



Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

中電控股有限公司

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Announcement of Interim Results as from 1 January 2017 to 30 June 2017, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings for the first half of 2017 declined 3.8% to HK\$5,914 million; total earnings decreased by 3.5% to HK\$5,909 million.
- Operating earnings from our local electricity business in Hong Kong rose 1.9% to HK\$4,356 million.
- Consolidated revenue rose 12.1% to HK\$43,337 million.
- Second interim dividend of HK\$0.59 per share.

CHAIRMAN'S STATEMENT

I am pleased to report that in the face of accelerating change brought by energy transitions underway in each of our major markets, the Group secured regulatory certainty in Hong Kong and delivered largely steady results in the first half of 2017.

During this period, the Group's operating earnings were HK\$5,914 million, a decrease of 3.8% compared with the first half of 2016, largely due to unfavourable market conditions in Mainland China and the impact of increased volatility in the Australian market. Total earnings decreased by 3.5% to HK\$5,909 million. The Board decided to increase the level of our first and second interim dividends from HK\$0.57 per share in 2016 to HK\$0.59 per share this year.

In the first six months of 2017, our electricity business in Hong Kong continued to be the Group's major earnings contributor, reporting a 1.9% rise in operating earnings to HK\$4,356 million compared with the same period last year. I am particularly pleased that we signed a new Scheme of Control (SoC) Agreement with the Hong Kong Government in April. As I have often said, the SoC Agreement has served Hong Kong well for over half a century by ensuring a reliable, safe, and reasonably-priced supply of electricity to power the city's growth through good and not-so-good times. This is all the more important as we face the challenges of climate change and rapid technological development brought by the digital revolution.

The new Agreement, which will run for 15 years from 2018 to 2033, provides the regulatory and economic certainty required for CLP to plan ahead and make appropriate investments to deliver the Government's energy objectives and meet the emerging needs of our customers.

In support of the Hong Kong Government's target to increase natural gas use to about 50% in 2020, we continued the construction of our new 550MW gas-fired generation unit at the Black Point Power Station. We plan to commission the new unit before 2020. This project will also play an important part in Hong Kong's plan to reduce carbon intensity by 65-70% by 2030.

Looking beyond our home market, our overseas businesses reported mixed performances amid increasingly challenging market conditions. This is a reflection of the global transformation that is taking place in the power sector in Mainland China, Australia and India, as well as the specific conditions pertaining to these markets. Our diversified portfolio has helped us navigate these challenges and mitigate their impact.

In Mainland China, higher coal prices and overcapacity were the main factors behind a 24.3% drop in our operating earnings to HK\$637 million. The country's slowing pace of economic growth and structural reform to shift away from heavy industry affected the performance of our thermal power plants. However, earnings from our renewable projects held up well due to the continuous growth of our wind portfolio and the good solar resources available. Generation from Daya Bay also increased. This underlines the benefit of having a diversified generation portfolio such as ours, especially as Mainland China continues to transition to a low carbon economy.

Our acquisition of a 17% stake in Yangjiang Nuclear Power Co., Ltd. in Guangdong is an important step to increase the Group's non-carbon emitting portfolio and to support China's commitment to reducing coal's dominance in the energy mix. The Yangjiang Nuclear Power Station, when fully commissioned, will add over 1,100MW of non-carbon emitting generation capacity to CLP's portfolio. We expect the transaction to be completed in the coming months.

In India, our renewable energy portfolio and our gas-fired station at Paguthan continued to contribute steady earnings during the reporting period. In the first six months, operating earnings increased by 21.0% to HK\$242 million, compared with the same period in 2016. We continued with the construction of our first solar project in India, the Veltoor Solar Power Plant, which will be commissioned in the second half of the year. Moreover, the performance of our coal-fired Jhajjar Power Station was overall solid in the period outside the planned two-month maintenance outage.

We expect Mainland China and India to remain our growth markets in the medium to long term, especially in renewable energy, as both countries seek to reduce their reliance on fossil fuels. However, we take note of the dwindling subsidies as renewable technologies have matured to the point where they are now often on a competitive footing with conventional energy sources. Going forward, we will also explore growth opportunities along the energy supply chain in these markets.

I would like to focus for a moment on our Australia business. In the first half of the year, EnergyAustralia's operating earnings decreased 15.5% to HK\$758 million, largely due to the impact of significant volatility in the market on the value of energy contracts. Against a backdrop of uncertain energy policies, the energy market in Australia remains very challenging, leading to a period of high and volatile wholesale prices. EnergyAustralia is both a buyer and seller in the wholesale market and in times of high volatility the prospective value of those energy contracts can vary significantly. Our integrated business model and the good operational performance of the business have helped minimise the impact of this volatility. Looking to the longer term, a recent review of the Australian power sector has yielded proposed recommendations for Australia's electricity future. We will work closely with the governments, regulators, industry players and customers to understand its implications and discuss the best way to implement it as we continue to restore value to the business and enhance our operation.

The energy industry is in the midst of a period of unprecedented uncertainty and challenge brought about by climate change and rapidly evolving technologies. As a company that has experienced many changes and challenges over the past century, CLP is well-prepared to recognise and seize the opportunities that such changes are bringing. We have a diversified portfolio in terms of fuel, operations and geographical footprint, and the expertise and professionalism of a world-class team with a strong track record of delivering results. In the coming years, we will continue to be guided by our “Focus • Delivery • Growth” strategy as we seek to meet the challenges of the global transition to a low carbon future.

In closing, I am saddened to report two separate fatal accidents that resulted in the deaths of four contractor workers in our Hong Kong business this year. I want to express my deepest condolences to the families of the men who lost their lives. Safety is our first priority and we attach greatest importance to it for protecting our customers, our staff and contractor workers. We will learn from these accidents and redouble our efforts to avoid similar events in the future.

The Honourable Sir Michael Kadoorie

FINANCIAL PERFORMANCE

Operating earnings and total earnings decreased by 3.8% and 3.5% respectively to HK\$5.9 billion

	Six months ended 30 June		Increase/ (Decrease)
	2017	2016	
	HK\$M	HK\$M	%
Hong Kong	4,356	4,276	1.9
Hong Kong related*	148	113	
Mainland China	637	841	(24.3)
India	242	200	21.0
Southeast Asia (SEA) and Taiwan	81	119	(31.9)
Australia	758	897	(15.5)
Other earnings	(37)	43	
Unallocated net finance income	13	23	
Unallocated Group expenses	(284)	(363)	
Operating earnings	5,914	6,149	(3.8)
Items affecting comparability			
Property revaluation	(5)	(107)	
Reversal of over-provision of capital gain tax	-	83	
Total earnings	5,909	6,125	(3.5)

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

The financial performance of individual business segment is analysed as below:

Hong Kong :	Higher net return on increased average net fixed assets partly offset by unfavourable fair value movement on forward foreign exchange contracts used to hedge the perpetual capital securities
Mainland China :	Higher coal prices and overcapacity in generation adversely impacted coal-fired projects; improved renewable performance due to continuous portfolio growth and good solar resources available partially offset by less rainfall at Huaiji; higher nuclear earnings due to more output from GNPJVC
India :	Stable operations at Paguthan and Jhajjar; for renewable portfolio, write-off of capitalised cost after cancellation of Yermala wind project partly compensated by higher generation and lower interest expenses
SEA and Taiwan :	Higher coal costs and lower energy tariff partially offset by more generation from Ho-Ping; stable operation at Lopburi solar farm
Australia :	Lower contribution from Energy segment resulting from higher gas supply costs, additional electricity spot purchases at high prices and unfavourable fair value movement of energy derivatives caused by significant increase in wholesale prices; higher contribution from Customer segment driven by higher gross margins as a result of higher prices and usage by mass market customers

BUSINESS PERFORMANCE AND OUTLOOK

Hong Kong

CLP has this year signed a new Scheme of Control (SoC) Agreement with the Hong Kong Government that will see us continue to improve our network serving millions of homes in the city while working to reduce carbon emissions, set new standards of service excellence, and encourage customers to save energy and live smarter, greener lifestyles. The new agreement will run for 15 years from 1 October 2018 to 31 December 2033. It will provide a stable regulatory environment for us to continue serving Hong Kong and contributing to the long-term development of our home market.

