CLP 中電

2016 INTERIM REPORT

Our Vision

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

Highlights of 2016 Interim Results

Group operating earnings increased by 11.3% over the corresponding period in 2015 to HK$6,149 million, driven by a 23.5% rise in the contributions from overseas businesses.

Operating earnings from our local electricity business in Hong Kong rose by 5.5% to HK$4,276 million.

Total earnings increased by 7.0% to HK$6,125 million; earnings per share increased to HK$2.42 per share.

Consolidated revenue down by 3.3% to HK$38,671 million.

Second interim dividend of HK$0.57 per share.

CONTENTS

Financial Highlights

Operating earnings increased 11.3% to HK$6,149 million, reflecting improved performance across most of the regions we operate; total earnings up 7.0% to HK$6,125 million.

	Six months ended 30 June 2016	2015[1]	Increase / (Decrease) %
For the period *(in HK$ million)*			
Revenue			
Electricity business in Hong Kong	17,855	18,296	(2.4)
Energy businesses outside Hong Kong	20,648	21,508	(4.0)
Others	168	181	
Total	38,671	39,985	(3.3)
Earnings			
Hong Kong	4,276	4,052	5.5
Hong Kong related[2]	113	106	
Mainland China	841	941	(10.6)
India	200	92	117.4
Southeast Asia and Taiwan	119	140	(15.0)
Australia	897	493	81.9
Other earnings	43	(28)	
Unallocated net finance income	23	1	
Unallocated Group expenses	(363)	(272)	
Operating earnings	6,149	5,525	11.3
Items affecting comparability			
Revaluation (loss) / gain on Argyle Street site	(107)	198	
Reversal of over-provision on capital gain tax	83	–	
Total earnings	6,125	5,723	7.0
Net cash inflow from operating activities	9,016	6,812	32.4
Per share *(in HK$)*			
Earnings per share	2.42	2.27	7.0
Dividends per share			
First interim	0.57	0.55	
Second interim	0.57	0.55	
Total interim dividends	1.14	1.10	3.6
Ratio			
EBIT interest cover[3] (times)	10	8	

	30 June 2016	31 December 2015	Increase %
At the end of the reporting period *(in HK$ million)*			
Total assets	206,786	203,964	1.4
Total borrowings	57,327	55,483	3.3
Shareholders' funds	95,391	93,118	2.4
Per share *(in HK$)*			
Shareholders' funds per share	37.76	36.86	2.4
Ratios			
Total debt to total capital[4] (%)	34.2	34.0	
Net debt to total capital[5] (%)	32.8	32.4	

Notes:

1 Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 (2014) Financial Instruments about certain requirements of hedge accounting.

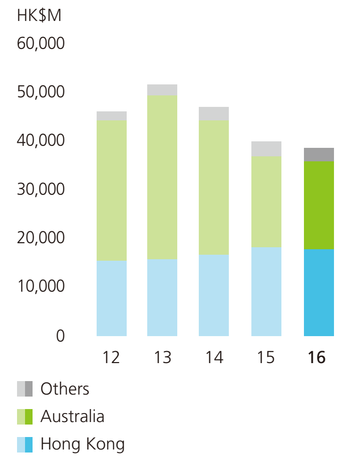
2 Hong Kong related included PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

3 Earnings before interest and taxes (EBIT) interest cover = EBIT / (Interest charges + capitalised interest)

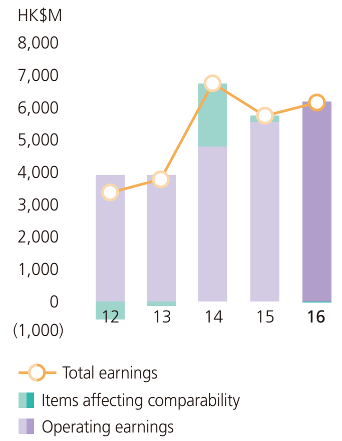
4 Total debt to total capital = Debt / (Equity + advances from non-controlling interests + debt). Debt = Bank loans and other borrowings.

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

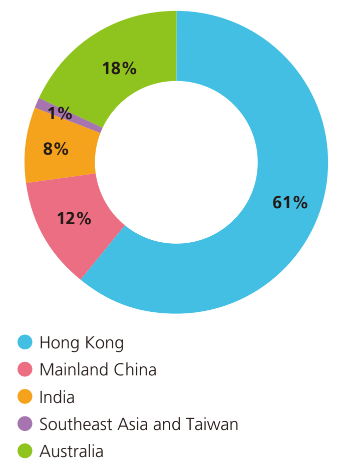
Revenue (First 6 months)



Total Earnings (First 6 months)



Total Assets at 30 June 2016



Chairman's Statement

Dear Shareholders,

In our 2015 Annual Report, I presented CLP Holdings' solid performance last year following the successful execution of our "Focus • Delivery • Growth" strategy. I am pleased to report to you that we have continued to deliver a steady increase in earnings in the first six months of 2016, building on our success in 2015.

During this period, the Group's operating earnings were HK$6,149 million, an increase of 11% compared with the corresponding period in 2015. This reflected growth in both our core business in Hong Kong and our overseas operations. The Group's total earnings for the first half of 2016 were HK$6,125 million, a rise of 7% from the same period of last year. These positive results have enabled us to raise the level of both our first and second interim dividends from HK$0.55 per share a year ago to HK$0.57 per share in 2016.

In the first half of 2016, our local electricity business in Hong Kong continued to grow steadily, resulting in a 5.5% increase in operating earnings to HK$4,276 million. Our overseas businesses increased by 23.5% in aggregate to HK$2,057 million. In Mainland China, operating earnings were down by 11% to HK$841 million due to a combination of lower regulated tariffs, increasing supply in the market from the addition of new generation capacity together with the impact of higher rainfall on hydro-electric facilities, and slower economic growth in Guangxi affecting demand for electricity.

Operating earnings from Southeast Asia and Taiwan also dropped slightly to HK$119 million. Meanwhile, operating earnings from our businesses in Australia and India improved significantly from HK$493 million to HK$897 million and from HK$92 million to HK$200 million respectively.

In our 2015 Annual Report, I outlined our thinking on the Hong Kong Government's ongoing review of the Scheme of Control, better known as SoC Agreement, which regulates our business in Hong Kong. We have already begun discussions with the government on a post-2018 SoC. I would like to take this opportunity to re-emphasise my views about the Agreement and its importance to Hong Kong.

For over half a century, the SoC Agreement has served Hong Kong well. Over the years, we have been able to deliver a safe, reliable and clean energy supply to Hong Kong at reasonable cost. This is no small feat and was achieved in large part because the Agreement has provided us with a stable regulatory environment and the flexibility to adapt to the changing needs of our society.

As I have said on many occasions, the electricity business is capital intensive and requires long-term commitment from its capital providers. A reasonable return is therefore essential to attract capital so that we can make the investments required to continue powering Hong Kong's dynamic economy and meet our social and economic development needs.

We will continue to work constructively with the government to reach a new agreement that will enable us to continue to build on our excellent services for the benefits of our customers, our shareholders and the community at large.

In recent reports, I have paid a great deal of attention to the issue of climate change and its importance not only to our industry, but to humankind. As I have noted previously, the transition to a low-carbon economy requires efforts from all stakeholders, including businesses and governments. As a business, CLP is committed to working closely with governments in the markets in which we operate to ensure a smooth transition.

As we invest in cleaner fuels in power generation and strengthen the resilience of our power supply system in Hong Kong, we continue to expand our low-carbon portfolio across the Group — especially in the solar field. I am particularly pleased about our new solar project in India. In June, we announced our first entry into India's solar-energy sector with a 100MW solar farm in the state of Telangana in the south of the country. In China, we acquired an additional stake in our solar project in Jiangsu province from our partner in July. The new investments bring our solar capacity across CLP Group to about 300MW. Our total portfolio of renewables on an equity basis also increased to over 3,000MW, or about 17% of our total generation capacity.

These initiatives are a testament to our ability to grow our solar portfolio, leveraging the experiences gained over the years through investments in different greenfield projects. We will continue to explore opportunities in low-carbon energy as China and India continue to meet their ambitious emissions reduction targets.

While the contributions from our low-carbon projects will rise over time, the shift in balance between clean energy and fossil-fuel projects will be a long-term process, and the pace will vary from market to market. Nevertheless, clean energy projects will play an increasingly significant role in our growth plans, and I can assure you of our best efforts to meet this challenge.

The energy business is one that rewards expertise, patience, commitment and innovation. When I visit our operations, I am always impressed with the talents of our diverse management and workforce. It is this depth of talent that, in combination with the scale, nature and diversity of our portfolio, will give us the resilience and confidence to maintain steady growth in our business as we move forward and address the energy transition. We will continue to work towards a smarter and cleaner tomorrow.

The Honourable Sir Michael Kadoorie
Hong Kong, 1 August 2016

Our Investments and Long-term Offtake Commitments as at 30 June 2016

Coal | Gas | Nuclear | Wind | Hydro | Solar

Hong Kong Investments Gross / Equity MW

Equity Interest

100%

CLP Power Hong Kong Limited (CLP Power Hong Kong)

Owns and operates a transmission and distribution system which includes:

- 555 km of 400kV lines, 1,650 km of 132kV lines, 24 km of 33kV lines and 12,890 km of 11kV lines
- 63,726 MVA transformers, 227 primary and 14,121 secondary substations in operation

and provides electricity and customer service

70%

Castle Peak Power Company Limited (CAPCO) 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 350MW coal-fired units and another four 677MW units. 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), comprising three 100MW diesel-fired gas turbine units mainly for backup purpose

40%

ShenGang Natural Gas Pipeline Company Limited (SNGPC)

Owns and operates 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

Capacity Purchase [1]

CLP Power Hong Kong purchases its power from CAPCO, PSDC and 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

Constructed the **Guangdong Daya Bay Nuclear Power Station** (GNPS) at Daya Bay. GNPS is equipped with two 984MW Pressurised Water Reactors. 70% [2] of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong

70%

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

Owns and operates a two-phased project at Fangchenggang in 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 and is expected to commence operation in 2016

49%

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

Owns **Shenmu Power Station** (220MW) in Shaanxi with China Shenhua Energy Company Limited

30%

CSEC Guohua International Power Company Limited (CSEC Guohua) 7,440 / 1,243MW [3,4]

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

- 100% of **Beijing Yire** [4]
- 65% of **Panshan** (1,060MW) in Tianjin
- 55% of **Sanhe I** and **II** (1,300MW) in Hebei
- 50% of **Suizhong I** and **II** (3,760MW) in Liaoning
- 65% of **Zhungeer II** and **III** (1,320MW) in Inner Mongolia

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 S.A.S.:

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

Notes:

1 Capacity purchase relates to power purchase from power stations in which CLP has equity or operational control.

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

3 The 1,243 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 7,440 gross MW.

4 The Beijing Yire Power Station ceased operation on 20 March 2015.

Mainland China Investments Gross / Equity MW

Equity Interest

15.75% — **CGN Wind Power Company Limited (CGN Wind) 2,193 / 314MW** [5]
Owns 1,993MW of wind projects in various parts of China with CGN Wind Energy Ltd. with another 200MW under construction

50% — **CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99 / 24MW** [6]
Owns two wind farms in Liaoning in a joint venture with China Wind Power Holdings Limited:
- 49% of **Qujiagou Wind Farm** (49.5MW)
- 49% of **Mazongshan Wind Farm** (49.5MW)

100% — **CLP (Kunming) Renewable Energy Co., Ltd (Xundian Wind) 50 / 50MW**
Owns and operates **Xundian I Wind Farm** (49.5MW) in Yunnan, which commenced operation in January 2016

100% — **CLP (Laiwu) Renewable Energy Limited (Laiwu Wind) 99 / 99MW**
Owns and operates two wind farms in Shandong:
- **Laiwu I Wind Farm** (49.5MW)
- **Laiwu II Wind Farm** (49.5MW), which is under construction

100% — **CLP (Laizhou) Renewable Energy Limited (CLP Laizhou Wind) 50 / 50MW**
Owns **CLP Laizhou I Wind Farm** (49.5MW), which is under construction, in Shandong [7]

100% — **CLP (Penglai) Wind Power Ltd. (Penglai Wind) 48 / 48MW**
Owns and operates **Penglai I Wind Farm** (48MW) in Shandong

100% — **CLP (Sandu) Renewable Energy Limited (Sandu Wind) 198 / 198MW**
Owns two wind farms in Guizhou:
- **Sandu I Wind Farm** [8] (99MW)
- **Sandu II Wind Farm** (99MW), which is under construction [7]

45% — **Huadian Laizhou Wind Power Company Limited (Huadian Laizhou Wind) 41 / 18MW**
Owns **Huadian Laizhou I Wind Farm** (40.5MW) in Shandong in a joint venture with Huadian Power International Corporation Limited

25% — **Huaneng Shantou Wind Power Company Limited (Nanao Wind) 60 / 15MW**
Owns two wind farms in Guangdong in a joint venture with Guangdong Wind Power Company Limited and Huaneng Renewables Corporation Limited:
- **Nanao II Wind Farm** (45MW)
- **Nanao III Wind Farm** (15MW)

49% — **Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW**
Owns three wind farms in Jilin in a joint venture with China Datang Corporation Renewable Power Company Limited:
- **Datong Wind Farm** (49.5MW)
- **Shuangliao I Wind Farm** (49.3MW)
- **Shuangliao II Wind Farm** (49.5MW)

100% — **Qian'an IW Power Company Limited (Qian'an Wind) 99 / 99MW**
Owns and operates two wind farms in Jilin:
- **Qian'an I Wind Farm** (49.5MW)
- **Qian'an II Wind Farm** (49.5MW)

49% — **Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 395 / 194MW** [9]
Owns eight wind farms in Shandong in a joint venture with Shenhua Renewable Company Limited:
- **Dongying Hekou Wind Farm** (49.5MW)
- **Lijin I Wind Farm** (49.5MW)
- **Lijin II Wind Farm** (49.5MW)
- **Rongcheng I Wind Farm** (48.8MW)
- **Rongcheng II Wind Farm** (49.5MW)
- **Rongcheng III Wind Farm** (49.5MW)
- **Zhanhua I Wind Farm** (49.5MW)
- **Zhanhua II Wind Farm** (49.5MW)

45% — **Shandong Huaneng Wind Joint Ventures (Shandong Huaneng Wind) 96 / 43MW**
Owns three wind farms in Shandong in a joint venture with Huaneng Renewables Corporation Limited:
- **Changdao Wind Farm** (27.2MW)
- **Weihai I Wind Farm** (19.5MW)
- **Weihai II Wind Farm** (49.5MW)

29% — **Shanghai Chongming Beiyan Wind Power Generation Company Limited (Shanghai Chongming Wind) 48 / 14MW**
Owns **Chongming Wind Farm** (48MW) in Shanghai in a joint venture with Shanghai Green Environmental Protection Energy Co., Ltd. and CPI New Energy Holding Company Limited

45% — **Sinohydro CLP Wind Power Company Limited (Changling Wind) 50 / 22MW**
Owns **Changling II Wind Farm** (49.5MW) in Jilin in a joint venture with Sinohydro Renewable Energy Company Limited

Notes:

5 The 314 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 2,193 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.

7 It will be operated by CLP upon completion.

8 The wind farm came into commercial operation on 1 July 2016.

9 Considering the slim chance of settling a land dispute, the Haifang Wind Farm (49.5MW) has been taken out.

Our Investments and Long-term Offtake Commitments as at 30 June 2016

Mainland China Investments Gross / Equity MW

Equity Interest

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**
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; PSDC has no equity interest in the power station

84.9% **Huaiji Hydropower Joint Ventures (Huaiji Hydro) 129 / 110MW**
Owns and operates 12 small hydropower stations in Guangdong with Huaiji County Huilian Hydro-electric (Group) Co., Ltd.

100% **CLP Dali (Xicun) Solar Power Co., Ltd (Xicun Solar) 84 / 84MW** [10]
Owns and operates two solar power stations in Yunnan:
- **Xicun I Solar Power Station** (42MW)
- **Xicun II Solar Power Station** (42MW)

51% **Jinchang Zhenxin PV Power Company Limited (Jinchang Solar) 85 / 43MW** [11]
Owns and operates **Jinchang Solar Power Station** (85MW) in Gansu with Jiangsu Zhenfa New Energy Science & Technology Development Co., Ltd.

