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**Announcement of Interim Results
as from 1 January 2013 to 30 June 2013,
Dividend Declaration and Closure of Books**

Financial Highlights

- Group operating earnings for the first half of 2013 amounted to HK\$3,896 million, comparable with the corresponding period in 2012.
- Total earnings including non-recurring items increased 12.2% to HK\$3,767 million; earnings per share increased 7.2% to HK\$1.49 per share.
- Operating earnings from our electricity business in Hong Kong increased 5.5% to HK\$3,417 million.
- Operating loss from our Australia business was HK\$45 million (as compared to earnings of HK\$268 million in 2012) due to a challenging operating environment.
- Consolidated revenue rose 12.0% to HK\$51,706 million.
- Second interim dividend of HK\$0.53 per share.

CHAIRMAN'S STATEMENT

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

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

In the first half of 2013, the Group's operating earnings were HK\$3,896 million, comparable with HK\$3,897 million from the same period in 2012. The Group's total earnings, including one-off items,

were HK\$3,767 million, an increase of 12.2% from the corresponding period in the previous year. Notwithstanding the demanding operating conditions, we have maintained the level of the first and second interim dividends for 2013 at HK\$0.53 per share.

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

Hong Kong

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

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

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

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

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

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

Australia

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

The Australia energy market is facing unprecedented structural changes that are taking place at a rapid pace. In particular, the past two years have seen a pronounced decline in residential electricity demand in response to rising prices, and the deployment of rooftop solar photovoltaic systems and energy efficiency

savings have more than offset any increase in demand from population growth. Commercial and industrial demand has also been impacted materially by a difficult manufacturing environment, in part due to rising energy costs, a highly valued Australian dollar and a slowing global economy.

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

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

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

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

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

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

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

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

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

In summary, against a backdrop of adverse economic and wholesale market conditions the business will continue to face immense difficulties. As such, it may take some time for our improvement measures to

come into fruition. In the meantime, the senior management team and the Board of EnergyAustralia will continue to focus on reducing costs and improving operational efficiency of the business.

India

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

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

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

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

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

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

Chinese Mainland

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

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

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

Management Transition

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

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

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

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

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

The Hon. Sir Michael Kadoorie

FINANCIAL PERFORMANCE

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

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

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

The performance of individual business is analysed under individual business section.

PERFORMANCE & OUTLOOK

Hong Kong

Earnings from Hong Kong electricity business grew by 5.5% to HK\$3,417 million on higher average net fixed assets.

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

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

	Increase/(Decrease)		As Percentage of Total Local Sales
Residential	(243GWh)	(6.0%)	26%
Commercial	20GWh	0.3%	41%
Infrastructure & Public Services	19GWh	0.5%	27%
Manufacturing	(25GWh)	(2.8%)	6%

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

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

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

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

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

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

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

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

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

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

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

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

Outlook for the second half of 2013:

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

Australia

Our Australia business recorded an operating loss of HK\$45 million, as compared to earnings of HK\$268 million in the first half of 2012. Despite tariff uplifts in July 2012 and January 2013, the loss was mainly attributable to lower mass market gross margin on decreased customer usage, reduced generation from Yallourn which was driven by lower plant availability and industrial action, higher bad and doubtful debt expenses, and higher employee and consultancy costs to support higher call volumes in customer service centres, partly offset by lower unfavourable mark-to-market movements of energy contracts. In addition, a further provision of A\$6 million (HK\$42 million) has been made for the remediation work as a result of the Yallourn coal mine flooding in June 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

energy markets is delivering benefits to customers and therefore recommended that retail electricity and gas price regulations be removed.

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

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

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

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

Chinese Mainland

Earnings from coal-fired projects, in particular Shandong joint venture, increased as a result of lower coal prices. In addition, earnings from hydro projects, such as Jiangbian and Huaiji, improved due to higher generation as a result of higher rainfall. Our wind portfolio contributed earnings of HK\$74 million compared to HK\$97 million last year due to lower wind speeds, grid restrictions and the pending renewal of the policy of Shandong provincial subsidy. A loss of HK\$87 million, which includes impairment and a provision for divestment costs, was made for Boxing Biomass.

