosed by Mr. Peter Littlewood, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2013.

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 2013, 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 on pages 40 and 41.

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 2013 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)	479,372,780	18.97416
Mr. William Mocatta	Note (b)	400,000	0.01583
Mr. R. J. McAulay	Note (c)	288,811,649	11.43152
Mr. J. A. H. Leigh	Note (d)	224,314,077	8.87863
Mr. Andrew Brandler (Chief Executive Officer)	Note (e)	10,600	0.00042
Dr. Y. B. Lee	Note (f)	15,806	0.00063
Mrs. Fanny Law	Personal	16,800	0.00066
Mr. Nicholas C. Allen	Note (g)	12,000	0.00047
Mr. Richard Lancaster	Personal	600	0.00002

Notes:

(a) The Hon. Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 479,372,780 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) 235,044,212 shares were ultimately held by a discretionary trust, of which The Hon. Sir Michael Kadoorie is one of the beneficiaries and the founder.

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

(v) 2,000,000 shares were ultimately held by each of two separate discretionary trusts, both 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 (v) above. The spouse of The Hon. Sir Michael Kadoorie was therefore deemed to be interested in 479,372,780 shares in the Company representing approximately 18.97% 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 479,371,537 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 479,371,537 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 288,811,649 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) 218,651,853 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 224,314,077 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) 218,651,853 shares were ultimately held by a discretionary trust. Mr. J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.

(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 15,206 shares were held jointly with spouse.

(g) 12,000 shares were held in a beneficial owner capacity and jointly with spouse.

Messrs. I. D. Boyce, V. F. Moore, Paul A. Theys, Vincent Cheng, Professor Judy Tsui, Sir Rod Eddington and Ms. Irene Lee 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 2013. 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 2013.

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 2013.

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 2013, 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 following table and explanatory notes.

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

The Company had been notified of the following substantial shareholders' interests in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30 June 2013:

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	546,198,166	Note (a)	21.62
Guardian Limited	Beneficiary/Interests of controlled corporations	224,214,077	Note (h)	8.87
Harneys Trustees Limited	Interests of controlled corporations	416,860,706	Note (c)	16.50
Lawrencium Holdings Limited	Beneficiary	170,180,670	Note (b)	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	235,044,212	Note (b)	9.30
The Magna Foundation	Beneficiary	235,044,212	Note (b)	9.30
Mikado Investments (PTC) Limited	Trustee/Interest of controlled corporation	235,044,212	Note (a)	9.30
The Mikado Private Trust Company Limited	Trustee/Interests of controlled corporations	409,224,882	Note (b)	16.20
New Mikado Holding Inc.	Trustee	235,044,212	Note (a)	9.30
Oak CLP Limited	Beneficiary	218,651,853	Note (d)	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853	Note (a)	8.65
The Oak Private Trust Company Limited	Trustee/Interests of controlled corporations	233,371,475	Note (d)	9.24
The Hon. Sir Michael Kadoorie	Note (e)	479,372,780	Note (e)	18.97
Mr. R. J. McAulay	Note (f)	288,811,649	Note (f)	11.43
Mr. J. A. H. Leigh	Notes (g) & (h)	224,314,077	Notes (g) & (h)	8.88
Mr. R. Parsons	Trustee	224,214,077	Note (h)	8.87

Notes:

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

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

(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 224,214,077 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr. J. A. H. Leigh and Mr. R. Parsons.

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

As at 30 June 2013, 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 2013, 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 2013.

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 44 to 71 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 2013 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial 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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 12 August 2013

Consolidated Statement of Profit or Loss – Unaudited

	Note	Six months ended 30 June 2013 HK$M	2012 HK$M
Revenue	*4, 5*	**51,706**	46,156
Expenses			
Purchases of electricity, gas and distribution services		**(25,199)**	(22,289)
Operating lease and lease service payments		**(6,100)**	(6,253)
Staff expenses		**(1,463)**	(1,447)
Fuel and other operating expenses		**(8,877)**	(7,470)
Depreciation and amortisation		**(3,871)**	(3,320)
		(45,510)	(40,779)
Operating profit	*6*	**6,196**	5,377
Finance costs	*7*	**(3,382)**	(3,143)
Finance income	*7*	**98**	145
Share of results, net of income tax			
Joint ventures	*13*	**1,230**	1,212
An associate	*14*	**294**	234
Profit before income tax		**4,436**	3,825
Income tax expense	*8*	**(628)**	(466)
Profit for the period		**3,808**	3,359
Earnings attributable to:			
Shareholders		**3,767**	3,356
Non-controlling interests		**41**	3
		3,808	3,359
Dividends	*9*		
First interim paid		**1,339**	1,275
Second interim declared		**1,339**	1,275
		2,678	2,550
Earnings per share, basic and diluted	*10*	**HK$1.49**	HK$1.39

The notes on pages 50 to 71 are an integral part of these condensed consolidated interim financial statements.