As part of that mission, we are actively encouraging energy saving among our customers and promoting renewable energy development, while more stringent operational performance targets are set on our supply reliability and customer services under the SoC. The challenge for CLP in the years ahead is to deliver environmental improvements and maintain our highly reliable supply of electricity to customers at reasonable tariffs.

In support of the Government's target of increasing the use of natural gas to around 50% of the total fuel mix for electricity generation in 2020, construction of a new 550MW gas-fired generation unit at Black Point Power Station is going ahead with the main civil works commenced in July. We plan to have the unit in commercial operation before 2020.

At the same time, our proposal to construct an offshore LNG terminal in Hong Kong waters is progressing well. The environmental impact assessment study is ongoing and we plan to submit it for Government approval in the fourth quarter. Preparations for the commercial arrangements for LNG supply are also under way.

Despite Hong Kong's limited renewable resources and land scarcity, we have been exploring opportunities to directly support renewable energy wherever practical. A recent example is the proposed construction of Hong Kong's largest landfill gas power generation project at the West New Territories Landfill which will produce 10MW of renewable power. The plant is projected to go into operation by the end of 2018.

Meanwhile, in a major initiative to promote smart living and explore the feasibility of a wider implementation of smart metering, we have launched the Smart Energy Programme – a one-year demand side management study – for about 26,000 residential customers. Through the use of smart meters and mobile devices, participating customers can obtain timely consumption data and join different service trials which encourage them to lower energy use at peak times and save on electricity bills by changing their consumption habits. We are also installing smart meters for customers in villages. These meters will enable us to quickly identify locations where service faults occur and speed up the restoration of service, further enhancing the reliability of electricity supply to our customers. These initiatives are part of CLP's continuous efforts to support Hong Kong's development into a greener and smarter city.

We have also opened a Smart Energy Experience Centre in Yuen Long, where smart home devices and smart business solutions are showcased. Meanwhile, we are helping our commercial customers in businesses such as laundrettes and restaurants to optimise their operations and services by offering them smart solutions covering real time energy and operation monitoring.

In July, we launched a revamped mobile app which provides our customers with a range of new features including bill management, energy saving tips, an electric vehicle charging station guide, and information on the latest smart gadgets.

Our network is being constantly upgraded and improved. In the first half of 2017, we invested HK\$3.5 billion in our generation, transmission and distribution networks, as well as our customer service and supporting facilities, to maintain and enhance electricity supply and to support the Government's new infrastructure projects. During the period, a new 132kV substation was commissioned to provide a power supply to the new border control point at Heung Yuen Wai in the northeast of Hong Kong and developments in nearby areas.

During the same period, total electricity sales, including local sales and sales to the Mainland, decreased by 2.7% to 15,598GWh.

Sales of electricity within Hong Kong were 15,115GWh, down 2.6% compared to the first half of 2016. The warmer and drier weather in early 2017 required a lower heating and dehumidifying load, and there was less cooling load in the second quarter. The sales reductions in the Residential, Commercial, and Manufacturing sectors offset the increase in the Infrastructure & Public Services sector. Here is a breakdown of the changes in local sales:

	Increase / (Decrease)		% of Total Local Sales
Residential	(424GWh)	(10.0%)	25%
Commercial	(20GWh)	(0.3%)	41%
Infrastructure & Public Services	44GWh	1.0%	28%
Manufacturing	(4GWh)	(0.5%)	6%

Sales to Mainland China amounted to 483GWh, slightly lower compared to the same period last year.

Outlook

CLP will continue to work with the Government towards its carbon reduction targets while raising standards of customer service and supply efficiency to customers in one of the world's most dynamic, progressive, and rapidly-evolving energy markets.

We are pressing ahead with the construction of the gas-fired generation unit at Black Point Power Station, as well as the development of gas infrastructure such as the offshore LNG terminal project. We will also prepare for the new initiatives under the new SoC Agreement, including the Feed-in-Tariff programme to promote renewable energy installations, renewable energy certificates for customers who choose to support local renewable energy development, the new CLP Eco Building Fund to support building energy efficiency upgrades, and the CLP Community Energy Saving Fund to support the use of energy efficient appliances and equipment throughout our supply area. We will also continue to engage with our customers and stakeholders to ensure the new initiatives will bring long-term benefits to the community.

We live in a fast-changing digital era and, as part of our digital transformation journey, we will further develop our mobile customer interaction platform following the launch of our revamped mobile app in July, which enables our customers to save energy with innovative products and services. We will continue to monitor market trends and developments, introduce innovative products, and promote customer engagement through a variety of communication platforms and channels. By doing so, we aim to get a greater understanding of the needs of our customers so we can provide them with ever better and more personalised products and services. The new 15-year SoC Agreement provides a platform for us to set new standards in power supply and customer service excellence.

Mainland China

In the first six months of 2017, our diversified generation portfolio encompassing nuclear and renewable energy in Mainland China enabled us to partially mitigate the impact of the challenging operating environment posed by surplus electricity supply and increased coal prices.

Our nuclear business delivered stable returns as Daya Bay Nuclear Power Station continued to perform well and slightly increased its output. Meanwhile, we continued to work closely with CGN Power with a view to obtaining the approvals required to complete our acquisition of a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. in Guangdong in the coming months.

Overall earnings of our renewable projects in the first half of 2017 were higher. This was despite our projects in Yunnan, Sichuan and Gansu being affected by lower tariff rates prescribed by local authorities under a variety of market sales programmes.

Earnings from our solar projects increased, mainly due to better solar resources and a greater contribution from Sihong Solar, which we took full ownership in July 2016. In June 2017, our fourth solar project in Mainland China situated in Huai'an in Jiangsu began commercial operations. In the meantime, our wind portfolio benefited from the addition of new projects in the second half of 2016, while earnings from our hydro projects declined largely because of a reduction in rainfall at Huaiji in Guangdong.

Slowing electricity demand growth and higher coal prices continued to put pressure on our coal-fired assets. Low demand and oversupply in the local market affected utilisation of Fangchenggang Power Station. To enhance our competitiveness, we have undertaken a number of initiatives to adapt to changes in the Guangxi electricity market. They include carrying out market sales transactions with large local electricity users, participating in the Guangxi Power Exchange Centre as one of its founding members, and making timely adjustments to our fuel procurement strategies.

