2014 INTERIM REPORT

Highlights of 2014 interim results

- Group operating earnings amounted to HK$4,768 million, a 22.4% increase over the corresponding period in 2013
- Total earnings including net gain on CAPCO and PSDC acquisitions increased 78.4% to HK$6,721 million; earnings per share increased to HK$2.66 per share
- Operating earnings from our electricity business in Hong Kong increased 7.5% to HK$3,674 million
- Consolidated revenue down by 8.9% to HK$47,102 million
- Second interim dividend of HK$0.54 per share

Powering Asia Responsibly

Our Vision

To be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next

Contents

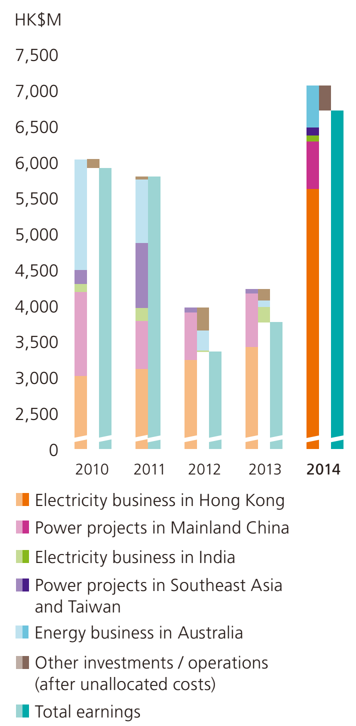
Financial Highlights

Operating earnings up 22.4% to HK$4.8 billion; including the net gain on CAPCO and PSDC acquisitions, total earnings increased 78.4% to HK$6.7 billion.

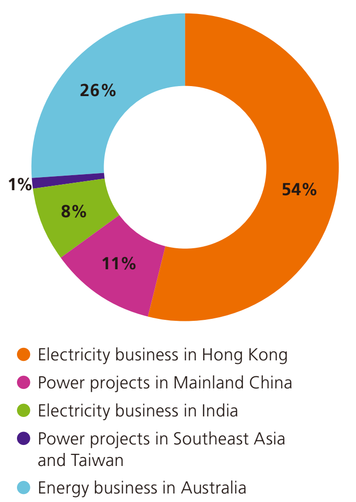
	Six months ended 30 June 2014	2013	Increase / (Decrease) %
For the period *(in HK$ million)*			
Revenue			
Electricity business in Hong Kong	16,668	15,767	5.7
Energy business outside Hong Kong	30,257	35,807	(15.5)
Others	177	132	
Total	47,102	51,706	(8.9)
Earnings			
Electricity business in Hong Kong	3,674	3,417	7.5
Other investments / operations	1,457	720	102.4
Unallocated net finance costs	(28)	(15)	
Unallocated Group expenses	(335)	(226)	
Operating earnings	4,768	3,896	22.4
Net gain on CAPCO and PSDC acquisitions	1,953	–	
Divestment from Boxing Biomass	–	(87)	
Yallourn mine flooding	–	(42)	
Total earnings	6,721	3,767	78.4
Net cash inflow from operating activities	6,886	5,507	25.0
Per share *(in HK$)*			
Earnings per share	2.66	1.49	78.4
Dividends per share			
First interim	0.54	0.53	
Second interim	0.54	0.53	
Total interim dividends	1.08	1.06	1.9
Ratio			
Interest cover [1] (times)	8	4	

	30 June 2014	31 December 2013	Increase %
At the end of the reporting period *(in HK$ million)*			
Total assets	225,272	211,685	6.4
Total borrowings	75,413	56,051	34.5
Shareholders' funds	90,824	87,361	4.0
Per share *(in HK$)*			
Shareholders' funds per share	35.95	34.58	4.0
Ratios			
Total debt to total capital [2] (%)	41.6	39.1	
Net debt to total capital [3] (%)	39.3	36.7	

Total Earnings (First 6 months)



Total Assets at 30 June 2014



Notes:

1 Interest cover = Profit before income tax and interest / (Interest charges + capitalised interest)

2 Total debt to total capital = Debt / (Equity + advance from non-controlling interests + debt). Debt = Bank loans and other borrowings.

3 Net debt to total capital = Net debt / (Equity + advance from non-controlling interests + net debt). Net debt = Debt - bank balances, cash and other liquid funds.

Chairman's Statement

Dear Shareholders,

I am pleased to report strong first half results in 2014. In the first six months of this year, the Group's operating earnings were HK$4,768 million, a 22% increase over the same period last year. After the one-off net gain on the acquisitions of Castle Peak Power Company Limited, or CAPCO, and Hong Kong Pumped Storage Development Company, Limited, total earnings were up 78% to HK$6,721 million. This reflected a much improved operational performance in most of our businesses. In this regard, we have increased the level of both the first and second interim dividends of 2014 to HK$0.54 per share (compared to HK$0.53 per share in the previous year).

Our electricity business in Hong Kong remains the Group's largest earnings contributor with operating earnings of HK$3,674 million in the first six months of 2014, an increase of over 7% from the corresponding period in 2013. The successful placement of our first ever US$750 million hybrid securities at a very low coupon rate of 4.25% in the second quarter represented a vote of confidence from the capital market.

In the first half, operating earnings from Mainland China, including our 25% stake in Guangdong Daya Bay Nuclear Power Station, were down 21% to HK$662 million largely due to depreciation of the Renminbi and divestment of some of our minority owned coal projects. Our India business returned to earnings of HK$82 million, as compared to a loss of HK$212 million in the same period last year. Operating earnings from Southeast Asia and Taiwan also increased 79% to HK$113 million. In Australia, operating earnings from our business improved significantly to HK$585 million, compared with a loss of HK$45 million in the corresponding period in 2013.

This solid performance is a testament to CLP's "focused" strategy, underpinned by our two strongest commitments. The first is our long-term strategy to grow our business in the Asia Pacific, which includes two of the world's biggest and most promising markets – Mainland China and India. Second, it reflects our dedication to operational excellence, supply reliability and professionalism. I would like to touch on developments in the first half of 2014 to illustrate how these commitments are working for us.

Shareholders will be aware from my statements earlier this year of the various issues and concerns raised in the fuel mix consultation in Hong Kong, so I shall not repeat the details here. Suffice to say, we submitted our views to the Government in May and are pleased that much of the public discussions during the consultation period rightly focused on issues such as reliability, flexibility and environmental responsibilities – priorities highlighted in our own submission. We put forward a "phased and flexible" approach because we believe such an approach would bring the best value not only to Hong Kong now but also for future generations. We believe that keeping fuel source and generation options open and flexible will best serve the long-term interests of Hong Kong.

Fuel mix is an important decision not only for our stakeholders, but for Hong Kong as a whole. It will have a determining effect on our city's competitiveness, and the local and regional environment for many years to come. This is why we have actively participated in the public consultation exercise and provided additional background information in order to facilitate a healthy and informed debate on these technical and complex issues.

As the Government prepares to undertake further consultations on the future shape of the power industry in Hong Kong, we will continue to contribute our expertise and knowledge as best as we can. For any reviews to be effective, the objectives must be clearly defined. The current regulatory structure has served Hong Kong well and helped the city achieve world-class levels of reliability, affordability and environmental performance. Any changes to the current regime will need to consider and balance these three factors.

A major milestone for the Company in the first half of the year was the completion of our acquisition of a majority interest in CAPCO in May. This acquisition reaffirms our commitment and determination to continue to serve Hong Kong. Completion of the acquisition took place slightly ahead of our expectations. That has contributed to the growth in the Hong Kong business and allowed us an earlier start of forging our new partnership with China Southern Power Grid Co., Limited.

As CLP shareholders, I am sure you share my views that we should always keep the interests of Hong Kong and the community at large in mind. This is why every year we do our best to keep our tariff adjustment low. We must however recognise the fact that we operate in a market environment where we do not have control of all the factors that impact on our cost of doing business. An obvious and important example is the volatility of international fuel prices. Nevertheless, we have taken a host of measures to mitigate the impact of increasing fuel costs, details of which will be discussed later in this Report in the "Performance and Business Outlook" section of our Hong Kong business.

Turning to our business in Mainland China, we have chosen to invest selectively in projects with the latest and most efficient power generation technologies, and in renewable projects such as solar and wind, which is in line with the Chinese Government's economic and environmental policies. We are also monitoring evolutions in the nuclear field.

I am glad to report that our selective investment strategy is paying off in Mainland China. We see excellent investment opportunities in Guangxi and the Beibu Gulf Economic Zone in particular, which is one of the fastest growing regions in the Mainland. This is why we established a firm presence in Fangchenggang. The Fangchenggang Power Station already accounts for 6% of Guangxi's electricity demand. Customer demand is strong and we believe the potential for further growth is significant. Hence we are fast-tracking our expansion in Fangchenggang with phase II of the project now under construction which will double our generation capacity in the station when it is completed over the next two years.

As in Mainland China, we continue to build our presence and pursue new opportunities in India. We are encouraged by the proposed reform of the power sector by the newly-elected government in India, which aims to resolve the longstanding coal supply issue and develop renewables in the country. Our efforts to diversify and improve the reliability of our coal supply have helped our Jhajjar Power Station achieve significant improvements to availability levels compared to the first half of last year. The new Government's commitment to the development of renewable energy is good news for us since we are the biggest wind power project developer in India. We expanded our wind portfolio by 100MW in the first half and are committed to grow our business in this area.

During the first half of 2014, market conditions in Australia remain challenging due to ongoing weak demand and intense competition. In the face of these challenges, I am pleased that EnergyAustralia's own operational performance and cost structure showed improvement. We have also taken steps to respond to the oversupply situation on the generation side by rationalising our generation portfolio. As we expect the external market to remain difficult in the years ahead, we will continue to optimise our business, strategy and structure in response to changing market conditions.

The Australian Government's recent repeal of the carbon tax reflects a fundamental policy platform, upon which it won the election late last year. The Government is continuing to progress legislation that will deliver its approach to reducing emissions. EnergyAustralia will continue to work with the Government to explore the most cost-effective and sustainable ways of implementing its preferred approach. However, in the short term, our earnings in Australia will be negatively impacted by the repeal of the carbon tax.

We are delighted that Catherine Tanna has joined the Company as the new Managing Director of EnergyAustralia. Catherine brings a wealth of experience and knowledge to the team and I am confident she will lead EnergyAustralia to achieve its full potential over the coming years.

The electricity business rewards experience and commitment, and repays patience and perseverance. CLP's healthy performance in the first half of 2014 demonstrates our ability to cope with volatility and difficulties in various markets. Our dedicated staff and professional management are addressing the challenges and opportunities. With their hard work and our supportive partners, I am confident that our business will continue to grow and prosper.

The Honourable Sir Michael Kadoorie
Hong Kong, 14 August 2014

Our Investments as at 30 June 2014

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

Hong Kong Investments Gross / Equity MW

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, 1,587 km of 132kV lines, 27 km of 33kV lines and 12,386 km of 11kV lines
- 60,870 MVA transformers and 222 primary and 13,749 secondary substations in operation

70%

Castle Peak Power Company Limited (CAPCO) [1] **6,908 / 4,836MW**

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

40%

ShenGang Natural Gas Pipeline Company Limited (SNGPC)

SNGPC (CLP 40% / PetroChina 60%) is to own and operate the Hong Kong Branch Line (comprising a 20-km pipeline and the associated gas launching and end stations) which transports natural gas from PetroChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point Power Station

Note:

1 CLP Power Hong Kong purchases its power from CAPCO, Hong Kong Pumped Storage Development Company, Limited (PSDC) and Guangdong Daya Bay Nuclear Power Station (GNPS). These sources of power amount to a total capacity of 8,888MW (CAPCO: 6,908MW, PSDC: 600MW, GNPS: about 1,380MW) available to serve the Hong Kong electricity business.

Mainland China Investments Gross / Equity MW

Equity Interest

25%

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

GNPJVC constructed the **Guangdong Daya Bay Nuclear Power Station** (GNPS) at Daya Bay. GNPS is equipped with two 984MW Pressurised Water Reactors incorporating equipment from France and the United Kingdom. 70%[2] of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong Province

70%

CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 2,580 / 1,806MW

Owns and operates a two-phase project at Fangchenggang, Guangxi with Guangxi Water & Power Engineering (Group) Co., Ltd. Phase I includes two 630MW supercritical coal-fired units. Phase II, which is under construction, includes two 660MW ultra-supercritical coal-fired units that are expected to commence operation in 2016

49%

CLP Guohua Shenmu Power Company Limited (Shenmu) 220 / 108MW [3]

Owns and operates **Shenmu Power Station** in Shaanxi (220MW) in joint venture with China Shenhua Energy

Mainland China Investments Gross / Equity MW

Equity Interest

30% — **CSEC Guohua International Power Company Limited (CSEC Guohua) 7,650 / 1,333MW** [3 & 4]

Owns interests in five coal-fired power stations with China Shenhua Energy:

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

29.4% — **Shandong Zhonghua Power Company, Ltd. (SZPC) 3,060 / 900MW**

Owns four coal-fired power stations in Shandong 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** [5]

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** [6]

Owns two wind farms in Liaoning:

- 49% of **Qujiagou** (49.5MW)
- 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 commenced operation in January 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 (Huadian Laizhou Wind) 41 / 18MW**

Owns **Huadian Laizhou I Wind Farm** (40.5MW) in Shandong

25% — **Huaneng Shantou Wind Power Company Limited (Nanao II Wind) 45 / 11MW** and **(Nanao III Wind) 15 / 4MW**

Owns two wind farms in Guangdong:

- **Nanao II** (45MW)
- **Nanao III** (15MW)

49% — **Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW**

Owns three wind farms in Jilin:

- **Datong** (49.5MW)
- **Shuangliao I** (49.3MW)
- **Shuangliao II** (49.5MW)

Notes:

2 Agreement has been reached to increase the proportion of supply to Hong Kong to slightly above 70% in 2014 and to about 80% for the period from 2015 to 2018, with the remainder continued to be sold to Guangdong Province.

3 A Share Transfer Agreement has been signed to divest our interest in CLP Power China (Tianjin) Limited and CLP Power China (Shenmu) Limited, which hold the CSEC Guohua and Shenmu power projects, respectively. We target to complete the disposal by the end of 2014 subject to the satisfaction of the conditions for completion.

4 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.

5 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.

6 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 2014

Mainland China Investments Gross / Equity MW

Equity Interest

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

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

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

100%
Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200 / 600MW
PSDC holds the right to use half of the 1,200MW pumped storage capacity of Phase I of the **Guangzhou Pumped Storage Power Station** until 2034

84.9%
Huaiji Hydropower Stations (Huaiji Hydro) 128 / 109MW
Owns and operates 12 small hydropower stations in Guangdong; a 3MW expansion to one of the hydropower stations was completed in May 2014

51%
Jinchang Zhenxin PV Power Company Limited (Jinchang Solar) 85 / 43MW
Owns and operates **Jinchang Solar Power Station** (85MW) in Gansu

100%
CLP Dali (Xicun) Solar Power Co., Ltd (Xicun I Solar) 42 / 42MW
Owns **Xicun I Solar Power Station** (42MW) in Yunnan; project construction commenced in the first quarter of 2014

51%
Sihong Tianganghu PV Power Company Limited (Sihong Solar) 93 / 48MW
Owns **Sihong Solar Power Station** (93MW) in Jiangsu; the project is expected to commence operation in the third quarter of 2014

India Investments Gross / Equity MW

Equity Interest

100%

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

Owns and operates projects in Gujarat:

- **Paguthan Power Station (Paguthan)**, a 655MW combined-cycle gas-fired power plant. It is designed to run on natural gas with naphtha as alternate fuel
- **Samana I** (50.4MW)

100%

CLP Wind Farms (India) Private Limited (CLP Wind Farms India) 831 / 831MW

Owns and operates the following wind projects:

- **Andhra Lake** (106.4MW) in Maharashtra
- **Bhakrani** (102.4MW) with 99.2MW commissioned and remainder under construction in Rajasthan
- **Harapanahalli** (39.6MW) in Karnataka
- **Jath** (60MW) in Maharashtra
- **Mahidad** (50.4MW) in Gujarat
- **Samana II** (50.4MW) in Gujarat
- **Saundatti** (72MW) in Karnataka
- **Sipla** (50.4MW) in Rajasthan
- **Tejuva** (100.8MW) under construction in Rajasthan
- **Theni I** (49.5MW) in Tamil Nadu
- **Yermala** (148.8MW) under construction in Maharashtra

100%

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

Owns and operates **Khandke** (50.4MW) in Maharashtra

100%

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

Owns and operates **Theni II** (49.5MW) in Tamil Nadu

100%

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

Owns and operates **Jhajjar Power Station (Jhajjar)** (1,320MW), which comprises two 660MW supercritical coal-fired units in Haryana

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 shareholdings by CLP, Mitsubishi Corporation and Electricity Generating Public Company Limited

Australia Investments Gross / Equity MW

Equity Interest

100%

EnergyAustralia 5,162 / 4,067MW (5,061MW including capacity purchase)

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** wind farm (50% equity / 50% off-take) (66MW)
- **Ecogen** (Newport and Jeeralang) off-take from gas-fired power stations (966MW)
- **Hallett** gas-fired power station (203MW)
- **Iona** gas storage facility and processing plant (22PJ storage capacity)
- **Mount Piper and Wallerawang**[7] coal-fired power stations (1,900MW)
- **Narrabri** (20%) (500PJ of equity coal seam gas 3P reserves)
- **Pine Dale** black coal mine
- **Tallawarra** gas-fired power station (420MW)
- **Waterloo** wind farm (25% equity / 50% off-take) (111MW)
- **Wilga Park** gas-fired power station (20%) (16MW)
- **Yallourn** coal-fired power station and brown coal open-cut mine (1,480MW)

Note:

7 Wallerawang's Unit 7 (500MW) was deregistered with the Australian Energy Market Operator on 20 June 2014. Unit 8 (500MW) was removed from service and placed on 3-month recall on 30 March 2014.

Financial Review

Our Financial Performance

Operating earnings grew by 22.4% to HK$4,768 million mainly due to the increased earnings from Hong Kong electricity business and improved performance from India and Australia. Total earnings, after the one-off net gain on CAPCO and PSDC acquisitions of HK$1,953 million, rose to HK$6,721 million, a 78.4% increase from the corresponding period.

	Six months ended 30 June				Increase	
	2014		2013			
	HK$M	HK$M	HK$M	HK$M	HK$M	%
Electricity business in Hong Kong (HK)		3,674		3,417	257	7.5
PSDC and sales to Guangdong from HK	48		55			
Power projects in Mainland China	662		835			
Electricity business in India	82		(212)			
Power projects in Southeast Asia and Taiwan	113		63			
Energy business in Australia	585		(45)			
Other earnings	(33)		24			
Earnings from other investments / operations		1,457		720	737	102.4
Unallocated net finance costs		(28)		(15)		
Unallocated Group expenses		(335)		(226)		
Operating earnings		4,768		3,896	872	22.4
Net gain on CAPCO and PSDC acquisitions		1,953		–		
Divestment from Boxing Biomass		–		(87)		
Yallourn mine flooding		–		(42)		
Total earnings		6,721		3,767	2,954	78.4

Average exchange rate

	Six months ended 30 June		Decrease
	2014	2013	%
Australian dollar / Hong Kong dollar	7.1075	7.8086	(9.0)
Indian rupee / Hong Kong dollar	0.1280	0.1405	(8.9)

Hong Kong

Earnings from our Hong Kong electricity business increased by 7.5% due to higher return on higher average net fixed assets and share of additional 30% of CAPCO's earnings after the completion of the acquisition in May 2014.

Mainland China

Lower earnings from Mainland China were mainly due to depreciation of the Renminbi, no profit sharing under the Share Transfer Agreement of CSEC Guohua and Shenmu disposal, and lower contribution from Fangchenggang as a result of a tariff reduction effective September 2013 and the expiry of an income tax credit. Whilst the financial performance of our wind portfolio remained stable helped by the commissioning of more wind farms, lower generation from our hydro projects due to lower water flows at Jiangbian and suspended operations of certain units at Huaiji as a result of flooding resulted in lower earnings from renewables. Earnings from GNPJVC were higher due to strong operational performance. The new Daya Bay contract which relates to the extension of nuclear power supply to Hong Kong became effective in May 2014.