51% **Sihong Tianganghu PV Power Co., Ltd. (Sihong Solar) 93 / 48MW** [12]
Owns and operates **Sihong Solar Power Station** (93MW) in Jiangsu with Zhenfa New Energy Science & Technology Co., Ltd. [13]

India Investments Gross / Equity MW

Equity Interest

100% **CLP India Private Limited (CLP India) 705 / 705MW**
Owns and operates two projects in Gujarat:
- **Paguthan Power Station**, a 655MW combined-cycle gas-fired power plant designed to run on natural gas with naphtha as alternate fuel
- **Samana I Wind Farm** (50.4MW)

100% **CLP Wind Farms (India) Private Limited (CLP Wind Farms India) 875 / 875MW**
Owns and operates the following wind projects:
- **Andhra Lake Wind Farm** (106.4MW) in Maharashtra
- **Bhakrani Wind Farm** (102.4MW) in Rajasthan
- **Chandgarh Wind Farm** (92MW) in Madhya Pradesh
- **Harapanahalli Wind Farm** (39.6MW) in Karnataka
- **Jath Wind Farm** (60MW) in Maharashtra
- **Mahidad Wind Farm** (50.4MW) in Gujarat
- **Samana II Wind Farm** (50.4MW) in Gujarat
- **Saundatti Wind Farm** (72MW) in Karnataka
- **Sipla Wind Farm** (50.4MW) in Rajasthan
- **Tejuva Wind Farm** (100.8MW) in Rajasthan
- **Theni I Wind Farm** (49.5MW) in Tamil Nadu
- **Yermala Wind Farm** (101MW [14]) under construction in Maharashtra

Notes:

10 On an alternating current (AC) basis. Gross / Equity MW are 100 / 100MW if converted to direct current (DC).

11 On an AC basis. Gross / Equity MW are 100 / 51MW if converted to DC.

12 On an AC basis. Gross / Equity MW are 110 / 56MW if converted to DC.

13 On 11 July 2016, CLP acquired the remaining 49% shareholding in Sihong Solar, making it a wholly owned subsidiary of CLP.

14 The project has been downsized from 148.8MW to 101MW due to land issues.

India Investments Gross / Equity MW

Equity Interest

100% — **CLP Wind Farms (Khandke) Private Limited (Khandke Wind) 50 / 50MW**
Owns and operates **Khandke Wind Farm** (50.4MW) in Maharashtra

100% — **CLP Wind Farms (Theni – Project II) Private Limited (Theni II) 50 / 50MW**
Owns and operates **Theni II Wind Farm** (49.5MW) in Tamil Nadu

100% — **Jhajjar Power Limited (JPL) 1,320 / 1,320MW**
Owns and operates **Jhajjar Power Station** (1,320MW) in Haryana, which comprises two 660MW supercritical coal-fired units

49%[15] — **SE Solar Limited (SE Solar) 100 / 49MW**[16]
Veltoor Solar (100MW) is under construction in Telangana

Southeast Asia and Taiwan Investments Gross / Equity MW

Equity Interest

20% — **Ho-Ping Power Company (HPC) 1,320 / 264MW**
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 remaining 60% interest in HPC

33.3% — **Natural Energy Development Co., Ltd. (NED) 63 / 21MW**
Owns a 63MW solar farm in Lopburi Province in Central Thailand. NED is a joint venture company in which CLP has 33.3% shareholding. Electricity Generating Public Company Limited has the remaining 66.7%

Australia Investments Gross / Equity MW

Equity Interest

100%[17] — **EnergyAustralia 4,551 / 3,539MW (4,505MW including capacity purchase)**
Owns and operates a retail-focused energy business, supported by its generation portfolio in Victoria, South Australia, NSW, Queensland and the Australian Capital Territory, comprising the following facilities[18]:

- **Cathedral Rocks Wind Farm** (50% equity) (66MW)
- **Hallett Gas-fired Power Station** (203MW)
- **Mount Piper Coal-fired Power Station** (1,400MW)
- **Narrabri** (20% equity) (2C contingent resource of up to 1,791PJ)
- **Pine Dale Black Coal Mine**
- **Tallawarra Gas-fired Power Station** (420MW)
- **Wilga Park Gas-fired Power Station** (20% equity) (16MW)
- **Yallourn Coal-fired Power Station** and **Brown Coal Open-cut Mine** (1,480MW)
- **Ecogen** (Newport and Jeeralang) offtake from gas-fired power stations[19] (966MW)

Long-term Offtake[20]

- Boco Rock Wind Farm (100% offtake) (113MW)
- Gullen Range Wind Farm (100% offtake) (166MW)
- Mortons Lane Wind Farm (100% offtake) (20MW)
- Taralga Wind Farm (100% offtake) (107MW)
- Waterloo Wind Farm (50% offtake) (111MW)

Notes:

15 CLP India has an option to acquire Suzlon Group's remaining 51% stake one year after the commissioning of the project.

16 On an AC basis. Gross / Equity MW are 120 / 58.8MW if converted to DC.

17 Except those specified.

18 The Cathedral Rocks Wind Farm, Narrabri and Wilga Park Gas-fired Power Station are not operated by EnergyAustralia.

19 EnergyAustralia makes fixed payments to cover operating and capital expenditure and is liable for fuel costs in exchange for dispatch rights and the economic benefit of electricity sales from the Newport and Jeeralang Power Stations.

20 Long-term offtake relates to power purchase from power stations in which CLP has neither equity nor operational control.

Financial Review

Our Financial Performance

Operating earnings increased by 11.3% to HK$6,149 million mainly due to improved performance of certain regions we operate. Taking into account the items affecting comparability, total earnings were up 7.0%.

	Six months ended 30 June 2016		2015#		Increase	
	HK$M	HK$M	HK$M	HK$M	HK$M	%
Hong Kong		4,276		4,052	224	5.5
Hong Kong related*	113		106			
Mainland China	841		941			
India	200		92			
Southeast Asia and Taiwan	119		140			
Australia	897		493			
Other earnings	43		(28)			
Earnings from other investments / operations		2,213		1,744	469	26.9
Unallocated net finance income		23		1		
Unallocated Group expenses		(363)		(272)		
Operating earnings		6,149		5,525	624	11.3
Items affecting comparability						
Revaluation (loss) / gain on Argyle Street site		(107)		198		
Reversal of over-provision on capital gain tax		83		–		
Total earnings		6,125		5,723	402	7.0

Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 (2014) Financial Instruments about certain requirements of hedge accounting. Details are set out in Note 3 to the Financial Statements.

* Hong Kong related included PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

Average exchange rate

	Six months ended 30 June 2015		2016	Remarks
Australian dollar / Hong Kong dollar	6.0217	5.1%	5.7131	The depreciation of Australian dollar led to a significant reduction in revenue from Australia of about HK$957 million.
Indian rupee / Hong Kong dollar	0.1234	6.6%	0.1153	
Renminbi / Hong Kong dollar	1.2466	4.9%	1.1859	

Hong Kong

Earnings from Hong Kong increased by 5.5% mainly due to higher average net fixed assets and favourable fair value movement on forward foreign exchange contracts used to hedge the perpetual capital securities.

Mainland China

Earnings from Mainland China decreased mainly due to lower contributions from our coal-fired projects. Despite lower coal prices, the reduction in tariff and lower dispatch from Fangchenggang and CSEC Guohua (mainly due to lower demand) explained the decrease. On the other hand, earnings from renewables increased resulting from more rainfall at Huaiji and the commissioning of Xicun Solar II and Xundian Wind in November 2015 and January 2016 respectively. Earnings from GNPJVC increased as a result of more units generated in the first half of 2016.

India

Higher earnings from India were mainly attributable to Jhajjar as a result of higher capacity charges and lower interest expenses and refinancing charges. Earnings from wind projects were also higher due to the commissioning of Tejuva and Chandgarh wind farms. Paguthan's performance remained stable.

Southeast Asia and Taiwan

Lower earnings from Southeast Asia and Taiwan were mainly due to lower earnings from Ho-Ping as a result of less generation from longer planned outage and lower tariff, despite lower coal costs. The Lopburi solar farm in Thailand continued to achieve stable earnings because of high availability and efficiency.

Australia

Earnings from EnergyAustralia rose despite a 5.1% decrease in the Australian dollar exchange rate during the period. The increase in earnings was mainly due to more generation from Yallourn, Mount Piper and Ecogen, lower finance costs after repaying most of its borrowings in December 2015 and lower depreciation and amortisation. The increase, however, was partially offset by lower electricity retail margin, as well as additional gas storage expenses and no external storage revenue after the sale of Iona Gas Plant in December 2015.

Group's Financial Results

	Notes to the Financial Statements	Six months ended 30 June 2016 HK$M	2015# HK$M	Increase / (Decrease) HK$M	%
Revenue	4	38,671	39,985	(1,314)	(3.3)
Expenses		(30,663)	(32,168)	(1,505)	(4.7)
Finance costs	7	(1,094)	(1,553)	(459)	(29.6)
Share of results of joint ventures	13	602	861	(259)	(30.1)
Income tax expense	8	(1,341)	(1,314)	27	2.1
Earnings attributable to shareholders		6,125	5,723	402	7.0
Adjusted current operating income (ACOI)		9,077	8,829	248	2.8

Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 (2014) Financial Instruments about certain requirements of hedge accounting.

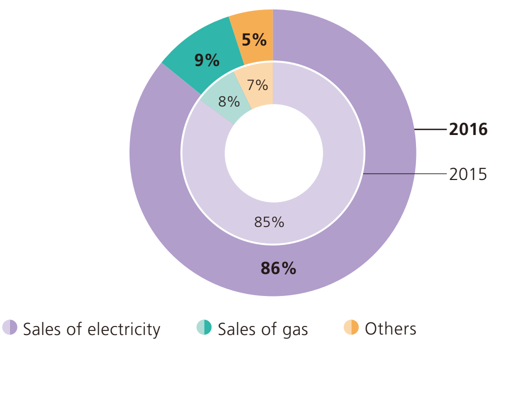
Revenue and Expenses

	Revenue 2016 HK$M	Revenue 2015 HK$M	Revenue Increase / (Decrease) HK$M	Revenue Increase / (Decrease) %	Expenses 2016 HK$M	Expenses 2015 HK$M	Expenses Increase / (Decrease) HK$M	Expenses Increase / (Decrease) %
Hong Kong	18,020	18,475	(455)	(2.5)	11,880	12,259	(379)	(3.1)
India	2,012	2,456	(444)	(18.1)	1,364	1,842	(478)	(26.0)
Australia	18,078	18,671	(593)	(3.2)	16,697	17,487	(790)	(4.5)
Others	561	383	178	46.5	722	580	142	24.5
	38,671	39,985	(1,314)		30,663	32,168	(1,505)	

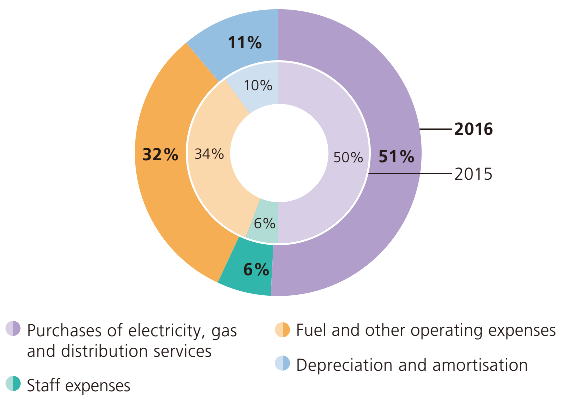
Revenue from Hong Kong decreased as a result of lower fuel cost recovery on lower fuel prices. Excluding the effect of lower exchange rate, revenue from Australia rose due to higher generation revenue on higher pool prices and increased generation at Mount Piper and Yallourn. On the other hand, lower electricity retail revenue, driven by the tariff reductions effective July 2015 and January 2016 and lower sales volume, offset part of the increase.

The decrease in expenses was mainly attributable to lower "Fuel and other operating expenses" which was caused by lower fuel prices. The "Purchases of electricity, gas and distribution services expenses" maintained at similar level of 2015. In Australia, the increase in pool purchases resulting from significant increase in pool prices in the first half of 2016 was fully offset by the decrease in transmission and distribution expenses on lower sales volume and reduction in distribution cost in 2016.

Analysis of Revenue



Analysis of Expenses



Finance Costs

Lower finance costs were mainly attributable to Australia as a result of lower interest expense and fair value loss on derivatives after repayment of most of the borrowings and close-out of related derivatives in December 2015. The lower average interest rate of the Group also contributed to the decrease.

Share of Results of Joint Ventures

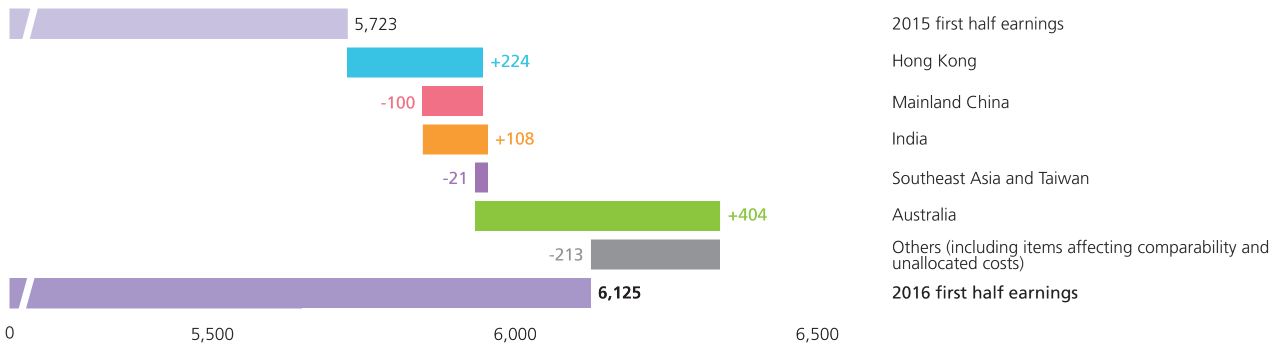
Share of results of joint ventures decreased mainly attributable to lower earnings contributions from coal-fired projects in Mainland China.

Income Tax Expense

Excluding the reversal of over-provision of HK$83 million on capital gain tax in Mainland China, the increase in income tax expense was in line with the rise in operating profits during the period.

Earnings Attributable to Shareholders

Total Earnings (HK$M)



Adjusted Current Operating Income (ACOI)

ACOI is a performance measurement which represents operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and net fair value gain/loss on derivatives relating to transactions not qualified as hedges and ineffectiveness of cash flow hedges. For its analysis, please refer to our website.

Group's Financial Position

	Notes to the Financial Statements	At 30 June 2016 HK$M	At 31 December 2015 HK$M	Increase / (Decrease) HK$M	%
Fixed assets, leasehold land and land use rights and investment properties	*11*	**137,374**	136,012	1,362	1.0
Goodwill and other intangible assets	*12*	**28,389**	28,257	132	0.5
Trade and other receivables	*17*	**15,228**	13,812	1,416	10.3
Trade and other payables	*18*	**18,130**	19,023	(893)	(4.7)
Derivative financial instrument assets*	*15*	**2,380**	1,678	702	41.8
Derivative financial instrument liabilities*	*15*	**2,106**	3,397	(1,291)	(38.0)
Bank loans and other borrowings*	*19*	**57,327**	55,483	1,844	3.3

* Including current and non-current portions

Period end exchange rate

	At 31 December 2015		At 30 June 2016	Remarks
Australian dollar / Hong Kong dollar	5.6691	1.8%	**5.7712**	The movements in Australian dollar, Renminbi and Indian rupee exchange rates resulted in a net credit to our translation reserve of HK$114 million. The fluctuations in exchange rates affected the balances of assets and liabilities which are denominated in these currencies.
Indian rupee / Hong Kong dollar	0.1171	1.7%	**0.1151**	
Renminbi / Hong Kong dollar	1.1935	2.3%	**1.1659**	

Fixed Assets, Leasehold Land and Land Use Rights and Investment Properties, and Capital Commitments

During the first half of 2016, we invested HK$3.1 billion in generation, transmission and distribution networks, as well as customer services and supporting facilities to enhance the reliability and security of power supply in Hong Kong, and HK$351 million in wind projects in Mainland China.

Capital commitments at 30 June 2016 amounted to HK$4.7 billion, which mainly related to the capital works in Hong Kong and the construction of a new solar project in India and wind farms in Mainland China.

Goodwill and Other Intangible Assets

The amortisation charge during the period, which was largely offset by continuous enhancements to the retail systems and appreciation of Australian dollar, explained the slight decrease in goodwill and other intangible assets.

Trade and Other Receivables

Trade and other receivables increased mainly attributable to the seasonal effect of higher electricity sales in summer in Hong Kong and more gas sales in winter in Australia, and higher generation debtors on significant increase in pool prices in June 2016, offset by the receipt of dividend receivable from GNPJVC during the period.