Outlook

We expect the challenging operating environment characterised by high coal prices and low electricity demand growth will continue in China's power market. We will therefore maintain our focused strategy to develop low carbon projects, and our priority in the second half of the year will be the completion of the Yangjiang transaction. As four generating units of the Yangjiang plant are already in operation, the acquisition is expected to have a positive impact on our earnings once it is completed. We also aim to commission Laiwu II Wind in Shandong in the second half of the year, further expanding our renewables portfolio. Meanwhile, we will continue to explore new opportunities by pursuing more market sales programmes to increase utilisation of our projects.

India

In the first six months of 2017, we continued to develop our renewable energy portfolio. Substantial progress has been made on the construction of the 100MW Veltor solar farm, our first solar project in India, with full operations expected to begin in the second half of the year. Commissioning of the project will bring our total renewable capacity in India to close to 1,000MW, a milestone that underscores our long-term commitment to developing low carbon projects in the country and exemplifies the prudent approach we have taken in scaling up our portfolio.

Over the same period, generation of our wind projects improved by about 7% from the corresponding period last year because of better machine availability. We have discontinued construction of the 30MW Yermala wind project because of land issues.

On account of a planned maintenance outage at our coal-fired power plant in April and May, the availability of Jhajjar Power Station fell to around 70%, which is lower than the normative level of 80% for complete recovery of fixed costs. We expect availability levels to gradually return to the normative level for the full year following the completion of the planned outage. Utilisation, however, remained low amid slowing economic growth and surplus capacity in the state of Haryana. However for India's financial year ended 31 March 2017, Jhajjar not only fully recovered its fixed costs, but also received incentive thanks to its high availability of around 92%.

Meanwhile, at Paguthan Power Station, availability remained high at around 90% during the first half of the year. The project fully recovered its fixed costs over the financial year ended 31 March 2017. Utilisation was low at around 2.5% because subsidised imported gas was not available and generation using imported spot gas was expensive, making electricity dispatch unattractive for our customers.

Outlook

India's economic growth has been slower, which has had a negative impact on power demand. However, we remain confident of the long-term prospects of India's power industry.

Following the successful launch of Ujjwal Discom Assurance Yojana (UDAY), a restructuring package that aims to restore the financial health of India's debt-ridden electricity distribution companies, most of the worst-affected states and union territories have signed up for the scheme. If successfully implemented, the financial capacity of the distribution companies is expected to be greatly improved.

While the introduction of a goods and service tax in July may affect economic growth in the short run, we expect that it will ultimately enhance governance and the transparency of doing business in India.

In the second half of the year, our focus is on maintaining the high availability of Jhajjar and Paguthan and to enhance their utilisation from current levels. We also aim to maintain the wind turbines in good condition to benefit from the high winds during the monsoon season. The completion of Veltor solar project in the second half will also be a priority.

In the longer term, we will continue our prudent approach in exploring new opportunities in renewable areas in support of India's goal of increasing the share of its clean electricity supply in the energy mix. We will also look for other growth opportunities along the energy supply chain.

Southeast Asia and Taiwan

Our Ho-Ping project in Taiwan continued to perform well and reliably. However, the impact of high coal prices was also felt in Taiwan and Ho-Ping's earnings were affected. Because Ho-Ping's tariffs are set according to a lagging contractual tariff adjustment mechanism, the tariffs it charged in the period only reflected the lower coal prices in 2016 but not the increase in coal prices this year.

Operation and earnings of the Lopburi solar farm in Thailand remained stable. Meanwhile, in Vietnam, we pressed ahead with our discussions with the government and the financing arrangements for the Vung Ang II and Vinh Tan III development projects.

Outlook

We will continue to focus on managing our existing assets and working towards finalising the key agreements of Vung Ang II and Vinh Tan III in Vietnam. As outlined in our investment strategy, Southeast Asia and Taiwan will remain our secondary growth market where we will continue to seek opportunities, particularly in the renewable energy field.

Australia

In the first half of the year, the Australian energy market continued to be impacted by significant changes. Prices in the wholesale market remained high and volatile as gas became increasingly scarce and expensive, one ageing coal-fired generator was removed from service, and regulatory uncertainty continued. These factors, combined with a hot summer, resulted in high costs for users of energy. The cost increases are being borne by residential and business customers with significant tariff increases for customers across the National Electricity Market (NEM).

Renewable energy in the form of new wind and solar generation has increased significantly across the NEM with the Australian Energy Market Operator reporting in June 2017 that 500MW has been committed or is very advanced for summer 2017-18. Against this background, an independent review of the NEM led by Australia's Chief Scientist, Dr Alan Finkel AO, was released. The review recommends a number of policy and operational changes aimed at improving the reliability, security, affordability, and sustainability of the NEM. Key recommendations include adopting a new clean energy target, using more gas, enabling better planning for closure of aged coal plants, and putting a bigger focus on energy storage. The final report is currently being considered by the Federal, State and Territory Governments.

Meanwhile, the Australian Competition and Consumer Commission (ACCC) has launched a study into the country's electricity retail market. The ACCC will issue an interim report in September 2017 and deliver a final report to the Federal Government by 30 June 2018.

EnergyAustralia welcomes the debate as we recognise the need for a stable, national approach to energy policy that gives industry the confidence to invest. We believe any approach to energy must focus on the impact on customers, including households and businesses.

With this in mind, EnergyAustralia has continued its programme to restore value by enhancing customer service, improving operational efficiency, and reducing costs.

In the first half of 2017, EnergyAustralia launched the "Light the Way" campaign to engage our customers in the transition to a cleaner energy future. As a first step, we offered customers the option to offset carbon emissions from the electricity they use at home at no cost. This was further supported by the introduction of a range of new innovative digital offerings like usage monitoring, usage alerts, and weather information to empower and energise Australians towards better energy use. We also partnered with the Sydney Opera House in April 2017 and have established a think tank with the Commonwealth Scientific and Industrial Research Organisation to help the iconic building become more sustainable.

Supported by these activities, our retail business performed well. Although the market remained competitive, our retention of existing customers continued to be favourable to overall market churn, and we have increased the total number of customer accounts. In addition, higher electricity and gas volumes as a result of weather conditions supported our retail business performance.

Higher wholesale prices and the higher demand driven by warmer weather have adversely impacted purchase costs for our mass market electricity customers. This was only partially offset by the increased contribution from generation during the period. The closure by ENGIE of its Hazelwood Power Station in Victoria combined with the continued operation of Alcoa's Portland Aluminium smelter had a significant impact on market dynamics and wholesale prices.

Margins were adversely impacted in our gas portfolio as historic contracts were replaced at higher prices, reflecting a tighter gas market. With the retirement of Hazelwood, the level of gas generation has increased, resulting in greater competition for gas resources. The announcement by the Federal Government that gas exports could be limited is a direct response to ensure adequate local short-term gas supply.

Coal supply at Mount Piper Power Station remained our management focus. During this period, Mount Piper has produced less energy than in the same period last year, in large part because of coal quality issues affecting production. We continue to work with our coal supplier to secure long-term coal supply of appropriate quality.

Coal royalty payments increased at Yallourn Power Station after the trebling of brown coal royalties by the Victorian State Government.