India

Higher earnings from India were mainly due to improved performance from Jhajjar as a result of improved coal supplies and a net translation gain on US dollar loans. On the other hand, due to shortages of domestic natural gas, despatches of Paguthan remained very low. The plant's customer Gujarat Urja Vikas Nigam Limited (GUVNL) requested a reduction in fixed charges under the Power Purchase Agreement (PPA). We reached agreement with them in November 2013 which led to lower earnings of Paguthan in this period.

Southeast Asia and Taiwan

Higher earnings from Southeast Asia and Taiwan were mainly due to the one-off penalty imposed on Ho-Ping by the Fair Trade Commission of Taiwan in 2013 and higher generation from NED as a result of higher solar irradiance and the commissioning of 8MW expansion in May 2013.

Australia

Our Australia business recorded earnings of HK$585 million as compared to a loss of HK$45 million in the first half of 2013. The improved performance was mainly attributable to lower depreciation and amortisation on reduced asset bases after the 2013 impairment, lower finance costs and operating expenses (mainly costs for operating Mount Piper and Wallerawang and lower marketing expense), partially offset by reduced gross margin due to lower customer accounts and usage.

Non-recurring Items

The net gain of HK$1,953 million on the acquisitions of CAPCO and PSDC represents the deemed disposal gain of previously held interests in CAPCO (40%) and PSDC (49%) net of the loss on settlement of a pre-existing finance lease arrangement with CAPCO and related transaction and financing costs.

Group's Financial Results

	Notes to the Financial Statements	Six months ended 30 June 2014 HK$M	2013 HK$M	Increase / (Decrease) HK$M	%
Revenue	*5*	**47,102**	51,706	(4,604)	(8.9)
Expenses		**(39,941)**	(45,510)	(5,569)	(12.2)
Finance costs	*9*	**(2,538)**	(3,382)	(844)	(25.0)
Share of results of joint ventures	*15*	**964**	1,230	(266)	(21.6)
Income tax expense	*10*	**(1,182)**	(628)	554	88.2
Earnings attributable to shareholders		**6,721**	3,767	2,954	78.4

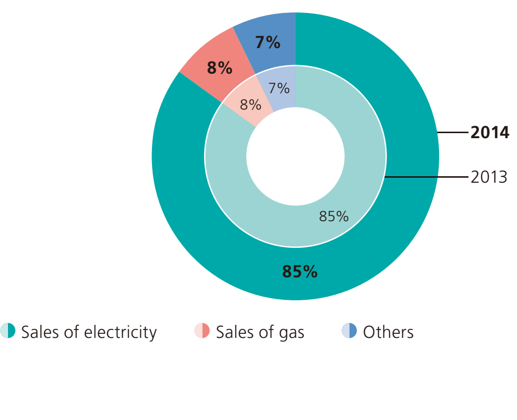
Revenue and Expenses

	Revenue 2014 HK$M	Revenue 2013 HK$M	Revenue Increase / (Decrease) HK$M	Revenue Increase / (Decrease) %	Expenses 2014 HK$M	Expenses 2013 HK$M	Expenses Increase / (Decrease) HK$M	Expenses Increase / (Decrease) %
Hong Kong	**16,843**	15,897	946	6.0	**11,360**	10,845	515	4.7
India	**2,165**	1,601	564	35.2	**1,541**	1,218	323	26.5
Australia	**27,711**	33,753	(6,042)	(17.9)	**26,339**	32,893	(6,554)	(19.9)
Others	**383**	455	(72)		**701**	554	147	
	47,102	51,706	(4,604)		**39,941**	45,510	(5,569)	

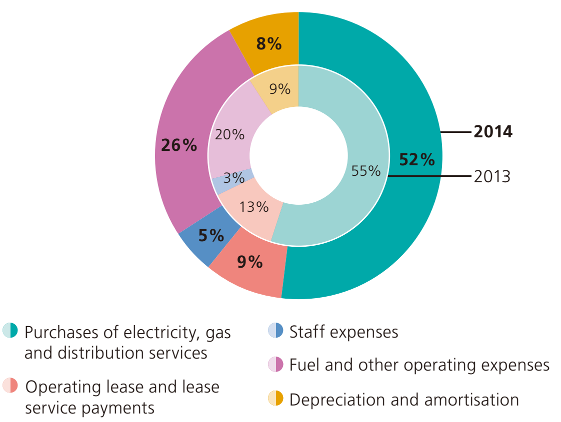
Revenue from Hong Kong electricity business increased as a result of more units sold and higher fuel clause revenue to recoup higher fuel costs incurred. In India, increase in revenue was mainly attributable to Jhajjar due to higher availability on the back of improved coal supplies, partially offset by lower revenue from Paguthan as a result of the revised PPA terms. Lower revenue from Australia was mainly attributable to lower customer accounts and usage and lower generation revenue after the withdrawal of Wallerawang Power Station from the generation portfolio in early 2014, notwithstanding uplifts of electricity and gas retail tariffs since July 2013 and January 2014.

The increase in expenses from Hong Kong electricity business was mainly due to higher fuel cost incurred for more units sold and increase in gas prices. The increase in India was mainly attributable to higher fuel cost on higher generation at Jhajjar. On the other hand, lower sales in Australia led to decrease in "Purchases of electricity, gas and distribution services expenses" (mainly pool purchases and transmission and distribution charges) and "Fuel and other operating expenses" (mainly carbon tax and fuel cost). In addition, lower operating costs and lower mark-to-market losses on energy derivatives also accounted for the decrease.

Analysis of Revenue



Analysis of Expenses



Finance Costs

Lower finance costs were mainly due to lower finance lease charges paid to CAPCO when the finance lease was settled upon the completion of CAPCO acquisition in May 2014, and lower finance costs for Australia as a result of lower interest rates on facilities (after the refinancing in late 2013), lower average loan balances and additional cost from the close out of several interest rate swaps in 2013.

Share of Results of Joint Ventures

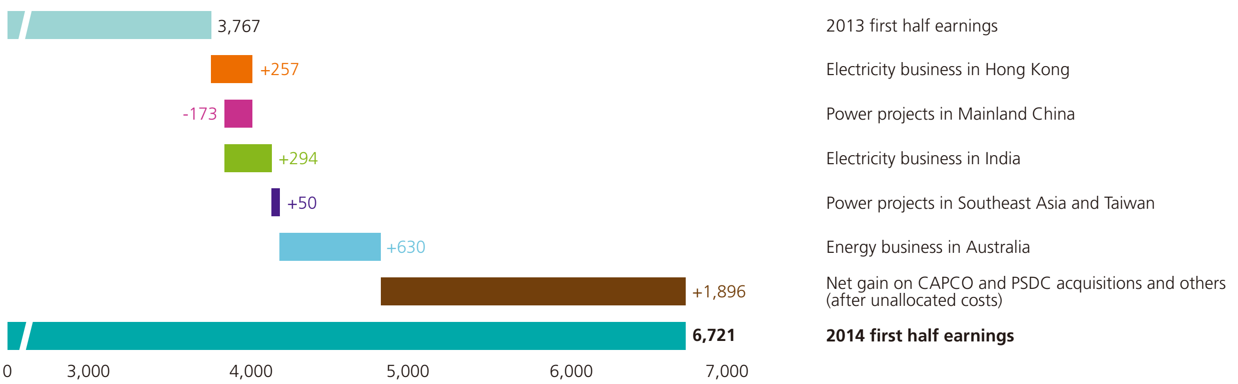
The decrease in share of results of joint ventures was mainly due to reclassification of CAPCO and PSDC from joint ventures to subsidiaries after the completion of the acquisitions in May 2014, and no more profit sharing under the Share Transfer Agreement of CSEC Guohua and Shenmu disposal.

Income Tax Expense

The increase in income tax expense was in line with the increase in operating profit (excluding the non-taxable net gain on CAPCO and PSDC acquisitions) during the period.

Earnings Attributable to Shareholders

Group Earnings (HK$M)



Group's Financial Position

	Notes to the Financial Statements	At 30 June 2014 HK$M	At 31 December 2013 HK$M	Increase / (Decrease) HK$M	%
Fixed assets	13	128,916	126,876	2,040	1.6
Leasehold land and land use rights under operating leases	13	5,711	1,806	3,905	216.2
Goodwill and other intangible assets	14	36,636	23,847	12,789	53.6
Interests in joint ventures	15	7,375	19,940	(12,565)	(63.0)
Trade and other receivables	19	20,416	17,953	2,463	13.7
Trade and other payables	21	22,848	19,325	3,523	18.2
Derivative financial instrument assets [1]	17	3,188	4,123	(935)	(22.7)
Derivative financial instrument liabilities [1]	17	4,326	4,719	(393)	(8.3)
Obligations under finance leases [1]	23	32	27,976	(27,944)	(99.9)
Deferred tax liabilities		13,233	8,548	4,685	54.8
Bank loans and other borrowings [1]	22	75,413	56,051	19,362	34.5
Perpetual capital securities	27	5,791	–	5,791	N/A
Non-controlling interests		2,192	120	2,072	1,726.7

Note:
1 Including current and non-current portions

Period end exchange rate

	At 30 June 2014	At 31 December 2013	Increase %
Australian dollar / Hong Kong dollar	7.3062	6.9154	5.7
Indian rupee / Hong Kong dollar	0.1291	0.1256	2.8

Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases

To enhance the reliability, stability and efficiency of electricity supply in Hong Kong, we invested HK$3.1 billion in generation, transmission and distribution networks, as well as in customer services and supporting facilities during the first half of 2014. In addition, the acquisition of CAPCO also brought in leasehold land of HK$3.8 billion. The ongoing upgrade of Yallourn plant in Australia and the construction of wind projects in India contributed HK$528 million additions to fixed assets.

Capital commitments at 30 June 2014 amounted to HK$13.8 billion, which mainly relate to the capital works on transmission and distribution networks in Hong Kong, generation assets in Australia and the ongoing construction of wind projects in India.

Goodwill and Other Intangible Assets

The increase was mainly attributable to the goodwill and the right to use the pumped storage capacity in Conghua, Guangzhou (see opposite) which arose from the CAPCO and PSDC acquisitions.

Interests in Joint Ventures

The decrease was mainly due to the reclassification of CAPCO and PSDC to subsidiaries after the acquisitions (see below), and CSEC Guohua and Shenmu to "other current assets" as a result of the loss of joint control over these entities after entering into the Share Transfer Agreement in April 2014.

Trade and Other Receivables

The increase in trade and other receivables was mainly seasonal with higher electricity sales in summer in Hong Kong. On the other hand, the effect of higher closing rate for translating receivables in Australia was offset by lower trade receivables on lower sales and improved cash collection from trade receivables during the period.

Trade and Other Payables

The increase in trade and other payables was mainly due to the advances from China Southern Power Grid group (CSG group) to CAPCO of HK$7,006 million brought in by the CAPCO acquisition, partly offset by the settlement of carbon tax liabilities and Renewable Energy Target obligations, and lower accrual for pool purchase and network charges on lower sales in Australia.

Financial Impacts of CAPCO and PSDC Acquisitions

In May 2014, the Group completed the acquisitions of CAPCO and PSDC as a 70% and 100% owned subsidiary respectively. These acquisitions have profound effects on our financial position. The most salient ones are:

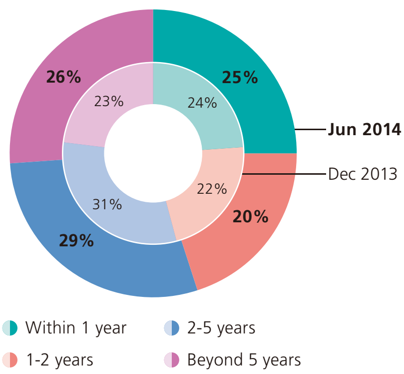
- Reclassification of CAPCO and PSDC from joint ventures (equity accounting) to subsidiaries (line-by-line consolidation);
- Goodwill arose with respect to CAPCO (HK$5,545 million) and intangible capacity right acquired under PSDC (HK$5,607 million);
- Effective settlement of finance lease payable to CAPCO at a loss of HK$5,338 million;
- Net deferred tax liabilities (HK$4,428 million) as part of the settlement of finance lease payable and net assets acquired; and
- Non-controlling interests (HK$2,170 million) which represented the 30% interest in CAPCO owned by CSG group.

Derivative Financial Instruments

As at 30 June 2014, the Group had gross outstanding derivative financial instruments which amounted to HK$171 billion. The fair value of these derivative instruments was a net deficit of HK$1,138 million, representing the net amount payable if these contracts were closed out on 30 June 2014. 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 2014 HK$M	31 December 2013 HK$M	**30 June 2014 HK$M**	31 December 2013 HK$M
CLP Group				
Forward foreign exchange contracts and foreign exchange options	**102,227**	105,833	**1,177**	1,482
Interest rate swaps / cross currency interest rate swaps	**52,670**	49,289	**(649)**	(555)
Energy contracts	**15,785**	18,003	**(1,666)**	(1,523)
	170,682	173,125	**(1,138)**	(596)
CAPCO				
Forward foreign exchange contracts	**N/A**	144	**N/A**	3
Total		173,269		(593)

Maturity Profile



Note: After the acquisition of CAPCO as a subsidiary, the figures of CLP Group as at 30 June 2014 included those of CAPCO. For comparative purpose, 2013 figures have been presented to include CLP Group and CAPCO.

Financing and Capital Resources

The Group engaged in new financing activities in the first half of 2014 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 mitigate undue financing and market risks (availability, amount and pricing) that may cause material adverse impact to the Group.

CLP Holdings maintained adequate liquidity with undrawn bank facilities of HK$15.2 billion and bank balances of HK$3.9 billion as at the end of June 2014 to meet business growth and contingencies.

CLP Power Hong Kong successfully arranged its inaugural issuance of US$500 million (HK$3.9 billion) 4.25% perpetual capital securities in April 2014 (with about 2.4 times oversubscription by US$1.2 billion orders from about 100 global investors) and with an upsize of US$250 million (HK$1.9 billion) (collectively "Hybrid Securities") in June 2014 following strong reverse enquiry demand by investors. The Hybrid Securities achieved a record of lowest fixed rate US dollar denominated corporate hybrid ever issued globally, and one of the tightest ever senior-hybrid premiums for a corporate hybrid. The Hybrid Securities, which are perpetual and non-callable in the first 5.5 years, are classified as equity in the Group financial statements and allow CLP Power Hong Kong to achieve 50% equity credit from Moody's for life and Standard and Poor's (S&P) for the first 5.5 years from issuance. The issuance further strengthens CLP Power Hong Kong's credit profile which filters through to CLP Holdings', diversifies funding sources and helps maintain the strong credit ratings

Financing and Capital Resources (continued)

of CLP Holdings and CLP Power Hong Kong. The US dollar principal amount of the Hybrid Securities was hedged back to Hong Kong dollars to mitigate foreign currency risk. CLP Power Hong Kong also completed HK$4 billion conventional debt funding in the first half of the year when the financial market remained borrower-friendly so that the company can lock in attractive financing terms. The details of new financing arranged in the first half of this year are:

(i) JPY26 billion (HK$2 billion) 3-year cross-border bank loans syndicated to 24 regional and city banks in Japan with 1.3 times oversubscription in June 2014. The cost of such borrowing was lower than that of loans offered by Hong Kong based banks with the same tenor. Japanese yen proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk;

(ii) HK$1.2 billion 5-year bank loan facilities arranged in March 2014 at preferential rates; and

(iii) HK$800 million 12-year fixed rate bonds issued under the Medium Term Note (MTN) Programme in January and February 2014 at attractive terms.

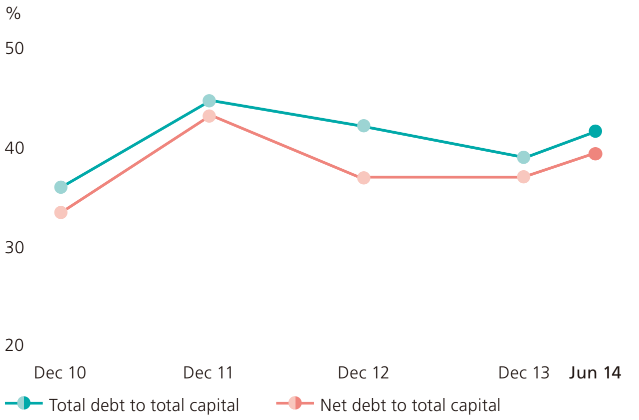
CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$4.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2014, notes with an aggregate nominal value of about HK$24.9 billion have been issued under the MTN Programme.

In Australia, EnergyAustralia extended a A$700 million (HK$5.1 billion) working capital facility in June 2014 by one year from June 2016 to June 2017 with existing lenders at a lower interest margin. In India, Jhajjar Power Limited executed a Rs.4.15 billion (HK$536 million) project loan facility with an Indian bank in July 2014 to refinance part of the existing Indian rupee debt at a reduced interest rate. The domestic credit ratings of CLP India Private Limited and CLP Wind Farms (India) Private Limited benefited from a revised rating approach by Fitch India and were upgraded to AAA (three notches higher than previously) and AA (two notches higher) respectively. CLP India Wind Farms (India) Private Limited arranged Rs.4.7 billion (HK$607 million) one to three years bank loans in the first half of 2014 to bridge finance the construction of various wind projects which will be replaced by long-term financing after completion of construction. In Mainland China, a RMB630 million (HK$785 million) non-recourse project level loan for Sihong solar project (51% CLP owned) was arranged in June 2014.

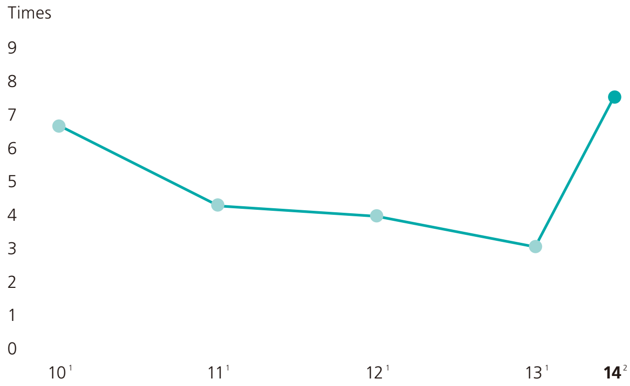
This year, the Group continues to maintain an appropriate portion of committed credit facilities to ensure funding certainty. As at the end of June 2014, we maintained lending relationships with 78 financial institutions, an increase from 67 financial institutions as at 31 December 2013, primarily due to the syndication of JPY26 billion loans to on-shore Japanese banks in June 2014. Our efforts in diversification of debt funding to avoid over-concentration risk are illustrated in the charts on the next page. We are very selective in choosing counterparties for financial and treasury related transactions. We deal only with financial institutions which have good credit standings and strong capabilities 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$9,156 million as at 30 June 2014 was secured by fixed and floating charges over the assets of our subsidiaries in India, and HK$3,373 million was secured by right of receipt of tariff, fixed assets and land use rights of subsidiaries in Mainland China. The Group's total debt to total capital ratio as at 30 June 2014 was 41.6% (31 December 2013: 39.1%), decreasing to 39.3% (31 December 2013: 36.7%) after netting off bank balances, cash and other liquid funds. Interest cover for the six months ended 30 June 2014 was 8 times. As at 30 June 2014, the Group's fixed rate debt as a proportion of total debt was approximately 52%.