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

	Six months ended 30 June 2013 HK$M	2012 HK$M
Profit for the period	**3,808**	3,359
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent period		
Exchange differences on translation of foreign operations	**(4,469)**	(999)
Cash flow hedges	**1**	(99)
Fair value changes on available-for-sale investments	**10**	6
Share of other comprehensive income of joint ventures	**3**	9
	(4,455)	(1,083)
Items that will not be reclassified to profit or loss in subsequent period		
Share of other comprehensive income of joint ventures	**111**	(22)
Other comprehensive income for the period, net of tax	**(4,344)**	(1,105)
Total comprehensive income for the period	**(536)**	2,254
Total comprehensive income attributable to:		
Shareholders	**(579)**	2,253
Non-controlling interests	**43**	1
	(536)	2,254

The notes on pages 50 to 71 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2013 HK$M	(Audited) 31 December 2012 HK$M
Non-current assets			
Fixed assets	*11*	**127,582**	132,463
Leasehold land and land use rights under operating leases	*11*	**1,826**	1,866
Goodwill and other intangible assets	*12*	**25,496**	28,479
Interests in joint ventures	*13*	**19,272**	19,197
Interest in an associate	*14*	**1,358**	1,856
Finance lease receivables		**1,523**	1,665
Deferred tax assets		**890**	1,025
Fuel clause account		**–**	337
Derivative financial instruments	*15*	**3,228**	3,285
Available-for-sale investments	*16*	**1,263**	1,289
Other non-current assets		**131**	141
		182,569	191,603
Current assets			
Inventories – stores and fuel		**1,772**	1,667
Renewable energy certificates		**940**	1,991
Trade and other receivables	*17*	**20,498**	18,552
Finance lease receivables		**86**	158
Derivative financial instruments	*15*	**1,258**	1,759
Bank balances, cash and other liquid funds		**7,640**	13,026
		32,194	37,153
Current liabilities			
Customers' deposits		**(4,434)**	(4,420)
Trade and other payables	*18*	**(17,140)**	(21,732)
Income tax payable		**(363)**	(233)
Bank loans and other borrowings	*19*	**(10,612)**	(6,895)
Obligations under finance leases	*20*	**(2,393)**	(2,406)
Derivative financial instruments	*15*	**(1,482)**	(1,762)
		(36,424)	(37,448)
Net current liabilities		**(4,230)**	(295)
Total assets less current liabilities		**178,339**	191,308

	Note	30 June 2013 HK$M	(Audited) 31 December 2012 HK$M
Financed by:			
Equity			
Share capital		12,632	12,632
Share premium		8,119	8,119
Reserves	*22*		
Declared dividends		1,339	2,476
Others		64,643	67,900
Shareholders' funds		86,733	91,127
Non-controlling interests		113	74
		86,846	91,201
Non-current liabilities			
Bank loans and other borrowings	*19*	52,043	59,303
Obligations under finance leases	*20*	24,247	24,649
Deferred tax liabilities		8,464	8,370
Derivative financial instruments	*15*	3,806	4,084
Fuel clause account		711	–
Scheme of Control (SoC) reserve accounts	*21*	264	1,245
Other non-current liabilities		1,958	2,456
		91,493	100,107
Equity and non-current liabilities		178,339	191,308

William Mocatta
Vice Chairman
Hong Kong, 12 August 2013

Andrew Brandler
Chief Executive Officer

Mark Takahashi
Chief Financial Officer

The notes on pages 50 to 71 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity – Unaudited

for the six months ended 30 June 2013

	Attributable to Shareholders				Non-controlling Interests	Total Equity
	Share Capital HK$M	Share Premium HK$M	Reserves HK$M	Total HK$M	HK$M	HK$M
Balance at 1 January 2013	12,632	8,119	70,376	91,127	74	91,201
Profit for the period	–	–	3,767	3,767	41	3,808
Other comprehensive income for the period	–	–	(4,346)	(4,346)	2	(4,344)
Dividends paid						
2012 fourth interim	–	–	(2,476)	(2,476)	–	(2,476)
2013 first interim	–	–	(1,339)	(1,339)	–	(1,339)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	(4)	(4)
Balance at 30 June 2013	**12,632**	**8,119**	**65,982**	**86,733**	**113**	**86,846**
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