Trade and Other Payables

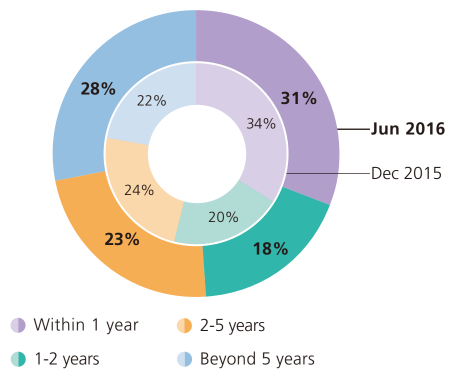
The decrease in trade and other payables was in line with the seasonality that more accruals were made at year end and more settlements of prior year expenses in the first half of the year (e.g. Renewable Energy Target obligations of EnergyAustralia).

Derivative Financial Instruments

As at 30 June 2016, the Group had gross outstanding derivative financial instruments which amounted to HK$102.6 billion. The fair value of these derivative instruments was a net surplus of HK$274 million, representing the net amount receivable if these contracts were closed out on 30 June 2016. 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 are shown below:

	Notional Amount		Fair Value Gain/(Loss)	
	30 June 2016 HK$M	31 December 2015 HK$M	**30 June 2016 HK$M**	31 December 2015 HK$M
Forward foreign exchange contracts and foreign exchange options	**55,492**	73,255	**737**	488
Interest rate swaps/cross currency interest rate swaps	**35,763**	33,838	**(195)**	(1,565)
Energy contracts	**11,392**	10,289	**(268)**	(642)
	102,647	117,382	**274**	(1,719)

Maturity Profile



Financing and Capital Resources

The Group engaged in new financing activities in the first half of 2016 in support of the operation and growth 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$4.3 billion and bank balances of HK$1.9 billion as at the end of June 2016 to meet business growth and contingencies. CLP Holdings has less financing requirement in 2016 in view of higher earnings in subsidiaries and cash inflow from Iona asset sale. Up to June 2016, CLP Holdings and CLP Power Hong Kong arranged HK$2.5 billion two-year and HK$4.65 billion five-year bank facilities respectively at attractive interest rates when the financial market remained borrower-friendly.

Financing and Capital Resources (continued)

CLP Power Hong Kong's Medium Term Note (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 2016, notes with an aggregate nominal value of about HK$25.7 billion have been issued under the MTN Programme.

The Group's project entities outside Hong Kong continue to maintain healthy liquidity. In Mainland China, CLP continued to solicit onshore debt financing at competitive terms and tap into the offshore Renminbi bank market in Hong Kong, which has been proven as an effective bridging tool, to fund construction and early operation of renewable energy projects. In India, CLP Wind Farms (India) Private Limited (CLPWF) and Jhajjar Power Limited (JPL) successfully arranged refinancings to reduce interest rate margins by 0.2% to 1.6%. JPL completed arrangement of Rs.2.5 billion (HK$288 million) additional working capital facilities to support the operation. CLPWF arranged Rs.1 billion (HK$115 million) nine-year bank loan to replace short term loans of three commissioned wind projects. In Australia, EnergyAustralia has achieved stronger balance sheet and greater financing flexibility after material deleveraging by using a major portion of proceeds from Iona asset sale to early repay significant external debt in December 2015 and repay A$426.5 million (HK$2.4 billion) shareholder's loan to CLP Holdings in February 2016. EnergyAustralia reduced the syndicated loan facility amount by A$450 million (HK$2.6 billion) to further economise finance cost.

This year, the Group continues to maintain an appropriate portion of committed credit facilities to ensure funding certainty. As at the end of June 2016, we maintained lending relationships with 71 financial institutions (31 December 2015: 74). Our efforts in diversification of debt funding to avoid over-concentration risk are illustrated in the charts below. 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$8,160 million as at 30 June 2016 was secured by fixed and floating charges over the assets of our subsidiaries in India, and HK$4,266 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 2016 was 34.2% (31 December 2015: 34.0%), decreasing to 32.8% (31 December 2015: 32.4%) after netting off bank balances, cash and other liquid funds. For the six months ended 30 June 2016, the earnings before interest and taxes (EBIT) interest cover was 10 times. As at 30 June 2016, the Group's fixed rate debt as a proportion of total debt was approximately 57% (31 December 2015: 57%) without perpetual capital securities or 61% (31 December 2015: 61%) with perpetual capital securities.

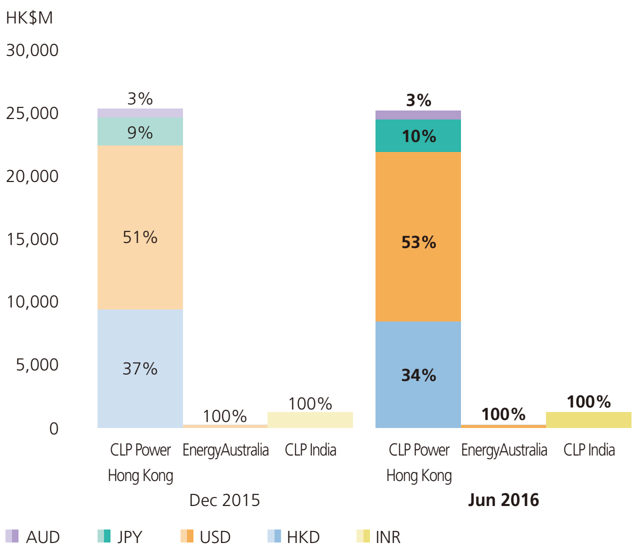
Debt Profile as at 30 June 2016

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Available Facility*	6,700	39,539	7,165	26,982	80,386
Loan Balance	2,397	34,528	5,371	15,031	57,327
Undrawn Facility	4,303	5,011	1,794	11,951	23,059

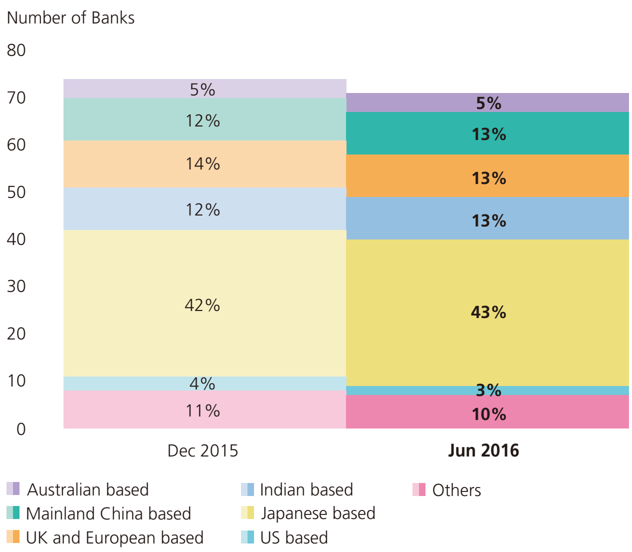
* For the MTN Programme, only the amount of the bonds issued as at 30 June 2016 was included in the total amount of Available Facility. The Available Facility in EnergyAustralia excludes a facility set aside for guarantees.

Financing and Capital Resources (continued)

Currency of Bond Funding



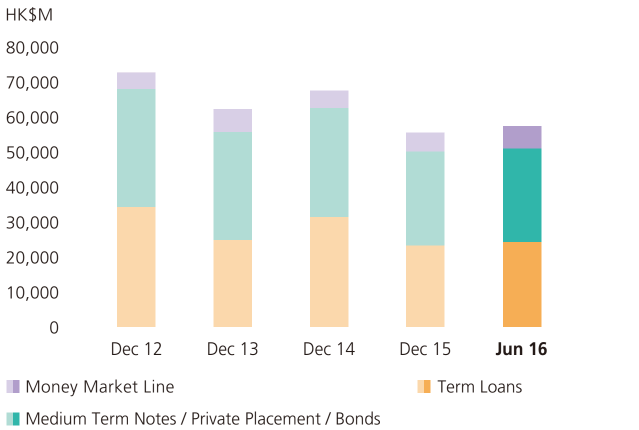
CLP Banking Relationship – Balanced Mix of Lending Financial Institutions



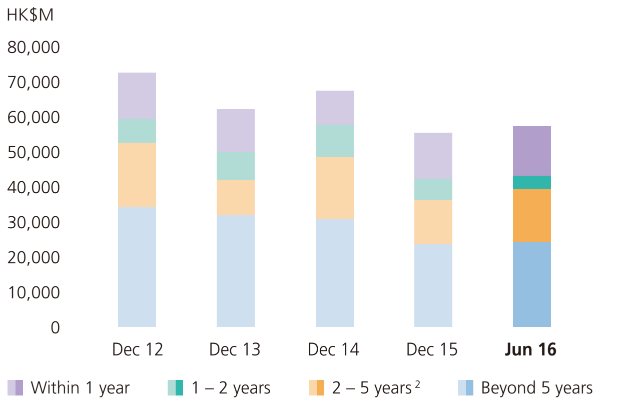
Note:

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

Loan Balance – Type [1]



Loan Balance – Maturity [1]



Notes:

1 The 2014, 2015 and 2016 figures include CAPCO and PSDC as subsidiaries of the Group after the acquisitions. For comparative purpose, we have included CLP Group, CAPCO and PSCD in the 2012 and 2013 figures.

2 Loan balance between two and five years as at 30 June 2016 included loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

Credit Rating

CLP always strives to maintain good investment grade credit ratings. In May 2016, Standard & Poor's (S&P) revised the rating outlooks of CLP Holdings and CLP Power Hong Kong to positive from stable, and affirmed their credit ratings at A- and A respectively. This rating action recognised the further strengthening of CLP Holdings' financial profile (lower debt gearing, more robust financial ratios) after EnergyAustralia's Iona asset sale in 2015, more robust operations of CLP Power Hong Kong and higher earnings from overseas businesses.

In May 2016 and March 2016, Moody's affirmed the A2 and A1 credit ratings of CLP Holdings and CLP Power Hong Kong respectively with stable outlooks. Moody's opined that CLP Holdings' financial profile will be supported by predictable operating cash flows from its Hong Kong operations, higher earnings in India and Mainland China, and modest leveraging. CLP Holdings' sound liquidity profile is supported by the stable cash flows from the Scheme of Control business, good access to the domestic and international banks and capital markets, and the availability of sizeable committed bank facilities. At the same time, CLP Holdings' credit rating is constrained by the weak but steady performance of its Australian operations.

In July 2016, S&P upgraded the rating of EnergyAustralia to BBB from BBB- with outlook revised to positive from stable. This reflects the strengthening of EnergyAustralia's financial risk profile after the significant pay-down of external debt with proceeds from Iona asset sale and a target capital structure that EnergyAustralia would like to sustain. The positive outlook reflects S&P's expectations that EnergyAustralia's rating could move higher if it can resolve fuel supply issues at Mount Piper, maintain operational stability and sustain target leverage.

As at the date of this Report, the credit ratings of major companies within the Group are as below.

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

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 portfolio 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 risk management objectives, we always prefer simple, cost-efficient and Hong Kong Financial Reporting Standards hedge-effective instruments. For instance, we prefer forward foreign exchange contracts or cross currency interest rate swaps to structured products for managing financial risks. We also monitor our risk exposures with the assistance of "Earnings-at-Risk" (EaR) and "Value-at-Risk" (VaR) methodologies. 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 2015 Annual Report on pages 80 to 82, 130 to 139 and 244 to 254.

Performance and Business Outlook

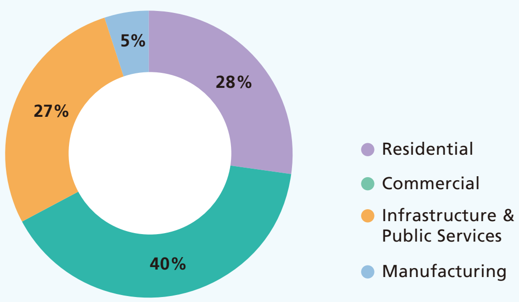
This section describes CLP's operational performance in Hong Kong, Mainland China, India, Southeast Asia, Taiwan and Australia over the first six months of 2016.

Hong Kong

During the first half of the year, local sales of electricity were 15,519GWh, up 0.6% over the same period last year. The Residential sector recorded an increase of 5.3%, mainly due to a higher heating and dehumidifying load driven by cooler weather and higher humidity. The increase in residential sales offset the decreases in sales in the Commercial, Infrastructure & Public Services, and Manufacturing sectors. A breakdown of the changes in local sales during the period by sector is as follows:

	Increase / (Decrease)	
Residential	213GWh	5.3%
Commercial	(62GWh)	(1.0%)
Infrastructure & Public Services	(19GWh)	(0.5%)
Manufacturing	(44GWh)	(5.1%)

% of Total Local Sales



Sales to Mainland China amounted to 516GWh, an increase of 26.8% over the same period last year. The increase was due to earlier purchase of electricity by Guangdong Power Grid Co., Ltd. this year.

Total electricity sales during the period, including local sales and sales to the Mainland, increased by 1.2% to 16,035GWh.

In the first six months of the year, we continued our efforts in transitioning to low-carbon power generation and further strengthening energy security. To support the Hong Kong Government's policy of increasing the share of gas in the fuel mix to around 50% by 2020, we submitted a Development Plan to the government in December 2015 for the construction of additional gas-fired generation capacity at Black Point Power Station. That was followed by an environmental impact assessment study report in February 2016. The government subsequently approved the report, which was made available for public inspection, and issued the Environmental Permit in June. We target to commission the new gas-fired generation unit before 2020, subject to satisfactory project economics and the government's approval.

We mentioned in our 2015 Annual Report that our natural-gas supply through the Second West-East Gas Pipeline to Hong Kong had been suspended temporarily because of a landslide in Shenzhen in December 2015. We worked closely with PetroChina on the repair work, and the gas supply to CLP resumed on 29 February 2016. Nevertheless, the incident underscores the importance and urgency for Hong Kong to strengthen its energy security.

Taking that into account, CLP continues to pursue new sources of gas supply as stated under the memorandum of understanding on energy cooperation signed between the Hong Kong Government and the Central People's Government in 2008. In February, we entered into an agreement with CNOOC China Limited to purchase gas from the Wenchang Gas Field in the South China Sea. The gas is expected to reach Hong Kong beginning in 2018, providing an additional medium-term supply for CLP. In the meantime, we continue our engagement with potential suppliers in order to secure the additional gas required for 2020 and beyond to support the government's environmental policy.

We have also moved forward with our proposal to build an offshore liquefied natural gas terminal in Hong Kong that will allow CLP and other natural-gas users to access international LNG supplies and secure the most competitive sources of gas. A detailed environmental impact assessment study is currently underway to examine the impact of the project on the environment and marine ecology during the construction and operation of the terminal.

In the first half of 2016, we invested HK$3.1 billion in our generation, transmission and distribution networks as well as our customer services and supporting facilities. To reinforce our transmission network, we commissioned the second 400kV Yuen Long – Lai Chi Kok circuit during the period. We are also building a new 132kV substation at the West Kowloon Cultural District to safeguard the timely provision of electricity supply to this new development area. In addition, we rolled out the online home energy assessment platform "Eco Power 360" in April, which provides our customers with greater information so that they can use energy more efficiently and lower their energy bills. These investments support our pursuit of innovation and new technologies to bring smarter and greener products and services to our customers.

Following last year's success of the first-of-its-kind "Power Your Love" programme, which encouraged more than 200,000 of our customers to save 9.5 million units of electricity and help pay the electricity bills of 20,000 underprivileged households, we are ramping up our efforts to sign up more participants this year. Additional details of the programme and our other energy efficiency initiatives can be found in the "Stakeholder Engagement & Social Performance" section on pages 25 to 27.

Since relocating our headquarters to Laguna Mall in Hung Hom four years ago, CLP has been searching for a new permanent head office. After an extensive search process and considerable evaluation, we decided that our best option is to remain in our current location. Laguna Mall is the site of one of CLP's earlier power stations and carries a historic meaning for us. We plan to upgrade our existing offices with a vision to create a modern workplace that will meet our organisational needs, improve our working environment, ensure the health and well-being of our staff and reflect our brand identity. At the same time, we plan to upgrade the building exterior and retail space of Laguna Mall and to introduce smarter, greener and more access-friendly design elements, all of which will add value to the local neighbourhood. To give us more flexibility in implementing this upgrade project, CLP acquired the commercial interest of the retail portion of the Laguna Mall in the first half of 2016. We plan to start the renovation work by mid-2018, subject to the necessary approval processes. We will work closely with the Laguna Verde community to ensure the plan's smooth execution.

The "Power Your Love" programme, which combines energy saving with helping the needy, aims for more sign-ups this year building upon its success last year

Outlook

We will continue our dialogue with the Hong Kong Government and other stakeholders on the proposed additional gas-fired generation capacity at Black Point Power Station. We aim to finalise government approval on the project during 2016. Subject to satisfactory project economics, we expect to make a final decision on the investment soon so that we can commission the new unit before 2020 in support of the government's environmental objective.