Financing and Capital Resources (continued)

Gearing

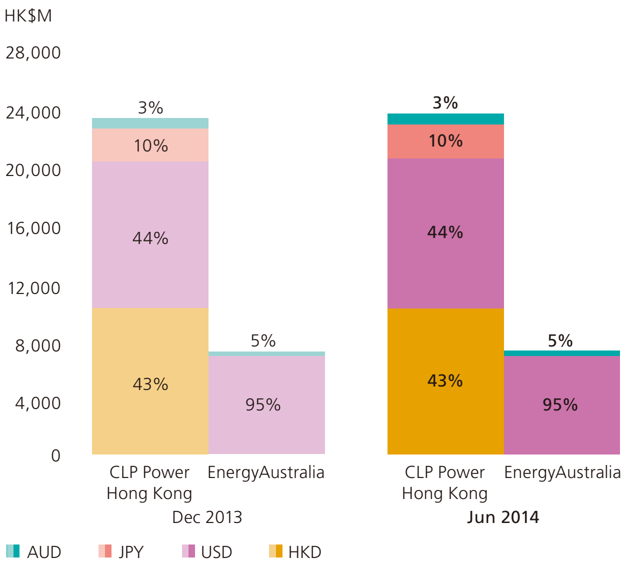


Interest Cover

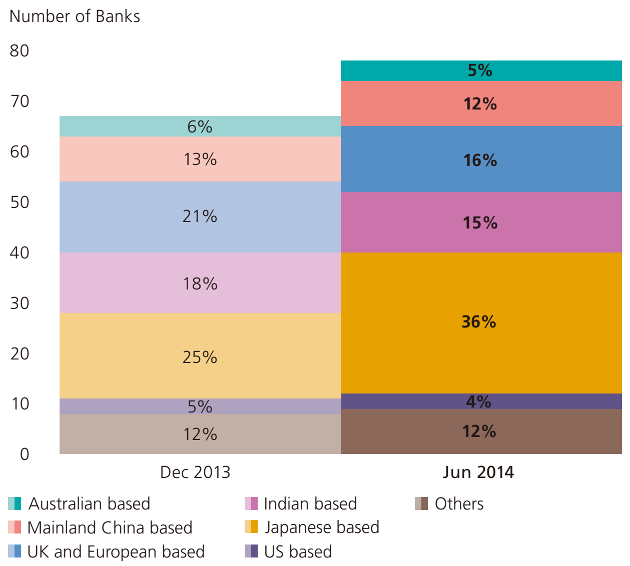


Notes:
1 Calculated on annual profit or loss figures
2 Calculated on interim profit or loss figures

Currency of Bond Funding



CLP Banking Relationship – Balanced Mix of Lending Financial Institutions



Note: Geographical bases of the financial institutions are determined according to the places of incorporation of their respective holding entities.

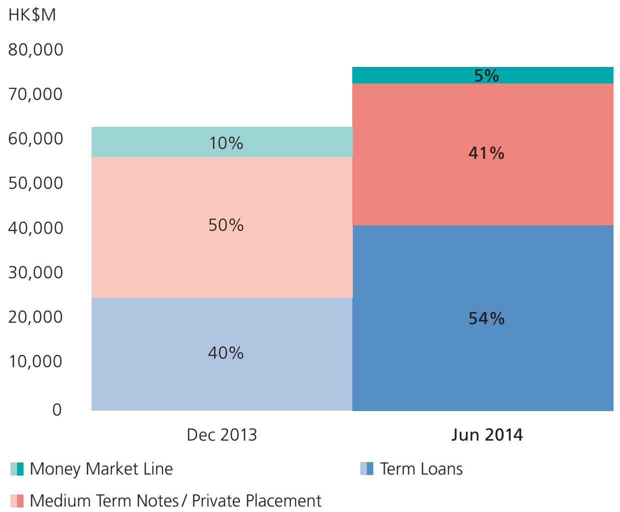
Debt Profile as at 30 June 2014

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries[1] HK$M	CLP Group HK$M
Available Facility[2]	21,300	42,006	6,265	40,728	110,299
Loan Balance	6,100	35,906	4,401	29,006	75,413
Undrawn Facility	15,200	6,100	1,864	11,722	34,886

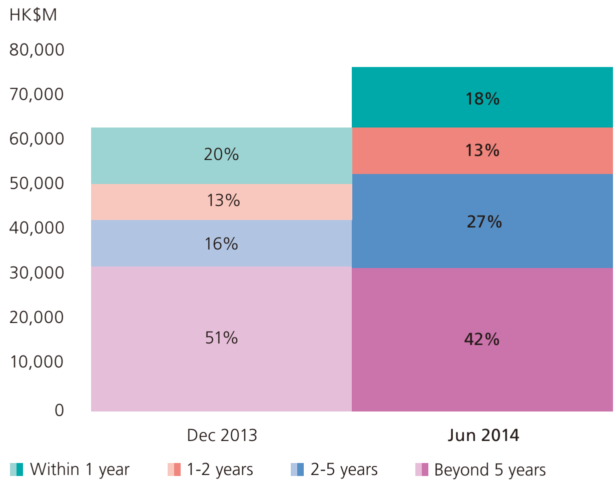
Notes:
1 Mainly relates to EnergyAustralia and subsidiaries in India.
2 For the MTN Programme, only the amount of the bonds issued as at 30 June 2014 was included in the total amount of Available Facility. The Available Facility in EnergyAustralia excludes a facility set aside for guarantees.

Financing and Capital Resources (continued)

Loan Balance – Type



Loan Balance – Maturity



Note: 2014 figures include CAPCO and PSDC after their acquisitions as subsidiaries by the Group. For comparative purpose, 2013 figures have been presented to include CLP Group, CAPCO and PSDC.

Credit Rating

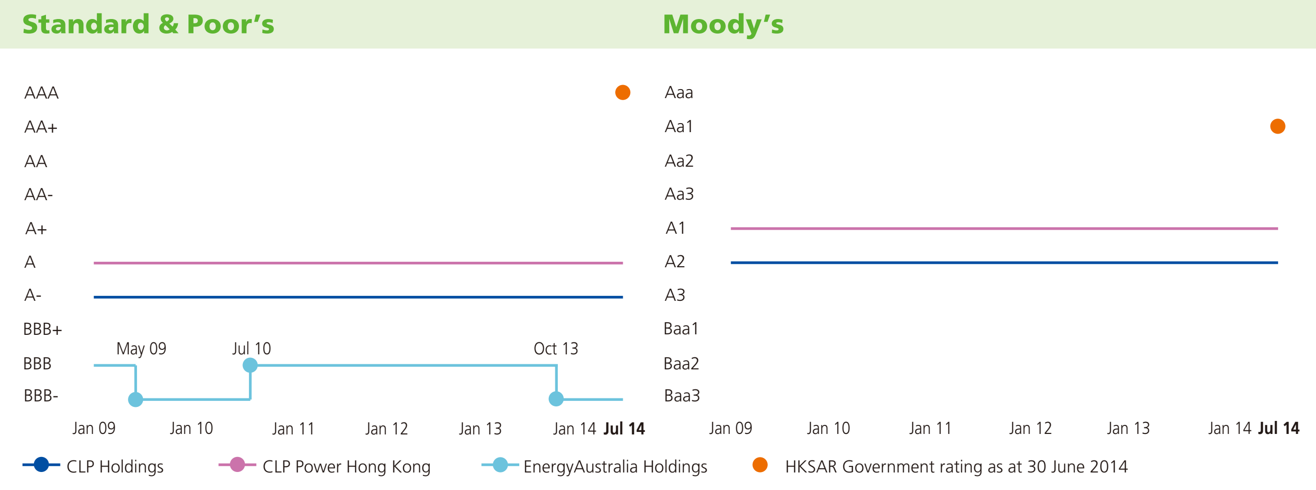
CLP always strives to maintain good investment grade credit ratings. In November 2013, following the announcement of the proposed acquisition of a further 30% interest in CAPCO and the remaining 51% interest in PSDC, S&P and Moody's put the credit ratings of CLP Holdings and CLP Power Hong Kong on watch with negative implication. Since then, CLP had entered into constructive dialogues with credit rating agencies to show the strategic rationale of the acquisition as well as the sound business profile and the robust cash flow of the transaction. CLP also reviewed the capital structure of the SoC business and issued an aggregate of US$750 million Hybrid Securities to further optimise the balance sheet of the regulated utility and holding company. In addition, the divestment of minority interests in two Chinese coal-fired projects (CSEC Guohua and Shenmu) announced in April 2014 will generate cash flow and reduce the Group's debt leverage.

These proactive initiatives delivered good outcome. In response to CLP Power Hong Kong's issuance of Hybrid Securities, Moody's revised the rating outlook of CLP Power Hong Kong to stable from negative and affirmed the A1 and A2 credit ratings of CLP Power Hong Kong and CLP Holdings respectively in April 2014. The rating outlook of CLP Holdings remains negative mainly due to challenges in EnergyAustralia's business. Following the completion of CAPCO and PSDC acquisitions in May 2014, S&P removed the credit ratings of CLP Holdings and CLP Power Hong Kong from credit watch and kept the outlook for both companies negative. S&P assessed the business risk profile of CLP Power Hong Kong as "excellent" and opined that CLP Power Hong Kong would remain financially stable on a standalone basis. However, as S&P's rating methodology tightly links the outlook of an operating company with that of the holding company, CLP Power Hong Kong's outlook was affected by the operating environment for CLP Holdings' overseas businesses, particularly in Australia. In May 2014, S&P Australia affirmed the BBB- credit rating of EnergyAustralia with negative outlook. The credit ratings of major companies within the Group as at 30 June 2014 were set out on the next page.

	CLP Holdings		CLP Power Hong Kong		EnergyAustralia	HKSAR Government	
	S&P	Moody's	S&P	Moody's	S&P	S&P	Moody's
Long-term Rating							
Foreign currency	A-	A2	A	A1	BBB-	AAA	Aa1
Outlook	Negative	Negative	Negative	Stable	Negative	Stable	Stable
Local currency	A-	A2	A	A1	BBB-	AAA	Aa1
Outlook	Negative	Negative	Negative	Stable	Negative	Stable	Stable
Short-term Rating							
Foreign currency	A-2	P-1	A-1	P-1	–	A-1+	–
Local currency	A-2	P-1	A-1	P-1	–	A-1+	–

The charts below illustrate the credit rating changes of our major companies in the past five years. More information about our credit ratings is shown on our website.

Long-term Credit Ratings – Foreign Currency and Local Currency



Risk Management

The Group's investments and operations have resulted in exposure to foreign currency risk, interest rate risk, credit risk, as well as energy price risk 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 Hong Kong Financial Reporting Standards 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 price discovery 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 2013 Annual Report on pages 89 and 90, 135 to 143 and 241 to 252.

Performance and Business Outlook

This section describes CLP's operational performance in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia over the first six months of 2014.

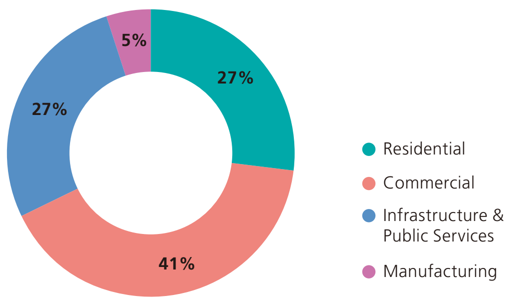
Hong Kong

We achieved good results in our home market while maintaining our world class reliability record. We do this by continuing to invest in our facilities and our people and focusing on the quality and reliability of the services we provide.

During the first half of the year, local sales of electricity were 15,202 gigawatt hours (GWh), representing an increase of 2.7% over the same period last year. Sales to the Residential sector in the first six months recorded a significant increase of 7.5% because of a higher heating and dehumidifying load in the first quarter and an increased cooling load in the second quarter when compared to the first half of 2013. Both the Commercial and Infrastructure & Public Services sectors recorded slight to moderate sales increases while sales to the Manufacturing sector decreased by 3.0%. A breakdown by sector of the changes in sales during the period is as follows:

	Increase / (Decrease)		
Residential	284GWh	↑	7.5%
Commercial	41GWh	↑	0.7%
Infrastructure & Public Services	97GWh	↑	2.4%
Manufacturing	(26GWh)	↓	(3.0%)

As Percentage of Total Local Sales



Sales to the Mainland amounted to 617GWh in the first six months, a decrease of 0.5% over the same period last year. Total electricity sales, including both local sales and sales to the Mainland, increased by 2.5% to 15,819GWh.

On 23 July 2014, local maximum demand hit a record high of 7,030MW. This represented an increase of 3.9% over the previous peak of 6,769MW recorded in 2012 and reduced our generation reserve margin to 26.4%.

On a strategic level, we have completed the acquisition of an additional 30% interest in CAPCO, taking our ownership to 70%. CLP also increased its stake in PSDC to 100%. These acquisitions are a significant investment for CLP, giving us majority control over our core generating assets and enabling us to further pursue cost efficiency. This will help us in our continual endeavour to meet Hong Kong's diversified and rapidly changing needs.

In May, we submitted our response to the HKSAR Government's public consultation on Future Fuel Mix for Electricity Generation for Hong Kong. In the Government's consultation paper, two alternatives are identified: Option 1 assumes that approximately 30% of future needs would be met through grid imports of power from the Mainland; and in Option 2 these needs would be met by using more natural gas for local generation. CLP's view is that both options present opportunities and challenges. We believe that a phased and flexible approach, which combines both planning for a small number of new gas units locally and a comprehensive study to see how the Mainland could provide Hong Kong with highly reliable supplies of low-carbon energy at reasonable cost, would deliver the best long-term value for Hong Kong.

The phased and flexible approach is a long-term strategy that seeks to maximise the advantages of each option at minimum cost to customers. It would allow Hong Kong more time and options to gauge what is the best way forward while maintaining the reliability and security of our electricity supply, allowing a choice in energy supplies, delivering environmental performance improvements and minimising over-investment in energy infrastructure until more certainty on costs and benefits is available.

In the nearer term, we understand the potential impact of tariff adjustments on the community as a result of increased gas consumption to meet environmental policy objectives. To keep any movement within a manageable range, we have taken a number of measures to mitigate the impact of increasing fuel costs. These include securing a temporary additional supply of a small amount of nuclear power from Daya Bay from the last quarter of 2014 to 2018, maximising the use of our less costly gas supply from the depleting Yacheng gas field, deferring and reducing the use of the pricier gas from the Second West-East Gas Pipeline, using more low emission coal, enhancing the operational performance of our generation facilities and implementing stringent cost control measures.

CLP continued to deliver one of the most reliable electricity supplies in the world during the first half of 2014, with supply reliability maintained at above 99.999%. This was achieved despite the heavy thunderstorms in May and June. The performance demonstrates CLP's continued efforts in improving the resilience of its power system through advanced technologies, emergency preparedness, preventive maintenance, and timely investment in the electricity supply infrastructure.

In the first half of 2014, we invested HK$3.1 billion in generation, transmission and distribution networks as well as in customer services and supporting facilities. The investments aim at enhancing the reliability, security and efficiency of our supply network and our service quality. They also safeguard the timely provision of electricity supply for our customers and new infrastructure projects. These include supply to new data centres, the developments in ex-Kai Tak and West Kowloon areas, the Hong Kong-Zhuhai-Macau Bridge and the rapid expansion of Hong Kong's railway network, which together provide us with steady growth in sales.

CLP is fully committed to the promotion of energy efficiency. The CLP Eco Building Fund is one of the initiatives in the 2013 Interim Review under the Scheme of Control (SoC) Agreement with the HKSAR Government. It is a major step towards achieving greater energy efficiency in the community. The Fund was officially launched in June and is now open for application. It aims to help eligible residential building owners in our service areas to implement energy-efficiency improvement works to their facilities in the common areas with a special subsidy granted on a "50 / 50 matching" basis.

As part of CLP's efforts to help its customers to become more energy efficient, we successfully launched the new GREEN PLUS Experience Centre in Sham Shui Po in May to assist small businesses in various industries to save energy and costs. Caring for the community is at the heart of our operations and our people. Through partnership with community organisations and the active participation by CLP Volunteers, we initiated a number of new activities such as "CLP Green Volunteers for Seniors Programme" and distribution of 4,000 sets of energy saving electrical appliances to needy families in the first half of 2014, alongside many other programmes. Details of our community initiatives will be discussed in the section "Stakeholder Engagement & Social Performance".

On a different note, foundation work of the redevelopment of CLP's former head office on Argyle Street is progressing. We are currently reviewing different options for a permanent headquarters.

Outlook

- CLP has been serving Hong Kong for 113 years. We are committed to maintaining our supply reliability, environmental and safety performance and excellent services to customers. Following the completion of the CAPCO and PSDC acquisitions, internal processes are being streamlined to enable us to capture the maximum benefits from controlling the core assets so that we can continuously improve our service.
- To meet tighter statutory emissions caps for power generation which will come into effect in 2015, CLP will need to use more gas to generate electricity in place of cheaper coal. In view of this, we will continue to do our best to mitigate the impact of tariff increases to customers.
- Following the recent fuel mix consultation, we understand that there will be another Government consultation on the post-2018 regulatory framework for the electricity market to be launched later. Both consultations will shape Hong Kong's energy policy choices and have significant implications for our business. We will continue to facilitate public discussions on these issues and actively engage the Government, key stakeholders and the community on the appropriate direction for Hong Kong's future fuel mix and the post-2018 regulatory regime.
- We are aware of the public concern over tariff adjustments. We will continue to listen to our customers and stakeholders on the issue. At the same time, we are committed to investing in new energy efficiency initiatives and other conservation efforts, including the newly-established CLP Eco Building Fund, for a greener Hong Kong.

Mainland China

In Mainland China, we continued our strategy of selective investments in renewable energy, nuclear power and highly-efficient coal-fired generation, accompanied by the divestment of stakes in joint ventures where we have no significant control and growth prospects appear limited.

CLP's coal-fired projects on the Mainland continued to perform reliably throughout the first half of 2014, during which time coal prices declined and remained at low levels. We have made significant progress on several fronts at Fangchenggang Power Station during the period. Construction of Fangchenggang Phase II (2 x 660MW ultra-supercritical units) has commenced after we obtained project approval from the National Development and Reform Commission in May 2014. Selective catalytic reduction equipment has been retrofitted at Fangchenggang Phase I to reduce nitrogen oxide emissions.

On 19 July 2014, super typhoon Rammasun directly hit the city of Fangchenggang. No one at our plant was injured. However, one of the station's two generating units was taken out of service after the boiler structure was damaged. Repair will take one to two months. Construction works for Fangchenggang II were temporarily impacted but no long-term delays are anticipated. During the typhoon, the station opened its recreation centre to provide shelter for more than 120 local villagers.

During the first six months, we continued to expand our presence in the renewable energy sector, which is one of our major growth areas. In Shandong, our new 49.5MW, wholly-owned wind power project Laiwu Phase I has been operating smoothly since it achieved commercial operation in January.

In Shandong and Jilin, where the majority of our wind farms are located, wind speed was lower than average but the grid restriction situation in Jilin has slightly improved.

As for new projects, we are pursuing approval from relevant provincial governments for four wholly-owned projects (Xundian Phase I in Yunnan, CLP Laizhou Phase I and Laiwu Phase II in Shandong, and Sandu Phase I in Guizhou) with a total generation capacity of around 250MW. All of them have been registered at the National Energy Administration. We target to obtain project approval later this year or in early 2015. We are also applying for approval for Huadian Laizhou Phase II, a minority-owned 49.5MW project in Shandong.

In hydro, low water flow has led to reduced power generation from Jiangbian Power Station in Sichuan. Output from our Huaiji project in Guangdong has dropped because a flooding in May damaged some of the power stations. Repair works are in progress.

Our solar project in Jinchang in Gansu Province (85MW) has been affected by grid restriction because of the commissioning of other thermal and solar power plants in the region. We expect the situation to be resolved after the inter-provincial transmission network, currently under construction, comes online.

Construction of our 42MW, wholly-owned Xicun Solar Power Station in Yunnan commenced in the first quarter of 2014 and is targeted to complete by the fourth quarter of 2014. Construction of Sihong Solar Power Station in Jiangsu (93MW, 51% owned by CLP) is progressing well and is targeted to complete in the third quarter.

Construction of Fangchenggang Power Station Phase II commences in June 2014

In line with our selective investment strategy, we signed a Share Transfer Agreement on 2 April 2014 to divest our interest in CLP Power China (Tianjin) Limited and CLP Power China (Shenmu) Limited for the US dollars equivalent of RMB2,250 million. These companies hold our investments in the CSEC Guohua and Shenmu power projects respectively. Completion of the transaction is subject to a restructuring of internal shareholdings which in turn requires corporate and regulatory approvals. The restructuring is progressing at the moment.

In May 2014, Guangdong Daya Bay Nuclear Power Station (GNPS), in which CLP has a 25% stake, commemorated its 20th anniversary of commercial operation. This partnership with China General Nuclear Power Corporation has been extended for another 20 years to 2034. GNPS continued to operate smoothly in the first half of 2014 with no Licensing Operational Events reported in the period.