The notes on pages 50 to 71 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June			
	2013		2012	
	HK$M	HK$M	HK$M	HK$M
Operating activities				
Net cash inflow from operations	5,675		14,674	
Interest received	132		108	
Income tax paid	(300)		(242)	
Net cash inflow from operating activities		5,507		14,540
Investing activities				
Capital expenditure	(3,948)		(5,149)	
Capitalised interest paid	(104)		(276)	
Proceeds from disposal of fixed assets	108		24	
Additions of other intangible assets	(725)		(212)	
Additions of available-for-sale investments	(261)		–	
Proceed from sale of				
A subsidiary	1,704		–	
Available-for-sale investments	285		4	
Acquisition of subsidiaries	–		(207)	
Deferred consideration paid	(266)		(261)	
(Investments in and advances to) / repayment from joint ventures	(9)		345	
Dividends received from				
Joint ventures	834		672	
An associate	803		523	
An available-for-sale investment	24		61	
Increase in bank deposits with maturities of more than three months	–		(3,122)	
Net cash outflow from investing activities		(1,555)		(7,598)
Net cash inflow before financing activities		3,952		6,942
Financing activities				
Proceeds from long-term borrowings	7,665		13,065	
Repayment of long-term borrowings	(9,406)		(11,603)	
Repayment of obligations under finance leases	(1,166)		(1,125)	
Increase / (decrease) in short-term borrowings	608		(391)	
Interest and other finance costs paid	(2,840)		(2,829)	
Dividends paid to shareholders	(3,815)		(3,585)	
Dividends paid to non-controlling interests of subsidiaries	(4)		–	
Net cash outflow from financing activities		(8,958)		(6,468)
Net (decrease) / increase in cash and cash equivalents		(5,006)		474
Cash and cash equivalents at beginning of period		11,890		3,104
Effect of exchange rate changes		(72)		(178)
Cash and cash equivalents at end of period		6,812		3,400
Analysis of balances of cash and cash equivalents				
Short-term investments		–		330
Deposits with banks		6,595		5,488
Cash at banks and on hand		1,045		1,145
Bank balances, cash and other liquid funds		7,640		6,963
Excluding:				
Cash restricted for specific purposes		(828)		(441)
Bank deposits with maturities of more than three months		–		(3,122)
		6,812		3,400

The notes on pages 50 to 71 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 joint venture, 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 221 and 222 of the 2012 Annual Report.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 12 August 2013.

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 interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the following new / revised Hong Kong Financial Reporting Standards (HKFRS) and interpretations effective 1 January 2013:

- Amendments to HKAS 1 (Revised) "Presentation of Items of Other Comprehensive Income"
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – "Transition Guidance"
- Amendments to HKFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"
- Annual Improvements to HKFRS 2009-2011 Cycle
- HKFRS 10 "Consolidated Financial Statements"
- HKFRS 11 "Joint Arrangements"
- HKFRS 12 "Disclosure of Interests in Other Entities"
- HKFRS 13 "Fair Value Measurement"
- HKAS 19 (Revised 2011) "Employee Benefits"
- HKAS 27 (Revised 2011) "Separate Financial Statements"
- HKAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"
- HK(IFRIC)-Int 20 "Stripping Costs in the Production Phase of a Surface Mine"

The adoption of these new / revised HKFRS and interpretations does not have implication to the Group's accounting policies applied in these interim financial statements except for below:

HKFRS 10 "Consolidated Financial Statements" provides additional guidance on the determination of control. Under HKFRS 10, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has applied HKFRS 10 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

HKFRS 11 "Joint Arrangements" classifies joint arrangements as either joint operations or joint ventures. The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement and the existence of a separate legal vehicle is no longer a key factor. The Group has applied HKFRS 11 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

2. Basis of Preparation (continued)

HKFRS 13 "Fair Value Measurements" defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting. The Group has applied the new fair value measurement and disclosure requirements prospectively in accordance with the standard. The Group has included the disclosures required by HKAS 34 paragraph 16A(j) in Note 26.

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 2012, as set out on pages 164 and 165 of the 2012 Annual Report.

4. Revenue

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

	Six months ended 30 June	
	2013 HK$M	2012 HK$M
Sales of electricity	**44,069**	40,664
Sales of gas	**4,087**	4,041
Lease service income under Power Purchase Agreement (PPA)	**355**	726
Finance lease income under PPA	**131**	147
Operating lease income under PPA	**784**	130
Other revenue [(a)]	**1,567**	472
	50,993	46,180
Transfer for SoC to / (from) revenue [(b)]	**713**	(24)
	51,706	46,156

Notes:

(a) Including cash assistance of HK$1,005 million (A$129 million) (2012: nil) received by EnergyAustralia Holdings Limited (EnergyAustralia) under the Energy Security Fund with respect to Yallourn Power Station. The cash assistance received has been recognised as revenue over the relevant period from 1 July 2012 to 30 June 2013 on a systematic basis.

(b) 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 profit or loss.