CLP will also continue to pursue the offshore LNG terminal proposal and develop measures, as needed, to minimise the environmental impact of the project based on the outcome of the assessment study. We will closely communicate with the relevant government departments and stakeholders to better understand their views on the proposed project.

In order to continue to serve our customers with the best products and services possible, we intend to introduce new features and improve the online portal "Eco Power 360" with additional personalised settings in the fourth quarter of 2016.

Looking ahead, we are committed to maintaining our supply reliability, environmental and safety performance, and excellent services for our customers. We will continue to invest in new energy efficiency initiatives, advanced and innovative technology, as well as other conservation efforts in order to build a smarter and greener Hong Kong.

Mainland China

Our renewable projects performed well in the first half of 2016 despite the slower growth of electricity demand in China.

In the first six months of this year, our hydro projects reported strong overall performance. Huaiji in Guangdong province increased power generation significantly due to abundant rainfall. In Sichuan province, our project in Jiangbian was also able to increase generation with the signing of a number of direct sales contracts with large users.

Generation from our solar facilities in China increased by 29% compared with the first six months of last year, reflecting the completion of Xicun II (42MW) solar project in Yunnan province in the second half of 2015. Generation at our solar project in Jinchang in Gansu province, which has been affected by grid curtailment, improved after its participation, since 2015, in a direct sales scheme. To take advantage of Jiangsu province's strong market demand, we acquired the remaining 49% shareholding in the Sihong project from our joint-venture partner in July 2016, adding 45MW of capacity to our solar portfolio.

Generation of our wind projects also increased year on year. The commissioning of Xundian (49.5MW) in January not only heralded a good six months for our wind projects in China, but it also represented a milestone for our renewable portfolio in Yunnan, which now encompasses hydro, solar and wind. In Guizhou province, all the wind turbines of our Sandu I (99MW) wind project were connected to the grid and began operation on 1 July 2016. This was the first time that we commissioned a project of such type and scale in a single phase. Meanwhile, construction of our wind projects in Shandong province, CLP Laizhou I and Laiwu II, continued. These two projects will add about 99MW of combined capacity after they start operation, which is targeted for the second half of 2016.

Applicable tariff rates for our three projects in Yunnan, namely Dali Yang_er hydro, Xundian wind and Xicun solar, have been adjusted downwards based on tariff levels set by monthly competitive biddings from coal-fired and hydro generation companies since the beginning of the year. We expect that the financial performance of these projects will be affected slightly in the second half of 2016 as a result of the lower tariffs.

The commissioning of Xundian Wind Farm in Yunnan province underscores our commitment to developing clean energy in Mainland China

During the period, our coal-fired projects continued to benefit from low coal prices. However, they were also affected by lower average utilisation hours and a reduction of on-grid benchmark tariff rates for coal-fired power plants by an average of about RMB3 fens per kilowatt hour nationwide beginning 1 January 2016.

Performance of the Fangchenggang coal-fired power station was affected by economic slowdown, new capacity and high hydro generation in the Guangxi Zhuang Autonomous Region. Under the recent power-sector reform policies in Guangxi, power generation companies are permitted to sell electricity directly to large electricity users through direct sales agreements, and we signed a number of agreements with large local electricity users in the first half of the year. This allows efficient coal-fired power generators to partly mitigate the decrease in generation hours. Meanwhile, construction of Fangchenggang II, which uses clean ultra-supercritical technology, is on schedule, and completion is expected in the second half of 2016.

We were recently invited by the Guangxi government to participate in the Guangxi Power Exchange Center as one of its founding members. The exchange was established as a non-profit organisation to provide, operate and manage an electricity trading platform in Guangxi.

Guangdong Daya Bay Nuclear Power Station continued to operate smoothly in the first half of the year. Production in the six-month period was higher compared with the same period last year as a result of fewer days of outages in the regular, planned maintenance and refuelling cycle.

In the near term, we expect that the transition to cleaner and more efficient sources of energy, reform of the power sector, and implementation of China's Belt and Road initiative will bring new opportunities to power producers such as CLP. However, it is likely that the performance of our coal-fired projects will come under further pressure as the energy transition continues.

We will continue to expand our non-carbon energy portfolio as a key focus for our business in China. We are currently evaluating a number of solar and wind projects in China's more developed regions.

We expect coal prices to remain weak due to a surplus in coal supply; this will continue to benefit our coal-fired power plants. Although Fangchenggang has been affected by the slowing of the economy and oversupply in the local market, we have confidence in the long-term demand and supply balance in Guangxi. In addition, we will continue to participate in various direct sales schemes to increase generation hours of our projects. As power grids reduce planned generation of power plants due to slower growth in demand and an increase in supply, our participation in direct sales schemes will help mitigate the impact.

India

In the first half of 2016, we broke new ground on the renewable front, and our thermal projects continued to achieve good performance.

In June, CLP made its first investment in solar energy in India through our partnership with Suzlon Group to develop a 100MW solar farm in the southern state of Telangana. CLP owns a 49% interest in the project, with an option to acquire the remaining 51%. The project is expected to start operation by mid-2017. This consolidated CLP's position as one of the largest renewable energy producers in India with operational and committed capacity of about 1,100MW in wind and solar energy.

Wind power generation was higher during the first six months compared with a year earlier due to additional capacity coming into operation. Recently, we have also been seeing better wind resources because of the arrival of the monsoon season.

CLP's first green bond wins the best renewable energy deal award at the Triple A Asia Infrastructure Awards 2016

Our conventional projects reported good performance in the first half of the year. Availability of our coal-fired power station in Jhajjar was at well above the 80% contractual target level. In Paguthan, availability of our gas-fired power plant stood at more than 91% during the first half. Utilisation reached about 15% in the six-month period as a result of the availability of subsidised gas from the federal government's imported gas auction in the first quarter and higher demand in April. Nevertheless, the government cancelled the auction of subsidised imported gas in March 2016 due to a lack of competition. While we anticipate Paguthan's generation level to fall in the coming months, this should not affect its financial performance, which is based on plant availability.

Outlook

India has announced an ambitious goal of installing 100GW of solar power capacity and 60GW of wind capacity by 2022. Renewable sector projects such as these present numerous opportunities for CLP. We will remain focused and selective when investing in new projects, underlining our commitment to disciplined growth of renewable energy as we contribute to the global efforts of tackling climate change. In addition, we will continue to explore investment opportunities in the transmission sector.

Southeast Asia and Taiwan

Ho-Ping Power Station in Taiwan operated safely and reliably in the first half of 2016. However, earnings decreased from a year ago due to less generation and lower tariffs.

We previously reported that Ho-Ping was involved in litigation with the Taiwan Fair Trade Commission regarding Ho-Ping's alleged violation of the Fair Trade Act during the tariff negotiations with Taiwan Power Company (Taipower) from 2008 to 2012. After the Taipei High Administrative Court ruled in Ho-Ping's favour, the Commission filed an appeal to the Supreme Administrative Court, which rejected the lower-court ruling. The case is now being re-examined by the Taipei High Administrative Court. Meanwhile, Ho-Ping continued to defend its positions against a claim by Taipower relating to its alleged losses over the tariff negotiations.

In Vietnam, substantial progress has been made on finalising contracts with the Vietnamese government for two new coal-fired development projects, Vung Ang II and Vinh Tan III. Negotiations have been ongoing since late 2015 on some key outstanding terms of the power purchase agreements and government guarantees. Efforts to securing non-recourse project financing for the projects are underway. We will use the latest high-efficiency and low-emission technologies for both projects in order to provide Vietnam with a competitively priced and an environmentally friendly electricity supply. We expect to make our final investment decisions depending on the outcome of negotiations and progress on financing.

The Lopburi solar farm in Thailand continued to achieve high availability and efficiency.

Outlook

We will continue to focus on managing our existing investments in Taiwan and Thailand and work towards finalising the government contracts and financing arrangements for Vung Ang II and Vinh Tan III in Vietnam.

In line with our investment strategy, we will monitor opportunities in the power industry in Southeast Asia and Taiwan with a focus on expanding or pursuing our existing projects and investing in the clean energy sector.

Australia

EnergyAustralia's performance continued to improve in the first half of 2016, consolidating gains made in 2015.

On 25 May 2016, the business marked the first year of the launch of its new strategy, which has led to a significantly sharper focus on customers and improvements in the performance of our power generation portfolio.

Our interaction with customers has increased with the introduction of a Net Promoter Score (NPS) in January to collect customers' feedback and gauge their satisfaction. Insights gained from the NPS are used to evaluate our products, processes and services so that they align with customer expectations. The NPS has improved since its introduction, reflecting fewer customer complaints. At the same time, customer churn rates have continued to decrease and mass-market customer-account numbers have remained stable, despite strong competition in the retail market.

Next Generation, a new business unit established in 2015 to identify and develop new products and services, announced its entry into two new markets in the first half of the year: battery storage and embedded networks. On battery storage, we have begun sales consistent with the early adopter nature of the market and are positioned for growth as public awareness increases. The embedded networks business has also started with multiple sites that are expected to go live in the fourth quarter. This new business is dedicated to establishing and operating private electricity networks for customers in multi-tenanted premises such as apartment buildings, shopping centres, retirement villages and commercial parks.

In line with its goal to adopt a sustainable and low-cost operating base, EnergyAustralia announced in November 2015 that it would close the Mill Park call centre in Victoria and relocate its operations to centres in Melbourne and Geelong as well as Manila in the Philippines. The Manila call centre opened on schedule in March and is ramping up operations ahead of the closing of Mill Park in September.

Our generation and wholesale portfolio delivered a strong performance in the first half of 2016, driven by the reliable availability of generation units during periods of high pricing.

Conditions in wholesale energy markets have been more favourable this year, compared with 2015. Demand for centralised electricity has stabilised, ending a six-year downward trend. Meanwhile, wholesale prices have increased. For example, the average New South Wales spot price was A$60/MWh in the first half of 2016, up A$25/MWh from the same period a year ago.

Factors contributing to a firmer market can be broken into both long-term and short-term influences. Short-term factors that have buoyed prices include hot summer weather in the first quarter in Queensland and New South Wales, the six-month outage of the Basslink cable from Victoria to Tasmania, and ongoing planned and unplanned maintenance across the National Electricity Market. In terms of systemic changes, we have seen increased demand from LNG operations in Queensland, the reduction in supply following the closure of Alinta Energy's Northern and Playford power stations in South Australia, and the rising cost of gas that has seen gas-fired generation offering power at higher prices. In response to the changing market, AGL Energy announced in June that it would postpone its planned mothballing of four units at its gas-fired Torrens Island power station in South Australia.

While near-term trading conditions are more favourable than the previous comparison period, long-term challenges remain for the generation sector. Oversupply remains a potential driver of reduced prices and returns, particularly as large volumes of renewables enter the market in response to the Australian government's Renewable Energy Target and emerging state-based policies. A price on carbon is likely to return in some form, with the impact on the sector highly dependent on what action is taken. In Victoria, the coal royalty rate charged per gigajoule of energy will rise from A$0.076 to A$0.228 beginning 1 January 2017. This will increase the operating costs for brown coal generators.

Standard & Poor's revised EnergyAustralia's credit rating to BBB with positive outlook from BBB- with stable outlook, reflecting S&P's views of EnergyAustralia's improved capital structure and operating performance.

Following Australia's recent federal election, the Liberal-National Coalition has been returned to government with a small majority. However, to pass legislation the government will rely on the support of minor parties in the Senate, the parliamentary upper house. EnergyAustralia maintains good relationships with both the government and opposition, and will continue to work with both major and minor parties. Certainty to energy policy will be essential to build the confidence needed to invest in transitioning Australia's energy sector to lower emissions, while ensuring reliable and affordable energy for consumers.

Outlook

EnergyAustralia has continued to build on the progress it made in 2015 towards restoring value to the business by focusing on improving customer service, operating more efficiently and reducing costs. In the second half of 2016, EnergyAustralia will continue to invest in the transformation of the business, put priority on customer service and efficiency, and manage its generation position.

EnergyAustralia provides innovative solar power solution to MIRRAT, the largest automotive terminal in Australia

Human Resources

As at 30 June 2016, the Group employed 7,339 people (2015: 7,278), of whom 4,192 were employed in the Hong Kong electricity and related business, 2,884 by our businesses in Mainland China, India, Southeast Asia, Taiwan and Australia, as well as 263 by CLP Holdings. Total remuneration for the six months ended 30 June 2016 amounted to HK$2,545 million (2015: HK$2,463 million), including retirement benefit costs of HK$215 million (2015: HK$198 million).

Safety

Safety is CLP's core value and our goal is to achieve zero injuries amongst all of our employees, contractors and customers. Unfortunately, a fatal incident took place in April 2016 at Sihong Solar Power Station in Mainland China involving a contract security guard. An independent investigation panel looked into the cause and completed a report on the incident. The lessons learnt from the investigation have been communicated across the Group to prevent a recurrence of similar incidents. In the first half of 2016, the Lost Time Injury Rate (LTIR)[1] and Total Recordable Injury Rate (TRIR)[2] improved from a year ago (see table below).

	Employees		Employees and Contractors	
	Jan - Jun 2016	Jan - Jun 2015	**Jan - Jun 2016**	Jan - Jun 2015
LTIR[1]	**0.02**	0.10	**0.05**	0.07
TRIR[2]	**0.10**	0.22	**0.13**	0.22

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

Since the successful launch of the Health, Safety, Security and Environment Management System Standard two years ago, we have continued to conduct regular site inspections and peer reviews to provide assurance to the CLP Group and share best practices to continuously improve our overall standard. A Group taskforce currently is studying the scope of potential significant incident and significant near-miss cases, with the objective of reducing the risk of serious incidents.

In June 2016, CLP was bestowed with the prestigious "Hong Kong Duty of Care" award from the International SOS Foundation and Employers' Federation of Hong Kong. The award recognises organisations in Hong Kong that have taken a proactive approach in addressing risks associated with employee travel. As we continue to grow our business overseas, an increasing number of our employees will travel and work across borders. This award is a strong endorsement of our preventive approach to reduce travel, health and security risks and in ensuring the safety of our workers travelling for business.

Environment

In our 2015 Annual Report, we reiterated our environmental management approach and commitment to strive for environmental excellence. In the first half of 2016, we made abundant use of our wealth of knowledge gained through our regional experience to create the best synergy within the CLP Group and continued to look for better ways to fulfil our commitment.

Compliance

CLP had no environmental regulatory non-compliance incidents in the first half of 2016 that resulted in fines or prosecutions although we did experience licence limit exceedances at one of our power stations. These exceedances were generally associated with plant start-up / shut down activities. While there is no regulatory sanction involved, we are investigating these exceedances to apply technical solutions and good industry practice to minimise the duration and frequency of such incidents.

Climate Change

Our carbon intensity remained steady during the first half of 2016 at our 2015 level of around 0.81 kg CO_2 / kWh as there have been no major changes in our portfolio or operational conditions.

On 22 April 2016, the Paris Agreement, delivered by 195 nations at the 21st Conference of the Parties (COP21) to the United Nations Framework on Climate Change in Paris in December 2015, opened for ratification until 21 April 2017. The interim targets outlined in our Climate Vision 2050 remain challenging as we anticipate our carbon intensity to continue to fluctuate into the foreseeable future. CLP hopes that more governments will ratify the agreement so that it can enter into force and inspire businesses and governments to come together on behalf of the communities they serve to bring about an orderly transition to a low-carbon economy. Our renewable energy and nuclear power projects produce virtually zero carbon emissions and will therefore play an increasingly important role in our growth plans. Under our investment strategy, we are planning for 50% of our investments outside Hong Kong to be in low-carbon generating capacity over the next 10 years.

Air Quality

Regulatory requirements on air emissions are becoming more stringent. We have already reported the tightening of air emissions requirements for power stations in Mainland China. India has also released requirements for sulphur dioxide (SO_2) and nitrogen oxides (NO_x), on top of the current limit on particulates for coal-fired power stations to be effective by December 2017. Our Jhajjar Power Station is well-equipped with flue gas desulphurisation facilities to meet the new sulphur dioxide emissions requirements. We are considering a range of options for nitrogen oxides emissions reductions.

In Hong Kong, we are committed to working diligently towards the government's emissions caps set for 2016 against a projected growth in electricity demand in the period. We have taken steps to meet the stringent emissions caps (over 60% reduction in sulphur dioxide and over 30% reduction in nitrogen oxides and respirable suspended particulates compared with the 2010's levels).

Our goal is to meet the emissions caps while maintaining the fuel costs, and hence our tariff, at a reasonable level. We will continue to work closely with the government to comply with the tightened emissions caps and contribute to improving Hong Kong's air quality, while providing a safe and reliable power supply at a reasonable cost.

