Announcement of Interim Results
as from 1 January 2008 to 30 June 2008,
Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings before one-off items for the first half of 2008 increased 5.4% to HK$5,254 million, while total earnings (including one-off items) dropped 8.5% to HK$5,610 million.
- Consolidated revenue rose 11.6% to HK$27,534 million.
- Earnings from our electricity business in Hong Kong increased by 7.6% to HK$4,040 million, whilst revenue grew 4.5% to HK$14,951 million.
- Second interim dividend of HK$0.52 per share.

CHAIRMAN'S STATEMENT

On behalf of the Board of CLP Holdings, I am pleased to present our Interim Results for the six months to 30 June 2008.

Financial Results for the Six-Month Period

Total earnings of the CLP Group for the first half of 2008 were HK$5,610 million, a decrease of 8.5%, compared to the corresponding period in the previous year – when a one-off gain of HK$1,030 million was recognised on the sale of Ho-Ping Power Station in Taiwan to OneEnergy.

The CLP Group operating earnings for the six months ended 30 June 2008 were HK$5,254 million, a 5.4% increase from the previous year.

The past six months saw a contribution to those operating earnings from each of the CLP Group's major business streams, including our Hong Kong electricity business and our investments in the Chinese mainland, Australia, India, Southeast Asia and Taiwan. Whilst underlying operating earnings were healthy, they were affected by a number of exceptional items or events, including by comparison to the corresponding period in 2007.

For example, whilst the underlying business has performed well, the lower earnings from our TRUenergy business in Australia reflected last year's unrealised gain from the valuation of electricity trading contracts, as against this year's unrealised valuation loss due to fluctuations in Australia electricity market prices. The earnings performance from our Southeast Asia investments was significantly lower than the first half of 2007, due to the effects of the dilution, from 40% to 20%, of CLP's stake in the Ho-

Ping Power Station, following its sale by CLP to OneEnergy, our 50/50 joint venture with Mitsubishi Corporation. On the other hand, "other earnings", which include prior tax adjustments, showed an increase from HK$4 million to HK$454 million for the six months ended 30 June 2008, mainly due to the write-back of deferred tax provision resulting from lower profits tax rate in Hong Kong.

Further details of the financial and operational performance of the Group, and the individual business streams within the Group, are set out more fully in the Interim Report.

CLP's Financial Position

Those of our shareholders whose interest in the financial world goes beyond their holdings of CLP shares will be aware of growing concerns about the performance of the global economy, a slowdown in economic growth, significant falls in a number of stock markets and the tightening availability of credit. Whilst it may still be too early to speak of a recession, there can be little doubt that the overall financial and economic outlook is less bright than over recent years.

The electricity business has always been one which requires large scale capital investment in assets whose economic life may span many decades. Our investment decisions must rest on a long-term view, looking through shorter term movements in the economic cycle. On occasions, CLP may hold back from investments or the use of a more aggressive capital structure, which might have brought only short-term advantages. I believe that, over the long term, CLP's prudent financial management remains the best way to create a durable business and to deliver steady and substantial earnings to our shareholders. Our aim is to build and sustain a business with strong recurrent earnings and a robust balance sheet.

Looking at CLP's financial position following the first six months of 2008, I believe that we remain on track in both these regards. Both total and operating earnings were broadly in line with expectations, whilst our balance sheet remains healthy.

We continued to follow balanced financial policies, in terms of capital structure, dividend payments, and management of available funds. In the current tightened credit market, we still have the flexibility and ability to pursue investment opportunities which arise and which are aligned with our investment criteria.

Even after the downgrades of our credit rating in recent months, the CLP Group's ratings have been maintained at a good investment grade level – which supports our ability to raise external financing, as and when needed.

In short, I believe that, this Interim Results demonstrates that as we move into a more volatile and uncertain economic climate, CLP's financial strategy maintains a proper balance between the enhancement of shareholder value and the prudent financial management of risk.

Fuel Prices

Fuel cost has always been a major element of CLP's operating costs. The past 12 months or so have seen massive increases in global energy prices, including the coal and gas required to fuel the power stations which CLP operates, or in which it has otherwise invested. Whilst this has particularly affected our operations in the Mainland, it may be helpful if I briefly review the impact which surging fuel prices are having on all our businesses, and the ways in which we seek to manage or mitigate that impact.

Yallourn Power Station, our largest generating asset in Australia, is largely insulated from fuel cost increases, as it is able to exploit its adjacent brown coal mine. Our power station investments in India, Thailand and Taiwan benefit from the possibility to pass through fuel costs to the respective off-takers, under the relevant power purchase agreements (PPAs). However, the scope and effectiveness of this protection varies according to the terms of the individual PPAs. For example, in the case of Ho-Ping, the extent of recovery is linked to Taipower's (our off-taker) own coal costs and there is also a time-lag between the occurrence of fuel cost increases and the corresponding recovery. In Hong Kong, the current Scheme of Control (SoC), and for that matter, the new SoC which will take effect on 1 October 2008, allows CLP to pass the cost of fuel through to our customers, by virtue of a fuel clause adjustment – CLP makes neither a profit nor a loss on the procurement of fuel for our generating capacity at Black Point and Castle Peak Power Station. It is inevitable that the recent large increases in fuel prices will put pressure on overall electricity cost in Hong Kong.

The effect of surging coal price increases since the end of 2007 has been felt by our investments in the Chinese mainland. This has contributed to the overall reduction of HK$28 million in the operating earnings from these investments over the first part of 2008. The extent of the impact has varied according to the source of coal supply to particular power stations. For example, our power station of Fangchenggang in Guangxi, which is supplied with imported coal, experienced a 50% increase in coal cost during the six months period under review. On the other hand, coal cost increases to the power stations in Shandong, in which CLP holds an interest, were around 40% whilst CLP Guohua, and our investments in Anshun and Shenmu Power Stations were also impacted to a lesser extent. All coal-fired power stations in the Chinese mainland, not just those in which CLP holds an interest, have been adversely affected by recent coal price increases and a reluctance by the relevant authorities to allow those increases to be passed on to off-takers, and ultimately consumers, as part of their efforts to counter rising domestic inflation. Even in more recent months coal prices have continued to rise, despite authorities instigating measures to restrain those prices, and an increase in tariffs which took effect on 1 July 2008 offered only partial relief from upward coal price movements. All in all, we do not believe that the current situation is sustainable in the long term. A combination of improvements in the mining and transportation of coal, coupled with a more balanced regulatory and pricing regime, should, over time, create an environment in which coal costs can be more effectively managed to support power generation in the Chinese mainland.

Looking ahead, none of us can predict future movements in coal and gas prices. However, CLP will continue to actively manage such costs through a combination of long-term fuel purchase agreements, the establishment of durable relationships with reputable fuel suppliers and PPAs which will fairly allow for fuel costs to be passed on to the off-takers.

Growth

I remarked above on the need to strike a balance between prudent financial management and the enhancement of shareholder value. During the first half of 2008, CLP continued to allocate its financial resources to increase our presence in the Asia-Pacific energy sector. A major step in this regard was CLP India's success in emerging as the strongest bidder in a competitive tendering process for the development of a 1,320MW coal-fired project at Jhajjar in Haryana State. The Letter of Intent for this project was issued to CLP by the State Government of Haryana in July. We are now moving ahead with the follow-on arrangements, such as the execution of the PPA, the entry into engineering, procurement and construction contracts and the necessary financing agreements. The award of the Jhajjar project is an important advance for our business in India which, since we first entered this market in 2002, has largely rested on a single asset, our 655MW gas-fired power station at Paguthan in Gujarat.