The volatile market conditions during this period have led to significant fair value adjustments of energy contracts we have entered into in the natural course of business to manage our exposure to future events. As such, these adjustments include accounting for prospective change of value for future periods and are not a good indicator of the underlying performance of the business.

In May, legal proceedings were commenced against EnergyAustralia by Lochard Energy, owned by a Queensland Investment Corporation-led consortium, seeking damages in relation to Lochard Energy's purchase of the Iona Gas Plant in 2015. EnergyAustralia will vigorously defend the action. On the basis of currently available information, our view is that a material outflow of economic benefits from the CLP Group is unlikely.

Outlook

In the near term, we expect to see wholesale market prices remain volatile and at high levels compared with the past levels. This will improve the outlook of our generation business, reinforcing our focus on asset reliability and availability.

We acknowledge the impact higher energy prices have on customers and we will continue to find ways to support our most vulnerable customers, most directly through an additional commitment of A\$10 million to our hardship fund and delivery of our Financial Inclusion Action Plan, helping Australians get access to the affordable services and support they need. Further, with our customers in mind, we will continue to look for fresh ways to remove cost and complexity from our business. We expect the retail market to remain competitive, and will concentrate on our customer-focused strategy to continue to improve our retail business by focusing on meeting customer needs.

Within a fast-changing market, we are committed to facilitating an affordable, reliable, and clean energy transformation for all Australians. Specifically, EnergyAustralia made a pledge last year to underpin the development of new wind and solar projects of up to 500MW by committing to buy the clean energy they generate. So far this year, significant progress has been made with five contracts signed (four solar farms and one wind project) which will produce 390MW of energy for EnergyAustralia. In addition, we are involved in a number of potential clean energy projects including pumped hydro in South Australia, and energy recovery at Mount Piper. These projects, if successful, will further diversify our generation mix.

Finally, in the second half of the year, we will start offering further services such as the smart solar inverter system developed by Redback Technologies in partnership with EnergyAustralia, which will enable customers to optimise their solar energy and battery.

Human Resources

The Group employed 7,433 people as at 30 June 2017, compared with 7,339 at the same time in 2016. Of those, 4,204 were employed in Hong Kong electricity and related businesses, 2,952 by our businesses in Mainland China, India, Southeast Asia and Taiwan, and Australia, and 277 by CLP Holdings. Total remuneration for the six months to 30 June 2017 was HK\$2,758 million, compared with HK\$2,545 million for the same period in 2016, including retirement benefits costs of HK\$277 million, compared with HK\$215 million in 2016.

Safety

Safety is an absolute priority for CLP. We do everything we can to keep our employees and our contractors safe at all times and to promote a comprehensive safety culture throughout the Group. We were deeply saddened, therefore, by two fatal incidents happened in February and July this year involving four contractor workers.

In early July, a severe industrial accident resulted in the death of three contractor workers who were working at an underground cable tunnel in Hung Hom, Hong Kong. CLP made prompt arrangements to provide support to the families of the deceased workers to relieve their financial needs. We set up an internal panel to look into the accident and the review is ongoing. Besides, we and the concerned contractor company are working with the relevant government departments in carrying out an investigation into this incident. For prudent safety reasons, all similar works at CLP sites have been suspended.

Regarding the earlier accident at Castle Peak Power Station that saw the passing of a contractor worker, we worked closely with the contractor company to ensure the family of the worker received the appropriate assistance following the incident. In addition to our internal probe, we also continue to provide full support to the investigation undertaken by the Government. The following table shows the Lost Time Injury Rate (LTIR) ¹ and Total Recordable Injury Rate (TRIR) ² for the first half of 2017.

	Employees		Employees and Contractors	
	Jan – Jun 2017	Jan – Jun 2016	Jan – Jun 2017	Jan – Jun 2016
LTIR ¹	0.09	0.02	0.13	0.05
TRIR ²	0.19	0.10	0.26	0.13

Notes:

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

Our injury rates have deteriorated in the first six months of 2017 compared with the same period last year as a result of a number of incidents in Australia and Hong Kong. To help improve safety across the Group, a forum was held in March aimed at eliminating the causes of serious injury and fatalities at work. The forum was attended by representatives from all regions to learn from safety experts and develop action plans. A cross-region task force has been established to coordinate and implement the action plans.

After the forum, safety leadership workshops were held in different regions for senior management and executive teams. In April, a list of Life Saving Rules was circulated to all employees involved in higher risk activities. We also launched a behaviour-based safety observation and intervention programme in India in June. Meanwhile, we have set up new procedures to formalise the reporting and sharing of information about potential serious incidents at Group level. We shall continue our relentless effort in upholding our safety standards and culture to improve safety performance across our assets going forward.

Environment

CLP is firmly committed to playing a responsible role in working towards a better environment. We have taken steps to better manage and minimise the impact of our operations on environment. In the first half of 2017, we took steps to strengthen our internal management on material environmental issues of existing facilities and new projects under development.

Compliance

CLP had no environmental regulatory non-compliance incidents in the first half of 2017 that resulted in fines or prosecutions, but there were occasional incidents of license limits for particulates being exceeded because of equipment malfunctions. The incidents were minor, short in duration, and did not result in any regulatory sanctions. Early this year, our thermal power plants successfully implemented a new set of environmental guidelines to apply clear and consistent reporting practices for incidents of emission limits being exceeded.

Climate Change

In the first half of 2017, there was no major change to our portfolio or operations conditions and thus our carbon intensity remained steady at the 2016 level of around 0.82 kg CO₂ / kWh.

Despite the US withdrawal from the Paris Agreement, most countries as well as states and cities recognise the benefits of low carbon energy for their social and economic development and are in full support of the agreement's principles. They believe it will lead to increased energy security and independence, better energy access, and the export of new low carbon technology, equipment and services. Signatories to the Paris Agreement submitted Nationally Determined Contributions (NDCs) that match their current development plans and are therefore likely to be achieved although they may fall short of the objective of keeping the global temperature rise to within 2 degrees Celsius. More needs to be done, particularly if a more ambitious target of 1.5 degrees Celsius is to be achieved. Our own Climate Vision 2050 is the roadmap for our journey to a low carbon future, and we have begun a review of this strategy to take into account the latest science and future business opportunities. We aim to complete this review in 2018.

Air Quality

Over the past decade, we have faced increasingly stringent regulatory requirements on air emissions in jurisdictions where we operate. In the first half of 2017, we continued our efforts to reduce emissions at our power plants. In India, the flue gas desulphurisation facilities at Jhajjar Power Station will ensure we meet the country's tightened sulphur dioxide emissions requirements. In Mainland China, our Fangchenggang Power Station Phase I is preparing for a major retrofitting project to enhance its operational efficiency and significantly lower air emissions.

In Hong Kong, we are determined to play our part in improving air quality and meeting the Government's tightened emission caps. We have achieved a reduction of over 60% in sulphur dioxide emissions, and a reduction of over 30% in nitrogen oxides emissions and respirable suspended particulates compared with 2010 levels. Our efforts continue, and we are committed to meeting the 2017-2018 emission targets set by the Government. We are building a new 550MW gas-fired generation unit at our Black Point Power Station, and we are supporting the development of renewable energy with the West New Territories landfill gas power generation project.