Water Usage & Risk

CLP's thermal power stations require a certain amount of cooling water to operate, and our hydro power stations rely on water to generate electricity. We have in recent years increased our efforts in reviewing water-related usage and risks in our operations. Study of our power stations has confirmed that the water availability issues are well managed. We are also vigilant in ensuring waste water from our power stations has been treated properly before being discharged. We are committed under our Sustainability Principles to use water as a resource efficiently and conservatively, and we will continue our efforts to carefully manage our water usage.

Sustainability Performance

We published our 2015 Sustainability Report in March 2016, which supplements our integrated Annual Report with additional information on our environmental and social performance. The content of our 2015 Sustainability Report was prepared in accordance with the "core" option of the Global Reporting Initiative's G4 Guidelines and its Electric Utilities Sector Supplement, and the requirements of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide. In line with previous years, the Sustainability Report also includes a set of quantitative key environmental, social, governance and financial performance indicators which have been verified by third parties. These indicators were also included in our Annual Report.

To help us understand our sustainability performance relative to other companies, we respond to a selection of investor surveys and indices on an annual basis. In the first half of 2016, we responded to the Carbon Disclosure Project (a UK-based organisation that works with businesses on climate-change disclosures), the Dow Jones Sustainability Index and the Hang Seng Corporate Sustainability Index. Results of these indices will be available in the second half of 2016.

Stakeholder Engagement & Social Performance

CLP Group continues to maintain regular interaction with our peers, industry associations, and research and academic communities to enrich our knowledge about environmental and energy policies, technology trends and regional developments. During the first half of 2016, we invited scholars and experts from the Climate Group, Massachusetts Institute of Technology, Lux Research and Bloomberg New Energy Finance to share with us their insights on energy policies and outlook for China, carbon pricing, the water-energy-land nexus, and energy storage technologies and applications. We also continued our engagement with organisations including the World Business Council for Sustainable Development, the World Energy Council, the International Integrated Reporting Council, and participated in international conferences such as the seventh Clean Energy Ministerial in San Francisco.

The revamped Green Studio which promotes green education celebrates its 100,000th visitor milestone at its launch ceremony

At the same time, we continued to interact with our stakeholders at the local level. Some of the activities are highlighted below:

Hong Kong

We held a number of major campaigns and introduced new initiatives to promote energy saving and caring for the community. These projects included:

- **Power Your Love**

  We continued our innovative "Power Your Love" programme this summer, which combines energy-saving efforts and caring for the community. For every unit of electricity saved by our registered residential customers, CLP will donate one unit of electricity to households that are in need. The campaign is expected to benefit around 20,000 underprivileged households. Each beneficiary household will receive a grant of HK$300 from a HK$6 million CLP shareholders' fund.

- **Elderly Yum Cha**

  Supported by more than 360 district councillors, six local community partners and four major catering associations, the popular Elderly Yum Cha programme distributed 80,000 dim sum breakfast coupons to 40,000 elderly people in need during the first half of the year. CLP committed HK$2 million of shareholders' funds to support the programme.

- **Green Studio**

  CLP's Green Studio has undergone a major facelift, equipped with the latest 4D technology. The enhanced content was developed with reference to the local primary school general studies syllabus. The revamped mobile classroom continues to deliver green messages to schools and local communities on the impact of climate change. Since its launch in 2009, Green Studio has welcomed over 100,000 visitors from around the city.

- **POWER YOU Kindergarten Education Kit**

  To encourage green education at an early age, CLP distributed some 1,000 newly designed POWER YOU kindergarten education kits to all kindergartens and childcare centres. The kit contains textbooks, finger puppets, a board game and other educational materials involving themes such as electricity, power generation, energy saving and environmental protection.

- **CLP Holdings Professorship in Sustainability**

  In June, we established the CLP Holdings Professorship in Sustainability at the Hong Kong University of Science and Technology — the first of its kind in Hong Kong. The named professorship, which matches with our value framework in advocating sustainable development, will attract eminent academics to teach in Hong Kong and engage in advanced research on climate change and sustainable energy. This will help raise the standards of a large number of students over time.

Mainland China

In the first half of 2016, CLP's directors and senior executives continued to engage local government leaders and other industry players to enrich their understanding of our operations and expertise. We achieved this through high-level meetings such as the Boao Forum for Asia and the 6th Guangdong, Hong Kong and Macau Power Industry Summit, as well as through visitations and our community programmes.

During this period, we funded the renovation of an abandoned primary school and turned it into the first public kindergarten in Laizhou, Shandong province. The renovated facility provides pre-school education for 180 children.

To enhance young people's environmental awareness and interest in the engineering profession, we arranged for about 150 secondary school students from Hong Kong and Guangxi to take part in the CLP Young Power Programme this summer.

India

We expanded our Mobile Health Van medical outreach programme from Jhajjar to Paguthan and Andhra Lake. With a team of doctors and nurses, the van visited 40 remote villages in the three areas in the six-month period. It is estimated that 35,000 people annually benefit from the programme, which provides primary healthcare at the beneficiaries' doorstep.

Meanwhile, we have launched other new healthcare initiatives at Paguthan, including support to multidrug-resistant tuberculosis patients, provision of a basic support kit to new mothers who delivered babies in government hospitals, and supply of monthly healthy food refills to HIV-affected children.

Education and training is one of the focus areas of CLP India's community programmes. At Paguthan, our flagship education initiative – the CLP India Scholarship Scheme – provided financial support to 56 students for their graduation/post-graduation studies. At Jhajjar, 200 students benefited from a primary education improvement programme we initiated in two government schools.

Australia

In May 2016, EnergyAustralia became the first Australian energy company to join a new initiative, led by Good Shepherd Microfinance, which aims to improve financial resilience for people experiencing financial exclusion and hardship.

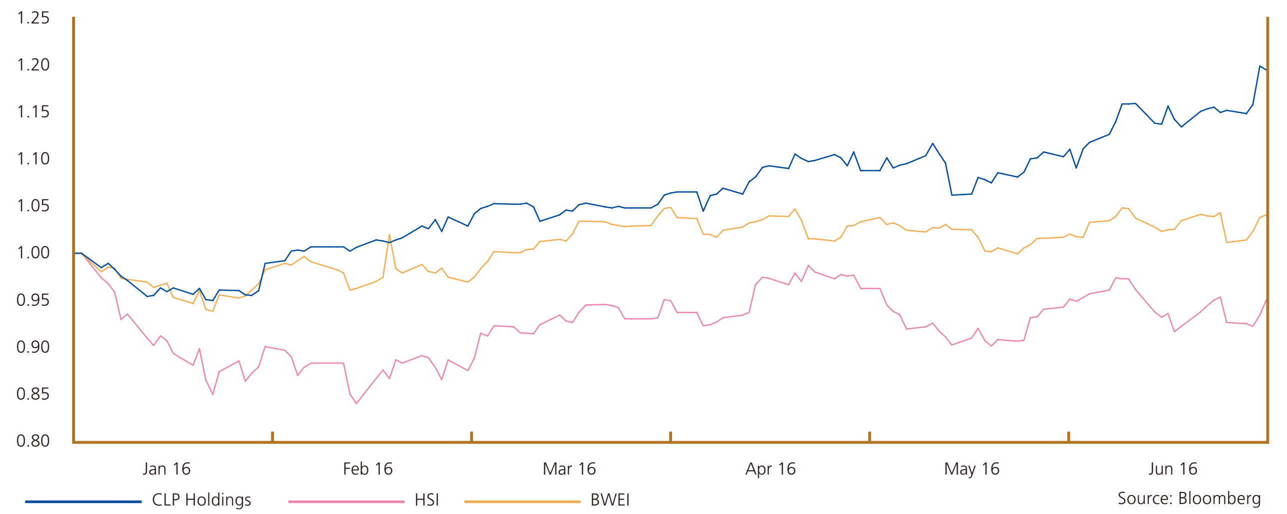
Our Mobile Health Van outreach programme provides free medical consultation and treatment to villagers in remote areas of India

Shareholder Value

Although global equity markets experienced a difficult start to 2016, shares of CLP performed strongly during the first half of the year and ended the period up by 20%, outperforming the Hang Seng Index (HSI), which declined by 5%. The Bloomberg World Electric Index (BWEI), in comparison, rose 4% during the six-month period.

The fourth interim dividend for 2015 of HK$1.05 per share was paid to shareholders on 24 March 2016. The first interim dividend for 2016 of HK$0.57 per share was paid on 15 June 2016 and the second interim dividend of HK$0.57 per share will be paid on 15 September 2016.

Relative Performance – CLP vs HSI and BWEI (1 January 2016 – 30 June 2016) **(Base: 31 December 2015 = 1.0)**



Corporate Governance

Corporate Governance Practices

CLP have our own unique "CLP Code on Corporate Governance". This incorporates, save for an exception outlined below, all of the Code Provisions and Recommended Best Practices in the Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code) issued by the Stock Exchange of Hong Kong Limited (the Stock Exchange) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) on the Stock Exchange.

The exception to 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 have been explained in the Corporate Governance Report on page 110 of the Company's 2015 Annual Report. Although we do not issue quarterly financial results, we issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities.

During the six months ended 30 June 2016, the Company met the Code Provisions and Recommended Best Practices, other than the exception explained above, set out in the Stock Exchange Code.

In the Corporate Governance Report published in our 2015 Annual Report, we described CLP's Corporate Governance Framework and the continuing evolution of CLP's corporate governance practices, including progress achieved in key areas in 2015. We remain committed to this evolution, and for the first half of 2016 we have undertaken or implemented the following:

(a) reviewed and updated CLP Holdings' Company Management Authority Manual which is the Group's holding company manual for delegation of authority. This refined the alignment of the governance process for the operational and strategic aspects of the business with the focus and strategy of the Group;

(b) engaged an independent external consultant to conduct an evaluation of the Board and Board Committees, with an aim at finalising the exercise in the last quarter of 2016;

(c) in addition to our fourth Environmental, Social and Governance (ESG) webcast held on 22 March 2016 (available on our CLP website), we have supplemented our ESG engagement with the hosting of ESG discussion with institutional investors by our Chief Executive Officer; and

(d) enhancing the cyber security initiatives of the CLP Group focusing on awareness and governance aspects.

As at 30 June 2016, the composition of the Board of CLP Holdings was as follows, which remained the same as set out in the 2015 Annual Report (pages 104 and 105):

Non-executive Directors	Independent Non-executive Directors	Executive Directors
The Honourable Sir Michael Kadoorie	Mr Vernon Francis Moore	Mr Richard Kendall Lancaster
Mr William Elkin Mocatta	Sir Roderick Ian Eddington	Mr Geert Herman August Peeters
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	
	Mrs Zia Mody	

The Directors subject to election and re-election at the 2016 Annual General Meeting (AGM) were all duly elected and re-elected with the approval of the shareholders.

As at 30 June 2016, the composition of Board Committees remained the same as set out in the 2015 Annual Report (pages 117, 140, 143 and 148).

There were no substantial changes to the information of Directors as disclosed on pages 104 and 105 of the 2015 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 2016. 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, none of our Directors, individually, held directorships in more than eight public companies including the Company. None of the Executive Directors held any directorship in any other public companies; whereas their participation in professional, public and community organisations are welcomed and supported by the Company. Other details of the Directors' biography 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 2016.

At the Company's AGM held on 5 May 2016, the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2016 was approved by our shareholders with strong support of over 99.69% of the votes.

Further information of CLP's corporate governance practices is set out in the "About CLP" and "Investors Information" sections of the CLP website.

Remuneration

Non-executive Directors

In our 2015 Annual Report, we set out the proposed fees for our Non-executive Directors (including Independent Non-executive Directors) who serve on the Board and on the Board Committees of the Company for the ensuing three years ending on the date of the AGM in 2019 (see page 150 of the Company's 2015 Annual Report). At our 2016 AGM, the proposed fees were approved by our shareholders with strong support of over 99.98% of the votes.

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 2016 are set out in the table on page 31.

The amounts disclosed consist of remuneration accrued or paid for service during the first six months of 2016 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 Executive Directors and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the table on page 31 the "total remuneration" column includes the following recurring items for the six months ended 30 June 2016:

(i) base compensation, allowances & benefits paid.

(ii) 2016 annual incentive accrued based on the previous year of Company performance. Additionally, as the Company performance actually achieved in 2015 was higher than the annual incentive accrual for 2015, the difference was added in the current period.

(iii) the 2013 long-term incentive award paid in January 2016, when the vesting conditions were satisfied.

(iv) provident fund contribution made.

The "other payment" column includes the non-recurring item which is sign-on payments accrued in accordance with the Company's contractual obligation for a newly hired Senior Management in consideration of income foregone with the individual's previous employer on joining CLP.

	Recurring Remuneration Items					Non-recurring Remuneration Item	
		Performance Bonus [2]					
	Base Compensation, Allowances & Benefits [1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payment HK$M	Total HK$M
Six months ended 30 June 2016							
CEO (Mr Richard Lancaster)	4.3	4.2	3.0	0.8	**12.3**	–	**12.3**
Executive Director & Chief Financial Officer (Mr Geert Peeters) [3]	3.2	3.2	–	0.6	**7.0**	–	**7.0**
Chief Operating Officer (Mr Derek Parkin)	2.4	2.1	–	0.4	**4.9**	–	**4.9**
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	2.0	2.9	–	0.4	**5.3**	–	**5.3**
Managing Director – CLP Power (Mr Paul Poon)	2.6	2.5	2.1	0.5	**7.7**	–	**7.7**
Managing Director – EnergyAustralia (Ms Catherine Tanna) [4]	5.3	7.5	–	0.1	**12.9**	2.3	**15.2**
Managing Director – India (Mr Rajiv Mishra) [5]	1.8	1.4	1.4	0.3	**4.9**	–	**4.9**
Managing Director – China (Mr Chan Siu Hung)	1.9	1.8	1.5	0.3	**5.5**	–	**5.5**
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	2.3	2.2	1.9	0.4	**6.8**	–	**6.8**
Chief Corporate Development Officer (Ms Quince Chong)	2.3	2.2	2.1	0.4	**7.0**	–	**7.0**
Chief Human Resources Officer (Mr Roy Massey)	1.6	1.6	1.5	0.3	**5.0**	–	**5.0**
Total	**29.7**	**31.6**	**13.5**	**4.5**	**79.3**	**2.3**	**81.6**

Notes:

1 The value of non-cash benefits is included under the "base compensation, allowances & benefits" column of the above table. The nature of these benefits includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.

2 Performance bonus consists of (a) annual incentive (2016 accrual + 2015 adjustment) and (b) long-term incentive (payment for 2013). The annual incentive payments and long-term incentive awards were approved by the Human Resources & Remuneration Committee (HR&RC). For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Remuneration Committee and members of the HR&RC.

3 Mr Geert Peeters joined the Company on 1 February 2014. He was appointed as Executive Director & Chief Financial Officer on 1 January 2016.

4 Ms Catherine Tanna joined the Company on 1 July 2014. Under the "other payment" column, the amount of HK$2.3 million represents the accrued sign-on award upon joining CLP for the first half of 2016. The remuneration of Ms Catherine Tanna is denominated in Australian dollar. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollar.

5 The remuneration of Mr Rajiv Mishra is denominated in Indian rupee. There is a temporary currency relief arrangement for Mr Rajiv Mishra for two years from 1 October 2015 to 30 September 2017 where 50% of his base salary and annual incentive payment in rupee are converted to pay in Hong Kong dollar at an exchange rate of 1 HK$ = 8.3 rupee. For the remaining payments in rupee, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollar.

Internal Control

The Audit Committee has the delegated responsibility from the Board to assure that adequate internal controls are in place and followed, and the Audit Committee has continued to review the CLP Group's internal control approach and the internal audit reports submitted by Group Internal Audit. Details of the CLP's internal control system were set out in the Corporate Governance Report on pages 124 to 127 of the Company's 2015 Annual Report.

During the six-month period ended 30 June 2016, eight out of a total of nine reports issued by Group Internal Audit carried satisfactory audit opinion. One report was non-satisfactory, and the issues identified in this report related to one of our subsidiaries' payroll systems and processes. No significant impact on the interim financial statements resulted from these findings. To address these issues in a comprehensive manner, mitigating measures are being implemented by management. No significant areas of concern that might affect shareholders were identified.

Interests in CLP Holdings' Securities

Since 1989, the Company has adopted its own CLP Securities Code. This is on terms no less exacting than the required standard set out in the Model Code, Appendix 10 of the Listing Rules, and has been updated from time to time. 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 2016.

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 2016.

Save for the interest disclosed below by Mr Richard Lancaster and the interest in 600 shares each respectively disclosed by Mr Paul Poon, Mr Chan Siu Hung and Mr Roy Massey, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2016.