Environmental issues, in particular the effect of fossil-fuelled power generation on the increase of carbon levels in the upper atmosphere and its implications for the growing risk of global warming, weighs heavily on both our current thinking and long-term decision making. CLP's Climate Vision 2050, announced in December 2007, commits us to long-term and massive reductions in the carbon intensity of our generating portfolio. This is the right thing for CLP to do from a moral perspective, in the context of the collective response which is needed from the global community to ward off the threat of catastrophic climate change. It is also an essential step in managing the "carbon risk" to our business – the adverse impact of policies, regulations and taxes on carbon emissions. One example in this regard is the current debate in Australia on carbon emissions reduction and the introduction of an emissions trading scheme. The details of the resulting structure are not yet clear and, therefore, the detailed implications for our TRUenergy business cannot yet be accurately assessed. The Federal Government's Green Paper, released in mid-July, committed to providing once and for all, upfront, limited direct assistance to coal-fired electricity generators, but did not provide details on amounts or allocation methods. The commitment to provide some form of compensation is a step in the right direction, but there needs to be some clarity provided on the finer points of the proposed compensation. Until this is achieved, uncertainty remains as to whether the emissions trading scheme, and associated financial arrangements, which ultimately take effect will have a significant impact on the operation of Yallourn Power Station and its economic value over the medium to longer term. TRUenergy has been an active and informed contributor to the debate in Australia on carbon emissions. We will continue our concerted advocacy campaign, arguing forcefully in support of a regime which allows the Australian Government to achieve its policy objectives, whilst ensuring that the cost of doing so is fairly shared and the effect of disruptive change on existing investments, electricity supply reliability and tariffs is appropriately assessed and managed.

Against this background, it is essential that the growth in CLP's generating capacity is aligned with our aim to move steadily and substantially towards no/low carbon generation. In this regard, I was encouraged by the ongoing progress in our renewable energy activities over the first six months of this year. Our wind portfolio continued its rapid expansion, including through the completion of part of phase 1 of our Samana wind project in India and the impending commencement of construction of phase 2. The construction of CLP's first biomass project, at Boxing in Shandong Province in the Chinese mainland is well underway. Our hydro investments in the Mainland grew through the acquisition of a small hydro project at Dali in Yunnan Province. And, on solar energy, our investment in Solar Systems allows us to participate in the construction of one of the world's largest solar photovoltaic power stations in Victoria, Australia, with the prospect of rolling out the underlying technology elsewhere in Asia.

Looking Ahead

The agreement reached with the Hong Kong Government on the new SoC offers stability for our Hong Kong electricity business. In order to reach an agreement, CLP's shareholders accepted substantial reductions in the returns they may earn from investments in that business, from a maximum of 15% down to 9.99%. We believe that, on balance, this was the right approach in return for establishing a long-term regulatory framework which will support the ongoing investments needed to ensure supply reliability and further environmental improvement.

The provision of a liquefied natural gas (LNG) receiving terminal and associated infrastructure is the most important and urgent of these investments. In 2002 we alerted Government to the depletion of our existing gas resources, the Yacheng-13 field in the South China Sea, and the need to secure replacement LNG supplies. During the past six years, we have taken great strides in the planning of this project, including selection of a site on South Soko Island, environmental impact assessment studies, engineering and design work (which is site-specific and almost completed) as well as entering into a preliminary agreement to purchase LNG – itself a challenging task in a difficult energy market.

In its briefing to the Legislative Council on 30 June 2008 Government acknowledged that a replacement gas supply for the Yacheng-13 field must be in place by 2013. Bringing LNG to Hong Kong is essential to maintaining CLP's electricity supply reliability and meeting 2010 emissions reduction targets. With the discussions on the new SoC now behind us, and so much preparatory work completed, CLP and our partner ExxonMobil, are ready to proceed with this essential and pressing project. We have done our part and we can do the job. The future of the project is now in Government's hands – all we await is its decision.

Because CLP has preserved a strong financial position in a volatile business environment, we have the potential to take advantage of our financial strength, and to leverage our industry skills, to expand our business elsewhere in the Asia-Pacific region.

Outside Hong Kong, we will continue to focus our attentions and investments on areas, assets or relationships with growth potential, with an increasing emphasis in managing the risks associated with carbon emissions. We will be active in exploiting the opportunities as they arise in the countries within our region, as a result of national policies and the international framework which will emerge to carry on from the Kyoto Protocol, reward and incentivise technologies and investments which avoid or reduce carbon emissions.

I believe that the financial and operating performance of your Company over the first six months of 2008 demonstrates that CLP remains on the right course to continue to deliver long-term shareholder value. I look forward to reporting to you on our performance over the remainder of the year.

The Hon. Sir Michael Kadoorie

OPERATIONAL PERFORMANCE

Electricity Business in Hong Kong

Due to unusual weather and continuous heightening of energy conservation awareness, local electricity sales decreased by 1.5%* over the same period last year. The cold spell in January and February was the longest on record since 1968, and rainfall in June reached a level not seen for 125 years. In the Residential Sector, increase in heating loads in the first quarter driven by the cold weather was more than offset by the rainy and mild weather in May and June, resulting in a sales decline in the first half of 2008. Sales to the Commercial Sector rose only marginally, due to the cooler weather and slowdown of retail business growth. The drop in sales in the Infrastructure & Public Services Sector was also attributed to that weather, as well as energy saving efforts in Government buildings and facilities. With factory closures in the textile and electronics industries, the declining trend in the Manufacturing Sector continued.

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

	Increase/ (Decrease)*	As Percentage of Total Local Sales
Residential	(1.5)%	23.9%
Commercial	0.2 %	42.1%
Infrastructure & Public Services	(1.1)%	26.2%
Manufacturing	(10.7)%	7.8%

Sales to the Chinese mainland decreased by 18.9%, by comparison with the same period in 2007 as a result of increased power supply to Guangdong from other provinces.

Total unit sales, including both local sales and sales to the Chinese mainland, declined by 4.0%* to 15,633GWh over the same period last year.

* *The monthly sales accrual method was updated in July 2007. On a comparable basis, monthly sales before July 2007 have been revised using this updated methodology to determine the sales growth rates for the period.*

In 2007, we announced that the Fuel Clause Charge (which allows CLP to recover the cost of fuel) would be adjusted, resulting in an average net tariff of HK¢91.1 per unit of electricity, up 4.5% from the previous level of HK¢87.2. This increase was due to soaring international fuel prices.

At the same time, we also announced that our basic tariffs would be frozen. There has now been no increase in basic tariffs since 1998, a period during which tariff rebates totalling over HK$4 billion had been given to CLP customers.

CLP has enhanced its quality supply and reliability, as well as providing for demand created by infrastructure development projects, incurring HK$1.6 billion of capital expenditure in the transmission and distribution networks over the last six months. Major projects included construction of Lai Cheung Road substation and South East Kowloon "A" and "D" substations, continuous installation of 400kV line arresters, replacement of old 132kV switchboard in Kwai Chung "B" substation and construction of the second 132kV Castle Peak – Airport "A" circuit. We also invested HK$1.5 billion in generation, customer services and other supporting facilities.