Our dedication to work towards a low carbon future for Hong Kong was underscored by the signing of a new 15-year SoC Agreement with the Government in April. We are confident of meeting the 2030 emissions reduction targets contained in the agreement, while continuing to provide our customers with a reliable supply of electricity at an affordable price.

Water Usage & Risk

CLP's thermal power stations require water for cooling, and our hydro power stations rely on water to generate electricity. We are committed to the sustainable use of water resources in all our operations. In the first half of 2017, water consumption of all our power facilities was within their license entitlement limits and we did not experience any water scarcity issues.

As part of our mission to ensure the sustainable use of water resources, we annually employ the World Business Council for Sustainable Development Global Water Tool for Power Utilities to assess if any of our operating assets are located in water stress areas and implement effective mitigation measures if any such risks are detected. We also track and publish our water usage statistics for power plants under our operational control on an annual basis.

In addition, we participate in an annual water survey by CDP, which collects water-related data from some of the world's largest corporations. The survey provides us with valuable insights into some of the best practices of water resource management in our industry.

Sustainability Performance

In March this year, we published our 2016 Sustainability Report which supplements our integrated Annual Report with additional information on our operational, environmental and social performance. The Sustainability Report was prepared in accordance with the core option of the Global Reporting Initiative (GRI) Standards and the GRI G4 Electric Utilities Sector Disclosures. It also satisfies the “comply or explain” provisions and “recommended disclosures” of the Hong Kong Stock Exchange’s Environmental, Social and Governance Reporting Guide. As in previous years, the Sustainability Report includes a set of quantitative key environmental, social, governance and financial performance indicators which have been verified by third parties. These indicators were also included in our Annual Report.

To help us compare our sustainability performance with other companies, we respond to a selection of investor surveys and indices on an annual basis. In the first half of 2017, we responded to the disclosure requests for reports on climate change by CDP and for the Dow Jones Sustainability Index while the response for the Hang Seng Corporate Sustainability Index was submitted in July. The indices will be published in the second half of 2017.

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 auditor, 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

	Note	Six months ended 30 June	
		2017	2016
		HK\$M	HK\$M
Revenue	2	43,337	38,671
Expenses			
Purchases of electricity, gas and distribution services		(19,499)	(15,671)
Staff expenses		(2,059)	(1,925)
Fuel and other operating expenses		(10,056)	(9,736)
Depreciation and amortisation		(3,573)	(3,331)
		(35,187)	(30,663)
Operating profit	4	8,150	8,008
Finance costs		(1,103)	(1,094)
Finance income		72	75
Share of results, net of income tax			
Joint ventures		213	602
Associates		458	421
Profit before income tax		7,790	8,012
Income tax expense	5	(1,337)	(1,341)
Profit for the period		6,453	6,671
Earnings attributable to:			
Shareholders		5,909	6,125
Perpetual capital securities holders		124	123
Other non-controlling interests		420	423
		6,453	6,671
Earnings per share, basic and diluted	7	HK\$2.34	HK\$2.42

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

	Six months ended 30 June	
	2017	2016
	HK\$M	HK\$M
Profit for the period	6,453	6,671
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	2,951	111
Cash flow hedges	(778)	243
Costs of hedging	(56)	23
Share of other comprehensive income of joint ventures	-	(1)
	2,117	376
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	(193)	(107)
Share of other comprehensive income of joint ventures	15	(31)
	(178)	(138)
Other comprehensive income for the period, net of tax	1,939	238
Total comprehensive income for the period	8,392	6,909
Total comprehensive income attributable to:		
Shareholders	7,832	6,366
Perpetual capital securities holders	124	123
Other non-controlling interests	436	420
	8,392	6,909

Consolidated Statement of Financial Position – Unaudited

		30 June 2017 HK\$M	Audited* 31 December 2016 HK\$M
	Note		
Non-current assets			
Fixed assets	8	134,656	130,189
Leasehold land and land use rights under operating leases	8	5,378	5,444
Investment properties	8	3,786	3,788
Goodwill and other intangible assets		28,792	27,653
Interests in and loan to joint ventures		9,777	9,971
Interests in associates		1,277	813
Finance lease receivables		724	713
Deferred tax assets		1,116	981
Derivative financial instruments		871	1,519
Equity investments		1,347	1,528
Other non-current assets		194	181
		187,918	182,780
Current assets			
Inventories – stores and fuel		3,087	2,565
Renewable energy certificates		987	1,424
Trade and other receivables	9	16,540	13,464
Finance lease receivables		58	51
Derivative financial instruments		1,288	1,282
Bank balances, cash and other liquid funds		3,355	4,667
		25,315	23,453
Current liabilities			
Customers' deposits		(5,094)	(4,999)
Trade and other payables	10	(14,473)	(20,176)
Income tax payable		(1,247)	(792)
Bank loans and other borrowings		(8,186)	(10,651)
Derivative financial instruments		(1,056)	(977)
		(30,056)	(37,595)
Net current liabilities		(4,741)	(14,142)
Total assets less current liabilities		183,177	168,638

* Certain comparative figures have been reclassified to conform with current year's presentation. Details are set out in Note 1 of this Financial Information.

Consolidated Statement of Financial Position – Unaudited (continued)

		30 June 2017 HK\$M	Audited* 31 December 2016 HK\$M
	Note		
Financed by:			
Equity			
Share capital		23,243	23,243
Reserves	13	78,354	74,767
Shareholders' funds		101,597	98,010
Perpetual capital securities		5,791	5,791
Other non-controlling interests		7,054	1,972
		114,442	105,773
Non-current liabilities			
Bank loans and other borrowings		45,762	40,995
Deferred tax liabilities		13,973	13,819
Derivative financial instruments		1,924	1,580
Fuel clause account		2,403	2,867
Scheme of Control (SoC) reserve accounts	11	280	860
Asset decommissioning liabilities and retirement obligations	12	2,916	1,268
Other non-current liabilities		1,477	1,476
		68,735	62,865
Equity and non-current liabilities		183,177	168,638

Notes:**1. Basis of Preparation**

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

The interim financial statements have been prepared in accordance with the accounting policies which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2016. Amendments to HKFRS that are effective for the first time for this interim period do not have a material impact on the results and the financial position of the Group.

The financial information relating to the year ended 31 December 2016 that is included in the 2017 Interim Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements except certain comparative amounts which have been reclassified or regrouped to conform with current year's presentation:

- A reclassification of certain energy contracts with fair value of HK\$590 million and related payable of HK\$255 million from "Trade and other receivables" to "Derivative financial instruments" included under current assets and "Trade and other payables" to reflect the nature of the transaction; and
- Grouping asset retirement obligations of HK\$352 million included in "Other non-current liabilities" with "Asset decommissioning liabilities" into "Asset decommissioning liabilities and retirement obligations".

Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 7 August 2017.

2. Revenue

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

	Six months ended 30 June	
	2017	2016
	HK\$M	HK\$M
Sales of electricity	36,940	32,863
Sales of gas	3,738	3,383
Operating lease income under Power Purchase Agreement (PPA)	1,184	1,151
Finance lease income under PPA	56	60
Lease service income under PPA	186	325
Other revenue	548	435
	42,652	38,217
Transfer for SoC to revenue (note)	685	454
	43,337	38,671

Note: Under the SoC Agreement, if the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss.