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 2016, 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 2016 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	480,672,780	19.02562
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	224,349,077	8.88001
Mr Andrew Brandler	Note 5	10,600	0.00042
Dr Y. B. Lee	Note 6	15,806	0.00063
Mrs Fanny Law	Personal	16,800	0.00066
Mr Nicholas C. Allen	Note 7	12,000	0.00047
Mr Richard Lancaster (Chief Executive Officer)	Personal	600	0.00002

Notes:

1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 480,672,780 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) 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

(f) 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 (f) above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% 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 480,671,537 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 480,671,537 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 224,349,077 shares in the Company. These shares were held in the following capacity:

(a) 135,000 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 10,000 shares were held in a beneficial owner capacity.

6 600 shares were held in a personal capacity and 15,206 shares were held jointly with spouse.

7 12,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely, Mr Vernon Moore, Mr Vincent Cheng, Ms Irene Lee, Sir Rod Eddington, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2016.

None of the Directors or the Chief Executive Officer had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 30 June 2016.

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 or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 30 June 2016.

At no time during the period was the Company or its subsidiaries 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 2016, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table and explanatory notes below:

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

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 30 June 2016:

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	418,160,706	Note 3	16.55
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	410,524,882	Note 2	16.25
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	480,672,780	Note 5	19.03
Mr Ronald J. McAulay	Note 6	288,811,649	Note 6	11.43
Mr J. A. H. Leigh	Notes 7 & 8	224,349,077	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.

As at 30 June 2016, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

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

As at 30 June 2016, 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 2016, 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 2016.

Consolidated Statement of Profit or Loss – Unaudited

	Note	Six months ended 30 June 2016 HK$M	2015 HK$M (Restated)*
Revenue	*4*	38,671	39,985
Expenses			
Purchases of electricity, gas and distribution services		(15,671)	(15,904)
Staff expenses		(1,925)	(1,862)
Fuel and other operating expenses		(9,736)	(11,040)
Depreciation and amortisation		(3,331)	(3,362)
		(30,663)	(32,168)
Operating profit	*6*	8,008	7,817
Finance costs	*7*	(1,094)	(1,553)
Finance income	*7*	75	83
Share of results, net of income tax			
Joint ventures	*13*	602	861
An associate	*14*	421	371
Profit before income tax		8,012	7,579
Income tax expense	*8*	(1,341)	(1,314)
Profit for the period		6,671	6,265
Earnings attributable to:			
Shareholders		6,125	5,723
Perpetual capital securities holders		123	123
Other non-controlling interests		423	419
		6,671	6,265
Earnings per share, basic and diluted	*10*	HK$2.42	HK$2.27

* Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 (2014) Financial Instruments (HKFRS 9) about certain requirements of hedge accounting. Details are set out in Note 3 to the Financial Statements.

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial statements.

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

	2016 HK$M	2015 HK$M (Restated)*
	Six months ended 30 June	
Profit for the period	**6,671**	6,265
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**111**	(1,677)
Cash flow hedges	**243**	(262)
Cost of hedging	**23**	29
Fair value changes on equity investments	**–**	98
Reclassification adjustment upon sale of a joint venture	**–**	17
Share of other comprehensive income of joint ventures	**(1)**	(3)
	376	(1,798)
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**(107)**	–
Share of other comprehensive income of joint ventures	**(31)**	110
	(138)	110
Other comprehensive income for the period, net of tax	**238**	(1,688)
Total comprehensive income for the period	**6,909**	4,577
Total comprehensive income attributable to:		
Shareholders	**6,366**	4,035
Perpetual capital securities holders	**123**	123
Other non-controlling interests	**420**	419
	6,909	4,577

* Comparative figures have been restated in accordance with the transitional provisions of HKFRS 9 about certain requirements of hedge accounting. Details are set out in Note 3 to the Financial Statements.

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Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2016 HK$M	(Audited) 31 December 2015 HK$M
Non-current assets			
Fixed assets	11	128,033	127,801
Leasehold land and land use rights under operating leases	11	5,519	5,542
Investment properties	11	3,822	2,669
Goodwill and other intangible assets	12	28,389	28,257
Interests in joint ventures	13	10,820	11,250
Interest in an associate	14	1,197	785
Finance lease receivables		752	799
Deferred tax assets		1,618	1,690
Derivative financial instruments	15	1,603	1,078
Equity investments	16	1,531	1,644
Other non-current assets		148	174
		183,432	181,689
Current assets			
Inventories – stores and fuel		2,710	3,110
Renewable energy certificates		1,092	902
Trade and other receivables	17	15,228	13,812
Finance lease receivables		52	52
Derivative financial instruments	15	777	600
Bank balances, cash and other liquid funds		3,495	3,799
		23,354	22,275
Current liabilities			
Customers' deposits		(4,902)	(4,829)
Trade and other payables	18	(18,130)	(19,023)
Income tax payable		(1,186)	(651)
Bank loans and other borrowings	19	(14,169)	(13,189)
Derivative financial instruments	15	(593)	(595)
		(38,980)	(38,287)
Net current liabilities		(15,626)	(16,012)
Total assets less current liabilities		167,806	165,677

	Note	30 June 2016 HK$M	(Audited) 31 December 2015 HK$M
Financed by:			
Equity			
Share capital		23,243	23,243
Reserves	*21*	72,148	69,875
Shareholders' funds		95,391	93,118
Perpetual capital securities		5,791	5,791
Other non-controlling interests		2,027	2,023
		103,209	100,932
Non-current liabilities			
Bank loans and other borrowings	*19*	43,158	42,294
Deferred tax liabilities		13,670	13,476
Derivative financial instruments	*15*	1,513	2,802
Fuel clause account		2,795	2,226
Scheme of Control (SoC) reserve accounts	*20*	497	1,009
Asset decommissioning liabilities		1,084	1,025
Other non-current liabilities		1,880	1,913
		64,597	64,745
Equity and non-current liabilities		167,806	165,677

The Honourable Sir Michael Kadoorie
Chairman
Hong Kong, 1 August 2016

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

The notes on pages 42 to 65 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 2016

	Attributable to Shareholders			Perpetual Capital Securities	Other Non-controlling Interests	Total Equity
	Share Capital HK$M	Reserves HK$M	Total HK$M	HK$M	HK$M	HK$M
Balance at 1 January 2016	23,243	69,875	93,118	5,791	2,023	100,932
Profit for the period	–	6,125	6,125	123	423	6,671
Other comprehensive income for the period	–	241	241	–	(3)	238
Acquisition of a subsidiary (Note 11(b))	–	–	–	–	53	53
Dividends paid						
2015 fourth interim	–	(2,653)	(2,653)	–	–	(2,653)
2016 first interim	–	(1,440)	(1,440)	–	–	(1,440)
Distributions to perpetual capital securities holders	–	–	–	(123)	–	(123)
Dividends paid to other non-controlling interests of subsidiaries	–	–	–	–	(469)	(469)
Balance at 30 June 2016	**23,243**	**72,148**	**95,391**	**5,791**	**2,027**	**103,209**
Balance at 1 January 2015	23,243	64,770	88,013	5,791	2,155	95,959
Profit for the period	–	5,723	5,723	123	419	6,265
Other comprehensive income for the period	–	(1,688)	(1,688)	–	–	(1,688)
Dividends paid						
2014 fourth interim	–	(2,526)	(2,526)	–	–	(2,526)
2015 first interim	–	(1,390)	(1,390)	–	–	(1,390)
Distributions to perpetual capital securities holders	–	–	–	(123)	–	(123)
Dividends paid to other non-controlling interests of subsidiaries	–	–	–	–	(495)	(495)
Balance at 30 June 2015	23,243	64,889	88,132	5,791	2,079	96,002

The notes on pages 42 to 65 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June			
	2016		2015	
	HK$M	HK$M	HK$M	HK$M
Operating activities				
Net cash inflow from operations	9,495		7,133	
Interest received	78		78	
Income tax paid	(557)		(399)	
Net cash inflow from operating activities		9,016		6,812
Investing activities				
Capital expenditure	(5,893)		(5,396)	
Capitalised interest paid	(134)		(144)	
Proceeds from disposal of fixed assets	91		25	
Additions of other intangible assets	(99)		(69)	
Decrease in equity investments	–		3	
Acquisition of a subsidiary (Note 11(b))	(38)		–	
Proceeds from sale of a joint venture	–		202	
Deposits for sales of subsidiaries refunded	–		(283)	
Repayment of advances from/(investments in and advances to) joint ventures	25		(975)	
Dividends received from				
Joint ventures	690		1,922	
An associate	889		796	
Equity investments	1		64	
Net cash outflow from investing activities		(4,468)		(3,855)
Net cash inflow before financing activities		4,548		2,957
Financing activities				
Proceeds from long-term borrowings	8,174		9,070	
Repayment of long-term borrowings	(8,605)		(8,139)	
Increase in short-term borrowings	1,240		1,608	
Interest and other finance costs paid	(999)		(1,384)	
Advances from other non-controlling interests	149		169	
Distributions paid to perpetual capital securities holders	(123)		(123)	
Dividends paid to shareholders	(4,093)		(3,916)	
Dividends paid to other non-controlling interests of subsidiaries	(469)		(495)	
Net cash outflow from financing activities		(4,726)		(3,210)
Net decrease in cash and cash equivalents		(178)		(253)
Cash and cash equivalents at beginning of period		3,565		4,036
Effect of exchange rate changes		(64)		(48)
Cash and cash equivalents at end of period		3,323		3,735
Analysis of balances of cash and cash equivalents				
Deposits with banks		2,379		2,716
Cash at banks and on hand		1,116		1,433
Bank balances, cash and other liquid funds		3,495		4,149
Excluding:				
Cash restricted for specific purposes		(170)		(412)
Bank deposits with maturity of over three months		(2)		(2)
		3,323		3,735

The notes on pages 42 to 65 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. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the SoC Agreement are summarised on pages 255 and 256 of the 2015 Annual Report.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 1 August 2016.

2. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with 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 which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the early adoption of HKFRS 9 issued in July 2014 as described in Note 3 below. There are no other new standards and amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The financial information relating to the year ended 31 December 2015 that is included in the 2016 Interim Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

3. Effect on Adoption of HKFRS 9

The Group has early adopted HKFRS 9 with the date of initial application on 1 January 2016 which resulted in changes in accounting policies and adjustments to certain amounts recognised in the financial statements. The new accounting policies replaced the provisions of HKAS 39 Financial Instruments: Recognition and Measurement (HKAS 39) in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments: Disclosures. The new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

Effect on adoption of HKFRS 9 by CLP is summarised below:

(1) Classification and measurement — equity investments of the Group are reclassified from "available-for-sale" to "fair value through other comprehensive income";

(2) Impairment on financial assets — the new expected credit loss model has no material impact to the Group's financial assets; and

(3) Hedge accounting — the retrospective application of cost of hedging has resulted in reclassification of opening balances of reserves of 2015 and 2016 and immaterial adjustments to 2015 profit or loss and other comprehensive income.

3. Effect on Adoption of HKFRS 9 (continued)

The general principle of HKFRS 9 is to apply the standard retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, except for hedge accounting, which is to be applied prospectively apart from certain limited retrospective application. For the new classification and measurement requirements, the Group has elected for the exception from the requirement to restate comparative information as set out in the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. For hedge accounting, except for the cost of hedging as described in (B)(c) below which is applied retrospectively, the general hedge accounting requirements are applied prospectively. Accordingly, comparative information is adjusted for the retrospective application of cost of hedging.

The changes in the accounting policies and the effects of the resulting changes are summarised below:

(A) Changes in accounting policies

At initial recognition, for financial assets not at fair value through profit or loss, the Group measures them at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. For financial assets carried at fair value through profit or loss, transaction costs are expensed in profit or loss.

(a) Debt instruments

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost. A gain or loss on a debt instrument that is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

All equity investments are subsequently measured at fair value through profit or loss. However, at initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to present in other comprehensive income subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

Where the management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss when the right to receive payments is established.

(c) Impairment of financial assets

The impairment of financial assets has changed from the incurred loss model under HKAS 39 to the expected credit loss model under HKFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and finance lease receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3. Effect on Adoption of HKFRS 9 (continued)

(A) Changes in accounting policies (continued)

(d) Cost of hedging

When a forward contract is used in a hedge transaction, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in other comprehensive income if it is designated as a cash flow hedge or are recognised in profit or loss if it is designated as a fair value hedge. The Group may also elect to designate only the change in fair value of the forward contract related to the spot component as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in the spot component of the forward contract are recognised in other comprehensive income if it is designated as a cash flow hedge or are recognised in profit or loss if it is designated as a fair value hedge. The change in fair value of the forward element of the contract that relates to the hedged item (aligned forward element) is recognised in other comprehensive income and is accumulated in a separate component of equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When an option contract is used in a time-period related hedge transaction, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contract are recognised in other comprehensive income if it is designated as a cash flow hedge or are recognised in profit or loss if it is designated as a fair value hedge. The change in fair value of the time value of the option contract that relates to the hedged item (aligned time value) is recognised in other comprehensive income and is accumulated in a separate component of equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period. For transaction related hedged items, the cumulative change of these elements is included in the initial carrying amount of any non-financial asset recognised when the hedged transaction occurs or is recognised in profit or loss if the hedged transaction affects profit or loss.

(B) Effects of changes in accounting policies

(a) Classification and measurement of financial instruments

(i) Reclassification of available-for-sale investments to equity investments at fair value through other comprehensive income

The Group elected to present changes in the fair value of all its equity investments (previously classified as available-for-sale investments) in other comprehensive income as they are long-term and strategic investments. As a result, available-for-sale investments with an aggregated fair value of HK$1,644 million were reclassified to equity investments at fair value through other comprehensive income on 1 January 2016.

3. Effect on Adoption of HKFRS 9 (continued)

(B) Effects of changes in accounting policies (continued)

(a) Classification and measurement of financial instruments (continued)

(ii) Reclassifications of financial instruments on adoption of HKFRS 9

All classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 January 2016, the measurement categories of each material class of financial assets and liabilities were as follows:

	Note	Measurement Category under HKAS 39	Measurement Category under HKFRS 9	Carrying Amount at 1 January 2016 under HKAS 39/ HKFRS 9 HK$M
Financial assets				
Loans to a joint venture	*13*	Amortised cost	Amortised cost	743
Finance lease receivables		Amortised cost	Amortised cost	851
Derivative financial instruments	*15*	Fair value through profit or loss	Fair value through profit or loss	1,678
Equity investments	*16*	Available-for-sale	Fair value through other comprehensive income	1,644
Trade and other receivables	*17*	Amortised cost	Amortised cost	13,812
Bank balances, cash and other liquid funds		Amortised cost	Amortised cost	3,799
Financial liabilities				
Customers' deposits		Amortised cost	Amortised cost	4,829
Trade and other payables	*18*	Amortised cost	Amortised cost	19,023
Bank loans and other borrowings	*19*	Amortised cost	Amortised cost	55,483
Derivative financial instruments	*15*	Fair value through profit or loss	Fair value through profit or loss	3,397
Fuel clause account		Amortised cost	Amortised cost	2,226
SoC reserve accounts	*20*	Amortised cost	Amortised cost	1,009
Asset decommissioning liabilities		Amortised cost	Amortised cost	1,025

For the above derivative financial instruments which are designated as cash flow hedges, their effective portions of the subsequent changes in fair values are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss or are included in the initial measurement of the cost of the asset at the time of acquisition, whichever is appropriate.

(b) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include: (i) loan to a joint venture; (ii) trade receivables; and (iii) finance lease receivables.

The Group has revised its impairment methodology under HKFRS 9 for each of these classes of assets. The results of the revision at 1 January 2016 are described below.

3. Effect on Adoption of HKFRS 9 (continued)

(B) Effects of changes in accounting policies (continued)

(b) Impairment of financial assets (continued)

(i) Loan to a joint venture

For loan to a joint venture, management considers that its credit risk has not increased significantly since initial recognition as the joint venture has a low risk of default and a strong capacity to meet contractual cash flows. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2016.

(iii) Finance lease receivables

Finance lease receivables relate to a power purchase agreement under which CLP India Private Limited (CLP India) sells all of its electricity output to an offtaker are assessed individually and measured at an amount equal to lifetime expected credit losses. By considering both historical and forward looking elements, the Group considers that lifetime expected credit loss is close to zero.

(c) Hedge accounting

On adoption of HKFRS 9, the Group has applied the new hedge accounting model prospectively from 1 January 2016. All hedge accounting relationships designated under the previous HKAS 39 have continued to be valid hedge accounting relationships in accordance with HKFRS 9. The impact of changes in hedge effectiveness testing and in accounting for cash flow hedges was not material.