5. Segment Information

The Group operates, through its subsidiaries, joint ventures, joint operations and an associate, 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 2013							
Revenue	15,897	33,753	445	1,601	8	2	**51,706**
Operating profit / (loss)	5,052	860	137	383	(10)	(226)	**6,196**
Finance costs	(1,795)	(896)	(101)	(563)	–	(27)	**(3,382)**
Finance income	7	22	1	53	3	12	**98**
Share of results, net of income tax							
Joint ventures	611	(19)	568 [(a)]	–	70	–	**1,230**
An associate	–	–	294 [(a)]	–	–	–	**294**
Profit / (loss) before income tax	3,875	(33)	899	(127)	63	(241)	**4,436**
Income tax expense	(421)	(54)	(68)	(85)	–	–	**(628)**
Profit / (loss) for the period	3,454	(87)	831	(212)	63	(241)	**3,808**
Earnings attributable to non-controlling interests	–	–	(41)	–	–	–	**(41)**
Earnings / (loss) attributable to shareholders	3,454	(87)	790	(212)	63	(241)	**3,767**
At 30 June 2013							
Fixed assets	90,202	20,766	5,021	11,434	–	159	**127,582**
Goodwill and other intangible assets	–	25,426	40	30	–	–	**25,496**
Interests in joint ventures	9,384	330	7,949	–	1,609	–	**19,272**
Interest in an associate	–	–	1,358	–	–	–	**1,358**
Deferred tax assets	–	813	61	16	–	–	**890**
Other assets	11,631	17,355	3,210	6,544	82	1,343	**40,165**
Total assets	111,217	64,690	17,639	18,024	1,691	1,502	**214,763**
Bank loans and other borrowings	31,793	16,877	3,313	9,123	–	1,549	**62,655**
Current and deferred tax liabilities	8,146	–	143	538	–	–	**8,827**
Obligations under finance leases	26,599	41	–	–	–	–	**26,640**
Other liabilities	12,124	15,641	272	1,597	3	158	**29,795**
Total liabilities	78,662	32,559	3,728	11,258	3	1,707	**127,917**

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

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 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							
Joint ventures	618	(4)	511 [(a)]	–	87	–	1,212
An associate	–	–	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 31 December 2012							
Fixed assets	89,393	25,659	5,001	12,239	–	171	132,463
Goodwill and other intangible assets	–	28,408	39	32	–	–	28,479
Interests in joint ventures	9,294	99	8,049	–	1,755	–	19,197
Interest in an associate	–	–	1,856	–	–	–	1,856
Deferred tax assets	–	964	61	–	–	–	1,025
Other assets	12,847	18,781	2,861	7,148	77	4,022	45,736
Total assets	111,534	73,911	17,867	19,419	1,832	4,193	228,756
Bank loans and other borrowings	33,435	16,618	3,367	9,878	–	2,900	66,198
Current and deferred tax liabilities	7,852	–	176	575	–	–	8,603
Obligations under finance leases	26,987	68	–	–	–	–	27,055
Other liabilities	12,204	21,297	300	1,663	4	231	35,699
Total liabilities	80,478	37,983	3,843	12,116	4	3,131	137,555

Note:

(a) Out of the total amounts of HK$862 million (2012: HK$745 million), HK$336 million (2012: HK$274 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 2013 HK$M	2012 HK$M
Staff costs		
Salaries and other costs	1,331	1,344
Retirement benefits costs	132	103
Net (gain) / loss on disposal of fixed assets	(46)	141
Gain on sale of interest in Waterloo [(a)]	(33)	–
Yallourn mine flooding	60	920
Impairment of fixed assets and leasehold land and land use rights	38	–
Net fair value (gain) / loss on derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	(333)	(194)
Fuel and other operating expenses	(97)	(56)
Transactions not qualifying as hedges	302	637
Ineffectiveness of cash flow hedges	(186)	(76)
Net exchange (gain) / loss	(4)	107

Note:

(a) In May 2013, the Group sold its 75% interest in Waterloo Investment Holdings Pty Ltd (Waterloo) for a consideration of A$228 million (HK$1,704 million) with a gain of A$4 million (HK$33 million) (2012: nil).

7. Finance Costs and Income

	Six months ended 30 June	
	2013	2012
	HK$M	HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	841	949
Other borrowings		
Wholly repayable within five years	135	317
Not wholly repayable within five years	405	355
Tariff Stabilisation Fund [(a)]	1	1
Customers' deposits, fuel clause over-recovery and others	5	1
Finance charges under finance leases [(b)]	1,342	1,359
Other finance charges	207	207
Fair value loss / (gain) on derivative financial instruments		
Cash flow hedges, reclassified from equity	533	(20)
Fair value hedges	565	(50)
Ineffectiveness of cash flow hedges	36	34
(Gain) / loss on hedged items in fair value hedges	(563)	60
Other net exchange loss on financing activities	1	193
	3,508	3,406
Less: amount capitalised	(126)	(263)
	3,382	3,143
Finance income		
Interest income on short-term investments, bank deposits and fuel clause under-recovery	98	145

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 2013 HK$M	2012 HK$M
Current income tax		
Hong Kong	230	340
Outside Hong Kong	154	120
	384	460
Deferred tax		
Hong Kong	191	175
Outside Hong Kong	53	(169)
	244	6
	628	466

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

9. Dividends

	Six months ended 30 June			
	2013		2012	
	HK$ per share	HK$M	HK$ per share	HK$M
First interim dividend paid	0.53	1,339	0.53	1,275
Second interim dividend declared	0.53	1,339	0.53	1,275
	1.06	2,678	1.06	2,550

At the Board meeting held on 12 August 2013, the Directors declared the second interim dividend of HK$0.53 per share (2012: HK$0.53 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 2013.

10. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2013	2012
Earnings attributable to shareholders (HK$M)	**3,767**	3,356
Number of shares in issue (thousand shares)	**2,526,451**	2,406,143
Earnings per share (HK$)	**1.49**	1.39

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 2013 and 30 June 2012.