Outlook

- In the second half of 2014, we expect the financial performance of our coal-fired plants to continue to benefit from the low coal prices. We will continue the construction of Fangchenggang Phase II which we expect to commission in 2016.
- As an important part of our strategy, we will continue to expand our wind portfolio. We expect to obtain approval for Xundian Phase I, CLP Laizhou Phase I and Sandu Phase I in the second half of this year and we are hopeful that we will be able to commence construction of Huadian Laizhou Phase II in the same period. We also anticipate commissioning Sihong Solar by the end of this year, as we continue the construction of Xicun Solar Phase I.
- Finally, we target to complete the disposal of CLP Power China (Tianjin) Limited and CLP Power China (Shenmu) Limited by the end of 2014.

India

Business performance at CLP India improved significantly in the first half of 2014, particularly at Jhajjar Power Limited. Thanks to improved coal supply, Jhajjar Power Station (Jhajjar) achieved a high availability of 80.4% in the six-month period. All technical performance indicators also reflected stable plant operations. We expect this operational performance to continue for the whole year.

Despite continuous coal shortages in India, our efforts to adjust local sourcing have resulted in significant improvement of domestic coal supplies for Jhajjar in the first half of 2014, compared with the same period in 2013. Thanks to our continuous engagement with different stakeholders and improved performance, we have been given the approval to import 2 million tonnes of coal for a year from June 2014 onwards, up from 1.7 million in the previous 12-month period. As a result and in spite of the planned outage of one unit, average availability has now reached 80% - the minimum level required for payment of capacity charges in full. On top of that, we are in advanced discussion to increase the blending of imported coal from 35% to 50%, which will further improve our coal supply position. We expect to maintain the availability level for the whole year as the supply of coal improves.

While availability at Jhajjar was high, utilisation was low at about 44.4% due to sluggish winter demand. Nevertheless, we expect utilisation will improve in the third quarter as demand picks up in summer.

Performance of Jhajjar

	2014 First Half	2013 First Half
Availability (%)	**80.4**	38.7
Utilisation (%)	**44.4**	30.6
Domestic coal (rakes) [1]	**381**	301
Imported coal (rakes)	**132**	60

Note:

1 A "rake" is the equivalent of about 3,800 tonnes of coal and broadly represents a single load of 59 wagons.

During the first six months of this year, our gas-fired Paguthan Power Station continued to make the units available, on which capacity payments under the power purchase agreement (PPA) were based. Availability remained high at

84.2%, despite a planned shutdown in March and April and a forced outage in June. However, due to high gas price, our customer GUVNL has decided to despatch cheaper power elsewhere, resulting in a low utilisation for Paguthan at 4.5%. As long as gas price stays high, we expect the plant to continue to operate intermittently during peak demand periods or in emergencies only. We have renegotiated the PPA with GUVNL, pursuant to its request for reduction in tariff emanating from low level of despatches. The new arrangement includes a higher incentive threshold and sharing of some savings with the customer to help reduce its cost of power, while giving us greater certainty for the rest of the PPA-tenor.

CLP is the largest developer of wind energy in India and we see attractive investment and growth opportunities in the renewable energy sector. Our three wind projects in Gujarat, Maharashtra and Rajasthan with a combined capacity of 100MW (Jath 60MW, Bhakrani 23.2MW, Mahidad 16.8MW) were commissioned in the first half of this year. However, due to the delay in the onset of the monsoon and the dust storm in Rajasthan, generation from our operational wind farms was lower than expected.

On the financial side, the reinstatement of Generation Based Incentive for wind energy, which reflects the Government's support of renewable energy, has benefitted almost all of our wind projects. In another positive development, CLP Wind Farms (India) Private Limited has become the first wind business in India to receive an investment grade rating, allowing it to raise cheaper financing in the debt markets.

Outlook

- Election of the new Federal Government earlier this year has provided encouraging signs to the energy sector. Its decision to put the Ministries of Power, New & Renewable Energy and Coal under a common minister signifies the Government's determination to promote greater efficiency and flexibility in planning, execution and decision making. We are closely monitoring progress of the reforms.
- The new Government is contemplating the revival of gas-fired power plants idled by the lack of affordable gas by providing "fuel subsidies" to state utilities to purchase power from these plants. If this new policy is implemented, it will improve demand for gas-fired electricity which could be beneficial for our Paguthan project.
- The prospects for our wind development platform continue to be good with the new Government's greater commitment to develop the renewable energy sector. We will continue to expand our wind portfolio and seek to enter the solar sector to strengthen our leadership position in renewable energy in India.
- Jhajjar's performance is expected to further improve in the second half of 2014. With our significant build-up of coal stocks, and improvement in the sourcing of domestic coal supply and imports, we are confident that we would be able to deliver good performance for the remainder of the year.

CLP is the largest wind energy developer in India

Southeast Asia and Taiwan

Ho-Ping Power Station in Taiwan, 20% owned by CLP, continued to operate reliably during the first half of 2014. The major overhaul of a generating unit was successfully completed and high plant availability and low coal prices resulted in a strong financial performance.

In 2013, Ho-Ping settled its prolonged negotiations with Taiwan Power Company (Taipower) and agreed to a tariff reduction under its PPA. However, Ho-Ping is continuing its administrative appeal and litigation against the penalty imposed by the Fair Trade Commission (FTC) for the alleged violation of the Fair Trade Act over earlier tariff negotiations with Taipower.

In Thailand, the 63MW Lopburi solar farm owned by NED entered its second year of full operation. NED recorded good earnings in the first half of 2014 thanks to high plant availability and good solar resources which were in line with expectations. CLP owns one-third of NED and provides management leadership to the company.

We have been developing the Vung Ang II and Vinh Tan III coal-fired projects in Vietnam for some years. Contracts for the construction of Vung Ang II and the supply and transportation of coal for the project have been finalised. Negotiations with the government on the PPA and the build-operate-transfer contract (BOTC) have largely been completed, although a final agreement will be needed before the project can proceed. Meanwhile, good progress has also been made on Vinh Tan III, which is located in southern Vietnam near Ho Chi Minh City where demand for electricity is high. Coal supply and transportation contracts have been agreed, and contracts for the supply and construction of plant equipment are in the final stage of negotiations. Progress on the Vinh Tan III's PPA and BOTC will depend on the priorities set by our customer Vietnam Electricity (EVN) and the Vietnamese Government.

Outlook

For Ho-Ping in Taiwan and Lopburi in Thailand, the focus is on maintaining safe and reliable operations. We will support Ho-Ping to continue its appeal against the FTC penalty. In Vietnam, we plan to further engage with EVN and the Vietnamese Government with the aim to complete negotiations of the key project agreements including PPAs and BOTCs of Vung Ang II and Vinh Tan III, and proceed with the financing arrangements for the projects. Investment decisions on these two projects will be made after the terms of the key agreements are finalised, project economics determined and financing secured.

Lopburi Solar Farm enters second year of full operation

Australia

EnergyAustralia made good progress in operational performance in the first half of 2014. However, the external environment remains challenging with ongoing declining wholesale market demand, heavy retail competition, and mild winter weather.

The generation business continues to be challenged by overcapacity and falling market demand, leading to further decline in wholesale electricity prices and historically low electricity price volatility. An unseasonal warm start to winter, with Sydney experiencing the warmest May on record, has further dampened electricity demand.

Prevailing market conditions led the Australian Energy Market Operator (AEMO) to forecast the largest one-year drop in electricity demand ever recorded in Australia. Key factors include the announcement that the Point Henry Aluminium Smelter will be closed in the second half of 2014 – together with rising penetration of rooftop solar and adoption of energy efficiency measures by retail consumers. AEMO has also significantly revised its electricity consumption annual growth forecast for the next 10 years down to just 0.3% per annum, compared with the 1.3% forecast made in 2013 and the 2.3% three years ago.

In this environment, containing costs and maintaining flexibility in operations are of paramount importance. Responding to suppressed wholesale market conditions and a lack of competitive coal supply, EnergyAustralia has closed and is decommissioning Unit 7 at Wallerawang Power Station. On 30 March 2014, we also removed Unit 8 from service and placed it on a three-month recall. This will significantly reduce the future capital and operating costs of our generation portfolio.

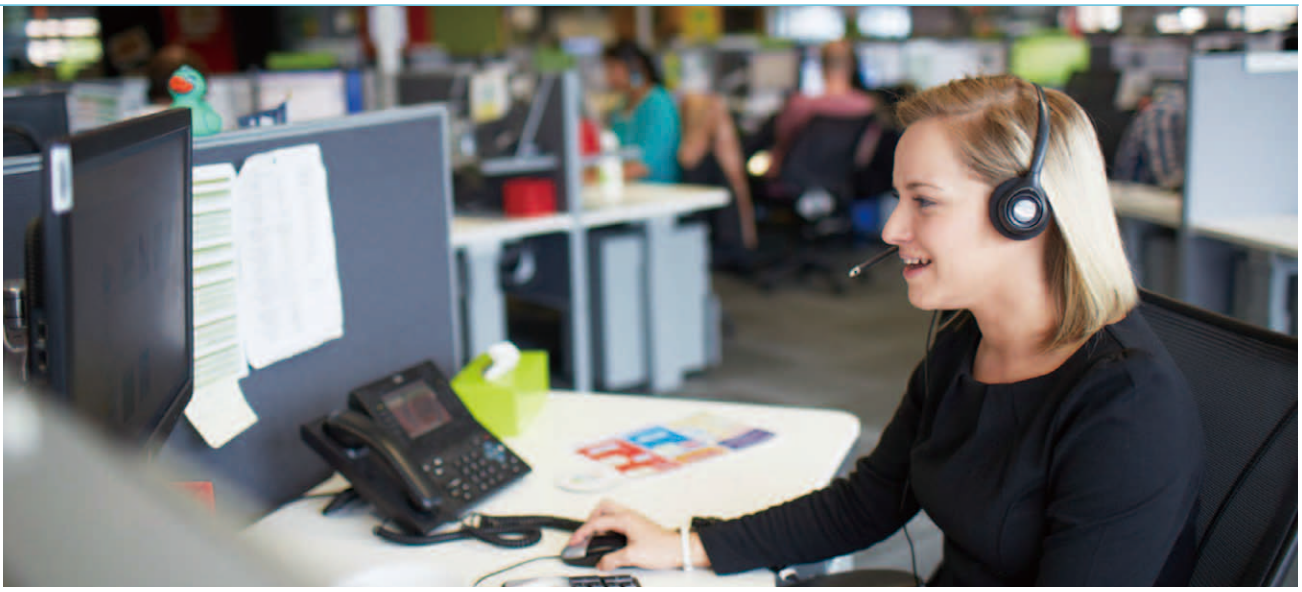
As a result of lower output from Wallerawang and planned maintenance outages at the Mount Piper and Yallourn power stations, the overall sent-out generation across EnergyAustralia's portfolio was down 11.4% in the first half of 2014 compared with the first half of 2013.

In our major retail markets of Victoria and New South Wales (NSW), churn rates, which measure customer loss, remained at 21.5% and 12.3% respectively. Due to strong competition as well as a focus on stabilisation and integration, our net customer numbers decreased by 66,800, or 2.5%, during the six-month period to 30 June 2014.

Mass market sales volumes for electricity and gas dropped 12.6% and 15.9% respectively compared with the prior corresponding six-month period. This reflects lower customer numbers, reduced usage per customer and mild weather conditions at the start of the 2014 winter.

Despite these difficult external conditions, we have improved operations under our control, most notably in the stabilisation of our new billing and customer care system, C1. Delayed billing has reduced to around 4,000 accounts as of 30 June 2014, much lower than the level of 22,000 accounts at the time of switching systems in October 2012. In June 2014, we achieved a major milestone with the successful transfer of new sales accounts from the Ausgrid system onto the new system. Full system integration to migrate 1.3 million customers from Ausgrid onto C1 is on track for late 2014.

From 1 July, retail electricity prices in NSW were deregulated. Customers are expected to benefit from robust market competition and a greater selection of products and services from competing suppliers. Retail price deregulation also reduces regulatory risk for industry participants.



EnergyAustralia continues to enhance customer service

Outlook

Notwithstanding near-term challenges arising from difficult market conditions and likely changes to carbon and renewable energy policy settings, EnergyAustralia is making good progress in implementing operational efficiencies. We are on track to deliver operational savings of A$100 million (about HK$730 million) per year once our billing system integration is fully implemented during the course of 2015. However, wholesale prices continue to trend downwards, which are likely to have a negative impact on 2015 outlook. Our short-term earnings will also be negatively impacted by the removal of the carbon tax and associated transitional assistance, which provided a net benefit estimated at A$82 million (HK$583 million) across our generation portfolio in the first half of 2014. Longer term, this change should enhance returns from our low-cost base-load power stations.

In the second half of 2014, EnergyAustralia will continue to focus on improving earnings through managing costs and enhancing productivity. Key projects are as follows:

- Continue to improve customer service;
- Complete the migration of EnergyAustralia's customers from Ausgrid to C1;
- Improve the productivity of IT service delivery and back office processes;
- Strengthen EnergyAustralia's digital capabilities; and
- Optimise the fuel and generation portfolio.

The Federal Parliament has repealed the Clean Energy Act, effective from 1 July 2014. EnergyAustralia has begun a programme to remove the carbon component from its products and tariffs by mid-September and backdate to 1 July 2014 as a credit on household bills. The Federal Government is also reviewing the Renewable Energy Target. We are awaiting details of the anticipated changes to assess any short-term and long-term impacts on our business.

Catherine Tanna took over as Managing Director of EnergyAustralia on 1 July following the departure of Richard McIndoe, who left after eight years of service. Ms Tanna was previously Chair of the BG Group in Australia from 2012. She has extensive experience in the gas and energy sector and has held various senior roles at BHP Petroleum and Royal Dutch Shell.

Human Resources

As at 30 June 2014, the Group employed 7,208 staff (2013: 6,634), of whom 4,151 were employed in the Hong Kong electricity and related business, 2,818 by our businesses in Mainland China, India, Southeast Asia, Taiwan and Australia, as well as 239 by CLP Holdings. Employee number increased mainly due to the takeover of staff from Wallerawang and Mount Piper, which we acquired in September 2013. Total remuneration for the six months ended 30 June 2014 amounted to HK$2,663 million (2013: HK$2,108 million), including retirement benefit costs of HK$179 million (2013: HK$186 million).

Safety

Safety has always been a core value in CLP. This applies to all stakeholders including our employees, contractors, and customers. Our shared goal is zero injuries in all our assets. In the first six months of 2014, our safety performance was better than the same period in 2013. We had no fatal incidents and both our Lost Time Injury Rate (LTIR)[1] and Total Recordable Injury Rate (TRIR)[2] were better than last year (see table below). The most serious incident which happened in this period involved a contractor who suffered a fracture and deep cut to his right ankle when he was working at a coal handling plant of Jhajjar Power Station in India.

	Employees		Employees and Contractors	
	2014 First Half	2013 First Half	**2014 First Half**	2013 First Half
LTIR [1]	**0.02**	0.08	**0.09**	0.19
TRIR [2]	**0.15**	0.25	**0.36**	0.39

Notes:

1 The number of lost time injuries measured over 200,000 working hours of exposure

2 The number of total recordable injuries measured over 200,000 working hours of exposure

For many years, CLP has been the industry leader in safety and we are proud of our track records. To further improve our safety standard and ensure consistency across all our assets, we will implement our Health, Safety, Security and Environment (HSSE) Management System Standard in all our power stations this year. Building on our experiences, a set of 10 Critical Risk Standards specifying the minimum safety requirements at our power stations will also be introduced. We are confident that these new standards will enable us to do even better in terms of safety, continue our zero injuries target and align safety practices across our assets.

Environment

In the first half of 2014, our environmental performance continued to reflect the strong disciplines we have put in place to assess and manage the environmental impacts of our existing facilities (both under construction and operation) and new projects. This is an ongoing effort and we are in the process of enhancing our measures to strengthen our management of the environment.

Compliance

CLP Group had had no environmental regulatory non-compliance incidents in the first half of 2014 that resulted in fines or prosecutions. Our power plants experienced occasional licence limit exceedances due to normal operational fluctuations. There were a few minor incidents but they were all short episodic incidents that did not bear significant or additional impact on the environment. They also did not result in any regulatory sanctions.

Climate Change

As mentioned in CLP's 2013 Annual and Sustainability Reports, the Group's carbon intensity increased for the first time last year since we published our *Climate Vision 2050* in 2007, up from 0.77 kg CO_2 / kWh in 2012 to 0.82 kg CO_2 / kWh. During the first half of 2014, there were slight increases in both renewable energy and non-carbon emitting generation capacity. We expect the percentages of the above generation capacity of our total generation capacity to continue to fluctuate in the remainder of this year as our energy portfolio and equity ownership of our assets change.

We are witnessing a rise in the desire by governments worldwide to intervene more directly in power plants' environmental performance, often through strengthened regulatory control. Much of this intervention relates specifically to carbon (and air emissions) legislations. Two recent examples are the fuel mix consultation in Hong Kong, and in Australia, the repeal of carbon tax and substituting that with Direct Action Plan, a form of carbon mitigation policy that includes a government fund to pay for emission reductions. In both cases, we will continue to work with the governments to ascertain the best ways of meeting their environmental objectives.

At the same time, we have observed that regulatory changes in some countries have created new business opportunities for us especially in the area of renewable energy. These trends have most strongly benefited our businesses in China and India, where governments have developed supportive policies over the past five to ten years that enabled renewable projects, especially wind, to compete on equal financial grounds with traditional coal-fired generation projects. CLP has actively taken advantage of these opportunities. Since 2007, we have built or contracted the output of projects from third parties for more than 1.5GW of wind projects, in India, China and Australia.

Reducing our carbon intensity in power generation and raising the share of renewable and non-carbon energy in our generation portfolio will continue to be challenging. Success will depend on many factors such as government policies, technological advancement (both in generation and mitigation), fuel prices, as well as the future of nuclear power and what role it will play in our portfolio. As a responsible enterprise, we will continue to do our best to meet the ambitious emissions targets we have set for ourselves, albeit not without challenges.

Trainings are provided regularly to help our staff grow and excel

Air Quality

We have made a public commitment to significantly reduce air emissions of our power plants and we continue to work towards this goal.

As a regional power company, we recognise that to maintain our leadership position, we need to do more than mere compliance. We are now in the final stage of finalising a set of internal fossil fuel power plant air emissions requirements which we are going to adopt as the minimum performance requirements for our portfolio even if the requirements may be of a higher standard compared with the local regulations. We will report on this initiative in more detail in our next Sustainability Report.

In Hong Kong, we are committed to working diligently towards the government's emissions caps set for 2015 against a projected growth in electricity demand in the period. According to the government's blueprint, we are required to cut our sulphur dioxide (SO_2) emissions by over 60% and nitrogen oxides (NO_X) and respirable suspended particulates (RSP) by over 30% respectively from the 2010's emissions levels, while maintaining a reliable electricity supply and a reasonable tariff level.

Sustainability Report

When we issued our 2013 Annual Report in March 2014, we also published our online 2013 Sustainability Report to give a more detailed account of our environmental and social performance last year. The Report included a set of key performance indicators in accordance with the Global Reporting Initiative's (GRI) G3.1 guidelines and covered major aspects of our operations. Verified by third parties, these performance indicators were presented as quantitative metrics and grouped under headings such as environment, employees, safety, governance and finance. Our focus on illustrating how sustainability is integrated within our business is reflected by our adoption of the integrated reporting approach three years ago. Since 2011, we have incorporated material environmental, social and governance information into our annual reports so that our stakeholders are informed of our sustainability performance at the same time as our financial performance.

We continue to respond to a series of investor surveys and indices which assess and benchmark our performance with that of other companies – regionally and globally. Examples include the Dow Jones Sustainability Index, the Hang Seng Corporate Sustainability Index and the Carbon Disclosure Project. The current editions of these rankings are being developed by the relevant organisations and will be published in the second half of 2014. Our 2013 Sustainability Report includes our performance as measured by these indices for the past three years.

Similar to last year, we will not publish a separate Interim Sustainability Report. Instead, the relevant sustainability-related information for this interim period is included in this document, in line with the spirit of integrated reporting.

Stakeholder Engagement & Social Performance

Understanding the current and emerging expectations and needs of our stakeholders is vital to the success of our business. It is therefore important for us to maintain regular engagement at both the international and local levels.