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

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

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

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

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

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

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

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

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

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

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

Outlook for the second half of 2013:

- Improving the environmental performance at Fangchenggang I;
- Obtaining final approval to proceed with the construction of Fangchenggang II;
- Reducing our positions in minority-owned coal-fired joint ventures if the opportunity to do so on commercially acceptable terms arises;
- Continuing the construction of the Laiwu Phase I (49.5MW) wind project;

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

India

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

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

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

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

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

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

Our wind energy portfolio in India performed within our expectations in the first half of 2013. We commissioned the Bhakrani (54.4MW) and Sipla (50.4MW) wind projects in the state of Rajasthan. Reinforcing our strategy to focus on renewable energy in India, CLP has decided to invest in the Jath wind

project (130MW) in Maharashtra. Construction is expected to commence in September 2013 with a target commissioning in December 2014. Upon completion of this project, our wind portfolio in India will grow beyond 1,000MW, cementing our position as the country's largest wind energy producer, whether domestic or foreign.

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

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

Southeast Asia and Taiwan

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

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

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

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

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

Outlook for the second half of 2013:

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

Human Resources

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

Safety

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

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

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

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

FINANCIAL INFORMATION

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.

Consolidated Statement of Profit or Loss – Unaudited

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

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

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

Consolidated Statement of Financial Position – Unaudited

		30 June 2013	(Audited) 31 December 2012
	<i>Note</i>	HK\$M	HK\$M
Non-current assets			
Fixed assets	8	127,582	132,463
Leasehold land and land use rights under operating leases	8	1,826	1,866
Goodwill and other intangible assets		25,496	28,479
Interests in joint ventures		19,272	19,197
Interest in an associate		1,358	1,856
Finance lease receivables		1,523	1,665
Deferred tax assets		890	1,025
Fuel clause account		-	337
Derivative financial instruments		3,228	3,285
Available-for-sale investments		1,263	1,289
Other non-current assets		131	141
		<u>182,569</u>	<u>191,603</u>
Current assets			
Inventories – stores and fuel		1,772	1,667
Renewable energy certificates		940	1,991
Trade and other receivables	9	20,498	18,552
Finance lease receivables		86	158
Derivative financial instruments		1,258	1,759
Bank balances, cash and other liquid funds		7,640	13,026
		<u>32,194</u>	<u>37,153</u>
Current liabilities			
Customers' deposits		(4,434)	(4,420)
Trade and other payables	10	(17,140)	(21,732)
Income tax payable		(363)	(233)
Bank loans and other borrowings		(10,612)	(6,895)
Obligations under finance leases		(2,393)	(2,406)
Derivative financial instruments		(1,482)	(1,762)
		<u>(36,424)</u>	<u>(37,448)</u>
Net current liabilities		<u>(4,230)</u>	<u>(295)</u>
Total assets less current liabilities		<u>178,339</u>	<u>191,308</u>

Consolidated Statement of Financial Position – Unaudited (continued)

		30 June	(Audited)
		2013	31 December
	<i>Note</i>	HK\$M	2012
			HK\$M
Financed by:			
Equity			
Share capital		12,632	12,632
Share premium		8,119	8,119
Reserves			
Declared dividends		1,339	2,476
Others		64,643	67,900
Shareholders' funds		86,733	91,127
Non-controlling interests		113	74
		86,846	91,201
Non-current liabilities			
Bank loans and other borrowings		52,043	59,303
Obligations under finance leases		24,247	24,649
Deferred tax liabilities		8,464	8,370
Derivative financial instruments		3,806	4,084
Fuel clause account		711	-
Scheme of Control (SoC) reserve accounts	<i>11</i>	264	1,245
Other non-current liabilities		1,958	2,456
		91,493	100,107
Equity and non-current liabilities		178,339	191,308

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 (HKICPA).