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$129,408 million at 30 June 2013 (31 December 2012: HK$134,329 million). Movements in the accounts are as follows:

	Fixed Assets							Leasehold Land and Land Use Rights under Operating Leases [(a)] HK$M
	Land		Buildings		Plant, Machinery and Equipment			
	Freehold HK$M	Leased [(a)] HK$M	Owned HK$M	Leased [(b)] HK$M	Owned HK$M	Leased [(b)] HK$M	Total HK$M	
Net book value at 1 January 2013	865	538	13,242	5,617	84,760	27,441	132,463	1,866
Disposal of a subsidiary (Note 6(a))	–	–	(74)	–	(1,578)	(178)	(1,830)	–
Additions	7	–	291	63	2,993	722	4,076	1
Transfers and disposals	–	(6)	(5)	–	(64)	(8)	(83)	–
Depreciation / amortisation	–	(8)	(162)	(176)	(1,910)	(1,068)	(3,324)	(24)
Impairment charge	–	–	(9)	–	(11)	–	(20)	(18)
Exchange differences	(83)	–	(83)	–	(2,893)	(641)	(3,700)	1
Net book value at 30 June 2013	789	524	13,200	5,504	81,297	26,268	127,582	1,826
Cost	805	614	17,012	11,938	127,589	51,759	209,717	2,252
Accumulated depreciation / amortisation and impairment	(16)	(90)	(3,812)	(6,434)	(46,292)	(25,491)	(82,135)	(426)
Net book value at 30 June 2013	789	524	13,200	5,504	81,297	26,268	127,582	1,826

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$26,599 million (31 December 2012: HK$26,987 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$5,099 million (31 December 2012: HK$5,804 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 2013	22,225	2,506	3,748	28,479
Disposal of a subsidiary (Note 6(a))	–	–	(112)	(112)
Additions	–	52	673	725
Amortisation	–	(3)	(520)	(523)
Exchange differences	(2,387)	(274)	(412)	(3,073)
Net carrying value at 30 June 2013	**19,838**	**2,281**	**3,377**	**25,496**
Cost	19,838	2,429	5,398	27,665
Accumulated amortisation	–	(148)	(2,021)	(2,169)
Net carrying value at 30 June 2013	**19,838**	**2,281**	**3,377**	**25,496**

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.

(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.

13. Interests in Joint Ventures

	30 June 2013 HK$M	31 December 2012 HK$M
Share of net assets	9,622	9,522
Goodwill	158	154
Carrying value	9,780	9,676
Advances	9,492	9,521
	19,272	19,197

13. Interests in Joint Ventures (continued)

The Group's interests in joint ventures are analysed as follows:

	30 June 2013 HK$M	31 December 2012 HK$M
CAPCO	9,366	9,275
CSEC Guohua International Power Company Limited	3,149	3,072
CLP Guangxi Fangchenggang Power Company Limited	1,353	1,745
OneEnergy Taiwan Ltd	1,349	1,479
Shandong Zhonghua Power Company, Limited	980	996
PSDC	87	109
Others (note)	2,988	2,521
	19,272	19,197

Note: Includes 49% interest in various Chinese joint ventures at a total carrying value of HK$1,414 million (31 December 2012: HK$1,357 million), which hold interests in various wind power stations in Shandong and Jilin.

The Group's share of results and net assets of the joint ventures are as follows:

	Six months ended 30 June 2013			Six months ended 30 June 2012		
	CAPCO HK$M	Others HK$M	Total HK$M	CAPCO HK$M	Others HK$M	Total HK$M
Profit for the period	612	618	1,230	619	593	1,212
Other comprehensive income	(2)	116	114	2	(15)	(13)
Total comprehensive income	610	734	1,344	621	578	1,199

	30 June 2013			31 December 2012		
	CAPCO HK$M	Others HK$M	Total HK$M	CAPCO HK$M	Others HK$M	Total HK$M
Group's share of net assets	296	9,326	9,622	216	9,306	9,522
Goodwill	–	158	158	–	154	154
Carrying value	296	9,484	9,780	216	9,460	9,676
Advances	9,070	422	9,492	9,059	462	9,521
	9,366	9,906	19,272	9,275	9,922	19,197

14. Interest in an Associate

The balance represents the Group's share of net assets of GNPJVC at the end of the reporting period.

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

	Six months ended 30 June	
	2013	2012
	HK$M	HK$M
Profit and total comprehensive income for the period	294	234

	30 June 2013 HK$M	31 December 2012 HK$M
Group's share of net assets	1,358	1,856

15. Derivative Financial Instruments

	30 June 2013		31 December 2012	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	1,385	53	1,414	73
Foreign exchange options	85	–	73	–
Cross currency interest rate swaps	1,488	784	1,455	534
Interest rate swaps	153	874	–	1,564
Energy contracts	298	26	404	633
Fair value hedges				
Cross currency interest rate swaps	211	107	258	73
Interest rate swaps	83	564	86	76
Held for trading or not qualifying as accounting hedges				
Forward foreign exchange contracts	26	28	70	30
Interest rate swaps	61	74	–	–
Energy contracts	696	2,778	1,284	2,863
	4,486	5,288	5,044	5,846
Analysed as:				
Current	1,258	1,482	1,759	1,762
Non-current	3,228	3,806	3,285	4,084
	4,486	5,288	5,044	5,846