3. Segment Information

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

3. Segment Information (continued)

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

	Hong Kong HK\$M	Mainland China HK\$M	India HK\$M	Southeast Asia & Taiwan HK\$M	Australia HK\$M	Unallocated Items HK\$M	Total HK\$M
Six months ended 30 June 2017							
Revenue	18,795	660	1,973	6	21,900	3	43,337
EBITDAF ^(a) of subsidiaries	8,609	661	973	(10)	1,963	(267)	11,929
Share of results, net of income tax							
Joint ventures	(8)	125	-	89	7	-	213
Associates	-	462	-	-	(4)	-	458
EBITDAF of the Group	8,601	1,248	973	79	1,966	(267)	12,600
Depreciation and amortisation	(2,336)	(312)	(292)	-	(616)	(17)	(3,573)
Fair value adjustments	8	-	-	-	(214)	-	(206)
Finance costs	(567)	(114)	(354)	-	(57)	(11)	(1,103)
Finance income	-	20	22	2	4	24	72
Profit/(loss) before income tax	5,706	842	349	81	1,083	(271)	7,790
Income tax expense	(829)	(75)	(108)	-	(325)	-	(1,337)
Profit/(loss) for the period	4,877	767	241	81	758	(271)	6,453
Earnings attributable to							
Perpetual capital securities holders	(124)	-	-	-	-	-	(124)
Other non-controlling interests	(412)	(9)	1	-	-	-	(420)
Earnings/(loss) attributable to shareholders	4,341	758	242	81	758	(271)	5,909
Excluding: Items affecting comparability	5	-	-	-	-	-	5
Operating earnings	4,346	758	242	81	758	(271)	5,914
At 30 June 2017							
Fixed assets, leasehold land and land use rights and investment properties	113,128	8,051	11,786	-	10,741	114	143,820
Goodwill and other intangible assets	5,545	4,810	29	-	18,408	-	28,792
Interests in and loan to joint ventures	42	7,977	-	1,720	38	-	9,777
Interests in associates	-	1,244	-	-	33	-	1,277
Deferred tax assets	-	87	37	-	992	-	1,116
Other assets	6,519	4,900	4,954	89	11,007	982	28,451
Total assets	125,234	27,069	16,806	1,809	41,219	1,096	213,233
Bank loans and other borrowings	40,096	5,274	7,336	-	813	429	53,948
Current and deferred tax liabilities	13,324	1,236	242	-	418	-	15,220
Other liabilities	17,280	1,343	976	2	9,768	254	29,623
Total liabilities	70,700	7,853	8,554	2	10,999	683	98,791

Note:

- (a) EBITDAF refers to Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments.

3. Segment Information (continued)

	Hong Kong HK\$M	Mainland China HK\$M	India HK\$M	Southeast Asia & Taiwan HK\$M	Australia HK\$M	Unallocated Items HK\$M	Total HK\$M
Six months ended 30 June 2016							
Revenue	18,020	552	2,012	6	18,078	3	38,671
EBITDAF of subsidiaries	8,311	478	932	(6)	1,906	(343)	11,278
Share of results, net of income tax							
Joint ventures	-	477	-	124	1	-	602
An associate	-	421	-	-	-	-	421
EBITDAF of the Group	8,311	1,376	932	118	1,907	(343)	12,301
Depreciation and amortisation	(2,167)	(270)	(284)	-	(590)	(20)	(3,331)
Fair value adjustments	(4)	-	-	-	65	-	61
Finance costs	(505)	(90)	(369)	-	(118)	(12)	(1,094)
Finance income	-	23	11	1	5	35	75
Profit/(loss) before income tax	5,635	1,039	290	119	1,269	(340)	8,012
Income tax expense	(867)	(12)	(90)	-	(372)	-	(1,341)
Profit/(loss) for the period	4,768	1,027	200	119	897	(340)	6,671
Earnings attributable to							
Perpetual capital securities holders	(123)	-	-	-	-	-	(123)
Other non-controlling interests	(407)	(16)	-	-	-	-	(423)
Earnings/(loss) attributable to shareholders	4,238	1,011	200	119	897	(340)	6,125
Excluding: Items affecting comparability	107	(83)	-	-	-	-	24
Operating earnings	4,345	928	200	119	897	(340)	6,149
At 31 December 2016							
Fixed assets, leasehold land and land use rights and investment properties	112,014	7,679	10,854	-	8,746	128	139,421
Goodwill and other intangible assets	5,545	4,945	28	-	17,135	-	27,653
Interests in and loan to joint ventures	50	8,127	-	1,764	30	-	9,971
Interests in associates	-	786	-	-	27	-	813
Deferred tax assets	-	86	-	-	895	-	981
Other assets	4,846	5,528	4,839	100	9,839	2,242	27,394
Total assets	122,455	27,151	15,721	1,864	36,672	2,370	206,233
Bank loans and other borrowings	37,814	4,973	7,591	-	1,268	-	51,646
Current and deferred tax liabilities	12,895	1,270	182	-	264	-	14,611
Other liabilities	24,892	1,454	377	2	7,168	310	34,203
Total liabilities	75,601	7,697	8,150	2	8,700	310	100,460

4. Operating Profit

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

	Six months ended 30 June	
	2017	2016
	HK\$M	HK\$M
Charging		
Retirement benefits costs	207	166
Net loss on disposal of fixed assets	109	52
Net fair value loss/(gain) on non-debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves to		
Purchases of electricity, gas and distribution services	1	(94)
Fuel and other operating expenses	20	(32)
Transactions not qualifying as hedges	206	(61)
Impairment loss on trade receivables	176	169
Revaluation losses on investment properties	5	107
Crediting		
Net exchange (gain)/loss	(95)	84
Rental income from investment properties	(24)	(9)
Dividends from equity investments	(9)	(8)

5. Income Tax Expense

	Six months ended 30 June	
	2017	2016
	HK\$M	HK\$M
Current income tax	978	1,099
Deferred tax	359	242
	1,337	1,341

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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			
	2017		2016	
	HK\$ per Share	HK\$M	HK\$ per Share	HK\$M
First interim dividend paid	0.59	1,491	0.57	1,440
Second interim dividend declared	0.59	1,491	0.57	1,440
	1.18	2,982	1.14	2,880

At the Board meeting held on 7 August 2017, the Directors declared the second interim dividend of HK\$0.59 per share (2016: HK\$0.57 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

7. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June	
	2017	2016
Earnings attributable to shareholders (HK\$M)	<u>5,909</u>	<u>6,125</u>
Weighted average number of shares in issue (thousand shares)	<u>2,526,451</u>	<u>2,526,451</u>
Earnings per share (HK\$)	<u>2.34</u>	<u>2.42</u>

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 2017 and 30 June 2016.