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

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

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

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

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

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

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

2. Revenue

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

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

Notes:

- (a) Including cash assistance of HK\$1,005 million (A\$129 million) (2012: nil) received by EnergyAustralia Holdings Limited (EnergyAustralia) under the Energy Security Fund with respect to Yallourn Power Station. The cash assistance received has been recognised as revenue over the relevant period from 1 July 2012 to 30 June 2013 on a systematic basis.
- (b) Under the SoC, if the gross tariff revenue in Hong Kong in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund under the SoC (Note 11). In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in the profit or loss.

3. Segment Information

The Group operates, through its subsidiaries, joint ventures, joint operations and an associate, in five major geographical regions – Hong Kong, Australia, the Chinese mainland, India, and Southeast Asia and Taiwan. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

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

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

3. Segment Information (continued)

	Hong Kong HK\$M	Australia HK\$M	Chinese Mainland HK\$M	India HK\$M	Southeast Asia & Taiwan HK\$M	Unallocated Items HK\$M	Total HK\$M
Six months ended 30 June 2012							
Revenue	15,544	28,909	389	1,305	7	2	46,156
Operating profit/(loss)	4,855	326	115	378	(16)	(281)	5,377
Finance costs	(1,765)	(914)	(107)	(312)	-	(45)	(3,143)
Finance income	2	93	3	39	2	6	145
Share of results, net of income tax							
Joint ventures	618	(4)	511 ^(a)	-	87	-	1,212
An associate	-	-	234 ^(a)	-	-	-	234
Profit/(loss) before income tax	3,710	(499)	756	105	73	(320)	3,825
Income tax (expense)/credit	(516)	226	(52)	(124)	-	-	(466)
Profit/(loss) for the period	3,194	(273)	704	(19)	73	(320)	3,359
Earnings attributable to non-controlling interests	-	-	(3)	-	-	-	(3)
Earnings/(loss) attributable to shareholders	3,194	(273)	701	(19)	73	(320)	3,356
At 31 December 2012							
Fixed assets	89,393	25,659	5,001	12,239	-	171	132,463
Goodwill and other intangible assets	-	28,408	39	32	-	-	28,479
Interests in joint ventures	9,294	99	8,049	-	1,755	-	19,197
Interest in an associate	-	-	1,856	-	-	-	1,856
Deferred tax assets	-	964	61	-	-	-	1,025
Other assets	12,847	18,781	2,861	7,148	77	4,022	45,736
Total assets	111,534	73,911	17,867	19,419	1,832	4,193	228,756
Bank loans and other borrowings	33,435	16,618	3,367	9,878	-	2,900	66,198
Current and deferred tax liabilities	7,852	-	176	575	-	-	8,603
Obligations under finance leases	26,987	68	-	-	-	-	27,055
Other liabilities	12,204	21,297	300	1,663	4	231	35,699
Total liabilities	80,478	37,983	3,843	12,116	4	3,131	137,555

Note:

- (a) Out of the total amounts of HK\$862 million (2012: HK\$745 million), HK\$336 million (2012: HK\$274 million) was attributable to investments in Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) and Hong Kong Pumped Storage Development Company, Limited (PSDC), whose generating facilities serve Hong Kong.

4. Operating Profit

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

	Six months ended 30 June	
	2013	2012
	HK\$M	HK\$M
Staff costs		
Salaries and other costs	1,331	1,344
Retirement benefits costs	132	103
Net (gain)/loss on disposal of fixed assets	(46)	141
Gain on sale of interest in Waterloo ^(a)	(33)	-
Yallourn mine flooding	60	920
Impairment of fixed assets and leasehold land and land use rights	38	-
Net fair value (gain)/loss on derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	(333)	(194)
Fuel and other operating expenses	(97)	(56)
Transactions not qualifying as hedges	302	637
Ineffectiveness of cash flow hedges	(186)	(76)
Net exchange (gain)/loss	(4)	107

Note:

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

5. Income Tax Expense

	Six months ended 30 June	
	2013	2012
	HK\$M	HK\$M
Current income tax		
Hong Kong	230	340
Outside Hong Kong	154	120
	384	460
Deferred tax		
Hong Kong	191	175
Outside Hong Kong	53	(169)
	244	6
	628	466

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

6. Dividends

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

At the Board meeting held on 12 August 2013, the Directors declared the second interim dividend of HK\$0.53 per share (2012: HK\$0.53 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements, but as a separate component of the shareholders' funds at 30 June 2013.