In the first half of 2014, we explored the new initiatives being shaped at the World Business Council for Sustainable Development arising from the Action 2020 platform, particularly in the areas of climate change and energy, and emerging electricity sector challenges. In addition to attending international conferences, we also maintained active interactions with academic institutions to learn about the latest advancements in climate science and policy trends, and invited researchers and academics to share their knowledge and experience with CLP staff.

At the local level, we continued to contribute our expert knowledge, skills and resources to support initiatives that create positive impacts on local communities. Some of the programmes are highlighted below.

Hong Kong

One of CLP's core values is care for the community. To put it in practice, we launched the "Sharing the Festive Joy" programme this year, inviting underprivileged seniors to celebrate festivities with our volunteers. Over 400 seniors joined two luncheons held during Chinese New Year and the Tuen Ng Festival. The programme is one of the events under the "Bless HK" campaign run by the HKSAR Government's Commission on Poverty.

We also continued to support the "Hotmeal Canteen" in Sham Shui Po, which served more than 14,000 meals to over 1,670 beneficiaries from low-income families, seniors or the unemployed in the first half of 2014. Through the "Hotmeal Delivery Service" programme, some 2,100 meals were provided to over 30 people who are either disabled or too frail to go to the Hotmeal Canteen. We are considering expanding this meaningful programme to other districts with the support of non-governmental organisations (NGOs) and community leaders.

As part of our ongoing efforts to promote energy saving, CLP has launched a HK$10 million Subsidy Programme for Energy Efficient Electrical Appliances. The initiative aims to give sets of four energy efficient electrical appliances to 4,000 low-income families, residents living in sub-divided flats and single elderly people in need. We believe that the appliances will help recipient families save about HK$960 each year in electricity bills and help improve their living conditions. By working with community leaders in 14 districts and NGOs, we started distributing the appliances in May. Follow-up visits by CLP's volunteers will continue until the end of the year. To raise awareness of energy saving amongst the elderly, we continued our "CLP Green Volunteers for Seniors Programme" to give 6,000 LED light bulbs to 3,000 underprivileged seniors in our supply areas.

We launched Hong Kong's first gallery dedicated to natural gas-fired power generation education at Black Point Power Station this year to showcase the benefits of gas-fired power generation, latest market development as well as the nature and roles of different fuels.

During the Government's fuel mix consultation in the first half, CLP actively engaged a wide range of stakeholders in order to facilitate an informed discussion. We contributed background information, participated in forums and seminars, and organised briefings and visits. The Government received an overwhelming response during the three months' consultation.

We continued to organise year-round visitation programmes to our facilities for our shareholders, community groups, NGOs, schools, academics and professional bodies in order for them to gain a better understanding of CLP's performance and efforts to promote energy efficiency and conservation.

Mainland China

With our assets spreading across Mainland China, a key initiative is the energetic engagement of our employees in volunteering their time and effort to help local communities. In the first half of 2014, our volunteering teams in Fangchenggang, Jiangbian, Jinchang, Qian'an and Huaiji launched various initiatives such as clothes and food donation, tree-planting, environmental day campaigns, and visits to schools, elderly homes and mentally-handicapped children. In response to the rainstorm disaster in Huaiji in May, our volunteers participated in a disaster relief campaign to help the local residents.

Supporting education and youth development is our key focus. In Nanning, CLP donated RMB12,000 to improve the study environment of Guiya Road Primary School and gave air purifiers to Silver Lining Social Service Centre to provide a healthier environment for over 120 children affected by cerebral palsy.

To provide a personal development to the younger generation and enhance their energy literacy, this summer, we reinitiated the CLP Young Power Programme in Nanning and Hong Kong. The highlight was a cultural exchange week in Hong Kong for students from the two cities to make friends and learn from each other.

India

At Paguthan, CLP India has expanded its Education Support Scheme and provided financial and mentoring support to 28 students in eight villages in the first half of 2014.

The Hon Matthew Cheung Kin-chung, Secretary for Labour and Welfare, and CLP volunteers present energy efficient electrical appliances to an elderly

School Green Clubs were established in 10 village schools to engage young environmental leaders. CLP India also continued to sponsor basic computer literacy training and government initiatives to enhance universal education and school quality.

On the community health front, CLP India continued to offer monthly nutrition kits to HIV-affected children. We also provided healthy meals and funding for medical treatment to expedite the recovery of patients in public hospitals.

To provide a safer and healthier environment to the villagers living near our plant, CLP India supported projects to improve public facilities such as providing street lights and village pond protection walls.

At Jhajjar, we continued to focus on improving public access to healthcare, quality education and skill development training that represent the most pressing needs in the four villages near our plant. Construction of a 50-bed hospital is progressing as scheduled and the facility is expected to enter service by the end of 2015. Our mobile outreach programme continued to provide complimentary medical services to over 1,200 villagers every month. CLP India also rolled out a health awareness campaign in May to provide basic first aid knowledge to residents.

In education, we continued to sponsor a multi-media learning system to over 350 students in four primary schools, and support the classroom renovation at a senior secondary school with around 600 students. CLP India also supports various skill training workshops to help young people and women to enhance their capability for gaining and maintaining employment.

Southeast Asia and Taiwan

In Taiwan, Ho-Ping continued to support local communities in the nearby Hualien County and Yilan County in the areas of health, environment, education and cultural activities. Meanwhile, the Suao Fishermen's Association in Yilan recently protested against and sought compensation from Ho-Ping alleging that the seawater discharged from the power station polluted the sea. Ho-Ping explained to the Association that seawater discharged from the cooling water system would not cause pollution, and that all its operations were carried out strictly in accordance with government regulations and Ho-Ping's environmental impact assessment requirements. Ho-Ping is continuing its dialogue with the fishermen.

In Thailand, NED continued to meet community members monthly to strengthen engagement with stakeholders. The GreeNEDucation Museum continued to serve as a hub for educating and promoting public awareness of renewable energy. Through its focus of "Youth and Education" this year, NED assisted in incorporating renewable energy into the local school programme and enriching teachers' knowledge in the area.

Education is a focus of CLP India's community initiative

Australia

Through its sponsorship as a joint major partner of the Port Adelaide Football Club, EnergyAustralia has joined the "Power to End Hunger" campaign formed by Port Adelaide and Foodbank South Australia with a pledge to donate A$100 for every goal the Club kicks during their home matches in the 2014 Australian Football League season. For every A$100 of donation, Foodbank South Australia can provide 200 healthy meals for the people in need. So far, EnergyAustralia has donated A$14,200.

EnergyAustralia also established a partnership with Albert Park College to support the Melbourne school's goal of becoming the first carbon neutral state school in Australia. We offered design advice, financial support and project management expertise. In April, EnergyAustralia assisted with the first phase installation of a 10kW solar photovoltaic system in the college.

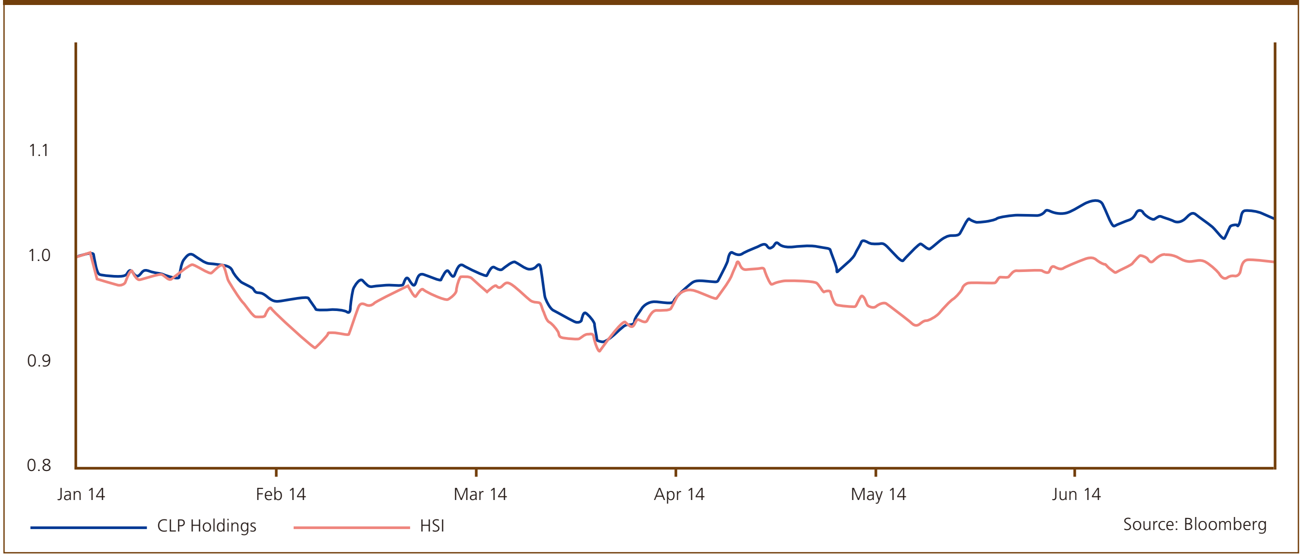
EnergyAustralia launched the Waterloo Wind Farm Community Fund in early 2014 after extensive consultation with members of the community. The Fund's objective is to support community initiatives and projects that will deliver significant benefits to the local Waterloo area. In June, EnergyAustralia announced three grants to fund projects selected by a panel comprised of EnergyAustralia employee representatives and members of the Mid North Community Liaison Group.

Shareholder Value

During the first half of 2014, CLP's share price rose by 3.75% whilst the Hang Seng Index (HSI) dropped by 0.50%.

The fourth interim dividend for 2013 of HK$0.98 per share was paid to shareholders on 25 March 2014. The first interim dividend for 2014 of HK$0.54 per share was paid on 13 June 2014 and the second interim dividend of HK$0.54 per share will be paid on 15 September 2014.

Relative Performance – CLP vs HSI (1 January 2014 - 30 June 2014) (Base: 31 December 2013 = 1.0)



Corporate Governance

Corporate Governance Practices

In the Corporate Governance Report of 27 February 2014, which was published in our 2013 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 116 of the Company's 2013 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 2014, 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 2013 in the evolution of CLP's corporate governance practices was set out in the Corporate Governance Report on page 116 of the Company's 2013 Annual Report. So far in 2014, we have made further progress in our corporate governance practices. This included:

(a) Setting a 10% cap on the price discount for any new shares to be issued under the General Mandate to issue shares. Such cap has received overwhelming support from shareholders as evident by their votes in favour of the General Mandate to issue shares at the Annual General Meeting held on 8 May 2014 increased to 99.5% from 81.4% in the previous year.

(b) Conducting a performance evaluation of the CLP Holdings Board and its Board Committees for 2013 by the Company Secretary in the form of a questionnaire to all Directors individually, with a focus on the review of the implementation of the recommendations of the Spencer Stuart's Board Performance Evaluation Report in 2012. The 2013 Board Performance Evaluation covered similar areas as those in the 2012 Board Performance Evaluation: dynamics and overall impression of the Board; organisation of the Board; Committee organisation; Board composition; Board involvement and engagement; communication with shareholders and stakeholders; and overall Board effectiveness. The findings of the 2013 Board Performance Evaluation, as summarised in the Company Secretary's report, were that the recommendations of the 2012 Board Performance Evaluation were, in general, effectively implemented as appropriate. CLP's corporate governance policies and processes continue to be strong. They satisfy and/or exceed current Hong Kong Stock Exchange Corporate Governance Code and Listing Rule requirements. Any exceptions to the Code are relatively minor, are recognised by the Company and are capable of being suitably explained. A copy of the conclusion of the 2013 Board and Board Committees Performance Evaluation has been published on the CLP website. The Board considered the findings and recommendations of the Company Secretary on the 2013 Board and Board Committees Performance Evaluation at its meeting on 19 May 2014 and approved the recommendations for implementation. Board performance is evaluated on an ongoing basis with an independent evaluation every three years.

(c) Holding our second ESG webcast on 22 April 2014 to further enhance our communication with institutional investors and their proxy advisors on the ESG aspects of our business. The recording of the webcast is available on the CLP website.

(d) Providing updates on the new Connected Transaction Rules and their implications to CLP Directors, management, subsidiaries and joint ventures.

As at 30 June 2014 the composition of the Board of CLP Holdings was as follows:

Non-executive Directors	Independent Non-executive Directors	Executive Director
The Honourable Sir Michael Kadoorie	Mr Vernon Francis Moore	Mr Richard Kendall Lancaster
Mr William Elkin Mocatta	Sir Roderick Ian Eddington	
Mr Ronald James McAulay	Mr Nicholas Charles Allen	
Mr John Andrew Harry Leigh	Mr Cheng Hoi Chuen Vincent	
Mr Andrew Clifford Winawer Brandler	Mrs Law Fan Chiu Fun Fanny	
Dr Lee Yui Bor	Ms Lee Yun Lien Irene	
	Dr Rajiv Behari Lall	

Since 1 January 2014, there have been a number of changes in the Board as set out below:

- Mr Andrew Brandler was re-designated as a Non-executive Director with effect from 1 April 2014;
- Professor Judy Tsui retired as an Independent Non-executive Director effective from the conclusion of the 2014 Annual General Meeting held on 8 May 2014;
- Mr Ian Boyce retired as a Non-executive Director with effect from the conclusion of the 2014 Annual General Meeting held on 8 May 2014;
- Mr Andrew Brandler was appointed an alternate to both Mr Ronald McAulay and Mr William Mocatta on the Board in place of Mr Ian Boyce who ceased to be their alternate upon his retirement as a Non-executive Director;
- Mr Paul Theys resigned as a Non-executive Director following completion of the CAPCO acquisition on 12 May 2014; and
- Mr David William Moore ceased to be Mr Paul Theys' alternate on the Board with effect from 12 May 2014.

The composition of Board Committees remains the same as set out in the 2013 Annual Report (pages 122, 123, 144, 147 and 150), save that

- Mr Mark Takahashi resigned as a member of the Finance & General Committee and Provident & Retirement Fund Committee on 31 March 2014 following his resignation as the Group Director & Chief Financial Officer of CLP Holdings due to his departure from Hong Kong. Mr Takahashi was succeeded by Mr Geert Peeters who was appointed as a member of the Finance & General Committee and Provident & Retirement Fund Committee on 10 February 2014 and these appointments had been reported in the 2013 Annual Report;
- Professor Judy Tsui retired as a member of the Audit Committee and the Sustainability Committee following her retirement as an Independent Non-executive Director with effect from the conclusion of the 2014 Annual General Meeting held on 8 May 2014;
- Mr Ian Boyce retired as a member of the Finance & General Committee following his retirement as a Non-executive Director with effect from the conclusion of the 2014 Annual General Meeting held on 8 May 2014;
- Sir Rod Eddington resigned as a member of the Human Resources & Remuneration Committee with effect from the conclusion of the 2014 Annual General Meeting held on 8 May 2014;
- Ms Irene Lee was appointed a member of the Sustainability Committee with effect from 8 May 2014;
- Dr Jeanne Ng resigned as a member of the Sustainability Committee with effect from 8 May 2014; and
- Mr Richard Iain James McIndoe resigned as a member of the Finance & General Committee on 30 June 2014 following his resignation as Managing Director – EnergyAustralia.

Corporate Governance

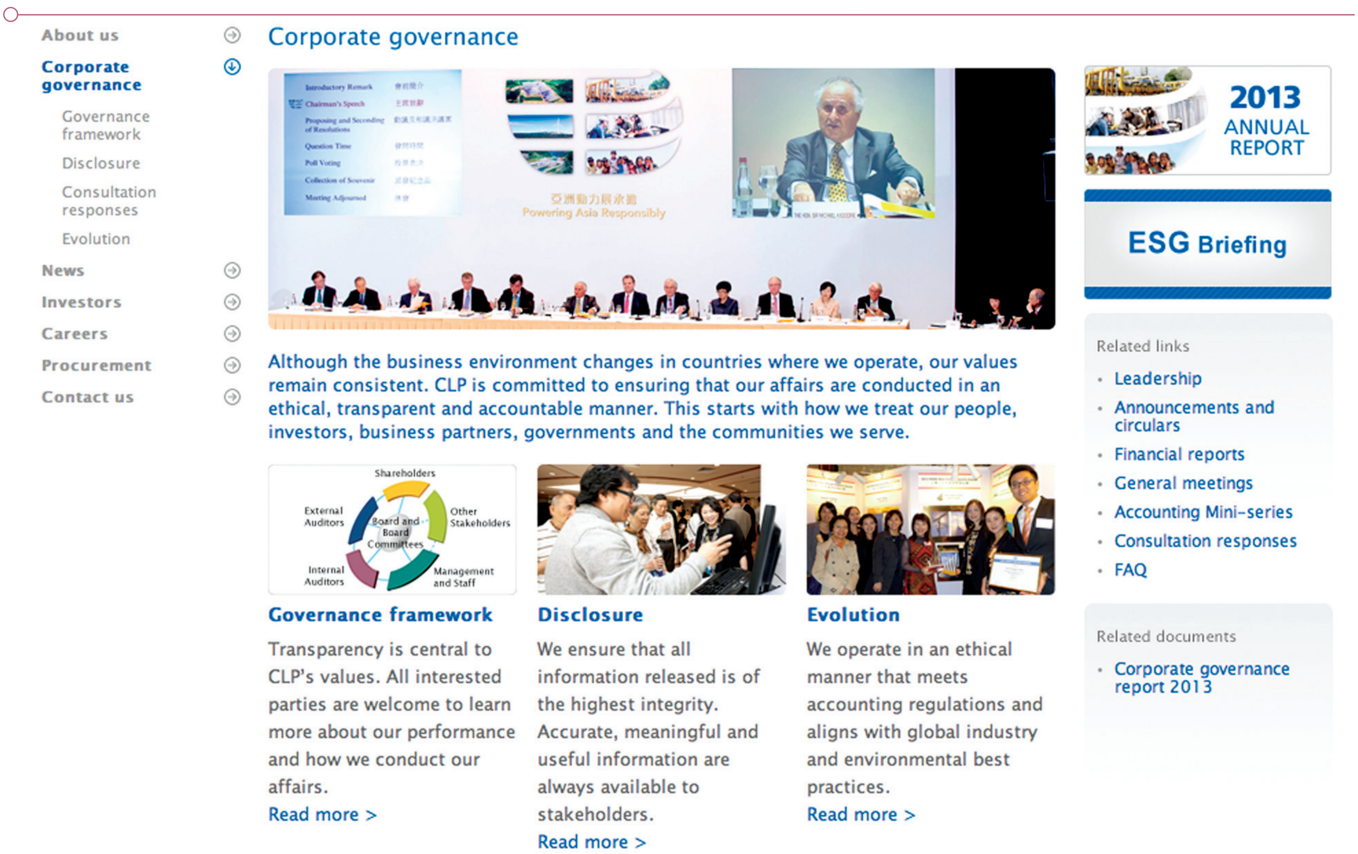
There were no substantial changes to the information of Directors as disclosed on pages 110 and 111 of the 2013 Annual Report and on CLP's website. The positions held by each Director with CLP Holdings' subsidiary companies and their directorships held in the last three years in public companies are 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 2014. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During this period, no current Director held directorships in more than six public companies including the Company. No Executive Director holds any directorship in any other public companies, but he is 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 2014. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman, Mr Vernon Moore, 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 financial services, including banking, funds management and general insurance.

At the Company's Annual General Meeting held on 8 May 2014 shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2014.

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



Change of Remuneration

Non-executive Directors

There has been no change to the basis of determining Directors' remuneration. The levels of fees payable to Non-executive Directors and Independent Non-executive Directors for serving on the Board and Board Committees for each of the financial years of 2013, 2014 and 2015, effective from 1 May in respect of each year, were approved by shareholders at the Annual General Meeting held on 30 April 2013 and were set out in the Human Resources & Remuneration Committee Report on page 152 of the Company's 2013 Annual Report.

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the six months ended 30 June 2014 are set out in the table on page 36.

The amounts disclosed consist of remuneration accrued or paid for service during the first six months of 2014 and, for the annual and long-term incentives, service and performance in previous years. Both the annual incentive and long-term incentive are paid in the first half of the year. As a result, the totals in the table do not represent half of the remuneration which will be accrued or paid for the full year.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Senior Management. As the first half of 2014 included three departures and one new hire, there are a significant amount of non-recurring items.