A new development plan covering the period of 1 October 2008 to 31 December 2013 was submitted to Government in end March. The plan, containing projections of new investment required in the CLP supply area, is being reviewed and assessed by Government.

The availability of LNG supplies early next decade, including the completion of the LNG terminal in Hong Kong, remains crucial to our business. The LNG supply arrangements will ensure a reliable supply of electricity for Hong Kong consumers, whilst contributing to meeting the major 2010 air emission reduction objectives. Following receipt of the environmental permit in April 2007, the engineering design of the LNG terminal on South Soko Island is making good headway. We are awaiting Government's final approval of the LNG terminal project. In June, Castle Peak Power Company Limited (CAPCO) signed a Heads of Agreement for one million tonnes per year of long-term LNG supply with BG LNG Trading, a wholly-owned subsidiary of BG Group plc. Both parties plan to finalise the Sales and Purchase Agreement in 2008. Deliveries of gas will commence on completion of the terminal, expected to be in 2013. This will enable us to increase gas consumption, so that gas represents up to 50% of our fuel mix and further reduce emissions significantly.

Our major plans and activities for the second half of 2008 will include:

- obtaining Government approval of the development plan and tariff adjustment proposal under the new SoC Agreement before 1 October 2008;
- securing relevant approvals for the LNG terminal; and
- ensuring the Castle Peak emissions reduction project runs to schedule.

Energy Business in Australia

TRUenergy's retail performance has been strong in the first half of 2008. Customer numbers as at 30 June were around 1.28 million, a 7% increase from the corresponding period last year.

Other retailers experienced a decline in their "GreenPower" customer numbers – those customers taking energy from accredited renewable energy generators. In contrast, TRUenergy continues to make excellent inroads into the renewable energy retail market and is well on its way to achieving the target of 120,000 green accounts this year. TRUenergy was the retailer of choice for "GreenPower" customers during the first quarter of this year, acquiring more than 78% of all new "GreenPower" accounts – according to the "GreenPower" quarterly status report detailing the take-up of this government accredited renewable energy by Australian consumers.

The implementation of the new retail customer service and back office information technology platform with IBM is on track to be piloted by the end of this year.

Work on long-term restoration at TRUenergy Yallourn coal mine continued after major subsidence in November 2007. Conveyor systems were fully reinstated in February 2008 and with all significant restoration work now done, it is expected that stable generation will be achievable throughout the remainder of 2008. TRUenergy continues to work on an insurance claim with a view to recovering the significant loss to the business caused by the coal mine subsidence.

In addition, major works are in progress at Yallourn to review and assess various carbon trading scenarios, in advent of the likely introduction of a Federal carbon trading scheme. Work is also being carried out to determine opportunities to reduce operational and capital spend whilst ensuring plant performance, and hence generation output, is not adversely impacted.

TRUenergy is working with Australia-based Solar Systems, a global leader in concentrated photovoltaic technology, in developing one of the world's largest and most efficient concentrated solar photovoltaic power stations in northwest Victoria, potentially with a generating capacity of 154MW. The solar power station has a projected completion date of 2013. In addition, TRUenergy has invested A$40 million to obtain a 20% ownership interest in Solar Systems, allowing it to develop further solar energy projects across Australia and Asia, at a time when many countries are looking to adopt renewable energy to meet large-scale emissions reduction targets.

The construction of the 400MW combined-cycle gas station at Tallawarra in New South Wales continues to progress, with the power station still on target for completion in time for summer 2008/09. The operations organisation is in place and staff have been trained in preparation for takeover of the plant.

In response to rising energy demand, TRUenergy is also preparing a Development Consent application to build additional gas-fired plant capacity adjoining Tallawarra Stage A. Should this application be successful, the Tallawarra site will produce a total of 800MW of clean burn electricity, enough to power nearly half a million homes.

At the TRUenergy Iona gas plant, a low pressure upgrade project has commenced to add additional compression capacity, with the view to increasing plant throughput by 120 terajoule/day. Front end engineering design has been completed and detailed design for the upgrade is now in progress. Civil construction activities are expected to commence in September 2008, with plant construction starting in early 2009 and commissioning commencing in mid 2009.

In the second half of 2008, TRUenergy will continue to focus on:

- commissioning its Tallawarra Power Station;
- maintaining emphasis on generating maximum value from asset base, in particular, Yallourn;
- increasing customer uptake in our range of accredited "GreenPower" retail energy products;
- reducing customer service costs and developing a platform for future retail growth; and
- ongoing and vigorous engagement in the industry debate on the impact of climate change in the future of the Australian energy sector.

Chinese Mainland

The construction stage of the 2 x 600MW coal-fired Fangchenggang project in Guangxi was completed within budget and ahead of schedule when the second of the two units entered into commercial operation in January 2008. The major challenge we have faced so far has been the supply of coal. Fangchenggang is unique in CLP's China portfolio as it uses imported coal from Indonesia, a major factor in the support received from the Regional Government. However, the overall price of Indonesian coal has increased dramatically, whilst the specific mine intended to supply the power plant, and which would provide cheaper coal, has still to obtain final approval from the Indonesian Government.

CLP has made every effort to procure coal under these difficult circumstances and our efforts to support the Guangxi grid have been recognised by the Regional Government. Nonetheless, the impact of the high market prices is significant and exposes, again, the current imbalance in the PRC system of power industry regulation, whereby fuel cost increases are not reflected completely or promptly in the revenues we receive from off-takers.

Construction on the 3 x 110MW Jiangbian hydro project is underway, with major construction and equipment supply contracts in place. The site is located in a remote and mountainous area of Sichuan Province that requires extensive rock tunneling, road improvements and dam construction. The management of construction over an extended site area such as Jiangbian is challenging, especially as we face a particular risk due to the steep and sometimes unstable rock slopes, where rock falls and mudslides are inevitable. Extensive efforts have been made to apply our safety culture to the Jiangbian project, but the higher inherent risk cannot be entirely mitigated.

The Sichuan earthquake caused rock slides at the Jiangbian site area but immediate damage was limited. There were no injuries. Subsequently, however, the loosened rocks on the steep mountain slopes have continued to cause problems. In the longer term, the recovery and rebuilding efforts closer to the epicentre will tend to divert labour resources from construction projects such as Jiangbian and will cause increases in the cost of construction materials.

We have now passed our target of 5% renewable capacity in our power portfolio. One such source of renewable energy in the Chinese mainland is the Weihai wind farm in Shandong, which in April 2008 was successfully registered with the United Nations Executive Board as a Clean Development Mechanism (CDM) of the Kyoto Protocol. The first phase of the wind farm of 19.5MW was commissioned in May 2007, whilst the second phase of 49.5MW is expected to achieve commercial operation in the third quarter of 2008. The Weihai wind farm joined the Nanao wind farm, Changdao wind farm and Shuangliao wind farm as registered CDM projects in CLP's portfolio. Our recently acquired 49.8MW Yunnan Dali Yang_er hydro power station was also registered as a CDM project in March 2008. This hydro power station is under construction and is expected to be commissioned in early 2009.

Looking ahead to the second half of 2008, the focus of our activities in the Chinese mainland will be to:

- continue to extract greater value from existing assets by pushing for higher tariffs and reducing operating and maintenance costs;
- manage fuel costs at Fangchenggang through long-term supply contract and securing alternative coal supplies;
- integrate generating assets into the expanded joint venture with China Shenhua Energy; and
- continue with the development of our activities in hydro, wind and biomass.