7. Earnings per Share

The earnings per share are computed as follows:

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

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2013 and 30 June 2012.

8. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases

Fixed assets and leasehold land and land use rights under operating leases totalled HK\$129,408 million at 30 June 2013 (31 December 2012: HK\$134,329 million). Movements in the accounts are as follows:

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

Note:

- (a) These leased assets include mainly Castle Peak Power Company Limited (CAPCO)'s operational generating plant and associated fixed assets of net book value of HK\$26,599 million (31 December 2012: HK\$26,987 million), which are deployed for the generation of electricity supplied to CLP Power Hong Kong Limited (CLP Power Hong Kong) under the Electricity Supply Contract between the two parties; and Delta Electricity's power station at Mount Piper of net book value of HK\$5,099 million (31 December 2012: HK\$5,804 million) under the Delta Western GenTrader contracts. These arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17.

9. Trade and Other Receivables

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

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

EnergyAustralia determines its doubtful debts provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired. EnergyAustralia held cash deposits and bank guarantees from commercial and industrial customers as security in relation to outstanding receivable balances.

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

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

10. Trade and Other Payables

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

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

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

11. SoC Reserve Accounts

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

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

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

In 2012, interim refunds of HK\$1,601 million were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decision of the Lands Tribunal and subsequent appeals. With a further interim refund of HK\$40 million received in 2013, total interim refunds received as of 30 June 2013 amounted to HK\$1,641 million.

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

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

11. SoC Reserve Accounts (continued)

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

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

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

12. Commitments

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

	30 June 2013 HK\$M	31 December 2012 HK\$M
Contracted but not provided for	11,415	10,458
Authorised but not contracted for	7,671	11,347
	<u>19,086</u>	<u>21,805</u>

- (B) The Group has entered into a number of joint arrangements to develop power projects. At 30 June 2013, remaining equity contributions of HK\$192 million (31 December 2012: HK\$111 million) were required to be made by the Group.

13. Contingent Liabilities

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

Under the original power purchase agreement between CLP India Private Limited (CLP India) and its off-taker Gujarat Urja Vikas Nigam Limited (GUVNL), GUVNL was required to make a “deemed generation incentive” payment to CLP India when the plant availability of the Paguthan Plant (Paguthan) was above 68.5% (70% as revised subsequently). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the “deemed generation incentive” payment should not be paid for the periods when Paguthan is declared with availability to generate on “naphtha” as fuel rather than on “gas”. GUVNL’s contention is based on a 1995 Government of India notification which disallowed “deemed generation incentive” for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK\$937 million). CLP India’s position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the “deemed generation incentive”.

GUVNL also claimed that CLP India has wrongly received interest on “deemed loans” under the existing power purchase agreement. GUVNL’s claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the “deemed loans” amounts to a further Rs.830 million (HK\$107 million) (31 December 2012: Rs.830 million (HK\$118 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL’s claims. On the issue related to the payment to CLP India of “deemed generation incentive”, the GERC decided that the “deemed generation incentive” was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL’s claim against CLP India in respect of deemed generation incentive up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,896 million (HK\$374 million). The GERC also dismissed GUVNL’s claim to recover interest on the “deemed loans”.

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

13. Contingent Liabilities (continued)**(A) CLP India – Deemed Generation Incentive Payment and Interest on Deemed Loans (continued)**

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK\$482 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK\$65 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

Subsequent to the above deduction, CLP India represented to GUVNL that during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK\$38 million) and interest of Rs.150 million (HK\$19 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK\$2 million). At 30 June 2013, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK\$1,103 million) (31 December 2012: Rs.8,543 million (HK\$1,211 million)).

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

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

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

(C) JPL – Disputed Charges with Off-takers

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

(D) Land Premium of a Property in Hong Kong

The Group has received a demand note from the relevant authorities in the Hong Kong Government in an amount of HK\$280 million (31 December 2012: HK\$237 million) as land premium relating to the Group's new office at Laguna Verde at Hung Hom. The Group considers, including on the basis of legal and other professional advice, that no payment is due. Exchanges are continuing regarding both the principle and quantum of any such premium.