Under HKAS 39, the time value component of option instruments was recognised in profit or loss. Conversely, HKFRS 9 requires the option time value of a hedging relationship to be deferred in other comprehensive income for the duration of the relationship. Retrospective adjustment for the time value of option is required on transition to HKFRS 9. Upon adoption of HKFRS 9, this change has been applied retrospectively and resulted in a reclassification of reserves as of 1 January 2015.

Upon transition to HKFRS 9, the Group has elected the option to exclude forward elements of forward contracts and foreign currency basis spreads of financial instruments from the designation of hedging relationships retrospectively, resulting in a reclassification of reserves as of 1 January 2015.

The tables below summarise the adjustments made to reflect the adoption of HKFRS 9:

	1 January 2016			1 January 2015		
	Retained Profits HK$M	Hedging Reserves HK$M	Cost of Hedging Reserves HK$M	Retained Profits HK$M	Hedging Reserves HK$M	Cost of Hedging Reserves HK$M
As previously reported under HKAS 39 (Note 21)	72,953	360	–	63,994	561	–
Reclassification of cost of hedging						
Time value of options	(4)	–	4	(6)	–	6
Forward elements	–	(19)	19	–	29	(29)
Foreign currency basis spreads	(66)	(179)	245	(50)	(368)	418
Restated under HKFRS 9 (Note 21)	72,883	162	268	63,938	222	395

3. Effect on Adoption of HKFRS 9 (continued)

(B) Effects of changes in accounting policies (continued)

(c) Hedge accounting (continued)

	Six months ended 30 June 2015		
	As previously reported under HKAS 39 HK$M	Adjustment HK$M	Restated under HKFRS 9 HK$M
Consolidated Statement of Profit or Loss			
Finance costs	(1,552)	(1)	(1,553)
Income tax expense	(1,315)	1	(1,314)
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Cash flow hedges	(233)	(29)	(262)
Cost of hedging	–	29	29

4. Revenue

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

	Six months ended 30 June	
	2016 HK$M	2015 HK$M
Sales of electricity	**32,863**	34,016
Sales of gas	**3,383**	3,055
Operating lease income under Power Purchase Agreement (PPA)	**1,151**	1,767
Finance lease income under PPA	**60**	69
Lease service income under PPA	**325**	221
Other revenue	**435**	579
	38,217	39,707
Transfer for SoC to revenue (note)	**454**	278
	38,671	39,985

Note: Under the SoC Agreement, if the gross tariff revenue 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. 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 profit or loss.

5. Segment Information

The Group operates, through its subsidiaries, joint ventures 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.

5. Segment Information (continued)

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 2016							
Revenue	18,020	552	2,012	6	18,078	3	38,671
EBITDAF of subsidiaries	8,311	478	932	(6)	1,906	(343)	11,278
Share of results, net of income tax							
Joint ventures	–	477	–	124	1	–	602
An associate	–	421	–	–	–	–	421
EBITDAF of the Group	8,311	1,376	932	118	1,907	(343)	12,301
Depreciation and amortisation	(2,167)	(270)	(284)	–	(590)	(20)	(3,331)
Fair value adjustments	(4)	–	–	–	65	–	61
Finance costs	(505)	(90)	(369)	–	(118)	(12)	(1,094)
Finance income	–	23	11	1	5	35	75
Profit/(loss) before income tax	5,635	1,039	290	119	1,269	(340)	8,012
Income tax expense	(867)	(12)	(90)	–	(372)	–	(1,341)
Profit/(loss) for the period	4,768	1,027	200	119	897	(340)	6,671
Earnings attributable to							
Perpetual capital securities holders	(123)	–	–	–	–	–	(123)
Other non-controlling interests	(407)	(16)	–	–	–	–	(423)
Earnings/(loss) attributable to shareholders	4,238	1,011	200	119	897	(340)	6,125
Excluding: Items affecting comparability	107	(83)	–	–	–	–	24
Operating earnings	4,345	928	200	119	897	(340)	6,149
At 30 June 2016							
Fixed assets	101,258	6,524	11,106	–	9,019	126	128,033
Goodwill and other intangible assets	5,545	5,072	28	–	17,744	–	28,389
Interests in joint ventures	17	9,147	–	1,630	26	–	10,820
Interest in an associate	–	1,197	–	–	–	–	1,197
Deferred tax assets	–	86	–	–	1,532	–	1,618
Other assets	16,732	3,716	5,071	98	9,228	1,884	36,729
Total assets	123,552	25,742	16,205	1,728	37,549	2,010	206,786
Bank loans and other borrowings	39,899	4,437	8,160	–	2,434	2,397	57,327
Current and deferred tax liabilities	13,052	1,238	231	–	335	–	14,856
Other liabilities	22,228	1,238	448	3	7,258	219	31,394
Total liabilities	75,179	6,913	8,839	3	10,027	2,616	103,577

EBITDAF = Earnings before interest, taxes, 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.

Items affecting comparability refer to significant unusual and infrequent events such as acquisition/disposal, impairment of non-current assets, property valuation gain/loss, and 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. Details of the items affecting comparability can be found on page 8 of the current report.

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

5. 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 2015, as restated							
Revenue	18,475	378	2,456	3	18,671	2	39,985
EBITDAF of subsidiaries	8,261	339	880	(7)	1,934	(250)	11,157
Share of results, net of income tax							
Joint ventures	–	714	–	146	1	–	861
An associate	–	371	–	–	–	–	371
EBITDAF of the Group	8,261	1,424	880	139	1,935	(250)	12,389
Depreciation and amortisation	(2,056)	(257)	(266)	–	(761)	(22)	(3,362)
Fair value adjustments	11	–	–	–	11	–	22
Finance costs	(579)	(101)	(412)	–	(440)	(21)	(1,553)
Finance income	1	31	20	1	8	22	83
Profit/(loss) before income tax	5,638	1,097	222	140	753	(271)	7,579
Income tax expense	(854)	(70)	(130)	–	(260)	–	(1,314)
Profit/(loss) for the period	4,784	1,027	92	140	493	(271)	6,265
Earnings attributable to							
Perpetual capital securities holders	(123)	–	–	–	–	–	(123)
Other non-controlling interests	(417)	(2)	–	–	–	–	(419)
Earnings/(loss) attributable to shareholders	4,244	1,025	92	140	493	(271)	5,723
Excluding: Items affecting comparability	(198)	–	–	–	–	–	(198)
Operating earnings	4,046	1,025	92	140	493	(271)	5,525
At 31 December 2015							
Fixed assets	100,508	6,473	11,542	–	9,139	139	127,801
Goodwill and other intangible assets	5,545	5,208	28	–	17,476	–	28,257
Interests in joint ventures	18	9,498	–	1,709	25	–	11,250
Interest in an associate	–	785	–	–	–	–	785
Deferred tax assets	–	90	–	–	1,600	–	1,690
Other assets	14,016	4,599	5,207	71	8,311	1,977	34,181
Total assets	120,087	26,653	16,777	1,780	36,551	2,116	203,964
Bank loans and other borrowings	40,976	4,402	8,835	–	964	306	55,483
Current and deferred tax liabilities	12,408	1,452	215	–	52	–	14,127
Other liabilities	24,232	1,411	540	3	7,005	231	33,422
Total liabilities	77,616	7,265	9,590	3	8,021	537	103,032

Our investments in Mainland China are mainly through joint ventures and an associate, whereby under equity method of accounting, CLP shares its proportionate earnings but not the revenue and expenses.

6. Operating Profit

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

	Six months ended 30 June 2016 HK$M	2015 HK$M
Charging		
Staff costs		
Salaries and other costs	1,764	1,709
Retirement benefits costs	161	153
Net fair value (gain) / loss on non-financing related derivative financial instruments		
Reclassified from hedging reserves and cost of hedging reserves to		
Purchases of electricity, gas and distribution services	(94)	(130)
Fuel and other operating expenses	(32)	(102)
Transactions not qualifying as hedges	(61)	(22)
Net loss on disposal of fixed assets	52	118
Impairment loss on trade receivables	169	248
Net exchange loss / (gain)	84	(15)
Revaluation loss / (gain) on investment property	107	(198)
Crediting		
Dividends from equity investments	(8)	(1)

7. Finance Costs and Income

	Six months ended 30 June 2016 HK$M	2015 HK$M (Restated)
Finance costs		
Interest expenses on		
Bank loans and overdrafts	489	647
Other borrowings	401	489
Tariff Stabilisation Fund (note)	1	1
Customers' deposits and fuel clause over-recovery	64	69
Finance charges under finance leases	1	1
Other finance charges	162	150
Net fair value (gain) / loss on financing related derivative financial instruments		
Reclassified from hedging reserves and cost of hedging reserves	(654)	118
Fair value hedges	(460)	(7)
Transactions not qualifying as hedges	(128)	45
Ineffectiveness of cash flow hedges	(6)	(5)
Ineffectiveness of fair value hedges	18	1
Loss on hedged items in fair value hedges	460	7
Other net exchange loss on financing activities	872	182
	1,220	1,698
Less: amount capitalised	(126)	(145)
	1,094	1,553

7. Finance Costs and Income (continued)

	Six months ended 30 June 2016 HK$M	2015 HK$M (Restated)
Finance income		
Interest income on short-term investments, bank deposits and loan to a joint venture	75	83

Note: In accordance with the provisions of the SoC Agreement, 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.

8. Income Tax Expense

	Six months ended 30 June 2016 HK$M	2015 HK$M (Restated)
Current income tax	1,099	890
Deferred tax	242	424
	1,341	1,314

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

9. Dividends

	Six months ended 30 June 2016 HK$ per Share	2016 HK$M	2015 HK$ per Share	2015 HK$M
First interim dividend paid	0.57	1,440	0.55	1,390
Second interim dividend declared	0.57	1,440	0.55	1,390
	1.14	2,880	1.10	2,780

At the Board meeting held on 1 August 2016, the Directors declared the second interim dividend of HK$0.57 per share (2015: HK$0.55 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

10. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2016	2015
Earnings attributable to shareholders (HK$M)	6,125	5,723
Number of shares in issue (thousand shares)	2,526,451	2,526,451
Earnings per share (HK$)	2.42	2.27

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 2016 and 30 June 2015.

11. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Properties

Fixed assets, leasehold land and land use rights under operating leases and investment properties totalled HK$137,374 million at 30 June 2016 (31 December 2015: HK$136,012 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases	Investment Properties [a]
	Land Freehold HK$M	Land Leased HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M	HK$M	HK$M
Net book value at 1 January 2016	642	473	19,606	107,080	127,801	5,542	2,669
Acquisition of a subsidiary [b]	32	–	–	–	32	–	–
Additions	–	–	267	3,169	3,436	66	1,260
Revaluation loss	–	–	–	–	–	–	(107)
Transfers and disposals	–	(23)	(18)	(119)	(160)	–	–
Depreciation / amortisation	–	(7)	(309)	(2,558)	(2,874)	(85)	–
Exchange differences	(2)	–	(68)	(132)	(202)	(4)	–
Net book value at 30 June 2016	672	443	19,478	107,440	128,033	5,519	3,822
Cost / valuation	772	565	31,399	192,012	224,748	6,334	3,822
Accumulated depreciation / amortisation and impairment	(100)	(122)	(11,921)	(84,572)	(96,715)	(815)	–
Net book value at 30 June 2016	672	443	19,478	107,440	128,033	5,519	3,822

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

Notes:

(a) During the period, the Group acquired the commercial interest of the retail portion of the Laguna Mall. The acquisition was completed at the end of April 2016. The acquisition price approximated its fair value at 30 June 2016.

The Group's another investment property located at Argyle Street, Kowloon was revalued at 30 June 2016 by Knight Frank Petty Limited (Knight Frank) based on the highest and best use approach. In formulating the optimal development of the property, Knight Frank has taken into account the development constraints stipulated on the covenants of the Government Leases and subsequent modifications. Knight Frank has adopted the residual valuation method by making reference to the development potential of the property after deduction of costs for completion of development. The valuation relies upon a series of assumptions which produce an estimation of the expected current market value of the property held for 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 properties is categorised within Level 3 of the fair value hierarchy at 30 June 2016 and 31 December 2015. The significant unobservable inputs used other than assumptions made in relation to development potential of the property are discount rate, cost of development and estimated return in the future for the property. The discount rate used is 5% (2015: 5%) and the higher the rate, the lower the fair value of the property.

(b) In June 2016, the Group acquired 49% interest in SE Solar Limited, with an option to acquire the remaining 51% interest one year after commissioning, to develop a 100MW solar farm in Telangana, India. SE Solar Limited is treated as a subsidiary because the Group has control over the company.

12. Goodwill and Other Intangible Assets

	Goodwill HK$M	Capacity Right (note) HK$M	Others HK$M	Total HK$M
Net carrying value at 1 January 2016	21,087	5,173	1,997	28,257
Additions	–	1	190	191
Amortisation	–	(137)	(235)	(372)
Exchange differences	278	–	35	313
Net carrying value at 30 June 2016	**21,365**	**5,037**	**1,987**	**28,389**
Cost	21,498	5,627	7,896	35,021
Accumulated amortisation and impairment	(133)	(590)	(5,909)	(6,632)
Net carrying value at 30 June 2016	**21,365**	**5,037**	**1,987**	**28,389**

Note: 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 and the corresponding right to use the associated transmission facilities until 2034.

13. Interests in Joint Ventures

	30 June 2016 HK$M	31 December 2015 HK$M
Share of net assets	10,114	10,463
Goodwill	43	44
Carrying amounts	10,157	10,507
Loan (note)	663	743
	10,820	11,250

Note: Loan to a joint venture is unsecured, carries interest at 90% (31 December 2015: 90%) of the over five years Renminbi benchmark lending rate of the People's Bank of China and with final maturity in September 2022. The current portion of the loan of HK$124 million (31 December 2015: HK$122 million) was included in other receivables. There was no impairment recognised on the loan on 30 June 2016 and 31 December 2015.

13. Interests in Joint Ventures (continued)

The Group's share of results of and interests in joint ventures are as follows:

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Profit for the Period HK$M	Other Comprehensive Income HK$M	Total Comprehensive Income HK$M	Profit for the Period HK$M	Other Comprehensive Income HK$M	Total Comprehensive Income HK$M
CSEC Guohua International Power Company Limited (CSEC Guohua)	107	–	107	185	–	185
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang)	24	–	24	120	–	120
ShenGang Natural Gas Pipeline Company Limited (SNGPC)	83	–	83	57	–	57
OneEnergy Taiwan Ltd (OneEnergy Taiwan)	102	–	102	118	(1)	117
Shandong Zhonghua Power Company, Limited (SZPC)	175	–	175	251	–	251
Others	111	(32)	79	130	108	238
Total	602	(32)	570	861	107	968

	30 June 2016					31 December 2015				
	Share of Net Assets HK$M	Goodwill HK$M	Carrying Amounts HK$M	Loan HK$M	Total HK$M	Share of Net Assets HK$M	Goodwill HK$M	Carrying Amounts HK$M	Loan HK$M	Total HK$M
CSEC Guohua	2,558	–	2,558	–	2,558	2,551	–	2,551	–	2,551
Fangchenggang	2,105	–	2,105	–	2,105	2,131	–	2,131	–	2,131
SNGPC	660	–	660	663	1,323	723	–	723	743	1,466
OneEnergy Taiwan	1,415	–	1,415	–	1,415	1,491	–	1,491	–	1,491
SZPC	773	–	773	–	773	973	–	973	–	973
Others	2,603	43	2,646	–	2,646	2,594	44	2,638	–	2,638
	10,114	43	10,157	663	10,820	10,463	44	10,507	743	11,250

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 22.

14. Interest in an Associate

The balance represents the Group's share of net assets of Guangdong Nuclear Power Joint Venture Company, Limited (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 2016 HK$M	2015 HK$M
Profit and total comprehensive income for the period	421	371

	30 June 2016 HK$M	31 December 2015 HK$M
Net assets	1,197	785

15. Derivative Financial Instruments

	30 June 2016		31 December 2015	
	Assets HK$M	Liabilities HK$M	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	344	44	595	135
Foreign exchange options	90	–	83	–
Cross currency interest rate swaps	654	578	529	1,544
Interest rate swaps	–	283	18	195
Energy contracts	185	5	27	11
Fair value hedges				
Cross currency interest rate swaps	190	177	94	424
Interest rate swaps	22	42	13	78
Held for trading or not qualifying as accounting hedges				
Forward foreign exchange contracts	383	37	60	115
Foreign exchange options	1	–	–	–
Interest rate swaps	36	17	31	9
Energy contracts	475	923	228	886
	2,380	2,106	1,678	3,397
Analysed as:				
Current	777	593	600	595
Non-current	1,603	1,513	1,078	2,802
	2,380	2,106	1,678	3,397

16. Equity Investments

	Investments at Fair Value Through Other Comprehensive Income 30 June 2016 HK$M	Available-for-sale Investments 31 December 2015 HK$M
CGN Wind Power Company Limited	1,190	1,190
Others	341	454
	1,531	1,644

At 1 January 2016, the Group made an irrevocable election to present all changes in the fair value of the equity investments through other comprehensive income, as explained in Note 3.