16. Available-for-sale Investments

	30 June 2013 HK$M	31 December 2012 HK$M
CGN Wind Power Company Limited (CGN Wind)	1,190	1,190
Others	73	99
	1,263	1,289

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 2013 HK$M	31 December 2012 HK$M
Trade receivables (note)	17,126	15,536
Deposits, prepayments and other receivables	2,483	2,768
Dividends receivable from		
Joint ventures	771	124
An associate	–	10
An available-for-sale investment	44	43
Current accounts with joint ventures	74	71
	20,498	18,552

Note: The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees. For subsidiaries outside Hong Kong, the credit term for trade receivables ranges from about 14 to 60 days.

EnergyAustralia 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. EnergyAustralia held cash deposits and bank guarantees from commercial and industrial customers as security in relation to outstanding receivable balances.

17. Trade and Other Receivables (continued)

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

	30 June 2013				31 December 2012			
	Not impaired HK$M	Subject to impairment testing HK$M	Provision for impairment HK$M	Total HK$M	Not impaired HK$M	Subject to impairment testing HK$M	Provision for impairment HK$M	Total HK$M
Not yet due	12,496	1,843	(93)	14,246	10,971	1,824	(76)	12,719
Overdue								
1 – 30 days	134	1,235	(62)	1,307	82	1,000	(53)	1,029
31 – 90 days	141	540	(110)	571	89	742	(157)	674
Over 90 days	591	1,410	(999)	1,002	770	1,175	(831)	1,114
	13,362	5,028	(1,264)	17,126	11,912	4,741	(1,117)	15,536

At 30 June 2013, trade receivables of HK$866 million (31 December 2012: HK$941 million) were past due but not considered impaired. These related to:

- a number of customers for whom there had been no recent history of default;
- 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$427 million (Rs.3,306 million) (31 December 2012: HK$469 million (Rs.3,306 million)) (Note 25(A)) which is included in the amount aged over 90 days; and
- disputed charges between Jhajjar Power Limited (JPL) and its off-takers. Total disputed amounts were Rs.744 million (HK$96 million) at 30 June 2013, of which Rs.450 million (HK$58 million) aged over 90 days (Note 25(C)).

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

	30 June 2013 HK$M	31 December 2012 HK$M
30 days or below	15,019	13,226
31 – 90 days	947	949
Over 90 days	1,160	1,361
	17,126	15,536

18. Trade and Other Payables

	30 June 2013 HK$M	31 December 2012 HK$M
Trade payables [(a)]	9,439	11,186
Other payables and accruals	6,091	7,771
Current accounts with [(b)]		
Joint ventures	1,359	1,447
An associate	122	103
Deferred revenue	129	1,225
	17,140	21,732

18. Trade and Other Payables (continued)

Notes:

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

	30 June 2013 HK$M	31 December 2012 HK$M
30 days or below	9,116	10,921
31 – 90 days	174	137
Over 90 days	149	128
	9,439	11,186

(b) Of the amounts payable to joint ventures, HK$1,326 million (31 December 2012: HK$1,406 million) is due to CAPCO.

19. Bank Loans and Other Borrowings

	30 June 2013 HK$M	31 December 2012 HK$M
Current		
Short-term bank loans	1,545	835
Long-term bank loans	7,687	4,760
Other long-term borrowings		
Medium Term Note (MTN) programme (HKD) due 2013 and 2014	1,380	1,300
	10,612	6,895
Non-current		
Long-term bank loans	21,560	26,988
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	10,601	11,020
MTN programme (HKD) due 2014 to 2041	9,420	10,440
MTN programme (JPY) due 2021 to 2026	2,442	2,789
MTN programme (AUD) due 2021 to 2023	788	725
Electronic Promissory Notes (EPN) and MTN programme (AUD) due 2015	359	402
U.S. private placement notes (USD) due 2017 to 2027	6,873	6,939
	52,043	59,303
Total borrowings	62,655	66,198

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

	30 June 2013 HK$M	31 December 2012 HK$M
Tariff Stabilisation Fund	12	712
Rate Reduction Reserve	9	8
Rent and Rates Interim Refunds (note)	243	525
	264	1,245

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 1999 / 2000. While the Lands Tribunal judgment was received in CLP Power Hong Kong's favour, final resolution of the appeals will be subject to further appeals on detailed valuation matters and possibly subsequent appeals against the Lands Tribunal judgment on points of law.

In 2012, interim refunds of HK$1,601 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 subsequent appeals. With a further interim refund of HK$40 million received in 2013, total interim refunds received as of 30 June 2013 amounted to HK$1,641 million.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts.