In the table on page 36 the Total Remuneration column includes the following recurring items for the six months ended 30 June 2014:

(i) base compensation, allowances & benefits paid.
(ii) 2014 annual incentive accrued based on past Company performance (or pro-rata annual incentive paid for departed Senior Management). Additionally, as the Company performance actually achieved in 2013 was higher than the annual incentive accrual for 2013, the difference was added in the current period.
(iii) the 2011 long-term incentive award paid in January 2014 when the vesting conditions were satisfied.
(iv) provident fund contributions made.

The Other Payments column includes the following non-recurring items:

(i) sign-on payments accrued or paid in accordance with the Company's contractual obligation for newly hired Senior Management in consideration of income foregone with their previous employer on joining CLP.
(ii) relocation payments for newly hired Senior Management.
(iii) approved acceleration of long-term incentive payments and any contractual termination payments for departed Senior Management.

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[1]					
	Base Compensation, Allowances & Benefits HK$M	Annual Incentive (2014 Accrual + 2013 Adjustment) HK$M	Long-term Incentive (Payment for 2011) HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
Six months ended 30 June 2014							
CEO (Mr Richard Lancaster)	3.6	5.1	3.3	0.5	**12.5**	–	**12.5**
Executive Director (Mr Andrew Brandler)[2]	0.6	–	–	0.1	**0.7**	–	**0.7**
Group Director & Chief Financial Officer (Mr Mark Takahashi)[3]	1.2	2.5	3.2	0.2	**7.1**	12.2	**19.3**
Group Director & Chief Financial Officer (Mr Geert Peeters)[4]	2.5	1.5	–	0.3	**4.3**	10.8	**15.1**
Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)[5]	1.8	3.1	–	0.2	**5.1**	–	**5.1**
Managing Director – CLP Power Hong Kong (Mr Paul Poon)	2.2	3.1	1.9	0.3	**7.5**	–	**7.5**
Managing Director – EnergyAustralia (Mr Richard McIndoe)[6]	5.8	1.8	5.4	0.1	**13.1**	16.5	**29.6**
Group Director – Operations (Mr Peter Littlewood)[7]	1.0	2.1	2.7	0.1	**5.9**	5.3	**11.2**
Managing Director – India (Mr Rajiv Mishra)[8]	1.6	1.5	1.9	0.2	**5.2**	–	**5.2**
Managing Director – China (Mr Chan Siu Hung)	1.7	2.2	1.5	0.2	**5.6**	–	**5.6**
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	2.1	2.8	1.8	0.2	**6.9**	–	**6.9**
Chief Corporate Development Officer (Ms Quince Chong)	2.1	2.7	–	0.2	**5.0**	–	**5.0**
Director – Group Human Resources (Mr Roy Massey)	1.3	1.6	1.7	0.2	**4.8**	–	**4.8**
Total	**27.5**	**30.0**	**23.4**	**2.8**	**83.7**	**44.8**	**128.5**

Notes:

1 Performance bonus consists of (a) annual incentive and (b) long-term incentive. The annual incentive payments and long-term incentive awards were approved by the Human Resources & Remuneration Committee (HR&RC). For Mr Richard McIndoe, the annual incentive payment was approved by the EnergyAustralia Board following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and members of the HR&RC.

2 After stepping down as the CEO on 30 September 2013, Mr Andrew Brandler was employed in a limited capacity by the Company until 31 March 2014 on a remuneration equivalent to the Directors' fees payable on a pro rata basis for service on the boards and committees of the Company and EnergyAustralia on which he continued to serve. His entitlements to annual incentive and long-term incentive up to 30 September 2013 were fully paid out in 2013. No annual incentive and long-term incentive awards were made to Mr Andrew Brandler in 2014.

3 Mr Mark Takahashi left the Company on 31 March 2014. The other payments of HK$12.2 million included (a) retention award (HK$6.5 million) for remaining in service until 31 March 2014 to facilitate the transition to a new Chief Financial Officer, (b) accelerated payment of long-term incentive for 2012, 2013 and 2014 (HK$5.6 million) and (c) encashment of untaken annual leave (HK$0.1 million). The annual incentive and the long-term incentive for the year 2014 were made on a pro-rata basis for his service up to 31 March 2014.

4 Mr Geert Peeters joined the Company on 1 February 2014. The other payments of HK$10.8 million included (a) a relocation payment (HK$0.1 million) and (b) sign-on award of HK$10.7 million to be made in 3 payments over 3 years. The 1st instalment of the sign-on award (HK$5.7 million) was paid in March 2014. The 2nd (HK$2.5 million) and 3rd instalments (HK$2.5 million) were accrued in 2014 in accordance with the contractual obligation to pay and will be paid in March 2015 and March 2016. The sign-on award is to compensate for income lost as a result of forfeiture of pension contributions and incentive awards with his previous employer on joining CLP. On relocation costs, there were also relocation expenses of HK$0.4 million directly settled by CLP for Mr Geert Peeters to the service providers.

5 The annual incentive of HK$3.1 million for Mrs Betty Yuen included an additional discretionary annual incentive of HK$1.0 million for 2013 performance. The HR&RC approved the inclusion of Mrs Betty Yuen on to the long-term incentive scheme effective 1 January 2014 to reflect an increase in her responsibilities and to align with other Hong Kong based Senior Management.

6 Mr Richard McIndoe left the Company on 30 June 2014. The long-term incentive of HK$5.4 million included the 2011 additional discretionary long-term incentive award of HK$1.6 million. The other payments of HK$16.5 million included (a) Australian tax equalisation (HK$3.0 million) for the 2011 long-term incentive award, (b) a final payment consisting of a contractual termination payment of 12 months Fixed Annual Remuneration (HK$11.0 million) and (c) encashment of untaken annual and long service leave (HK$2.5 million) paid in accordance with Australian law. The remuneration of Mr Richard McIndoe is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

7 Mr Peter Littlewood left the Company on 31 March 2014. The other payments of HK$5.3 million included (a) accelerated payment of long-term incentive for 2012, 2013 and 2014 (HK$5.1 million) and (b) encashment of untaken annual leave (HK$0.2 million). The annual incentive and the long-term incentive for the year 2014 were made on a pro rata basis for his service up to 31 March 2014.

8 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra for 2 years from 1 October 2013 to 30 September 2015 where 50% of his base salary and annual incentive payment in Rupees are converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 7.4 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for the conversion to Hong Kong dollars.

Internal Control

Pursuant to the delegated responsibility from the Board to assure that adequate internal controls are in place and followed, the Audit Committee reviewed the CLP Group's internal control review approach and the audit reports submitted by Group Internal Audit. Based on the information received from management, the external auditor and Group Internal Audit, the Audit Committee believed that overall financial and operating controls in place for the Group during 2013 continued to be effective and adequate.

During the six-month period ended 30 June 2014, all the reports submitted by Group Internal Audit carried satisfactory audit opinion and no significant areas of concern that might affect shareholders were identified. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 129 to 132 of the Company's 2013 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 2014.

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 2014.

Save for the interest disclosed below by Mr Richard Lancaster and the interest in 600 shares each respectively disclosed by the Managing Director – CLP Power Hong Kong, the Managing Director – China and the Director – Group Human Resources, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2014.

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 2014, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

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

The interests of Directors and Chief Executive Officer in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30 June 2014 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 1	479,372,780	18.97416
Mr William Mocatta	Note 2	400,000	0.01583
Mr Ronald J. McAulay	Note 3	288,811,649	11.43152
Mr J. A. H. Leigh	Note 4	224,339,077	8.87961
Dr Y. B. Lee	Note 5	15,806	0.00063
Mrs Fanny Law	Personal	16,800	0.00066
Mr Nicholas C. Allen	Note 6	12,000	0.00047
Mr Richard Lancaster (Chief Executive Officer)	Personal	600	0.00002
Mr Andrew Brandler	Note 7	10,600	0.00042

Notes:

1 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:

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

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

(c) 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

(d) 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.

(e) 2,000,000 shares were ultimately held by each of three discretionary trusts, all 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 (b) to (e) 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.

2 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:

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

(b) 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.

3 Mr Ronald 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:

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

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

(c) 218,651,853 shares were ultimately held by a discretionary trust, of which Mr Ronald J. McAulay, his wife and members of his family are discretionary objects.

4 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 224,339,077 shares in the Company. These shares were held in the following capacity:

(a) 125,000 shares were held in a beneficial owner capacity.

(b) 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.

(c) 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.

5 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.

6 12,000 shares were held in a beneficial owner capacity and jointly with spouse.

7 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

Mr V. F. Moore, Mr Vincent Cheng, Ms Irene Lee, Sir Rod Eddington and Dr Rajiv Lall have each confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2014. 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 2014.

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 2014.

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 2014, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes on pages 40 and 41.

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 2014:

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	544,198,166 Note 1	21.54
Guardian Limited	Beneficiary/Interests of controlled corporations	224,214,077 Note 8	8.87
Harneys Trustees Limited	Interests of controlled corporations	416,860,706 Note 3	16.50
Lawrencium Holdings Limited	Beneficiary	170,180,670 Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212 Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212 Note 2	9.22
Mikado Investments (PTC) Limited	Trustee/Interest of controlled corporation	233,044,212 Note 1	9.22
The Mikado Private Trust Company Limited	Trustee/Interests of controlled corporations	409,224,882 Note 2	16.20
New Mikado Holding Inc.	Trustee	233,044,212 Note 1	9.22
Oak CLP Limited	Beneficiary	218,651,853 Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853 Note 1	8.65
The Oak Private Trust Company Limited	Trustee/Interests of controlled corporations	233,371,475 Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	479,372,780 Note 5	18.97
Mr Ronald J. McAulay	Note 6	288,811,649 Note 6	11.43
Mr J. A. H. Leigh	Notes 7 & 8	224,339,077 Notes 7 & 8	8.88
Mr R. Parsons	Trustee	224,214,077 Note 8	8.87

Notes:

1 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 Ronald J. McAulay are among the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

2 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".

3 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.

4 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 Ronald J. McAulay is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

5 See Note 1 under "Interests of Directors and Chief Executive Officer".

6 See Note 3 under "Interests of Directors and Chief Executive Officer".

7 See Note 4 under "Interests of Directors and Chief Executive Officer".

8 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 2014, 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 2014, 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 2014.

Consolidated Statement of Profit or Loss – Unaudited

	Note	Six months ended 30 June 2014 HK$M	2013 HK$M
Revenue	5, 6	47,102	51,706
Expenses			
Purchases of electricity, gas and distribution services		(20,625)	(25,199)
Operating lease and lease service payments		(3,606)	(6,100)
Staff expenses		(1,953)	(1,463)
Fuel and other operating expenses		(10,497)	(8,877)
Depreciation and amortisation		(3,260)	(3,871)
		(39,941)	(45,510)
Other gain	7	2,025	–
Operating profit	8	9,186	6,196
Finance costs	9	(2,538)	(3,382)
Finance income	9	62	98
Share of results, net of income tax			
Joint ventures	15	964	1,230
An associate	16	401	294
Profit before income tax		8,075	4,436
Income tax expense	10	(1,182)	(628)
Profit for the period		6,893	3,808
Earnings attributable to:			
Shareholders		6,721	3,767
Perpetual capital securities holders		29	–
Non-controlling interests		143	41
		6,893	3,808
Dividends	11		
First interim paid		1,364	1,339
Second interim declared		1,364	1,339
		2,728	2,678
Earnings per share, basic and diluted	12	HK$2.66	HK$1.49

The notes on pages 48 to 74 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	
	2014	2013
	HK$M	HK$M
Profit for the period	6,893	3,808
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	1,492	(4,469)
Cash flow hedges	(461)	1
Fair value changes on available-for-sale investments	–	10
Reclassification adjustment upon loss of joint control of joint ventures	(422)	–
Share of other comprehensive income of joint ventures	19	3
	628	(4,455)
Items that cannot be reclassified to profit or loss		
Share of other comprehensive income of joint ventures	(49)	111
Other comprehensive income for the period, net of tax	579	(4,344)
Total comprehensive income for the period	7,472	(536)
Total comprehensive income attributable to:		
Shareholders	7,303	(579)
Perpetual capital securities holders	29	–
Non-controlling interests	140	43
	7,472	(536)

The notes on pages 48 to 74 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2014 HK$M	(Audited) 31 December 2013 HK$M
Non-current assets			
Fixed assets	*13*	128,916	126,876
Leasehold land and land use rights under operating leases	*13*	5,711	1,806
Investment property	*13*	2,276	2,221
Goodwill and other intangible assets	*14*	36,636	23,847
Interests in joint ventures	*15*	7,375	19,940
Interest in an associate	*16*	1,176	1,675
Finance lease receivables		985	989
Deferred tax assets		3,128	3,084
Derivative financial instruments	*17*	2,464	3,118
Available-for-sale investments	*18*	1,263	1,263
Other non-current assets		121	147
		190,051	184,966
Current assets			
Inventories – stores and fuel		3,749	1,482
Renewable energy certificates		758	997
Trade and other receivables	*19*	20,416	17,953
Finance lease receivables		52	49
Derivative financial instruments	*17*	724	1,005
Bank balances, cash and other liquid funds		6,822	5,233
Other current assets	*20*	2,700	–
		35,221	26,719
Current liabilities			
Customers' deposits		(4,576)	(4,506)
Trade and other payables	*21*	(22,848)	(19,325)
Income tax payable		(918)	(141)
Bank loans and other borrowings	*22*	(13,210)	(7,118)
Obligations under finance leases	*23*	(1)	(2,763)
Derivative financial instruments	*17*	(1,281)	(1,279)
		(42,834)	(35,132)
Net current liabilities		(7,613)	(8,413)
Total assets less current liabilities		182,438	176,553

	Note	30 June 2014 HK$M	(Audited) 31 December 2013 HK$M
Financed by:			
Equity			
Share capital	*25*	23,243	12,632
Share premium		–	8,119
Reserves	*26*		
Declared dividends		1,364	2,476
Others		66,217	64,134
Shareholders' funds		90,824	87,361
Perpetual capital securities	*27*	5,791	–
Non-controlling interests		2,192	120
		98,807	87,481
Non-current liabilities			
Bank loans and other borrowings	*22*	62,203	48,933
Obligations under finance leases	*23*	31	25,213
Deferred tax liabilities		13,233	8,548
Derivative financial instruments	*17*	3,045	3,440
Fuel clause account		2,091	1,464
Scheme of Control (SoC) reserve accounts	*24*	135	28
Other non-current liabilities		2,893	1,446
		83,631	89,072
Equity and non-current liabilities		182,438	176,553

William Mocatta
Vice Chairman
Hong Kong, 14 August 2014

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

The notes on pages 48 to 74 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 2014

	Attributable to Shareholders						
	Share Capital HK$M	Share Premium HK$M	Reserves HK$M	Total HK$M	Perpetual Capital Securities HK$M	Non-controlling Interests HK$M	Total Equity HK$M
Balance at 1 January 2014	12,632	8,119	66,610	87,361	–	120	87,481
Profit for the period	–	–	6,721	6,721	29	143	6,893
Other comprehensive income for the period	–	–	582	582	–	(3)	579
Transition to no-par value regime (Note 25)	10,611	(8,119)	(2,492)	–	–	–	–
Issue of perpetual capital securities (Note 27)	–	–	–	–	5,791	–	5,791
Acquisitions of subsidiaries (Note 4)	–	–	–	–	–	2,170	2,170
Dividends paid							
2013 fourth interim	–	–	(2,476)	(2,476)	–	–	(2,476)
2014 first interim	–	–	(1,364)	(1,364)	–	–	(1,364)
Distributions to perpetual capital securities holders	–	–	–	–	(29)	–	(29)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	(238)	(238)
Balance at 30 June 2014	**23,243**	**–**	**67,581**	**90,824**	**5,791**	**2,192**	**98,807**
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

The notes on pages 48 to 74 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June			
	2014		2013	
	HK$M	HK$M	HK$M	HK$M
Operating activities				
Net cash inflow from operations	7,154		5,675	
Interest received	62		132	
Income tax paid	(330)		(300)	
Net cash inflow from operating activities		6,886		5,507
Investing activities				
Capital expenditure	(3,821)		(3,948)	
Capitalised interest paid	(137)		(104)	
Proceeds from disposal of fixed assets	93		108	
Additions of other intangible assets	(748)		(725)	
Additions of available-for-sale investments	(337)		(261)	
Proceeds from sale of				
A subsidiary	–		1,704	
Available-for-sale investments	339		285	
Deposits received from sales of subsidiaries (Note 20)	283		–	
Acquisition of subsidiaries (Note 4)	(8,172)		–	
Deferred consideration paid	–		(266)	
Investments in and advances to joint ventures	(975)		(9)	
Dividends received from				
Joint ventures	556		834	
An associate	900		803	
An available-for-sale investment	20		24	
Increase in bank deposits with maturity of over three months	(2)		–	
Net cash outflow from investing activities		(12,001)		(1,555)
Net cash (outflow) / inflow before financing activities		(5,115)		3,952
Financing activities				
Proceeds from long-term borrowings	17,777		7,665	
Repayment of long-term borrowings	(8,758)		(9,406)	
Repayment of obligations under finance leases	(810)		(1,166)	
Settlement of obligations under finance leases (Note 4)	(5,338)		–	
Increase in short-term borrowings	4,615		608	
Interest and other finance costs paid	(2,242)		(2,840)	
Advances repayment to non-controlling interests	(30)		–	
Issue of perpetual capital securities	5,791		–	
Dividends paid to shareholders	(3,840)		(3,815)	
Dividends paid to non-controlling interests of subsidiaries	(238)		(4)	
Net cash inflow / (outflow) from financing activities		6,927		(8,958)
Net increase / (decrease) in cash and cash equivalents		1,812		(5,006)
Cash and cash equivalents at beginning of period		4,784		11,890
Effect of exchange rate changes		(14)		(72)
Cash and cash equivalents at end of period		6,582		6,812
Analysis of balances of cash and cash equivalents				
Deposits with banks		6,024		6,595
Cash at banks and on hand		798		1,045
Bank balances, cash and other liquid funds		6,822		7,640
Excluding:				
Cash restricted for specific purposes		(238)		(828)
Bank deposits with maturity of over three months		(2)		–
		6,582		6,812

The notes on pages 48 to 74 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, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and 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 253 and 254 of the 2013 Annual Report.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 14 August 2014.

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.

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 2013, except for the adoption of the following revised Hong Kong Financial Reporting Standards (HKFRS) effective 1 January 2014:

- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Annual Improvement to HKFRS 2010-2012 Cycle

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

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 2013, as set out on pages 189 to 191 of the 2013 Annual Report.

4. Business Combinations

On 12 May 2014 the Group completed the acquisition of a further 30% interest in CAPCO and the remaining 51% interest in Hong Kong Pumped Storage Development Company, Limited (PSDC).

The acquisitions were based on the agreements, signed on 19 November 2013, (a) whereby each of CLP Power Hong Kong and China Southern Power Grid International (HK) Co., Limited (CSG HK), a wholly-owned subsidiary of China Southern Power Grid Co., Limited (CSG) would acquire half of ExxonMobil Energy Limited (EMEL)'s 60% equity interest in, and associated shareholder's advances to, CAPCO; and (b) whereby CLP Power Hong Kong agreed to acquire all of EMEL's 51% equity interest in, and associated shareholder's advances to, PSDC. The acquisitions enabled the Group to consolidate its regulated businesses in Hong Kong and allowed it to exercise a greater degree of control over its generation activities.

4. Business Combinations (continued)

The aggregate cash consideration was HK$13,510 million (HK$11,583 million for the CAPCO acquisition and HK$1,927 million for the PSDC acquisition). The Group has carried out a consideration allocation exercise in accordance with HKFRS 3 (Revised) Business Combinations (HKFRS 3), which is illustrated as follows:

	CAPCO HK$M	PSDC HK$M
Settlement of a pre-existing finance lease payable by the Group to CAPCO	5,338	–
Acquisition of shareholder's advances from EMEL to CAPCO / PSDC	7,036	56
Acquisition of identifiable net assets and liabilities	(791)	1,871
	11,583	1,927

With respect to CAPCO, the consideration allocated to the settlement of a pre-existing finance lease payable of HK$5,338 million is calculated as the difference between the fair value of the finance lease payable of HK$34,076 million and its carrying amount of HK$27,683 million, net of deferred tax of HK$1,055 million. This amount of HK$5,338 million is recognised in the Group's consolidated statement of profit or loss (Note 7).