14. Event after the End of the Reporting Period

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

Supplementary Information on Treasury Activities

The Group engaged in new financing activities in the first half of 2013 in support of its electricity business. In January 2013, CLP Holdings arranged a HK\$500 million 3-year new committed bank loan facility at favourable terms. In March and May 2013, CLP Power Hong Kong arranged HK\$750 million new committed bank facilities at favourable rates and issued a A\$20 million (HK\$161 million) 10-year bond under the Medium Term Note (MTN) Programme respectively. Australian dollar proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US\$4.5 billion, increased from US\$3.5 billion, may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2013, notes with an aggregate nominal value of about HK\$25.5 billion have been issued under the MTN Programme.

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

As at 30 June 2013, financing facilities totalling HK\$94.1 billion were available to the Group, including HK\$36.5 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK\$62.7 billion had been drawn down, of which HK\$26.0 billion relates to EnergyAustralia and subsidiaries in India. Facilities totalling HK\$7.6 billion were available to CAPCO, of which HK\$6.4 billion had been drawn down. The Group's total debt to total capital ratio as at 30 June 2013 was 41.9%, decreasing to 38.8% after netting off bank balances, cash and other liquid funds. Interest cover for the six months ended 30 June 2013 was 4 times.

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

Moody's re-affirmed the A2 credit rating of CLP Holdings and A1 credit rating of CLP Power Hong Kong with stable outlooks in March 2013. They opined CLP Power Hong Kong (the wholly-owned subsidiary of CLP Holdings) has strong and highly predictable cash flows generated from the SoC business in Hong Kong; a sound liquidity profile supported by the good track record in accessing the domestic and international bank and capital markets; a well managed debt maturity profile; availability of sizable committed bank facilities; management's prudent and gradual approach in pursuing overseas expansion. As a matter of caution, Moody's alerted that credit metrics of CLP Holdings are not expected to materially improve in 2013 given the difficult operating environment in Australia and the uncertainty related to new arrangements on coal supplies for Jhajjar. Nevertheless, CLP Holdings' overall credit metrics in the next two to three years will still be consistent with its current rating level, albeit at the low end of the rating range.

Standard & Poor's (S&P) re-affirmed the A- credit rating of CLP Holdings and A credit rating of CLP Power Hong Kong with stable outlooks in February 2013. The ratings reflect the strong business risk profile and modest financial risk profile of CLP Holdings; adequate liquidity position supported by strong operating cash flow of the SoC business in Hong Kong and its strong financial flexibility; and good liability management practices with diversified funding sources and debt tenors. S&P believed the long-term gas supply agreement CLP Power Hong Kong secured with PetroChina ensures the stability of gas supply and enables the Company to move to cleaner fuel; however, it would result in more capital expenditure on the construction of infrastructure and associated facilities, and thus raises funding needs. S&P opined that expanding Asia Pacific power investments would temper the strengths that CLP Power Hong Kong brings to the parent and increase CLP Holdings' business and operating risks while weakening its credit protection measures. Nevertheless, S&P also alerted that new generation facilities under

construction in Australia, India and the Chinese mainland carry higher operating risks, and are potentially subject to increasing supervision and costs relating to carbon emission and environmental issues.

S&P revised the outlook of EnergyAustralia's BBB credit rating to negative from stable in April 2013. According to S&P, the rating reflects the benefit from a higher rated owner, CLP Holdings; strong liquidity profile; and vertically integrated electricity generation and retailing components of the business. S&P alerted that EnergyAustralia's financial profile could be weaker than expected due to structural changes in the electricity market; lower energy consumption, soft electricity prices, and competition for retail market share; challenge of transitioning to a new information technology platform to improve the cost base and support operating cash flow; ongoing risk of integrating the retail business; and exposure to the competitive electricity wholesale and retail markets.