17. Trade and Other Receivables

	30 June 2016 HK$M	31 December 2015 HK$M
Trade receivables (note)	12,286	10,061
Deposits, prepayments and other receivables	2,553	2,613
Dividend receivables from		
Joint ventures	170	80
An associate	–	877
Equity investments	7	–
Loan to and current accounts with		
Joint ventures	211	180
An associate	1	1
	15,228	13,812

Note: The Group has established credit policy for customers in each of its retail business. In Hong Kong, customers are allowed to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount not exceeding the highest expected charge for 60 days of consumption. In Australia, customers are allowed to settle their electricity bills within 7 to 45 days after issue.

There is no significant concentration of credit risk with respect to the trade receivables in Hong Kong and in Australia as the customer bases are widely dispersed in different sectors and industries. CLP Power Hong Kong and EnergyAustralia Holdings Limited (EnergyAustralia) determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. CLP Power Hong Kong classifies its trade receivables by nature of customer accounts. These include active accounts and terminated accounts. EnergyAustralia categorises its trade receivables based on the ageing. 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 well as forward looking information. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies, they are assessed individually for impairment allowance.

Trade receivables arising from sales of electricity to the offtakers in India and Mainland China are due for settlement within 15 to 60 days and 30 to 90 days after bills issue respectively. The offtakers of these regions are mainly state-owned enterprises. Management has closely monitored the credit qualities and the collectability of these trade receivables and considers that the expected credit risks of them are close to zero. Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. Further information about disputed trade receivables of CLP India is disclosed in Note 24.

The carrying amounts and impairment losses relating to the trade receivables at 31 December 2015 are based on the recognition and measurement criteria of HKAS 39, the details of which can be found in pages 223 and 224 of the 2015 Annual Report.

17. Trade and Other Receivables (continued)

Note (continued):

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

	30 June 2016 HK$M	31 December 2015 HK$M
30 days or below	10,210	7,788
31 – 90 days	594	744
Over 90 days	1,482	1,529
	12,286	10,061

18. Trade and Other Payables

	30 June 2016 HK$M	31 December 2015 HK$M
Trade payables [(a)]	5,709	5,904
Other payables and accruals	4,716	5,599
Advances from non-controlling interests [(b)]	6,876	6,720
Current accounts with		
Joint ventures	1	1
An associate	632	577
Deferred revenue	196	222
	18,130	19,023

Notes:

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

	30 June 2016 HK$M	31 December 2015 HK$M
30 days or below	5,573	5,759
31 – 90 days	100	106
Over 90 days	36	39
	5,709	5,904

(b) The advances from non-controlling interests represented the advances from China Southern Power Grid International (HK) Co., Limited (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.

19. Bank Loans and Other Borrowings

	30 June 2016 HK$M	31 December 2015 HK$M
Current		
Short-term bank loans	6,165	5,033
Long-term bank loans	6,554	7,156
Other long-term borrowings		
Medium Term Note (MTN) programme (HKD) due 2016 and 2017	1,450	1,000
	14,169	13,189
Non-current		
Long-term bank loans	17,896	16,423
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	13,447	13,024
MTN programme (HKD) due 2019 to 2041	7,008	8,418
MTN programme (JPY) due 2021 to 2027	2,593	2,209
MTN programme (AUD) due 2021 to 2030	750	736
US private placement notes (USD) due 2023	233	232
Bonds (INR) due 2018 to 2026	1,231	1,252
	43,158	42,294
Total borrowings	57,327	55,483

20. 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 2016 HK$M	31 December 2015 HK$M
Tariff Stabilisation Fund	424	935
Rate Reduction Reserve	1	2
Rent and Rates Interim Refunds (note)	72	72
	497	1,009

20. SoC Reserve Accounts (continued)

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the original Lands Tribunal judgment, and the subsequent judgment on the review of valuation matters, as well as the Court of Appeal judgment on a point of law were received in CLP Power Hong Kong's favour, the final resolution of the case will be subject to the outcome of a further appeal to the Court of Final Appeal by the Hong Kong Government against the Court of Appeal judgment.

Interim refunds totalling HK$1,713 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 to 2014. 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 the 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 provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million 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.

21. Reserves

	Translation Reserves HK$M	Hedging Reserves HK$M	Cost of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2016, as previously reported	(6,221)	360	–	2,783	72,953	69,875
Effect on adoption of HKFRS 9 (net of tax) (Note 3)	–	(198)	268	–	(70)	–
Balance at 1 January 2016, as restated	(6,221)	162	268	2,783	72,883	69,875
Earnings attributable to shareholders	–	–	–	–	6,125	6,125
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	280	–	–	–	–	280
Joint ventures	(167)	–	–	–	–	(167)
An associate	1	–	–	–	–	1
Cash flow hedges						
Net fair value gains	–	1,106	–	–	–	1,106
Reclassification to profit or loss	–	(805)	–	–	–	(805)
Tax on the above items	–	(58)	–	–	–	(58)
Cost of hedging						
Net fair value gains	–	–	8	–	–	8
Amortisation / reclassification to profit or loss	–	–	25	–	–	25
Tax on the above items	–	–	(10)	–	–	(10)
Fair value loss on equity investments	–	–	–	(107)	–	(107)
Share of other comprehensive income of joint ventures	–	(1)	–	(31)	–	(32)
Total comprehensive income attributable to shareholders	114	242	23	(138)	6,125	6,366
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(1)	1	–
Appropriation of reserves of subsidiaries	–	–	–	62	(62)	–
Dividends paid						
2015 fourth interim	–	–	–	–	(2,653)	(2,653)
2016 first interim	–	–	–	–	(1,440)	(1,440)
Balance at 30 June 2016	(6,107)	404	291	2,706	74,854	72,148

21. Reserves (continued)

	Translation Reserves HK$M	Hedging Reserves HK$M	Cost of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2015, as previously reported	(2,536)	561	–	2,751	63,994	64,770
Effect on adoption of HKFRS 9 (net of tax) (Note 3)	–	(339)	395	–	(56)	–
Balance at 1 January 2015, as restated	(2,536)	222	395	2,751	63,938	64,770
Earnings attributable to shareholders	–	–	–	–	5,723	5,723
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(1,671)	–	–	–	–	(1,671)
Joint ventures	(6)	–	–	–	–	(6)
Cash flow hedges						
Net fair value losses	–	(206)	–	–	–	(206)
Reclassification to profit or loss	–	(104)	–	–	–	(104)
Tax on the above items	–	48	–	–	–	48
Cost of hedging						
Net fair value gains	–	–	69	–	–	69
Amortisation / reclassification to profit or loss	–	–	(10)	–	–	(10)
Tax on the above items	–	–	(30)	–	–	(30)
Fair value gain on equity investments	–	–	–	98	–	98
Reclassification adjustment upon sale of a joint venture	39	(22)	–	–	–	17
Share of other comprehensive income of joint ventures	–	(2)	–	109	–	107
Total comprehensive income attributable to shareholders	(1,638)	(286)	29	207	5,723	4,035
Revaluation reserve realised due to depreciation of fixed assets	–	–	–	(1)	1	–
Appropriation of reserves of subsidiaries	–	–	–	2	(2)	–
Dividends paid						
2014 fourth interim	–	–	–	–	(2,526)	(2,526)
2015 first interim	–	–	–	–	(1,390)	(1,390)
Balance at 30 June 2015	(4,174)	(64)	424	2,959	65,744	64,889

22. Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases, investment properties as well as intangible assets contracted but not recorded in the statement of financial position amounted to HK$4,697 million at 30 June 2016 (31 December 2015: HK$4,586 million).

(B) The Group has entered into a number of joint arrangements to develop power projects. At 30 June 2016, equity contributions required to be made by the Group amounted to HK$86 million (31 December 2015: HK$106 million).

(C) At 30 June 2016, the Group's share of capital commitments of its joint ventures was HK$761 million (31 December 2015: HK$1,587 million).

23. Related Party Transactions

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

(A) Purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station amounted to HK$2,655 million for the six months ended 30 June 2016 (2015: HK$2,425 million).

(B) The loan made to a joint venture is disclosed under Note 13. Other amounts due from and to the related parties at 30 June 2016 are disclosed in Notes 17 and 18 respectively. At 30 June 2016, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2015: none).

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

	Six months ended 30 June	
	2016	2015
	HK$M	HK$M
Directors' fees	**5**	5
Recurring remuneration items		
Base compensation, allowances & benefits in kind [(a)]	**30**	27
Performance bonus		
Annual incentive	**32**	33
Long-term incentive	**14**	13
Provident fund contribution	**4**	3
Non-recurring remuneration item		
Other payment [(b)]	**2**	2
	87	83

Key management personnel at 30 June 2016 comprised thirteen (30 June 2015: thirteen) Non-executive Directors, two (30 June 2015: one) Executive Directors and nine (30 June 2015: nine) senior management personnel.

Notes:

(a) The nature of these benefits in kind includes electricity allowance, the availability of a company vehicle for personal use, any approved personal club memberships in 2015 entered into primarily for business entertainment purposes and consequently paid by the Company, life insurance and medical benefits. Which of these benefits applies depends primarily on the location of the individual.

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

24. 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 offtaker Gujarat Urja Vikas Nigam Limited (GUVNL), GUVNL was required to make a "deemed generation incentive" payment to CLP India when the plant availability of Paguthan Plant (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$836 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$96 million) (31 December 2015: Rs.830 million (HK$97 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$290 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 (APTEL) against the decision of the GERC. GUVNL also filed an appeal in the APTEL 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 APTEL dismissed both CLP India and GUVNL's appeals and upheld the decision of the GERC. CLP India has filed an appeal against the APTEL 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 APTEL judgment which held that GUVNL's claims before September 2002 were time barred and which disallowed its claims for interest on "deemed loans".

24. Contingent Liabilities (continued)

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

Following the issue of the APTEL's judgment, GUVNL deducted Rs.3,731 million (HK$429 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$58 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

Subsequent to the above deduction, CLP India represented to GUVNL that, during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$34 million) and interest of Rs.150 million (HK$17 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 2016, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$983 million) (31 December 2015: Rs.8,543 million (HK$1,000 million)).

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

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

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 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. At 30 June 2016, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) JPL – Disputed Charges with Offtakers

Jhajjar Power Limited (JPL) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.1,900 million (HK$219 million) at 30 June 2016 (31 December 2015: Rs.1,860 million (HK$218 million)). The Group considered that JPL has a strong case and hence, no provision has been made.

JPL has filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. On 25 January 2016, CERC pronounced its judgment in favour of JPL, which supports the Group's decision that no provision should be made. JPL has filed a caveat to APTEL to avoid doing any action without informing JPL. JPL and its offtakers have filed appeals to APTEL. The next hearing date is expected on 10 August 2016.

25. 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 2016				
Financial assets				
Equity investments	306	–	1,225	1,531
Forward foreign exchange contracts	–	727	–	727
Foreign exchange options	–	91	–	91
Cross currency interest rate swaps	–	844	–	844
Interest rate swaps	–	58	–	58
Energy contracts	–	557	103	660
	306	2,277	1,328	3,911
Financial liabilities				
Forward foreign exchange contracts	–	81	–	81
Cross currency interest rate swaps	–	755	–	755
Interest rate swaps	–	342	–	342
Energy contracts	–	303	625	928
	–	1,481	625	2,106
At 31 December 2015				
Financial assets				
Equity investments	417	–	1,227	1,644
Forward foreign exchange contracts	–	655	–	655
Foreign exchange options	–	83	–	83
Cross currency interest rate swaps	–	623	–	623
Interest rate swaps	–	62	–	62
Energy contracts	–	135	120	255
	417	1,558	1,347	3,322
Financial liabilities				
Forward foreign exchange contracts	–	250	–	250
Cross currency interest rate swaps	–	1,968	–	1,968
Interest rate swaps	–	282	–	282
Energy contracts	–	146	751	897
	–	2,646	751	3,397

You may refer to page 250 of the 2015 Annual Report for the definitions of Levels 1, 2 and 3.

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 2016 and 2015, there were no transfers between Level 1 and Level 2, or into Level 3.

25. 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:

Financial Instruments	Valuation Technique	Significant Inputs
Equity 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, interest rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap rates

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

Financial Instruments	Significant Unobservable Inputs
Equity investments (i)	Discount rate
Energy contracts (ii)	Long-term forward electricity price and cap price curve

(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). The valuation of Level 3 forward energy contracts involves the use of a short term forward curve which is observable in the liquid market and a long term forward curve which is derived using unobservable inputs. This short term forward curve is reviewed at least once every six months, in line with the Group's half-yearly reporting dates. Review of the long term forward curve is performed between the CFO – EA and the ARC – EA annually due to the lack of market liquidity. Fair value changes analyses are performed on a monthly basis for reasonableness.

The movements of Level 3 financial instruments are as follows:

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Equity Investments HK$M	Energy Contracts HK$M	Total HK$M	Equity Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	1,227	(631)	596	1,227	(592)	635
Total gains / (losses) recognised in						
Profit or loss and presented in						
fuel and other operating expenses	–	134	134	–	(37)	(37)
Other comprehensive income	–	16	16	–	86	86
Purchases	–	(9)	(9)	–	9	9
Settlements	–	–	–	–	12	12
Transfers out of Level 3 (note)	(2)	(32)	(34)	–	–	–
Closing balance	1,225	(522)	703	1,227	(522)	705
Unrealised gains / (losses) recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period, and presented in fuel and other operating expenses	–	145	145	–	(87)	(87)

Note: During the period ended 30 June 2016, the transfer of certain financial instruments out of Level 3 (2015: none) is because certain observable significant inputs are used in the fair value measurement instead of those unobservable ones used previously.

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

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 36 to 65 which comprises the condensed consolidated statement of financial position of CLP Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 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 are not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 1 August 2016

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 255 and 256 of the 2015 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

	Six months ended 30 June	
	2016 HK$M	2015 HK$M
SoC revenue	17,324	17,968
Expenses		
Operating costs	2,016	1,878
Fuel	5,295	6,315
Purchases of nuclear electricity	2,187	2,025
Provision for asset decommissioning	59	32
Depreciation	2,139	2,026
Operating interest	483	465
Taxation	869	879
	13,048	13,620
Profit after taxation	4,276	4,348
Interest on borrowed capital	481	463
Adjustments required under the SoC (being share of profit on sale of electricity to Mainland China attributable to the SoC Companies)	(31)	(27)
Profit for SoC	4,726	4,784
Transfer from Tariff Stabilisation Fund	513	310
Permitted return	5,239	5,094
Deduct interest on		
Borrowed capital as above	481	463
Tariff Stabilisation Fund to Rate Reduction Reserve	1	1
	482	464
Net Return	4,757	4,630
Divisible as follows:		
CLP Power Hong Kong	3,214	3,097
CAPCO	1,543	1,533
	4,757	4,630
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	3,214	3,097
Interest in CAPCO	1,080	1,073
	4,294	4,170

Information for Our Investors

Financial Diary

Announcement of interim results	1 August 2016
Interim report available on website	8 August 2016
Interim report posted to shareholders	16 August 2016
Last day to register for second interim dividend	5 September 2016
Book close day	6 September 2016
Payment of second interim dividend	15 September 2016
Financial year end	31 December 2016

Share Listing

CLP Holdings shares are listed on the Stock Exchange of Hong Kong and are one of the eligible stocks included in Southbound trading through Shanghai-Hong Kong Stock Connect. CLP Holdings shares are also 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:	17th Floor, 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 Investor Relations	cosec@clp.com.hk ir@clp.com.hk

Interim Report

The English and Chinese versions of this report have been made available on the "Investors Information" section on the Company's website at www.clpgroup.com and on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk since 8 August 2016 and posted to shareholders on 16 August 2016.

Those shareholders who (a) received our 2016 Interim Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2016 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 change their choice of language and means of receipt of the Company's future corporate communications, free of charge, at any time by reasonable notice in writing (not less than 7 days) to the Company or the Company's Registrars or via e-mail (cosec@clp.com.hk or clp.ecom@computershare.com.hk), notwithstanding any wish to the contrary they have previously conveyed to the Company or the Company's Registrars.

For those shareholders who have chosen (or have been deemed to have consented) to receive the Company's corporate communications electronically but for any reason have difficulty in receiving or gaining access to the corporate communications, the Company will promptly upon request send to the shareholders the corporate communications in printed form free of charge.

CLP 中電

CLP Holdings Limited
中電控股有限公司

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

Stock Code: 00002

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