The Group owned a 40% equity interest in CAPCO and a 49% equity interest in PSDC (Initial Equity Investments) before the acquisitions. The acquisition of the additional 30% equity interest in CAPCO and 51% equity interest in PSDC gives the Group control over both CAPCO and PSDC. Therefore CAPCO and PSDC have become subsidiaries of the Group from 12 May 2014. The acquisitions have been treated as "step acquisitions" under HKFRS 3.

According to HKFRS 3, a step acquisition is accounted for using the acquisition method of accounting. Therefore the Initial Equity Investments are remeasured to fair value at the acquisition date and any gain or loss arising is recognised in the statement of profit or loss. The Initial Equity Investments are deemed to have been disposed of, in return, with the consideration transferred for the total 70% equity interest in CAPCO and the total 100% equity interest in PSDC. The fair values of the Initial Equity Investments form one of the components to calculate goodwill, along with the consideration transferred and non-controlling interests, if any, less the fair value of the identifiable net assets of CAPCO and PSDC. The aggregate gain on deemed disposal of the Initial Equity Investments is HK$7,363 million (HK$5,599 million with respect to CAPCO and HK$1,764 million with respect to PSDC). This is recognised in the Group's consolidated statement of profit or loss (Note 7).

The following tables summarise the fair value of assets acquired and liabilities assumed from the acquisitions of CAPCO and PSDC respectively and the illustration of the acquisition method of accounting and the calculation of goodwill:

CAPCO

Fair value of net assets:

	HK$M
Fixed assets	193
Leasehold land and land use rights under operating leases	3,811
Finance lease receivable	34,076
Inventories – stores and fuel	2,291
Trade and other receivables	1,416
Trade and other payables	(24,684)
Income tax payable	(365)
Bank loans and other borrowings	(4,347)
Deferred tax liabilities	(4,590)
Other non-current liabilities	(566)
Net assets	7,235

4. Business Combinations (continued)

CAPCO (continued)

Acquisition method of accounting:

	HK$M	HK$M
Consideration for 70% equity interest in CAPCO		
Cash consideration	(791)	
Fair value of existing 40% interest in joint venture [(a)]	6,063	
Total consideration for 70% equity interest in CAPCO		5,272
Non-controlling interests [(b)]		2,170
Less:		
Fair value of net assets	(7,235)	
Consolidation adjustment on settlement of the pre-existing finance lease and the associated deferred tax	5,338	
Fair value of net assets attributable to the Group		(1,897)
Goodwill [(c)]		5,545

Notes:

(a) The fair value of existing 40% interest in CAPCO was derived from the consideration paid for the acquisition of the 30% interest of HK$4,547 million (being the consideration of HK$11,583 million less the amount paid for the acquisition of the shareholder's advances of HK$7,036 million).

(b) The Group recognised the non-controlling interests in CAPCO at the non-controlling interests' proportionate share of the fair value of CAPCO's identifiable net assets and liabilities as set out above.

(c) Goodwill of HK$5,545 million was recognised which represented the future economic benefits arising from assets acquired that are not currently individually identified and separately recognised. The goodwill is allocated to the Hong Kong segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

PSDC

Fair value of net assets:

	HK$M
Fixed assets	1
Intangible assets	5,607
Trade and other receivables	104
Trade and other payables	(113)
Income tax payable	(7)
Bank loans and other borrowings	(204)
Deferred tax liabilities	(893)
Other non-current liabilities	(826)
Net assets	3,669

4. Business Combinations (continued)

PSDC (continued)

Acquisition method of accounting:

	HK$M	HK$M
Consideration for 100% equity interest in PSDC		
Cash consideration	1,871	
Fair value of existing 49% interest in joint venture	1,798	
Total consideration for 100% equity interest in PSDC		3,669
Less: Fair value of net assets		(3,669)
Goodwill (note)		–

Note: The Group has determined that the consideration is equal to the fair value of the identifiable net assets of PSDC at the date of the acquisition and therefore no goodwill is recognised.

Acquisition-related costs are included in fuel and other operating expenses in the consolidated statement of profit or loss. These totalled HK$39 million, which comprised mainly stamp duty and legal and professional fees.

The respective business of CAPCO and PSDC have been integrated into the existing business of CLP Power Hong Kong through the electricity supply and pumped storage service arrangements with CLP Power Hong Kong and therefore, no additional revenue is contributed by CAPCO and PSDC. The profit included in the consolidated statement of profit or loss from May 2014 to June 2014 contributed by CAPCO and PSDC was HK$514 million. Had CAPCO and PSDC been consolidated from 1 January 2014, the consolidated statement of profit or loss would have included profit of HK$1,536 million.

5. Revenue

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

	Six months ended 30 June	
	2014	2013
	HK$M	HK$M
Sales of electricity	**40,126**	44,069
Sales of gas	**3,588**	4,087
Lease service income under Power Purchase Agreement (PPA)	**140**	355
Finance lease income under PPA	**77**	131
Operating lease income under PPA	**1,555**	784
Other revenue [(a)]	**1,651**	1,567
	47,137	50,993
Transfer for SoC (from)/to revenue [(b)]	**(35)**	713
	47,102	51,706

Notes:

(a) Including carbon compensation in the form of free carbon units totalling HK$924 million (A$130 million) (2013: cash assistance of HK$1,005 million (A$129 million)) received by EnergyAustralia Holdings Limited (EnergyAustralia) under the Energy Security Fund (ESF) with respect to Yallourn Power Station (Note 21(d)). The compensation received was recognised as revenue over the relevant period 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 24). 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.

6. Segment Information

The Group operates, through its subsidiaries, joint ventures, joint operations and an associate, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. 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$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2014							
Revenue	16,843	378	2,165	3	27,711	2	**47,102**
EBITDAF of subsidiaries	9,422	195	862	(20)	2,355	(315)	**12,499**
Share of results, net of income tax							
Joint ventures	411	424	–	131	(2)	–	**964**
An associate	–	401	–	–	–	–	**401**
EBITDAF of the Group	9,833	1,020	862	111	2,353	(315)	**13,864**
Depreciation and amortisation	(1,917)	(158)	(238)	–	(927)	(20)	**(3,260)**
Fair value adjustments	3	–	–	–	(56)	–	**(53)**
Finance costs	(1,465)	(101)	(399)	–	(532)	(41)	**(2,538)**
Finance income	7	2	24	2	14	13	**62**
Profit / (loss) before income tax	6,461	763	249	113	852	(363)	**8,075**
Income tax expense	(684)	(64)	(167)	–	(267)	–	**(1,182)**
Profit / (loss) for the period	5,777	699	82	113	585	(363)	**6,893**
Earnings attributable to							
Perpetual capital securities holders	(29)	–	–	–	–	–	**(29)**
Non-controlling interests	(136)	(7)	–	–	–	–	**(143)**
Earnings / (loss) attributable to shareholders	5,612	692	82	113	585	(363)	**6,721**
Excluding: One-off items	(1,953)	–	–	–	–	–	**(1,953)**
Operating earnings	3,659	692	82	113	585	(363)	**4,768**
At 30 June 2014							
Fixed assets	94,959	5,285	11,973	–	16,536	163	**128,916**
Goodwill and other intangible assets	5,545	5,600	30	–	25,461	–	**36,636**
Interests in joint ventures	17	5,343	–	1,652	363	–	**7,375**
Interest in an associate	–	1,176	–	–	–	–	**1,176**
Deferred tax assets	–	57	3	–	3,068	–	**3,128**
Other assets	17,523	6,477	5,815	83	14,214	3,929	**48,041**
Total assets	118,044	23,938	17,821	1,735	59,642	4,092	**225,272**
Bank loans and other borrowings	40,316	3,551	9,156	–	16,290	6,100	**75,413**
Current and deferred tax liabilities	12,620	1,034	497	–	–	–	**14,151**
Obligations under finance leases	–	–	–	–	32	–	**32**
Other liabilities	21,436	1,359	1,036	3	12,894	141	**36,869**
Total liabilities	74,372	5,944	10,689	3	29,216	6,241	**126,465**

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

6. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2013							
Revenue	15,897	445	1,601	8	33,753	2	51,706
EBITDAF of subsidiaries	7,209	242	598	(10)	2,351	(207)	10,183
Share of results, net of income tax							
Joint ventures	611	568	–	70	(19)	–	1,230
An associate	–	294	–	–	–	–	294
EBITDAF of the Group	7,820	1,104	598	60	2,332	(207)	11,707
Depreciation and amortisation	(2,152)	(105)	(220)	–	(1,375)	(19)	(3,871)
Fair value adjustments	(5)	–	5	–	(116)	–	(116)
Finance costs	(1,795)	(101)	(563)	–	(896)	(27)	(3,382)
Finance income	7	1	53	3	22	12	98
Profit / (loss) before income tax	3,875	899	(127)	63	(33)	(241)	4,436
Income tax expense	(421)	(68)	(85)	–	(54)	–	(628)
Profit / (loss) for the period	3,454	831	(212)	63	(87)	(241)	3,808
Earnings attributable to non-controlling interests	–	(41)	–	–	–	–	(41)
Earnings / (loss) attributable to shareholders	3,454	790	(212)	63	(87)	(241)	3,767
Excluding: One-off items	–	87	–	–	42	–	129
Operating earnings	3,454	877	(212)	63	(45)	(241)	3,896
At 31 December 2013							
Fixed assets	93,782	5,405	11,628	–	15,889	172	126,876
Goodwill and other intangible assets	–	40	29	–	23,778	–	23,847
Interests in joint ventures	9,478	8,349	–	1,789	324	–	19,940
Interest in an associate	–	1,675	–	–	–	–	1,675
Deferred tax assets	–	60	3	–	3,021	–	3,084
Other assets	10,044	3,177	5,443	87	15,702	1,810	36,263
Total assets	113,304	18,706	17,103	1,876	58,714	1,982	211,685
Bank loans and other borrowings	28,293	3,457	8,479	–	14,406	1,416	56,051
Current and deferred tax liabilities	8,193	188	308	–	–	–	8,689
Obligations under finance leases	27,947	–	–	–	29	–	27,976
Other liabilities	13,768	400	1,426	3	15,708	183	31,488
Total liabilities	78,201	4,045	10,213	3	30,143	1,599	124,204

This year the segment information format includes the presentation of EBITDAF and one-off items (definitions see below). This is in accordance with changes in internal reporting.

EBITDAF = Earnings before interest, tax, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

One-off items refer to unusual and infrequent events such as acquisition / disposal, impairment of non-current assets, property valuation gain / loss, change in law or natural catastrophe. They are considered irrelevant for assessing the underlying performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results.

7. Other Gain

	Six months ended 30 June 2014 HK$M	2013 HK$M
Net gain on CAPCO and PSDC acquisitions (Note 4)		
Gain on deemed disposal of previously owned interests in joint ventures	7,363	–
Loss on settlement of a pre-existing finance lease payable	(5,338)	–
	2,025	–

8. Operating Profit

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

	Six months ended 30 June 2014 HK$M	2013 HK$M
Charging		
Staff costs		
Salaries and other costs	1,831	1,331
Retirement benefits costs	122	132
Impairment of fixed assets and leasehold land and land use rights	–	38
Net fair value (gain) / loss on non-financing related derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	(140)	(333)
Fuel and other operating expenses	(63)	(97)
Transactions not qualifying as hedges	53	302
Ineffectiveness of cash flow hedges	–	(186)
Net exchange loss / (gain)	110	(4)
Crediting		
Net gain on disposal of fixed assets	(11)	(46)
Gain on sale of interest in Waterloo	–	(33)

The increase in staff costs was mainly due to higher number of staff as a result of the acquisition of Mount Piper and Wallerawang power stations in the second half of 2013.

9. Finance Costs and Income

	Six months ended 30 June	
	2014 HK$M	2013 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	702	841
Other borrowings		
Wholly repayable within five years	119	135
Not wholly repayable within five years	396	405
Tariff Stabilisation Fund [(a)]	–	1
Customers' deposits, fuel clause over-recovery and others	43	5
Finance charges under finance leases [(b)]	921	1,342
Other finance charges	221	207
Net fair value loss / (gain) on financing related derivative financial instruments		
Cash flow hedges, reclassified from equity	265	533
Fair value hedges	(302)	565
Not designated as hedges	23	12
Ineffectiveness of cash flow hedges	4	24
Loss / (gain) on hedged items in fair value hedges	309	(563)
Other net exchange (gain) / loss on financing activities	(19)	1
	2,682	3,508
Less: amount capitalised	(144)	(126)
	2,538	3,382
Finance income		
Interest income on short-term investments and bank deposits	62	98

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 24).

(b) Finance charges under finance leases primarily related 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 prior to acquisition of CAPCO as a subsidiary (Note 4).

10. Income Tax Expense

	Six months ended 30 June	
	2014 **HK$M**	2013 HK$M
Current income tax		
Hong Kong	**492**	230
Outside Hong Kong	**102**	154
	594	384
Deferred tax		
Hong Kong	**191**	191
Outside Hong Kong	**397**	53
	588	244
	1,182	628

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

11. Dividends

	Six months ended 30 June			
	2014		2013	
	HK$ per share	**HK$M**	HK$ per share	HK$M
First interim dividend paid	**0.54**	**1,364**	0.53	1,339
Second interim dividend declared	**0.54**	**1,364**	0.53	1,339
	1.08	**2,728**	1.06	2,678

At the Board meeting held on 14 August 2014, the Directors declared the second interim dividend of HK$0.54 per share (2013: 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 2014.

12. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2014	2013
Earnings attributable to shareholders (HK$M)	**6,721**	3,767
Number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**2.66**	1.49

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 2014 and 30 June 2013.

13. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property

Fixed assets, leasehold land and land use rights under operating leases and investment property totalled HK$136,903 million at 30 June 2014 (31 December 2013: HK$130,903 million). Movements in the accounts are as follows:

	Fixed Assets							Leasehold Land and Land Use Rights under Operating Leases [a]	Investment Property [a], [c]
	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$M	HK$M	HK$M
Net book value at 1 January 2014	826	506	13,473	5,615	84,063	22,393	126,876	1,806	2,221
Acquisition of subsidiaries (Note 4)	–	–	5,544	(5,477)	22,333	(22,206)	194	3,811	–
Additions	–	–	445	18	2,640	569	3,672	139	55
Transfers and disposals	(79)	(6)	310	(41)	(260)	(66)	(142)	–	–
Depreciation / amortisation	–	(7)	(178)	(115)	(1,776)	(678)	(2,754)	(43)	–
Exchange differences	32	–	(36)	–	1,072	2	1,070	(2)	–
Net book value at 30 June 2014	779	493	19,558	–	108,072	14	128,916	5,711	2,276
Cost / valuation	795	592	30,457	–	187,977	34	219,855	6,183	2,276
Accumulated depreciation / amortisation and impairment	(16)	(99)	(10,899)	–	(79,905)	(20)	(90,939)	(472)	–
Net book value at 30 June 2014	779	493	19,558	–	108,072	14	128,916	5,711	2,276

13. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property (continued)

Notes:

(a) Leasehold land (under finance or operating leases) and investment property are mainly held under medium-term (10 – 50 years) and long-term (over 50 years) leases in Hong Kong respectively.

(b) At 31 December 2013, these leased assets included mainly CAPCO's operational generating plant and associated fixed assets of net book value of HK$27,947 million, which were deployed for the generation of electricity supplied to CLP Power Hong Kong under the Electricity Supply Contract between the two parties. This arrangement was accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17. Following the acquisition of CAPCO as a subsidiary (Note 4), these leased assets have been reclassified as owned assets.

(c) The Group's investment property is located at Argyle Street, Kowloon. Whilst the use and development of the property is subject to both regulatory and statutory restrictions imposed by Hong Kong Government, future use of the property is undetermined. The investment property was revalued on 30 June 2014 and no material revaluation surplus or deficit was recorded. The valuations of the property were with reference to an independent valuation prepared by DTZ Debenham Tie Leung Limited (DTZ) based on the highest and best use approach. In formulating the optimal development of the property, DTZ has taken into account the development constraints stipulated on the covenants of the Government Leases and subsequent modifications. DTZ has adopted the residual valuation method, which is a modification of income approach based on discounted cash flows, by making reference to the development potential of the subject property after deduction of other relevant costs for completion of the development. The valuation relies on a series of assumptions which produce an estimation of the expected current market value of the property held for development or redevelopment. These assumptions include the statutory and non-statutory restrictions associated with development that may be imposed by the Government. Comparable transactions of similar development in the locality were gathered for gross development value assessment. The valuations are performed and reported twice a year, in line with the Group's reporting dates, to management.

The recurring fair value measurement of the Group's investment property was categorised within Level 3 of the fair value hierarchy at 30 June 2014 and 31 December 2013. The significant unobservable input used other than assumptions made in relation to development potential of the property is discount rate, cost of development and estimated return in the future for the property. The discount rate used is 5% and the higher the rate, the lower the fair value of the property.

14. Goodwill and Other Intangible Assets

	Goodwill HK$M	Licences [a] HK$M	Capacity Right [b] HK$M	Others [c] HK$M	Total HK$M
Net carrying value at 1 January 2014	19,109	2,280	–	2,458	23,847
Acquisition of subsidiaries (Note 4)	5,545	–	5,607	–	11,152
Additions	–	122	–	626	748
Amortisation	–	(1)	(46)	(416)	(463)
Exchange differences	1,075	132	–	145	1,352
Net carrying value at 30 June 2014	**25,729**	**2,533**	**5,561**	**2,813**	**36,636**
Cost	25,729	2,722	5,607	6,282	40,340
Accumulated amortisation and impairment	–	(189)	(46)	(3,469)	(3,704)
Net carrying value at 30 June 2014	**25,729**	**2,533**	**5,561**	**2,813**	**36,636**

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) Capacity right represents the right to use 50% of the pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou until 2034, acquired through the PSDC acquisition in May 2014 (Note 4).

(c) The balance includes contracted customers and other identifiable intangible assets from EnergyAustralia.

15. Interests in Joint Ventures

	30 June 2014 HK$M	31 December 2013 HK$M
Share of net assets	7,167	10,186
Goodwill	47	162
Carrying value	7,214	10,348
Advances	161	9,592
	7,375	19,940

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

	30 June 2014 HK$M	31 December 2013 HK$M
CAPCO (Note 4)	–	9,377
CSEC Guohua and Shenmu (Note 20)	–	3,256
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang)	1,292	1,767
OneEnergy Taiwan Ltd (OneEnergy Taiwan)	1,397	1,532
Shandong Zhonghua Power Company, Limited (SZPC)	936	1,044
PSDC (Note 4)	–	82
ShenGang Natural Gas Pipeline Company Limited	612	–
Others (note)	3,138	2,882
	7,375	19,940

Note: Includes 49% interest in various Chinese joint ventures at a total carrying value of HK$1,379 million (31 December 2013: HK$1,379 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 2014					
	CAPCO [(a)] HK$M	Fangcheng-gang HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Profit for the period	411	175	99	152	127	964
Other comprehensive income	–	–	–	–	(30)	(30)
Total comprehensive income	411	175	99	152	97	934

	Six months ended 30 June 2013					
	CAPCO HK$M	Fangcheng-gang HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Profit for the period	612	220	47	126	225	1,230
Other comprehensive income	(2)	–	2	–	114	114
Total comprehensive income	610	220	49	126	339	1,344

Note:

(a) The share of results of CAPCO related to the period from 1 January 2014 to 12 May 2014 (prior to acquisition as a subsidiary).

15. Interests in Joint Ventures (continued)

	30 June 2014				
	Fangcheng-gang HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Group's share of net assets	1,292	1,397	936	3,542	7,167
Goodwill	–	–	–	47	47
Carrying value	1,292	1,397	936	3,589	7,214
Advances	–	–	–	161	161
	1,292	1,397	936	3,750	7,375

	31 December 2013					
	CAPCO HK$M	Fangcheng-gang HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
Group's share of net assets	199	1,767	1,340	1,044	5,836	10,186
Goodwill	–	–	–	–	162	162
Carrying value	199	1,767	1,340	1,044	5,998	10,348
Advances	9,178	–	192	–	222	9,592
	9,377	1,767	1,532	1,044	6,220	19,940

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 28.