The Group's investments and operations have resulted in exposure to foreign currency risks, interest rate risks, credit risks, as well as the price risks associated with the sale and purchase of electricity in Australia. We actively manage these risks by using different derivative instruments with the objective of minimising the impact of rate and price fluctuations on earnings, reserves and tariff charges to customers. In meeting the objectives of risk management, we always prefer simple, cost-efficient and HKAS 39 hedge-effective instruments. For instance, we prefer foreign currency forward contracts, cross currency and interest rate swaps to structured products for managing financial risk. We also monitor our risk exposures with the assistance of "Value-at-Risk" (VaR) methodology, Volumetric Limits and stress testing techniques. Other than very limited energy trading activities engaged by our Australia business, all derivative instruments are employed solely for hedging purposes.

As at 30 June 2013, the Group had gross outstanding derivative financial instruments amounted to HK\$166.6 billion. The fair value of these derivative instruments was a net deficit of HK\$802 million, representing the net amount payable if these contracts were closed out on 30 June 2013.

CORPORATE GOVERNANCE

Corporate Governance Practices

In the Corporate Governance Report of 25 February 2013, which was published in our 2012 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) in February 2005 (most recently updated in February 2012). This incorporated all of the Code Provisions and Recommended Best Practices in the Hong Kong Stock Exchange's Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, save for one exception.

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

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

So far in 2013, we have made further progress in our corporate governance practices. This included:

- (a) Holding our first Environment, Social and Governance (ESG) webcast on 11 April 2013 to further enhance our communication with institutional investors and their proxy advisors on the ESG aspects of our business. Positive feedback has been received from the participants. The recording of the webcast is available on CLP's website;
- (b) Enriching the composition of the Board by inviting Dr. Rajiv Lall, a renowned Indian investment banker, to join the CLP Holdings Board as an additional Independent Non-executive Director;
- (c) Providing training on the implementation of the Continuous Disclosure Obligation Procedures to CLP's management, subsidiaries and joint ventures; and
- (d) Adopting a Board Diversity Policy.

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

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

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

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

There were no substantial changes to the information of Directors as disclosed on pages 90 and 91 of the 2012 Annual Report and on CLP's website. The positions held by each Director with CLP Holdings' subsidiary companies and their directorships held in the last three years in public companies are updated in each Director's biography on CLP's website.

The Company has received confirmation from each Director that he/she has given sufficient time and attention to the affairs of the Company during the six-month period ended 30 June 2013. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. During this period, no current Director held directorships in more than five public companies including the Company. No Executive Directors hold any directorship in any other public companies, but they are encouraged to participate in professional, public and community organisations. Other details of Directors' appointments are available on CLP's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman, Mr. Vernon Moore, Professor Judy Tsui and Mr. Nicholas Allen having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters. Mrs. Fanny Law has extensive experience in public administration and Ms. Irene Lee has wide experience in investment banking and financial services.

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

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

Change of Remuneration

Non-executive Directors

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

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management for the six months ended 30 June 2013 are set out in the table below. It should be noted that the amounts disclosed comprise remuneration paid and accrued in respect of service during the first six months of 2013 and, in the case of the annual and long-term incentives, service and performance in previous years. Both annual incentive and long-term incentive are paid annually in the first half of the year, but relate to previous years' performance.

As a result, the totals set out in the following table do not represent half of the remuneration which will actually be paid and accrued in respect of service in 2013.

	Base Compensation, Allowances & Benefits HK\$M	Performance Bonus *		Provident Fund Contribution HK\$M	Other Payments HK\$M	Total HK\$M
		Annual Incentive HK\$M	Long-term Incentive HK\$M			
Paid in the six months ended 30 June 2013						
CEO (Mr. Andrew Brandler)	3.8	4.2	4.9	0.5	-	13.4
Group Executive Director – Strategy (Mr. Peter W. Greenwood) ^(a)	2.5	5.4	5.2	0.3	-	13.4
Executive Director Group Director – Managing Director Hong Kong (Mr. Richard Lancaster) ^(b)	2.4	2.4	3.0 ^(c)	0.3		8.1
Group Director & Chief Financial Officer (Mr. Mark Takahashi)	2.4	2.4	2.8	0.3	-	7.9
Vice Chairman – CLP Power Hong Kong (Mrs. Betty Yuen)	1.7	2.4 ^(d)	-	0.2	-	4.3
Managing Director – EnergyAustralia (Mr. Richard McIndoe) ^(e)	5.4	4.6	3.3	0.1	2.0 ^(f)	15.4
Group Director – Operations (Mr. Peter Littlewood)	2.0	2.2	2.3	0.2	-	6.7
Managing Director – India (Mr. Rajiv Mishra)	1.6	1.5	2.0	0.2	-	5.3
	21.8	25.1	23.5	2.1	2.0	74.5