India

Gujarat Paguthan Energy Corporation Private Limited (GPEC) continues to operate at high levels of availability and reliability. During the first six months of 2008, Gujarat Urja Vikas Nigam Ltd. (GUVNL), the sole off-taker of the electricity generated by GPEC, paid all amounts due, with the exception of a new dispute for approximately HK$14 million.

Due to a sharp depletion of the Lakshmi fields, which were a major source of gas for GPEC, securing long-term gas supply arrangements remains a priority for CLP India. As a mitigation measure, we are actively pursuing long-term gas supply arrangements with major gas suppliers and continuing to arrange spot purchases of gas with requisite approvals from the off-taker. During the first six months of 2008, almost two-thirds of the generation was produced using spot purchases of expensive Re-gasified LNG (RLNG). This has led to a big increase in the off-take price. Although GUVNL has settled all dues in time, it has expressed its concern on the sustainability of GPEC's dependence on spot purchase of RLNG.

CLP India emerged as the bidder with the lowest levelised tariff for the development of a 1,320MW coal-fired project at Jhajjar in Haryana State. The Letter of Intent for the project was issued to CLP by the State Government of Haryana on 23 July and the PPA is proposed to be executed during the month of August 2008. The Pre-Notice to Proceed has been issued to major Engineering, Procurement and Construction contractors. The first unit of the 2 x 660MW project is scheduled to be commissioned by December 2011, and the second unit by April 2012.

Good progress has been made on the 100.8MW Samana Wind Project in Gujarat. This project is the largest wind project, by equity MW, in the CLP Group. Thirty turbines have been delivered to the site and 16MW have already been commissioned. Phase I, comprising 50.4MW, is expected to complete in September 2008 and Phase II is projected to be commissioned by January 2009.

The outlook of CLP India in the second half of 2008 continues to be positive, focussing on:

- progressing the financing and construction of the Jhajjar project in Haryana;
- bidding for selected projects in generation and transmission, including the development of greenfield projects;
- completing Phase I of Samana wind project and starting construction of Phase II;
- executing the PPA and starting construction of the 82.4MW greenfield Saundatti wind project in Karnataka; and
- evaluating new project opportunities in wind, solar and biomass.

Southeast Asia and Taiwan

The low-pressure turbine blades of both units at the Ho-Ping power plant, which experienced problems previously, have all been replaced. This, together with the completion of the rebuilding of a coal storage dome previously damaged by a typhoon, will improve integrity of the plant and enhance availability and performance. The accelerating high prices of coal have impacted all coal-fired power stations in the region, including Ho-Ping. However, the impact on Ho-Ping is mitigated through an energy tariff adjustment which is linked, albeit with a time lag, to Taipower's coal costs.

The second and last block of the Kaeng Khoi 2 combined-cycle gas turbine power plant in Thailand, in which Electricity Generating Public Company Limited (EGCO) owns 50% through its investment in Gulf Electric, achieved commercial operation in March 2008 on schedule. The Kaeng Khoi 2 plant, the BLCP plant which CLP sold its 50% ownership to EGCO in 2006, as well as the other plant in EGCO's portfolio have all been operating at very high levels of availability and safety. All of these projects have fuel cost pass-through mechanisms in their PPAs. They were therefore not affected by the recent surges in natural gas and coal prices. In May, EGCO divested its minority interest in two small power producer projects which are majority-owned by the Amata group. EGCO has been focussing its growth strategy on large cross-border projects selling their output to Thailand and also renewable projects in Thailand.

Meanwhile, OneEnergy has been continuing its development work on a 1,200MW coal-fired project in Vietnam and a 700MW coal-fired project in Indonesia.

The major focus of OneEnergy's regional activities in the second half of 2008 will be on:

- preparedness of the Ho-Ping expansion project for a possible new independent power producer (IPP) solicitation in Taiwan;
- providing support to EGCO in its growth strategy;
- progressing the potential greenfield projects in Indonesia and Vietnam; and
- reviewing opportunities to participate in the expected upcoming competitive bidding for greenfield IPP projects as well as considering acquisition opportunities in Singapore, The Philippines and Indonesia.

Human Resources

As at 30 June 2008, the Group employed 5,639 staff (2007: 5,996), of whom 4,012 were employed in the Hong Kong electricity and related business, 1,375 by our businesses in Australia, the Chinese mainland, India, Southeast Asia and Taiwan, as well as 252 by CLP Holdings. Total remuneration for the six months ended 30 June 2008 amounted to HK$1,606 million (2007: HK$1,681 million), including retirement benefit costs of HK$118 million (2007: HK$114 million).

Safety

In Hong Kong, there were three disabling injuries during the first half of the year. Investigations were completed and measures have been taken to strengthen safety management. The key findings of a safety climate survey done in 2007, in which 1,955 employees participated, are being implemented. Both the Safety Incentive Scheme and the Safety Leader Programme, which encourage the commitment of employees as well as management to engage fully in safety practices, have been extended to contractor operations.

In the Chinese mainland, an investigation has been finalised into the fatality which occurred to a contractor's diver at Fangchenggang in April 2008. The investigation identified the cause of the accident and proposed measures to improve the management of specialist third party activities such as this.

We are continuing with successful initiatives including the executive safety leadership programme and safety implementation effectiveness review designed to improve safety culture across the Group, particularly in the businesses outside Hong Kong, where we aim to achieve higher standards and awareness than some of the locally prevailing norms. Experienced managers from all major subsidiaries are involved in a joint effort to develop the necessary systems and controls.

Environment

Air quality and climate change remained CLP's top environmental priorities.

Air Quality

In Hong Kong, a range of air quality improvement projects are progressing well:

- Coal burners in five of the eight coal-fired units at Castle Peak Power Station have been refurbished. The emission of nitrogen oxide from these units has been reduced by around 12%. This refurbishment project is expected to be completed in 2009.
- The four 677MW units at Castle Peak Power Station B are being retrofitted with flue gas desulphurisation (FGD). This will substantially reduce SO_2 plant emissions and bring Castle Peak in line with modern operating plant in Europe and Japan. The four units will be commissioned in succession from 2009 to 2011. This emissions control project is essential for CLP to meet its 2010 emission caps in Hong Kong and to provide sustained emissions reductions in the longer term.
- As part of the company-wide Go Greening campaign, one of Hong Kong's first "Sky Woodland" projects at Sham Mong Road Substation, is near completion. Other initiatives included the Office Greening Project at Sheung Shui Depot and participation in the Government's WasteWi$e Scheme.

In the Chinese mainland, we continued retrofitting FGD to our coal-fired facilities at Shiheng, Heze, Liaocheng and Shenmu Power Stations. These retrofits are scheduled for completion in 2008. Retrofits at Anshun II, Panshan and Sanhe Power Stations have already been completed.

Climate Change

CLP engages in regular dialogue with stakeholders, policy makers and government advisors on the urgent need for new policies, particularly with regard to an international agreement commencing in 2013, at the end of the first "Kyoto" period (2008-2012). Through the World Business Council for Sustainable Development, CLP is taking part in a series of stakeholder dialogues in 2008 in Beijing, Johannesburg and Tokyo on the future international regulatory regime for the electricity industry. The input from stakeholders will be reflected in the Phase 3 report of the Electric Utilities sector project, scheduled for completion before the next United Nations Framework Convention on Climate Change Conference in Poland in December 2008.