While the final resolution of the appeals is pending, CLP Power Hong Kong continued to provide customers with a Rent and Rates Special Rebate on the assumption of a favourable outcome of its appeals. In 2012, CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate totalling HK$1,076 million. In the first half of 2013, Rent and Rates Special Rebate totalling HK$322 million were provided to customers, taking the aggregate rebates paid as of 30 June 2013 to HK$1,398 million. Management estimates that all of the interim refunds received to date will be returned to customers through this special rebate within 2013.

The amount of the Government Rent and Rates Special Rebate made to customers has been offset against the interim refunds received:

	30 June 2013 HK$M	31 December 2012 HK$M
Rent and Rates Interim Refunds		
Interim Refunds Received	1,641	1,601
Rent and Rates Special Rebate	(1,398)	(1,076)
	243	525

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

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 2013	2,492	6,641	1,038	485	59,720	70,376
Earnings attributable to shareholders	–	–	–	–	3,767	3,767
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	–	(4,518)	–	–	–	(4,518)
Joint ventures	–	46	–	–	–	46
An associate	–	1	–	–	–	1
Cash flow hedges						
Net fair value losses	–	–	(96)	–	–	(96)
Reclassification adjustment for amount included in profit or loss	–	–	103	–	–	103
Tax on the above items	–	–	(6)	–	–	(6)
Available-for-sale investments						
Reclassification adjustment for amount included in profit or loss upon disposal	–	–	–	10	–	10
Share of other comprehensive income of joint ventures	–	–	1	113	–	114
Total comprehensive income attributable to shareholders	–	(4,471)	2	123	3,767	(579)
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(2)	2	–
Appropriation of reserves of subsidiaries	–	–	–	8	(8)	–
Dividends paid						
2012 fourth interim	–	–	–	–	(2,476)	(2,476)
2013 first interim	–	–	–	–	(1,339)	(1,339)
Balance at 30 June 2013	**2,492**	**2,170**	**1,040**	**614**	**59,666**	**65,982**

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 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)
Joint ventures	–	(78)	–	–	–	(78)
An associate	–	(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 joint ventures	–	–	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

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 2013 HK$M	31 December 2012 HK$M
Contracted but not provided for	**11,415**	10,458
Authorised but not contracted for	**7,671**	11,347
	19,086	21,805

(B) The Group has entered into a number of joint arrangements to develop power projects. At 30 June 2013, remaining equity contributions of HK$192 million (31 December 2012: HK$111 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 joint ventures and an associate

Details of electricity supply contracts relating to the electricity business in Hong Kong with joint ventures and an associate are shown below:

	Six months ended 30 June	
	2013	2012
	HK$M	HK$M
Lease and lease service payment to CAPCO	7,846	8,050
Purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station	2,200	1,891
Pumped storage service fee to PSDC	271	264
	10,317	10,205

Amounts due to the related parties at 30 June 2013 are disclosed in Note 18.

(B) Rendering of services to joint ventures

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$489 million (six months ended 30 June 2012: HK$667 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 2013 are disclosed in Note 17. No provisions have been made for the amounts owed by the related parties.

(C) The advances made to joint ventures are disclosed under Note 13. At 30 June 2013, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2012: nil).

(D) Future aggregate minimum lease payments under non-cancellable operating leases of HK$7,614 million (31 December 2012: HK$7,798 million) relates to the operating lease element of the Electricity Supply Contract between CLP Power Hong Kong and CAPCO.

24. Related Party Transactions (continued)

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

	Six months ended 30 June	
	2013	2012
	HK$M	HK$M
Fees	5	4
Base compensation, allowances and benefits in kind	22	22
Tax equalisation, allowances and benefits in kind for secondment to overseas offices	2	6
Performance bonus		
Annual incentive	25	33
Long-term incentive	24	20
Provident fund contributions	2	2
	80	87

Key management personnel at 30 June 2013 comprised 14 (30 June 2012: 13) Non-executive Directors, 2 (30 June 2012: 2) Executive Directors and 5 (30 June 2012: 6) senior management personnel.

25. Contingent Liabilities

(A) CLP India – Deemed Generation Incentive Payment and Interest 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 revised subsequently). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when 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$937 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$107 million) (31 December 2012: Rs.830 million (HK$118 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 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$374 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

25. Contingent Liabilities (continued)

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

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$482 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$65 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

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$38 million) and interest of Rs.150 million (HK$19 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 2013, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,103 million) (31 December 2012: Rs.8,543 million (HK$1,211 million)).

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

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

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 680MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 30 June 2013, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) JPL – Disputed Charges with Off-takers

JPL has disputes with its off-takers over applicable tariff of capacity charges, energy charges relating to transit loss, coal-handling agent charges and Unscheduled Interchange charges payable as per the Central Electricity Regulatory Commission Regulation 2009. Total disputed amounts were Rs.744 million (HK$96 million) at 30 June 2013. JPL filed a petition against its off-takers in March 2013. The Group considered that JPL has a strong case and hence, no provision has been made.