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

Fixed assets, leasehold land and land use rights under operating leases and investment properties totalled HK\$143,820 million at 30 June 2017 (31 December 2016: HK\$139,421 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases	Investment Properties ^(a)
	Land Freehold HK\$M	Leased HK\$M	Buildings HK\$M	Plant, Machinery and Equipment HK\$M	Total HK\$M	HK\$M	HK\$M
Net book value at 1 January 2017	745	417	19,501	109,526	130,189	5,444	3,788
Additions	12	-	381	4,704	5,097	18	3
Adjustment for decommissioning assets ^(b)	-	-	-	1,165	1,165	-	-
Revaluation losses	-	-	-	-	-	-	(5)
Transfers and disposals	-	-	(18)	(140)	(158)	-	-
Depreciation/amortisation	-	(7)	(313)	(2,832)	(3,152)	(89)	-
Exchange differences	47	-	143	1,325	1,515	5	-
Net book value at 30 June 2017	804	410	19,694	113,748	134,656	5,378	3,786
Cost/valuation	908	539	32,179	203,887	237,513	6,375	3,786
Accumulated depreciation/amortisation and impairment	(104)	(129)	(12,485)	(90,139)	(102,857)	(997)	-
Net book value at 30 June 2017	804	410	19,694	113,748	134,656	5,378	3,786

Notes:

(a) The Group possesses the commercial interest of the retail portion of the Laguna Mall and an investment property located at Argyle Street, Kowloon.

(b) As at 30 June 2017, the discount rate used to calculate the asset retirement obligations was revised which resulted in an uplift of the provision estimate, and associated asset value, by A\$198 million (HK\$1,165 million). The impact is not material to the Group, hence no adjustment to prior year financial statements is made.

9. Trade and Other Receivables

	30 June 2017 HK\$M	31 December 2016 HK\$M
Trade receivables	13,195	9,772
Deposits, prepayments and other receivables	2,788	2,479
Dividend receivables from		
Joint ventures	362	105
Associates	-	895
Equity investments	8	-
Loan to and current accounts with		
Joint ventures	187	212
Associates	-	1
	16,540	13,464

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

	30 June 2017 HK\$M	31 December 2016 HK\$M
30 days or below	10,626	6,832
31 – 90 days	577	763
Over 90 days	1,992	2,177
	13,195	9,772

10. Trade and Other Payables

	30 June 2017 HK\$M	31 December 2016 HK\$M
Trade payables ^(a)	6,703	6,019
Other payables and accruals	5,336	6,767
Advances from non-controlling interest ^(b)	1,712	6,692
Current accounts with		
Joint ventures	1	1
Associates	627	606
Deferred revenue	94	91
	14,473	20,176

Notes:

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

	30 June 2017 HK\$M	31 December 2016 HK\$M
30 days or below	6,265	5,632
31 – 90 days	76	188
Over 90 days	362	199
	6,703	6,019

10. Trade and Other Payables (continued)

Notes (continued):

- (b) The advances from non-controlling interest represented the advances from China Southern Power Grid International (HK) Co., Limited (CSG HK) to Castle Peak Power Company Limited (CAPCO). Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong Limited (CLP Power Hong Kong) and CSG HK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and have no fixed repayment terms. The advances are mainly denominated in Hong Kong dollar (31 December 2016: US dollar).

On 21 April 2017, CAPCO and its shareholders executed a Shareholder Capital Agreement in which an amount of advances from shareholders was reclassified into redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032. The redeemable shareholder capital was considered equity in nature and the reclassified amount attributable to CSG HK's pro rata share of HK\$5,115 million was included in non-controlling interest of a subsidiary.

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 2017 HK\$M	31 December 2016 HK\$M
Tariff Stabilisation Fund	52	786
Rate Reduction Reserve	1	2
Rent and Rates Interim Refunds (note)	227	72
	280	860

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While in March 2017, the Court of Final Appeal found in favour of the Hong Kong Government on a point of law, this did not impact the original Lands Tribunal judgment, and the subsequent judgment on the review of valuation matters, which were in CLP Power Hong Kong's favour. Final resolution of the matter is now subject to the application of the Lands Tribunal judgments to the rent and rates amounts for all rating years under appeal.

Interim refunds totalling HK\$1,868 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 to 2014 and in 2017. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and their application to all rating years under appeal.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK\$1,641 million had been offset against the interim refunds received.

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

12. Asset Decommissioning Liabilities and Retirement Obligations

	30 June 2017 HK\$M	31 December 2016 HK\$M
Asset decommissioning liabilities ^(a)	967	916
Provisions for land remediation and restoration costs ^(b)	1,949	352
	<u>2,916</u>	<u>1,268</u>

Notes:

(a) Under the SoC, a periodic charge for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies.

(b) A provision for land remediation and restoration costs is based on the estimated costs of reclamation, plant closure, dismantling and waste disposal.

13. Reserves

	Translation Reserves HK\$M	Cash Flow Hedge Reserve HK\$M	Costs of Hedging Reserves HK\$M	Other Reserves HK\$M	Retained Profits HK\$M	Total HK\$M
Balance at 1 January 2017	(7,638)	1,001	81	2,776	78,547	74,767
Earnings attributable to shareholders	-	-	-	-	5,909	5,909
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	2,561	-	-	-	-	2,561
Joint ventures	378	-	-	-	-	378
Associates	9	-	-	-	-	9
Cash flow hedges						
Net fair value losses	-	(860)	-	-	-	(860)
Reclassification to profit or loss	-	(217)	-	-	-	(217)
Tax on the above items	-	286	-	-	-	286
Costs of hedging						
Net fair value losses	-	-	(104)	-	-	(104)
Amortisation/reclassification to profit or loss	-	-	41	-	-	41
Tax on the above items	-	-	7	-	-	7
Fair value loss on equity investments	-	-	-	(193)	-	(193)
Share of other comprehensive income of joint ventures	-	-	-	15	-	15
Total comprehensive income attributable to shareholders	2,948	(791)	(56)	(178)	5,909	7,832
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(1)	1	-
Appropriation of reserves of subsidiaries	-	-	-	93	(93)	-
Dividends paid						
2016 fourth interim	-	-	-	-	(2,754)	(2,754)
2017 first interim	-	-	-	-	(1,491)	(1,491)
Balance at 30 June 2017	<u>(4,690)</u>	<u>210</u>	<u>25</u>	<u>2,690</u>	<u>80,119</u>	<u>78,354</u>

14. Commitments

- (A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases, investment properties as well as intangible assets contracted for at the end of the period but not yet incurred is amounted to HK\$6,373 million at 30 June 2017 (31 December 2016: HK\$5,116 million).
- (B) The Group entered into the conditional Equity Transfer Agreement to acquire a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) in November 2016. As at 30 June 2017, outstanding commitment of HK\$5.2 billion (RMB4.5 billion) is payable upon completion. The completion of this acquisition is subject to all necessary regulatory approvals and filing and approvals from Yangjiang Nuclear's lenders and shareholders. The latest date for completion is 31 December 2017.

In addition to the above, equity contribution required to be made by the Group for an associate at 30 June 2017 was HK\$17 million (31 December 2016: HK\$24 million).

- (C) At 30 June 2017, the Group's share of capital commitments of its joint ventures was HK\$599 million (31 December 2016: HK\$490 million).

15. Contingent Liabilities

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

This is a dispute between CLP India Private Limited (CLP India) and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL) under the power purchase agreement for Paguthan. GUVNL is required to make a "deemed generation incentive" payment to CLP India when plant availability is above a set threshold. 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 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\$876 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\$100 million) (31 December 2016: Rs.830 million (HK\$95 million)).