In Hong Kong, CLP has been reaching out to the public to promote a wiser use of energy. By offering energy audits and energy efficiency solutions to business customers and promoting energy efficient electrical appliances to household customers, CLP helps all sectors of the community to take viable actions to save energy. Parallel to this, a green-living website was launched for customers to learn more about climate change, its impact on our environment and the steps that can be taken to stop it.

In Australia, climate change has become a major issue. Since July 2007, TRUenergy has committed to reduce its emissions by 60% by 2050, subject to the introduction of an effective and efficient national emissions trading scheme. To date, TRUenergy has already delivered a 1.65 million tonne reduction in emissions, through initiatives such as a multi-million dollar thermal efficiency refurbishment programme at Yallourn power station.

The proposed national emissions trading scheme in Australia holds promise for substantial reductions in the nation's greenhouse gas emissions. TRUenergy in Australia has participated in government consultations since the onset of the proposed new scheme and related regulations. TRUenergy supports the introduction of an emissions trading scheme. However it is critical that any scheme ensures a smooth transition for both the economy and for existing energy industry by preserving asset values of existing energy assets. This approach will mitigate the risk of adversely affecting the investment environment, a scenario that could jeopardise ongoing investment in new, clean energy technologies required to replace existing capacity over time.

On 16 July, the Australian Federal Government released its much-anticipated green paper into the potential scope and focus of a national emissions trading scheme. Release of this paper confirmed the Government's commitment to provide once and for all, upfront, limited direct assistance to adversely affected industries, including coal-fired electricity generation businesses. The Government has proposed a three-tiered assistance package and will deliver this, in part, through a new mechanism called the Electricity Sector Adjustment Scheme. The Federal Government's green paper represents a balance between introducing a national emissions trading scheme and managing its implementation in an economically responsible manner. TRUenergy will continue to work with the Federal Government to understand the specific details of this scheme and achieve an effective outcome for its business.

CLP continued to participate in the investor-led Carbon Disclosure Project (CDP), with a timely response to CDP6. Our report includes an in depth discussion of our emissions, trends, risks, opportunities and management of the climate change issue within CLP. Our full submission is available on CLP's website.

Sustainability Reporting

Maintaining our tradition of transparency, CLP published its second online Sustainability Report in March 2008, as well as a more concise printed version – "CLP Sustainability Report – in Essence". An updated version will be issued online, to coincide with the CLP 2008 Interim Report.

FINANCIAL PERFORMANCE

Operating earnings before one-off items increased by HK$270 million to HK$5,254 million, while earnings attributable to shareholders decreased by HK$520 million to HK$5,610 million. One-off items include gains arising from the sale of SEAGas in 2008 and the Ho-Ping transfer in 2007.

The contribution of each major activity to the Group earnings is analysed as follows:

	6 months ended 30 June				Increase/
	2008		2007		(Decrease)
	HK$M	**HK$M**	HK$M	HK$M	HK$M
Electricity business in Hong Kong		**4,040**		3,756	284
Electricity sales to Chinese mainland from Hong Kong	**42**		61		
Generating facilities in Chinese mainland serving Hong Kong	**492**		399		
Other power projects in Chinese mainland	**34**		62		
Energy business in Australia	**31**		484		
Electricity business in India	**263**		175		
Power projects in Southeast Asia and Taiwan	**75**		266		
Other earnings	**454**		4		
Earnings from other investments/operations		**1,391**		1,451	(60)
Unallocated net finance costs		**(1)**		(54)	
Unallocated Group expenses		**(176)**		(169)	
Operating earnings		**5,254**		4,984	270
Other income		**423**		1,030	
Coal mine subsidence and outsourcing costs of TRUenergy		**(67)**		(249)	
Deferred tax write-back for TIPS		**-**		365	
Earnings attributable to shareholders		**5,610**		6,130	(520)
Earnings per share, HK$		**2.33**		2.55	(0.22)

The SoC business in Hong Kong remains our prime earnings contributor and recorded a growth of HK$284 million or 7.6%.

Rising coal prices and the delay in coal price linked tariff adjustment eroded the earnings from our Chinese mainland power projects.

The decrease in Australian earnings reflected last year's unrealised gain of HK$367 million from the valuation of electricity trading contracts, as against this year's unrealised valuation loss of HK$160 million due to fluctuations in Australia electricity market prices. Excluding the above market price fluctuations, the operating profit in Australia improved as a result of an increase in electricity retail price from January 2008 and the higher sales volume in the mass market sector.

Earnings from India increased to HK$263 million (2007: HK$175 million), primarily attributed to the foreign exchange compensation received under the power purchase agreement as a result of the depreciation of Indian Rupee since 2007 year end.

Decreased contributions were seen from power projects in Southeast Asia and Taiwan, mainly because of reduced shareholding from 40% to 20% and higher coal costs at Ho-Ping as well as lower interest income from OneEnergy.

Included in "Other earnings" is the write-back of HK$389 million deferred tax for CLP Power Hong Kong and its share in CAPCO, attributed to a reduction in the Hong Kong profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09. This is a reversal of previous years' deferred tax provision borne by shareholders when the Hong Kong profits tax rate was increased to 17.5%.

The "Other income" in 2008 refers to the one-off gains of HK$423 million (after tax) on the sale of our interest in SEAGas, Australia, and of HK$1,030 million on the injection of Ho-Ping into OneEnergy realised in the first half of 2007.

The financial information set out below in this announcement represents an extract from the condensed consolidated interim financial statements, which are unaudited but have been reviewed by the Group's external auditors, PricewaterhouseCoopers (PwC), in accordance with Hong Kong Standard on Review Engagements 2410 and by the Audit Committee. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.

Condensed Consolidated Income Statement - Unaudited

	Note	**2008 HK$M**	2007 HK$M
		Six months ended 30 June	
Revenue	*3, 4*	**27,534**	24,672
Expenses			
Purchases of electricity, gas and distribution services		**(9,337)**	(8,165)
Operating lease and lease service payments		**(4,083)**	(3,728)
Staff expenses		**(930)**	(1,025)
Fuel and other operating expenses		**(4,506)**	(3,268)
Depreciation and amortisation		**(2,459)**	(2,600)
		(21,315)	(18,786)
Other income	*5*	**489**	1,030
Operating profit	*6*	**6,708**	6,916
Finance costs		**(2,292)**	(2,338)
Finance income		**68**	81
Share of results, net of income tax			
jointly controlled entities		**1,469**	1,505
associated companies		**(12)**	-
Profit before income tax		**5,941**	6,164
Income tax expense	*7*	**(330)**	(31)
Profit for the period		**5,611**	6,133
Profit attributable to minority interests		**(1)**	(3)
Earnings attributable to shareholders		**5,610**	6,130
Dividends	*8*		
First interim paid		**1,252**	1,252
Second interim proposed		**1,252**	1,252
		2,504	2,504
Earnings per share, basic and diluted	*9*	**HK$2.33**	HK$2.55