16. 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	
	2014 HK$M	2013 HK$M
Profit and total comprehensive income for the period	401	294

	30 June 2014 HK$M	31 December 2013 HK$M
Group's share of net assets	1,176	1,675

17. Derivative Financial Instruments

	30 June 2014		31 December 2013	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	1,093	34	1,339	32
Foreign exchange options	76	–	89	–
Cross currency interest rate swaps	1,324	549	1,399	649
Interest rate swaps	90	932	194	638
Energy contracts	74	437	176	263
Fair value hedges				
Cross currency interest rate swaps	186	640	250	940
Interest rate swaps	17	148	18	192
Held for trading or not qualifying as accounting hedges				
Forward foreign exchange contracts	76	34	104	18
Interest rate swaps	54	51	77	74
Energy contracts	198	1,501	477	1,913
	3,188	4,326	4,123	4,719
Analysed as:				
Current	724	1,281	1,005	1,279
Non-current	2,464	3,045	3,118	3,440
	3,188	4,326	4,123	4,719

18. Available-for-sale Investments

	30 June 2014 HK$M	31 December 2013 HK$M
CGN Wind Power Company Limited (CGN Wind)	1,190	1,190
Others	73	73
	1,263	1,263

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.

19. Trade and Other Receivables

	30 June 2014 HK$M	31 December 2013 HK$M
Trade receivables (note)	15,795	13,864
Deposits, prepayments and other receivables	3,094	3,187
Dividend receivables from		
Joint ventures	1,240	760
An available-for-sale investment	80	82
Current accounts with		
Joint ventures	207	58
An associate	–	2
	20,416	17,953

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 90 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.

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

	30 June 2014				31 December 2013			
	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	11,421	1,794	(7)	13,208	9,412	1,665	(88)	10,989
Overdue								
1 – 30 days	114	855	(64)	905	181	905	(67)	1,019
31 – 90 days	65	584	(136)	513	196	782	(167)	811
Over 90 days	684	1,657	(1,172)	1,169	626	1,481	(1,062)	1,045
	12,284	4,890	(1,379)	15,795	10,415	4,833	(1,384)	13,864

At 30 June 2014, trade receivables of HK$863 million (31 December 2013: HK$1,003 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 2013: HK$415 million (Rs.3,306 million)) (Note 30(A)) which is included in the amount aged over 90 days; and
- disputed charges between Jhajjar Power Limited (Jhajjar) and its off-takers. Total disputed amounts were HK$216 million (Rs.1,677 million) at 30 June 2014 (31 December 2013: HK$180 million (Rs.1,433 million)), of which HK$189 million (Rs.1,461 million) (31 December 2013: HK$101 million (Rs.803 million)) aged over 90 days (Note 30(C)).

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

	30 June 2014 HK$M	31 December 2013 HK$M
30 days or below	13,537	11,366
31 – 90 days	888	1,292
Over 90 days	1,370	1,206
	15,795	13,864

20. Other Current Assets

On 2 April 2014, the Group entered into the share transfer agreement (the Agreement) with a third party to sell the entire issued share capital and all related shareholder's loans of CLP Power China (Tianjin) Limited (CLP China Tianjin) and CLP Power China (Shenmu) Limited (CLP China Shenmu) for a cash consideration of US dollar equivalent of RMB2,250 million (HK$2,808 million).

It is a condition under the Agreement that CLP China Tianjin will undergo an internal restructuring before completion of the disposal so that it will own 30% of the registered capital of CSEC Guohua International Power Company Limited (CSEC Guohua) upon completion of the internal restructuring. CLP China Shenmu owns 49% of the registered capital of CLP Guohua Shenmu Power Company Limited (Shenmu). Completion of the sale is subject to the internal shareholding restructuring which in turn requires corporate and regulatory approvals. The transaction is expected to be completed by the end of 2014.

According to the provisions of the Agreement, the Group considered that the Group lost the joint control over the joint ventures of CSEC Guohua and Shenmu. Accordingly, the aggregate interests in these joint ventures of HK$2,700 million have been reclassified as other current assets.

21. Trade and Other Payables

	30 June 2014 HK$M	31 December 2013 HK$M
Trade payables [(a)]	8,011	11,336
Other payables and accruals	7,067	5,436
Advances from non-controlling interests [(b)]	7,006	–
Current accounts with [(c)]		
Joint ventures	1	1,474
An associate	164	55
Deferred revenue [(d)]	599	1,024
	22,848	19,325

Notes:

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

	30 June 2014 HK$M	31 December 2013 HK$M
30 days or below	7,472	10,641
31 – 90 days	193	472
Over 90 days	346	223
	8,011	11,336

(b) The advances from non-controlling interests represented the advances from CSG HK to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong and CSG HK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and have no fixed repayment terms. The advances are mainly denominated in US dollar.

(c) Of the amounts payable to joint ventures, HK$1,441 million was due to CAPCO at 31 December 2013 before the acquisition of CAPCO as a subsidiary (Note 4).

(d) The balance at 30 June 2014 primarily represented the cash receipt in advance by EnergyAustralia under a gas take-or-pay arrangement. The balance at 31 December 2013 primarily represented carbon compensation received by EnergyAustralia under the ESF with respect to Yallourn Power Station. The ESF was established under the Australian Government's Clean Energy Legislation, effected 1 July 2012, which provides transitional assistance over five years to promote the transformation of the electricity generation sector from high to low emissions generation, while addressing risks to energy security that may arise from the introduction of the carbon price. Under the ESF, the carbon compensation is provided as cash compensation for the first year (paid in June 2012) and as free carbon units available annually for four years. The compensation received was amortised to profit or loss over the relevant period (Note 5(a)).

22. Bank Loans and Other Borrowings

	30 June 2014 HK$M	31 December 2013 HK$M
Current		
Short-term bank loans	8,627	1,296
Long-term bank loans	2,743	4,442
Other long-term borrowings		
Medium Term Note (MTN) programme (HKD) due 2014 and 2015	1,840	1,380
	13,210	7,118
Non-current		
Long-term bank loans	32,824	19,471
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	10,539	10,295
MTN programme (HKD) due 2015 to 2041	8,393	8,895
MTN programme (JPY) due 2021 to 2026	2,377	2,289
MTN programme (AUD) due 2021 to 2023	802	759
Electronic Promissory Notes (EPN) and MTN programme (AUD) due 2015	365	345
US private placement notes (USD) due 2017 to 2027	6,903	6,879
	62,203	48,933
Total borrowings	75,413	56,051

23. Obligations under Finance Leases

At 31 December 2013, the Group's obligations under finance leases arose 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 was accounted for as a finance lease in accordance with HK(IFRIC)-Int 4 and HKAS 17. The finance lease arrangement was settled during the acquisition of CAPCO as a subsidiary (Note 4).

24. 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 2014 HK$M	31 December 2013 HK$M
Tariff Stabilisation Fund	63	19
Rate Reduction Reserve	–	9
Rent and Rates Interim Refunds (note)	72	–
	135	28

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 original Lands Tribunal judgment and the subsequent judgment on the review of valuation matters were received in CLP Power Hong Kong's favour, final resolution of the case will be subject to the outcome of appeals to the Court of Appeal against the Lands Tribunal judgment on points of law.

The interim refunds received by CLP Power Hong Kong from the Hong Kong Government in 2012 and 2013 totalling HK$1,641 million had been fully expended in Rent and Rates Special Rebate provided to customers during 2012 and 2013. In the current period, a further interim refund of HK$72 million was received. These interim refunds 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 decisions of the Lands Tribunal and subsequent appeals.

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. The Rent and Rates Special Rebate, which was ceased in October 2013, had been offset against the interim refunds received.

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, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be returned to customers.

25. Share Capital

	Number of Ordinary Shares	Amount HK$M
Issued and fully-paid		
At 1 January 2014	2,526,450,570	12,632
Transfer from share premium and capital redemption reserve (note)	–	10,611
At 30 June 2014	**2,526,450,570**	**23,243**

Note: Under the Hong Kong Companies Ordinance (Cap. 622), which came into force on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with the said Ordinance, the Company's shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. In addition, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

26. 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 2014	2,492	856	1,175	2,862	59,225	66,610
Earnings attributable to shareholders	–	–	–	–	6,721	6,721
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	–	1,728	–	–	–	1,728
Joint ventures	–	(233)	–	–	–	(233)
Cash flow hedges						
Net fair value losses	–	–	(684)	–	–	(684)
Reclassification adjustment for amount included in profit or loss	–	–	62	–	–	62
Tax on the above items	–	–	161	–	–	161
Reclassification adjustment upon loss of joint control of joint ventures	–	(422)	–	–	–	(422)
Share of other comprehensive income of joint ventures	–	–	19	(49)	–	(30)
Total comprehensive income attributable to shareholders	–	1,073	(442)	(49)	6,721	7,303
Transition to no-par value regime (Note 25)	(2,492)	–	–	–	–	(2,492)
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(1)	1	–
Appropriation of reserves of subsidiaries	–	–	–	18	(18)	–
Dividends paid						
2013 fourth interim	–	–	–	–	(2,476)	(2,476)
2014 first interim	–	–	–	–	(1,364)	(1,364)
Balance at 30 June 2014	**–**	**1,929**	**733**	**2,830**	**62,089**	**67,581**

26. 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 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 sale	–	–	–	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

27. Perpetual Capital Securities

During the period, the Group issued a total of US$750 million perpetual capital securities through its wholly owned subsidiary, CLP Power HK Finance Ltd. The securities are perpetual, non-callable in the first 5.5 years and entitle the holders to receive distributions at a distribution rate of 4.25% per annum payable semi-annually in arrears. The distributions are at the Group's discretion, if the issuer and CLP Power Hong Kong, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capitals within each distribution payment period. As the perpetual capital securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity.

28. Commitments

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

	30 June 2014 HK$M	31 December 2013 HK$M
Contracted but not provided for	6,155	5,812
Authorised but not contracted for	7,628	9,834
	13,783	15,646

(B) The Group has entered into a number of joint arrangements to develop power projects. At 30 June 2014, remaining equity contributions of HK$110 million (31 December 2013: HK$742 million) were required to be made by the Group.

(C) At 30 June 2014, the Group's share of capital commitments of its joint ventures was HK$3,384 million (31 December 2013: HK$1,956 million).

29. 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	
	2014 HK$M	2013 HK$M
Lease and lease service payment to CAPCO (note)	5,341	7,846
Purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station	2,380	2,200
Pumped storage service fee to PSDC (note)	175	271
	7,896	10,317

Note: The amounts with respect to CAPCO and PSDC were accounted for up to the date of acquisitions of CAPCO and PSDC as subsidiaries (Note 4).

Amounts due to the related parties at 30 June 2014 are disclosed in Note 21.

29. Related Party Transactions (continued)

(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 before the acquisition of CAPCO as a subsidiary (Note 4) amounted to HK$352 million (six months ended 30 June 2013: HK$489 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 2014 are disclosed in Note 19. No provisions have been made for the amounts owed by the related parties.

(C) The advances made to joint ventures are disclosed under Note 15. At 30 June 2014, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2013: nil).

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

	Six months ended 30 June	
	2014 **HK$M**	2013 HK$M
Fees	5	5
Base compensation, allowances and benefits in kind	30	22
Tax equalisation, allowances and benefits in kind for secondment to overseas offices	3	2
Performance bonus		
Annual incentive	37	25
Long-term incentive	34	24
Provident fund contributions	3	2
Final payment [a]	11	–
Other payment [b]	11	–
	134	80

Key management personnel at 30 June 2014 comprised 13 (30 June 2013: 14) Non-executive Directors, 1 (30 June 2013: 2) Executive Director and 9 (30 June 2013: 5) senior management personnel.

Notes:

(a) The final payment was a contractual termination payment paid to a former senior management upon leaving.

(b) The other payment was the sign-on award to a senior management upon his joining the Group.

30. 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 Paguthan was above 68.5% (subsequently revised to 70% in 2003 and 80% in 2013). 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 2013: Rs.830 million (HK$104 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.2,523 million (HK$326 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

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

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$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.

30. Contingent Liabilities (continued)

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

Subsequent to the above deduction, CLP India represented to GUVNL that, during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$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 2014, 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 2013: Rs.8,543 million (HK$1,073 million)). There have been no significant developments in this case during the period. Subsequent to 30 June 2014, the case has been accelerated through the judicial process and it is expected that it may be heard by the Supreme Court in the second half of 2014.

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 681MW 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 2014, 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) Jhajjar – Disputed Charges with Off-takers

Jhajjar 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 (Terms and Conditions of Tariff) Regulations, 2009. Total disputed amounts were Rs.1,677 million (HK$216 million) at 30 June 2014 (31 December 2013: Rs.1,433 million (HK$180 million)). Jhajjar has filed a petition against its off-takers in March 2013. The Group considered that Jhajjar has a strong case and hence, no provision has been made.

(D) Land Premium of a Property in Hong Kong

The Group received a demand note in 2013 from the relevant authorities of the Hong Kong Government in an amount of HK$280 million as land premium relating to the Group's new office at Laguna Verde at Hung Hom.

As an alternative to paying a land premium, the Group applied for a temporary waiver of the relevant lease approval which gave rise to the land premium. Under the waiver, an annual waiver fee is payable over the waiver term. While the Group is appealing on the quantum of the waiver fee, the Group accepted the other terms of the waiver offer and settled the waiver fees in July 2014. So long as the waiver remains in place, the above land premium will not apply.

31. Fair Value Hierarchy of Financial Instruments

The following table presents the Group's financial instruments that were measured at fair value:

	Level 1 HK$M	Level 2 [(a)] HK$M	Level 3 [(a), (b)] HK$M	Total HK$M
At 30 June 2014				
Financial assets				
Available-for-sale investments	–	–	1,263	1,263
Forward foreign exchange contracts	–	1,169	–	1,169
Foreign exchange options	–	76	–	76
Cross currency interest rate swaps	–	1,510	–	1,510
Interest rate swaps	–	161	–	161
Energy contracts	–	89	183	272
	–	3,005	1,446	4,451
Financial liabilities				
Forward foreign exchange contracts	–	68	–	68
Cross currency interest rate swaps	–	1,189	–	1,189
Interest rate swaps	–	1,131	–	1,131
Energy contracts	–	56	1,882	1,938
	–	2,444	1,882	4,326
At 31 December 2013				
Financial assets				
Available-for-sale investments	–	–	1,263	1,263
Forward foreign exchange contracts	–	1,443	–	1,443
Foreign exchange options	–	89	–	89
Cross currency interest rate swaps	–	1,649	–	1,649
Interest rate swaps	–	289	–	289
Energy contracts	–	65	588	653
	–	3,535	1,851	5,386
Financial liabilities				
Forward foreign exchange contracts	–	50	–	50
Cross currency interest rate swaps	–	1,589	–	1,589
Interest rate swaps	–	904	–	904
Energy contracts	–	280	1,896	2,176
	–	2,823	1,896	4,719

You may refer to page 248 of the 2013 Annual Report for the definitions of Levels 1, 2 and 3.

31. Fair Value Hierarchy of Financial Instruments (continued)

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
Available-for-sale investments	Discounted cash flow	Discount rate
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Garman Kohlhagen Model	Observable 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 and Black-Scholes model	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
Available-for-sale investments (i)	Discount rate
Energy contracts (ii)	Discount rate and forward curves

(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 is performed on a monthly basis for reasonableness.

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 period ended 30 June 2014 and 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 2014 and 31 December 2013, their carrying values approximate their fair values.

31. Fair Value Hierarchy of Financial Instruments (continued)

The movements of Level 3 financial instruments are as follows:

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Available-for-sale Investments HK$M	Energy Contracts HK$M	Total HK$M	Available-for-sale Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	1,263	(1,308)	(45)	1,263	(2,034)	(771)
Total gains / (losses) recognised in						
Profit or loss	–	(188)	(188)	–	(1,510)	(1,510)
Other comprehensive income	–	(325)	(325)	–	759	759
Purchases	–	222	222	–	398	398
Settlements	–	(100)	(100)	–	509	509
Closing balance	1,263	(1,699)	(436)	1,263	(1,878)	(615)
Total losses for the period included in profit or loss and presented in fuel and other operating expenses	–	(188)	(188)	–	(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	–	(127)	(127)	–	(981)	(981)

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

32. Event after the End of the Reporting Period

On 17 July 2014, the Australian Federal Government passed legislation to repeal the carbon tax effective from 1 July 2014. The repeal legislation requires retailers of electricity and natural gas to pass on the cost savings that are directly or indirectly attributable to the carbon tax repeal to their respective customers.

As the impact of the carbon tax repeal legislation was factored into relevant Australian asset and liability valuations at 30 June 2014, the new legislation will not result in any change to the balances presented in the consolidated statement of financial position. Further assessment will be conducted at 2014 year end for any subsequent unanticipated impacts after the implementation of the legislation.

If the legislative provisions of the carbon tax repeal had been in effect for the first half ended 30 June 2014, it is estimated that there would have been a HK$583 million (A$82 million) reduction in earnings of EnergyAustralia. This would have been primarily due to a net reduction in earnings in relation to the operations of the Yallourn Power Station following the cessation of transitional assistance arrangements associated with the carbon tax. Further, there would have also been an earnings reduction related to our gas generation and renewable portfolios. The Group considers that the repeal of the carbon tax will have a negative impact on the short term earnings of EnergyAustralia. For the longer term, this change should enhance returns from our low-cost base load stations.

Review Report on 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 statements set out on pages 42 to 74 which comprises condensed consolidated statement of financial position of CLP Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 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 statements 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 these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements 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 statements 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, 14 August 2014

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 253 and 254 in the 2013 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

	Six months ended 30 June	
	2014 HK$M	2013 HK$M
SoC revenue	16,588	15,054
Expenses		
Operating costs	1,669	1,607
Fuel	4,782	4,253
Purchases of nuclear electricity	2,380	2,200
Provision for asset decommissioning	–	(13)
Depreciation	1,930	2,184
Operating interest	361	433
Taxation	912	732
	12,034	11,396
Profit after taxation	4,554	3,658
Interest on borrowed capital	425	440
Adjustments required under the SoC (being share of profit on sale of electricity to Mainland China attributable to the SoC Companies)	(26)	(20)
Profit for SoC	4,953	4,078
Transfer (to) / from Tariff Stabilisation Fund	(35)	700
Permitted return	4,918	4,778
Deduct interest on		
Borrowed capital as above	425	440
Tariff Stabilisation Fund to Rate Reduction Reserve	–	1
	425	441
Net Return	4,493	4,337
Divisible as follows:		
CLP Power Hong Kong	2,967	2,804
CAPCO	1,526	1,533
	4,493	4,337
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	2,967	2,804
Interest in CAPCO	764	613
	3,731	3,417

Information for our Investors

Financial Diary

Announcement of interim results	14 August 2014
Interim report posted to shareholders	29 August 2014
Last day to register for second interim dividend	3 September 2014
Book close day	4 September 2014
Payment of second interim dividend	15 September 2014
Financial year end	31 December 2014

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.

Company's Registrars

Computershare Hong Kong Investor Services Limited

Address: 17 / F., Hopewell Centre,
183 Queen's Road East, Hong Kong

Tel: (852) 2862 8628

Fax: (852) 2865 0990

E-mail: hkinfo@computershare.com.hk

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

Contact Us

Address:	8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong	
Tel:	Shareholders' hotline	(852) 2678 8228
Fax:	Company Secretary	(852) 2678 8390
E-mail:	Company Secretary	cosec@clp.com.hk
	Director – Investor Relations	ir@clp.com.hk

Interim Report

This report is printed in English and Chinese, available on our website at www.clpgroup.com by 21 August 2014 and posted to shareholders on 29 August 2014.

Those shareholders who (a) received our 2014 Interim Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2014 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.

Junior Green Engineer Programme

Under the guidance of CLP's professional engineers, this first-of-its-kind programme integrates the learnings of engineering, science and environmental protection. Tailoring for the needs of local primary 4 to 6 students, the activity offers these engineers of tomorrow a fun-filled and educational experience this summer!

CLP Holdings Limited
中電控股有限公司

8 Laguna Verde Avenue
Hung Hom, Kowloon, Hong Kong
T (852) 2678 8111
F (852) 2760 4448
www.clpgroup.com

Stock Code: 00002

This Interim Report is printed on environmentally friendly paper.