Notes:

- (a) Mr. Peter Greenwood retired from the Company as Group Executive Director – Strategy with effect from 19 May 2013. The annual incentive of HK\$5.4 million was for the years 2012 and 2013 paid to him this year. This figure included the additional discretionary annual incentive for year 2013 of HK\$2 million paid to him this year. The long-term incentive of HK\$5.2 million was for the years 2010, 2011, 2012 and 2013 paid to him this year. The annual incentive and long-term incentives for the year 2013 were made on a pro rata basis.
 - (b) Mr. Richard Lancaster was appointed as an Executive Director of the Company effective from 3 June 2013.
 - (c) This figure included the additional discretionary long-term incentive for year 2010 of HK\$709,554 paid to Mr. Richard Lancaster in January 2013.
 - (d) This figure included the additional discretionary annual incentive for year 2012 of HK\$750,000 paid to Mrs. Betty Yuen in March 2013.
 - (e) The EnergyAustralia Board approved the 2013 target annual incentive for Mr. Richard McIndoe to be increased from 75% to 100% of Fixed Annual Remuneration (FAR) with the maximum remaining unchanged at 150% of FAR.
 - (f) Australian tax equalisation for the long-term incentive for year 2010.
- * Performance bonus consists of (i): annual incentive and (ii): long-term incentive. These payments and awards were approved by the Human Resources & Remuneration Committee or the EnergyAustralia Board for Richard McIndoe.
- (i) The total amount of annual incentive includes the accruals that have been made from January to June 2013 in the performance bonus at the target level (at 50% of base salary for all Executive Directors and members of Senior Management except Mr. Richard McIndoe whose target annual incentive is 100% of FAR under the EnergyAustralia local annual incentive scheme) of performance; and the actual bonus paid in 2013 for the previous year in excess of the previous accruals made.
 - (ii) The long-term incentive is the incentive for 2010, paid in January 2013 when the vesting conditions had been satisfied.

Internal Control

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

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

Interests in CLP Holdings' Securities

Since 1989, the Company has adopted its own CLP Securities Code. This is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities. The current CLP Securities Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2013.

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

All members of the Senior Management have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

There was no purchase, sale or redemption of the Company’s listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2013.

INTERIM DIVIDEND

Directors today declared the second interim dividend of HK\$0.53 per share (2012: HK\$0.53 per share) which will be payable on 13 September 2013 to Shareholders registered as at the close of business on 3 September 2013. The dividend of HK\$0.53 per share is payable on the existing 2,526,450,570 shares of HK\$5.00 each in issue.

The Register of Shareholders will be closed on 4 September 2013. To rank for the second interim dividend of HK\$0.53 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, 3 September 2013.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 12 August 2013

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 by 19 August 2013 and despatched to shareholders on 28 August 2013.

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Non-executive Directors:

The Hon. Sir Michael Kadoorie, Mr. William Mocatta,
Mr. R. J. McAulay, Mr. J. A. H. Leigh, Mr. I. D. Boyce,
Dr. Y. B. Lee and Mr. Paul A. Theys
(Mr. James F. Muschalik as Mr. Theys’ alternate)

Independent Non-executive Directors:

Mr. V. F. Moore, Professor Judy Tsui,
Sir Rod Eddington, Mr. Nicholas C. Allen,
Mr. Vincent Cheng, Mrs. Fanny Law and Ms. Irene Lee

Executive Directors:

Mr. Andrew Brandler and Mr. Richard Lancaster