Condensed Consolidated Balance Sheet - Unaudited

	Note	**30 June 2008 HK$M**	31 December 2007 HK$M
Non-current assets			
Fixed assets	*10*	**89,026**	86,413
Leasehold land and land use rights	*10*	**2,175**	2,196
Goodwill and other intangible assets		**8,847**	8,135
Interests in jointly controlled entities		**18,110**	17,684
Interests in associated companies		**314**	299
Finance lease receivables		**2,747**	3,130
Deferred tax assets		**4,224**	3,915
Derivative financial instruments		**803**	675
Other non-current assets		**828**	552
		127,074	122,999
Current assets			
Inventories – stores and fuel		**756**	667
Trade and other receivables	*11*	**9,963**	7,121
Finance lease receivables		**288**	152
Fuel clause account		**280**	132
Derivative financial instruments		**2,465**	2,427
Bank balances, cash and other liquid funds		**2,265**	2,779
		16,017	13,278
Current liabilities			
Customers' deposits		**(3,660)**	(3,589)
Trade and other payables	*12*	**(6,790)**	(6,023)
Income tax payable		**(444)**	(237)
Bank loans and other borrowings		**(3,021)**	(2,868)
Obligations under finance leases		**(1,382)**	(1,431)
Derivative financial instruments		**(1,779)**	(1,689)
Scheme of Control (SoC) reserve accounts		**(956)**	(2,300)
		(18,032)	(18,137)
Net current liabilities		**(2,015)**	(4,859)
Total assets less current liabilities		**125,059**	118,140
Financed by:			
Equity			
Share capital		**12,041**	12,041
Share premium		**1,164**	1,164
Reserves			
Proposed dividends		**1,252**	2,216
Others		**53,680**	48,480
Shareholders' funds		**68,137**	63,901
Minority interests		**96**	95
		68,233	63,996
Non-current liabilities			
Bank loans and other borrowings		**28,826**	25,492
Obligations under finance leases		**20,423**	20,785
Deferred tax liabilities		**6,161**	6,344
Derivative financial instruments		**532**	559
Other non-current liabilities		**884**	964
		56,826	54,144
Equity and non-current liabilities		**125,059**	118,140

Notes:

1. Basis of Preparation

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

The accounting policies used in the preparation of this set of condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2007 except that the Group has adopted the following new HKFRS interpretations:

- HK(IFRIC)-Int 11 "HKFRS 2 – Group and Treasury Share Transactions",
- HK(IFRIC)-Int 12 "Service Concession Arrangements", and
- HK(IFRIC)-Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The above new HKFRS interpretations either are irrelevant or have no material effect on the Group's interim financial statements.

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 12 August 2008.

2. Financial Risk

Recent developments in Australia on Climate Change policy have posed significant financial risk to the Group, with the release in July of the draft Garnaut Climate Change Review Report (the "Garnaut Report") and the Government's Carbon Pollution Reduction Scheme Green Paper (the "Green Paper"). Both reports advocate the introduction of an Emissions Trading Scheme (ETS) by 2010.

The Garnaut Climate Change Review was commissioned by the Australian Government to examine the impact of climate change on the Australian economy and to recommend medium to long-term policies and policy frameworks. However, it does not represent policy decisions of the Government. The Green Paper, issued for public consultation, outlined the proposed structure of the ETS. It also proposed to provide a limited amount of direct assistance to coal-fired electricity generators upon the introduction of the ETS, but without specifying the quantity or nature of the assistance. The Government, after receiving the feedback from stakeholders, intends to issue a white paper in December 2008, which should represent the Government's final policy.

The introduction of the ETS may have a major impact on the TRUenergy business, in particular on Yallourn's brown coal-fired generation business. However, there remains significant uncertainty regarding the introduction of the ETS as the Garnaut Report and the Green Paper are only two of the many inputs into the Government's decision making process. As such, the introduction of the ETS presents an unquantifiable but potentially material market risk to the Group. At 30 June 2008, no impact of the ETS has been reflected in the Group's interim financial statements (including impairment model cash flows, or discount rate assumptions) on the basis that there is currently significant uncertainty in relation to the likely structure and impact of the ETS.

3. Segment Information

The Group operates, through its subsidiaries, jointly controlled entities and associated companies, in five major geographical regions − Hong Kong, Australia, the Chinese mainland, India, and Southeast Asia and Taiwan.

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

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2008							
Revenue	15,074	10,069	75	2,301	13	2	**27,534**
Segment results	5,608	905	(32)	413	-	(186)	**6,708**
Share of results, net of income tax							
jointly controlled entities	890	(5)	509	-	75	-	**1,469**
associated companies	-	(12)	-	-	-	-	**(12)**
Profit/(loss) before net finance costs and income tax	6,498	888	477	413	75	(186)	**8,165**
Finance costs							**(2,292)**
Finance income							**68**
Profit before income tax							**5,941**
Income tax expense							**(330)**
Profit for the period							**5,611**
Profit attributable to minority interests							**(1)**
Earnings attributable to shareholders							**5,610**
Six months ended 30 June 2007							
Revenue	14,409	8,829	62	1,338	33	1	24,672
Segment results	5,402	512	(45)	179	1,052	(184)	6,916
Share of results of jointly controlled entities, net of income tax	691	31	528	-	255	-	1,505
Profit/(loss) before net finance costs and income tax	6,093	543	483	179	1,307	(184)	8,421
Finance costs							(2,338)
Finance income							81
Profit before income tax							6,164
Income tax expense							(31)
Profit for the period							6,133
Profit attributable to minority interests							(3)
Earnings attributable to shareholders							6,130

4. Revenue

	Six months ended 30 June	
	2008	2007
	HK$M	HK$M
Sales of electricity	**21,401**	20,457
Lease service income	**2,067**	1,104
Finance lease income	**234**	233
Sales of gas	**2,484**	1,655
Other revenue	**355**	278
	26,541	23,727
Transfer from Development Fund (note)	**993**	945
	27,534	24,672

Note: Pursuant to the SoC Agreement, if the gross tariff revenue in Hong Kong in any year exceeds or is less than the total of the operating costs, permitted return and taxation charges, such excess shall be added to, or such deficiency shall be deducted from, the Development Fund.

5. Other Income

	Six months ended 30 June	
	2008	2007
	HK$M	HK$M
Gain on sale of SEAGas (note)	**489**	-
Gain on transfer of Ho-Ping to OneEnergy	**-**	1,030
	489	1,030

Note: In June 2008, the Group sold its entire 33 1/3% interest in SEAGas, a jointly controlled entity in Australia, for a cash consideration of HK$880 million (A$117 million).

6. Operating Profit

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

	Six months ended 30 June	
	2008	2007
	HK$M	HK$M
Charging		
Staff costs		
Salaries and other costs	**864**	956
Retirement benefits costs	**66**	69
Net loss on disposal of fixed assets	**67**	61
Coal mine subsidence of TRUenergy	**96**	-
Initial outsourcing costs and related assets write-down of TRUenergy	**-**	357
Net fair value loss/(gain) on derivative financial instruments		
Cash flow hedges, transfer from equity	**160**	(16)
Fair value hedges	**27**	33
Transactions not qualifying as hedges	**170**	(438)
Crediting		
Other net exchange gains	**(15)**	(12)

7. Income Tax

Income tax in the condensed consolidated income statement represents the income tax of the Company and subsidiaries and is analysed below:

	Six months ended 30 June	
	2008	2007
	HK$M	HK$M
Current income tax		
Hong Kong	**355**	268
Outside Hong Kong	**65**	32
	420	300
Deferred tax		
Hong Kong (note)	**(230)**	131
Outside Hong Kong	**140**	(400)
	(90)	(269)
	330	31

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

Note: Including a write-back of deferred tax liabilities of HK$327 million (2007: nil) as the Hong Kong profits tax rate has been reduced from 17.5% to 16.5% for the fiscal year 2008/09.