(D) 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$280 million (31 December 2012: 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. Fair Value Hierarchy

The following table presents the Group's assets and liabilities that were measured at fair value at 30 June 2013:

	Level 1 HK$M	Level 2 [a] HK$M	Level 3 [a], [b] HK$M	Total HK$M
Financial assets				
Available-for-sale investments	–	–	1,263	1,263
Forward foreign exchange contracts	–	1,411	–	1,411
Foreign exchange options	–	85	–	85
Cross currency interest rate swaps	–	1,699	–	1,699
Interest rate swaps	–	297	–	297
Energy contracts	–	154	840	994
	–	3,646	2,103	5,749
Financial liabilities				
Forward foreign exchange contracts	–	81	–	81
Cross currency interest rate swaps	–	891	–	891
Interest rate swaps	–	1,512	–	1,512
Energy contracts	–	86	2,718	2,804
	–	2,570	2,718	5,288

You may refer to page 218 of the 2012 Annual Report for the definitions of Levels 1, 2 and 3.

Notes:

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

	Valuation technique	Significant inputs
Financial assets / liabilities		
Available-for-sale investments	Discounted cash flow	Discount rate
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Black-Scholes model	Exchange rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap rates

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

	Significant unobservable inputs
Financial assets / liabilities	
Available-for-sale investments [i]	Discount rate
Energy contracts [ii]	Long-term pre-tax operating margin

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

(ii) The finance department of EnergyAustralia includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to EnergyAustralia's chief financial officer (CFO - EA) and Audit & Risk Committee (ARC - EA). Discussions of valuation processes and results are held between the CFO - EA, ARC - EA and the valuation team at least once every six months, in line with the Group's half-yearly reporting dates. Parameter calibrations are delegated to the team with back-testing and review of parameters to be performed annually. Fair value changes analysis are performed on a monthly basis for reasonableness.

26. Fair Value Hierarchy (continued)

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

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or into or out of Level 3.

For the Group's financial instruments that are not measured at fair value at 30 June 2013, their carrying values approximate their fair values.

The movements of Level 3 financial instruments for the period ended 30 June 2013 are as follows:

	Available-for-sale Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	1,263	(2,034)	(771)
Total losses / (gains) recognised in			
Profit or loss	–	(1,510)	(1,510)
Other comprehensive income	–	759	759
Purchases	–	398	398
Settlements	–	509	509
Closing balance	1,263	(1,878)	(615)
Total losses for the period included in profit or loss and presented in fuel and other operating expenses	–	(1,510)	(1,510)
In respect of the assets and liabilities held at the end of the reporting period, the unrealised losses for the period and presented in fuel and other operating expenses	–	(981)	(981)

Changing unobservable inputs used in the Level 3 valuation to reasonable alternative assumptions would not change significantly the fair values recognised.

27. Event after the End of the Reporting Period

On 25 July 2013, the Group entered into agreements with Delta Electricity in respect of the acquisitions of the Mount Piper Power Station and the Wallerawang Power Station that underpin the existing Delta Western GenTrader Agreements. The net cash consideration for the acquisitions is A$160 million (HK$1,154 million), subject to a working capital adjustment and an adjustment if completion is delayed beyond 2 September 2013. The total purchase price for the acquisitions of approximately A$475 million (HK$3,426 million) includes the balance of the GenTrader Deposits held by the New South Wales State Government of approximately A$315 million (HK$2,272 million) at completion. The targeted completion date for the acquisitions is 2 September 2013.

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 221 and 222 in the 2012 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

	Six months ended 30 June	
	2013 HK$M	2012 HK$M
SoC revenue	15,054	15,464
Expenses		
Operating costs	1,607	1,740
Fuel	4,253	4,394
Purchases of nuclear electricity	2,200	1,891
Provision for asset decommissioning	(13)	148
Depreciation	2,184	2,015
Operating interest	433	381
Taxation	732	840
	11,396	11,409
Profit after taxation	3,658	4,055
Interest on borrowed capital	440	439
Adjustments required under the SoC (being share of profit on sale of electricity to the Chinese mainland attributable to the SoC Companies)	(20)	(27)
Profit for SoC	4,078	4,467
Transfer from Tariff Stabilisation Fund	700	124
Permitted return	4,778	4,591
Deduct interest on / Adjustment for		
Borrowed capital as above	440	439
Tariff Stabilisation Fund to Rate Reduction Reserve	1	1
	441	440
Net Return	4,337	4,151
Divisible as follows:		
CLP Power Hong Kong	2,804	2,633
CAPCO	1,533	1,518
	4,337	4,151
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	2,804	2,633
Interest in CAPCO	613	607
	3,417	3,240

Information for our Investors

Financial Diary

Announcement of interim results	12 August 2013
Interim report posted to shareholders	28 August 2013
Last day to register for second interim dividend	3 September 2013
Book close day	4 September 2013
Payment of second interim dividend	13 September 2013
Financial year end	31 December 2013

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.

Interim Report

Printed in English and Chinese, available on our website at www.clpgroup.com by 19 August 2013 and posted to shareholders on 28 August 2013.

Those shareholders who (a) received our 2013 Interim Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2013 Interim Report in either English or Chinese only and would like to receive a printed copy of the other language version or to 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.

Company's Registrars

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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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