8. Dividends

	Six months ended 30 June			
	2008		2007	
	HK$ per share	**HK$M**	HK$ per share	HK$M
First interim dividend paid	**0.52**	**1,252**	0.52	1,252
Second interim dividend proposed	**0.52**	**1,252**	0.52	1,252
	1.04	**2,504**	1.04	2,504

At the Board meeting held on 12 August 2008, the Directors declared the second interim dividend of HK$0.52 per share. The second interim dividend is not reflected as a dividend payable in the interim financial statements, but as a separate component of the shareholders' funds at 30 June 2008.

9. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2008	2007
Earnings attributable to shareholders (HK$M)	**5,610**	6,130
Weighted average number of shares in issue (thousand shares)	**2,408,246**	2,408,246
Earnings per share (HK$)	**2.33**	2.55

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 2008 (2007: nil).

10. Fixed Assets, Leasehold Land and Land Use Rights

Fixed assets, leasehold land and land use rights totalled HK$91,201 million at 30 June 2008 (31 December 2007: HK$88,609 million). Movements in the accounts are as follows:

	Fixed Assets					
	Freehold Land and Buildings		Plant, Machinery and Equipment			Leasehold Land and Land Use Rights
	Owned HK$M	Leased HK$M	Owned HK$M	Leased HK$M	Total HK$M	HK$M
Net book value, as at 1 January 2008	7,442	4,823	56,827	17,321	86,413	2,196
Acquisition of a subsidiary	320	-	28	-	348	-
Additions	241	16	2,475	369	3,101	1
Transfers and disposals	(7)	(7)	(40)	(40)	(94)	-
Depreciation/amortisation	(113)	(131)	(1,520)	(532)	(2,296)	(25)
Exchange differences	76	-	1,475	3	1,554	3
Net book value, as at 30 June 2008	**7,959**	4,701	**59,245**	**17,121**	**89,026**	**2,175**
Cost	10,552	9,658	91,926	36,249	148,385	2,417
Accumulated depreciation/ amortisation and impairment	(2,593)	(4,957)	(32,681)	(19,128)	(59,359)	(242)
Net book value, as at 30 June 2008	**7,959**	4,701	**59,245**	**17,121**	**89,026**	**2,175**

Leasehold land is mainly held under medium-term (10 – 50 years) leases in Hong Kong. Leasehold land is considered under the SoC Agreement as one type of fixed assets on which permitted return is earned.

11. Trade and Other Receivables

	30 June 2008 HK$M	31 December 2007 HK$M
Trade receivables	**7,314**	5,473
Deposits, prepayments and other receivables	**2,506**	1,598
Dividends receivable from jointly controlled entities	**101**	5
Current accounts with jointly controlled entities	**42**	45
	9,963	7,121

The Group has established credit policies for customers in each of its core businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees. For subsidiaries outside Hong Kong, the credit term for trade receivables ranges from about 30 to 60 days.

The ageing analysis of the trade receivables is as follows:

	30 June 2008				31 December 2007			
	Not impaired HK$M	**Impaired HK$M**	**Provision for impairment HK$M**	**Total HK$M**	Not impaired HK$M	Impaired HK$M	Provision for impairment HK$M	Total HK$M
Not yet due	**6,775**	**31**	**(19)**	**6,787**	4,876	36	(17)	4,895
Overdue								
1 – 30 days	**279**	**40**	**(31)**	**288**	278	25	(14)	289
31 – 90 days	**51**	**81**	**(56)**	**76**	118	44	(28)	134
Over 90 days	**11**	**366**	**(214)**	**163**	20	355	(220)	155
	7,116	**518**	**(320)**	**7,314**	5,292	460	(279)	5,473

12. Trade and Other Payables

	30 June 2008 HK$M	31 December 2007 HK$M
Trade payables	**2,886**	2,772
Other payables and accruals	**2,454**	2,503
Current accounts with jointly controlled entities	**1,450**	748
	6,790	6,023

The ageing analysis of the trade payables is as follows:

	30 June 2008 HK$M	31 December 2007 HK$M
Below 30 days (including amount not yet due)	**2,876**	2,762
31 – 90 days	**3**	3
Over 90 days	**7**	7
	2,886	2,772

13. Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights, as well as intangible assets authorised but not brought into the interim financial statements is as follows:

	30 June 2008 HK$M	31 December 2007 HK$M
Contracted but not provided for	**5,174**	5,361
Authorised but not contracted for	**7,864**	6,917
	13,038	12,278

(B) The Group has entered into a number of joint venture arrangements to develop power projects in the Chinese mainland. As at 30 June 2008, remaining equity contributions of HK$998 million (31 December 2007: HK$1,212 million) would be required to be made by the Group.

(C) CLP Power Hong Kong has a commitment to provide the necessary shareholder's advances to CAPCO for financing the installation of emissions control facilities at Castle Peak "B" Power Station. The funding commitment is contingent upon the serving of advance notice from ExxonMobil Energy Limited to CLP Power Hong Kong with the effective date falling within the period from 2 October 2008 to three months after the commissioning of the first unit of the emissions control facilities. The maximum shareholder advances, if requested, are estimated to be HK$5,734 million (31 December 2007: HK$5,364 million) and expected to occur in 2011.

14. Contingent Liabilities

Under the original power purchase agreement between GPEC and its off-taker Gujarat Urja Vikas Nigam Ltd. (GUVNL), GUVNL was required to make a "deemed generation incentive" payment to GPEC when the plant availability was above 68.5% (70% as revised subsequently). GUVNL has been making such payments since December 1997. In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission claiming that the "deemed generation incentive" payment should not be paid for the period when the plant was declared with its availability 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 amounts to about HK$1,328 million (31 December 2007: HK$1,437 million).

On the basis of legal advice that has been sought, the Directors are of the opinion that no provision is required to be made in the financial statements in respect of this matter.

Supplementary Information on Treasury Activities

The Group engaged in new financing activities in the first half of 2008 to support the expansion of our electricity business in Hong Kong. In June 2008, through its wholly-owned subsidiary CLP Power Hong Kong Financing Limited, CLP Power Hong Kong issued HK$340 million fixed rate notes due in 2015 with a coupon rate at 4.20%. This issue was made under the Medium Term Note (MTN) Programme set up by CLP Power Hong Kong Financing Limited in 2002. As at 30 June 2008, notes with a nominal value of about HK$7.7 billion have been issued under the MTN Programme. In addition, a bank loan facility of HK$500 million was arranged at an attractive interest rate margin during the period.

As at 30 June 2008, financing facilities totalling HK$45.8 billion were available to the Group, including HK$19.2 billion for TRUenergy and GPEC. Of the facilities available, HK$31.8 billion had been drawn down, of which HK$15.7 billion relates to TRUenergy and GPEC. Facilities totalling HK$7.6 billion were available to CAPCO, of which HK$7.0 billion had been drawn down. Our total debt to total capital ratio as at 30 June 2008 was 31.8%, decreasing to 30.2% after netting off bank balances, cash and other liquid funds at 30 June 2008. Interest cover for the six months ended 30 June 2008 was 8 times.

In April 2008, Moody's lowered the long-term credit ratings of CLP Holdings from A1 to A2 and that of CLP Power Hong Kong from Aa3 to A1 with stable outlooks. Moody’s opined in its report that the lower permitted rate of return under the new SoC is expected to marginally pressure the post 2008 earnings and cash flow of CLP Power Hong Kong. The downgrade in ratings reflects Moody’s view of the projected weakening in the financial profile of CLP Holdings and CLP Power Hong Kong, as a result of what Moody’s described as CLP Group’s capital management initiatives to leverage up CLP Power Hong Kong via debt-funded dividend upstream to CLP Holdings after 2008. Moody’s expected that the ratings of CLP Holdings and CLP Power Hong Kong will continue to be underpinned by the stable cash flow generated by CLP Power Hong Kong.

In June 2008, S&P lowered the long-term credit ratings of CLP Holdings from A to A- and that of CLP Power Hong Kong from A+ to A with stable outlooks. S&P opined that the ratings reflect the weakening credit profile of CLP Power Hong Kong arising from the new SoC returns and increase in debt gearing, CLP Holdings’ weak performance of overseas investments and resultant increase in return volatility. On the other hand, S&P recognises CLP Holdings will continue to benefit from the strong cash flow of CLP Power Hong Kong, increase in geographic and operation diversity, investment discipline and risk management practices. S&P also lowered the long-term rating of TRUenergy Holdings in April 2008 from BBB+ to BBB with negative outlook. S&P cited in its report that this lower rating reflects TRUenergy Holdings’ weaker than expected operational performance. The rating outlook is negative, reflecting concerns on its ability to deliver to its operational plan over the medium term. Should TRUenergy Holdings not deliver improved operational performance and stronger credit metrics over the next year, the rating will be lowered. The outlook could return to stable pending enhancement of operational stability and improvement of credit metrics over the next 12 − 18 months.

The Group’s investments and operations have resulted in exposure to foreign currency risks, interest rate risks, credit risks, as well as price risks associated with the sales and purchases 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. We monitor our risk exposures with the assistance of a “Value-at-Risk” (VaR) methodology and stress testing technique. Other than certain energy trading activities engaged by our Australian business, all derivative instruments are employed solely for hedging purposes.

As at 30 June 2008, the Group had gross outstanding derivative financial instruments amounting to HK$99.3 billion. The fair value of these derivative instruments was at a net surplus of HK$957 million, which represents the net amount we would receive if these contracts were closed out on 30 June 2008.

CORPORATE GOVERNANCE

In the Corporate Governance Report dated 28 February 2008, which was published in our 2007 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) on 28 February 2005, which incorporated all of the Code Provisions and Recommended Best Practices in the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange (the Stock Exchange Code), save for one exception.

This single deviation from the Recommended Best Practices of the Stock Exchange Code relates to the recommendation that an issuer should announce and publish quarterly financial results. CLP issues quarterly statements which set out key financial and business information such as revenue, electricity sales, interim dividends and progress in major business activities over the quarter. However, CLP does not issue quarterly financial results. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. The considered reasons for this deviation were stated in the Corporate Governance Report on page 104 of the Company's 2007 Annual Report.

In 2008, we made further progress in our corporate governance practices, including publishing a "Shareholders' Guide" which collects and answers the most frequently asked questions with regard to the rights of CLP shareholders and the way in which they can best exercise and enjoy those rights.

During the first half of 2008, there have been a number of changes to the Board. Mr. Paul A. Theys was appointed a Non-executive Director effective from 1 January 2008. Dr. William K. Fung retired as an Independent Non-executive Director with effect from 1 April 2008 and Mr. J. S. Dickson Leach retired as a Non-executive Director effective from 29 April 2008. Ms. Marjorie M. T. Yang was appointed an Independent Non-executive Director with effect from 1 June 2008. Directors' biographies are set out on CLP's website.

The composition of Board Committees remains the same as set out in the Corporate Governance Report (pages 110, 111 and 118), save for the following changes:

- The Regulatory Affairs Committee was abolished with effect from 1 March 2008, and all significant matters relating to the regulatory regime for the Hong Kong electricity business are considered by the full Board.
- The name of the Social, Environmental & Ethics Committee was changed to Sustainability Committee effective from 1 April 2008.
- Dr. William K. Fung resigned as a member of the Nomination Committee and the Sustainability Committee, following his retirement as an Independent Non-executive Director on 1 April 2008.
- Mr. Hansen C. H. Loh was appointed a member of the Nomination Committee with effect from 1 April 2008.

In respect of the year ended 31 December 2007, the Board considered CLP's internal control system effective and adequate. During the six months ended 30 June 2008, no significant areas of concern which might affect shareholders were identified. One out of the 12 reports on the Group's affairs submitted by Group Internal Audit during this period carried an unsatisfactory audit opinion. The issues arising from the audit are being addressed. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 114 to 116 of the Company's 2007 Annual Report.

During the six months ended 30 June 2008 the Company met the Code Provisions set out in the Stock Exchange Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules).

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2008. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman and one member having appropriate professional qualifications and experience in financial matters.

At the Company's Annual General Meeting held on 29 April 2008, shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's External Auditors for the financial year ended 31 December 2008.

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors (CLP Securities Code), which is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code also applies to Senior Management (comprising the three Executive Directors, Group Director – Managing Director Hong Kong, Group Director – Managing Director Australia, Managing Director – China, Managing Director – India, Chief Executive Officer – OneEnergy Limited, Group Director – Operations and Group Director – Corporate Finance and Development, whose biographies are set out on CLP's website) and other "Specified Individuals" such as senior managers in the CLP Group. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities.

The current CLP Securities Code is on terms no less exacting than the required standard set out in the Model Code.

All Directors and 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 2008.

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 2008.

INTERIM DIVIDEND

Directors today declared the second interim dividend of HK$0.52 per share (2007: HK$0.52 per share) which will be payable on 12 September 2008 to Shareholders registered as at the close of business on 2 September 2008. The dividend of HK$0.52 per share is payable on the existing 2,408,245,900 shares of HK$5.00 each in issue.

The Register of Shareholders will be closed on 3 September 2008. To rank for the second interim dividend of HK$0.52 per share, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 2 September 2008.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 12 August 2008

The Interim Report containing financial statements and notes to the financial statements will be published on the Company's website www.clpgroup.com and the website of the Stock Exchange of Hong Kong on 19 August 2008 and despatched to shareholders on 29 August 2008.

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 002)

Non-executive Directors:	The Hon. Sir Michael Kadoorie, Mr. W. E. Mocatta, Mr. R. J. McAulay, Mr. J. A. H. Leigh, Mr. R. Bischof, Mr. I. D. Boyce, Mr. Jason Whittle, Dr. Y. B. Lee and Mr. Paul A. Theys (Mr. Neo Kim Teck as his alternate)
Independent Non-executive Directors:	The Hon. Sir S. Y. Chung, Mr. V. F. Moore, Mr. Hansen C. H. Loh, Mr. Paul M. L. Kan, Professor Judy Tsui, Sir Rod Eddington, Mr. Peter T. C. Lee and Ms. Marjorie M. T. Yang
Executive Directors:	Mr. Andrew Brandler, Mr. Peter P. W. Tse and Mr. Peter W. Greenwood