In February 2009, the GERC found in favour of GUVNL on the "deemed generation incentive" but held that GUVNL's claim up to 14 September 2002 was time-barred under the Limitations Act of India. The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans". CLP India appealed the GERC's decision to the Appellate Tribunal for Electricity (APTEL). GUVNL also filed an appeal against the orders of the GERC which went against GUVNL. In January 2010, the APTEL upheld the decisions of the GERC. Both CLP India and GUVNL have filed further appeals in the Supreme Court of India. The appeal petitions have been admitted but the next date of hearing has not yet been fixed by the court.

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

At 30 June 2017, the total amount of the claim plus interest and tax with respect to the “deemed generation incentive” amounted to Rs.8,543 million (HK\$1,031 million) (31 December 2016: Rs.8,543 million (HK\$975 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 in around 533MW 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 2017, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) JPL – Disputed Charges with Offtakers

Jhajjar Power Limited (JPL) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.2,001 million (HK\$241 million) at 30 June 2017 (31 December 2016: Rs.1,917 million (HK\$219 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

JPL has filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. On 25 January 2016, CERC pronounced its judgment in favour of JPL, which supports the Group’s decision that no provision should be made. JPL and its offtakers have filed appeals to APTEL. The next hearing date is expected on 10 August 2017.

(D) EnergyAustralia – Disposal of Iona Gas Plant

In December 2015, EnergyAustralia Holdings Limited (EnergyAustralia) completed the disposal of its entire interest in the Iona Gas Plant for a total consideration of A\$1,780 million (HK\$9,991 million). On 19 May 2017, EnergyAustralia and EnergyAustralia Investments Pty Ltd (EnergyAustralia Investments) received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd, the purchaser of the Iona Gas Plant, commencing formal legal proceedings seeking A\$967 million (approximately HK\$5,794 million) or alternatively A\$780 million (approximately HK\$4,674 million) in damages. The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the consortium claims to have relied to make its offer, were incomplete or misleading. EnergyAustralia and EnergyAustralia Investments intend to vigorously defend the claims. On the basis of currently available information, the Group’s view is that a material outflow of economic benefits is unlikely and no provision has been made in the financial statements.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

In the first half of 2017, the Group moved forward with a number of new financing arrangements to support projects that lay the foundations for future growth and opportunity in our key markets. Overall, CLP Holdings has maintained strong liquidity with undrawn bank facilities of HK\$8.8 billion and bank balances of HK\$961 million as at the end of June 2017. One of the most significant transactions in 2016 saw CLP enter into a conditional Equity Transfer agreement with CGN Power to acquire a 17% equity stake in Yangjiang Nuclear Power Co., Ltd. As we continued to work closely with CGN Power to obtain regulatory approval, CLP made available an amount of dividends from our China investments to partially fund the acquisition and simultaneously obtained commitments from several financial institutions for debt funding at preferential interest rates.

For the six months up to June 2017, CLP Power Hong Kong had arranged HK\$1.3 billion three-year revolving bank facilities and a HK\$300 million 15-year fixed-rate private placement bond at attractive interest rates. The CLP Power Hong Kong Financing Limited's Medium Term Note (MTN) Programme set up in 2002 allows for up to US\$4.5 billion of bonds to be issued and guaranteed by CLP Power Hong Kong. As at 30 June 2017, notes with an aggregate nominal value of about HK\$25.0 billion had been issued.

CAPCO, meanwhile, executed a HK\$4.3 billion five-year commercial loan agreement in January 2017 and a HK\$1.4 billion 15-year export credit agency supported loan agreement in March 2017 with the same banks group at favourable terms and interest rates to fund the 550MW Combined-Cycle Gas Turbine (CCGT) project at the Black Point Power Station. CAPCO also established its own MTN programme through its subsidiary Castle Peak Power Finance Company Limited for the first time with effective date in June 2017. This programme, which enables CAPCO to diversify its funding from bank to bond market, carries AA- and A1 credit ratings by Standard & Poor's (S&P) and Moody's respectively. Under this MTN programme, bonds in an aggregate amount of up to US\$2 billion may be issued and will be unconditionally and irrevocably guaranteed by CAPCO.

In July 2017, CAPCO successfully issued a US\$500 million (HK\$3.9 billion) 3.25% coupon, 10-year fixed-rate Energy Transition Bond, which represented the first climate financing arranged under a newly established CLP Climate Action Finance Framework and CAPCO's MTN programme with listing on The Stock Exchange of Hong Kong Limited. The bond was priced at US Treasury yield plus 1.025% with over US\$1.25 billion (more than 2.5 times over-subscribed) in orders from global investors. The full amount of US dollar principal was swapped back to Hong Kong dollar fixed-rate debt to mitigate foreign currency and interest rate risks. The bond serves to refinance a majority portion of CAPCO's HK\$4.3 billion five-year commercial bank loan facility to fund the CCGT project with more diversified, long-term, cost-efficient and fixed-rate funding in continual support of CAPCO's contribution to Hong Kong's low carbon transition.

Our projects beyond Hong Kong continued to maintain healthy liquidity positions. Jhajar Power Limited (JPL) and CLP Wind Farms (India) Private Limited successfully negotiated with banks to reduce interest rate margins by up to 1%. In January 2017, JPL issued Rs. 2.7 billion (HK\$326 million) standalone five and six-year bonds with A+ credit rating from India Ratings and Research Private Limited to refinance an existing U.S. dollar loan.

As at 30 June 2017, the Group maintained HK\$81.9 billion financing facilities, including HK\$17.2 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK\$53.9 billion had been drawn down, of which HK\$8.1 billion related to EnergyAustralia and subsidiaries in India. The Group's net debt to total capital ratio was 30.3% (end 2016: 29.5%) and fixed-rate debt as a proportion of total debt was 49% (end 2016: 57%) without perpetual capital securities or 54% (end 2016: 61%) with perpetual capital securities. For the six months ended 30 June 2017, the EBIT (earnings before interest and taxes) interest cover was 10 times.

In May 2017, S&P upgraded the rating of CLP Holdings from A- to A and the rating of CLP Power Hong Kong from A to A+ and assigned the outlooks for both as stable. The upgrades were attributed to a strengthening financial profile due to reduced debt leverage by the Group, CAPCO's improved capital structure, CLP Holdings' disciplined financial policy, and anticipated continuing improvements in our financial performance.

Notably, S&P said it believed the new SoC Agreement would give CLP Power Hong Kong greater certainty to facilitate long-term capital deployment as we strive to meet the government's clean energy targets.

In June 2017, CAPCO received a credit rating of AA- from S&P after applying for a credit rating for the first time. S&P noted that CAPCO operates in an open and transparent environment with costs and returns dictated by our new SoC Agreement. In the same month, Moody's gave CAPCO an A1 credit rating with an outlook of stable, commending its strong financial profile and low-risk business model.

In July 2017, S&P raised EnergyAustralia's credit rating from BBB to BBB+ and assigned the outlook as stable. The upgrade was attributed to an expectation that EnergyAustralia will resolve its fuel supply issues at Mount Piper Power Station imminently and due to the company's leverage remaining low over the medium to long term providing adequate headroom.

As at 30 June 2017, the Group had gross outstanding derivative financial instruments amounted to HK\$85.0 billion. The fair value of these derivative instruments was a net deficit of HK\$821 million, representing the net amount payable if these contracts were closed out on 30 June 2017.

CORPORATE GOVERNANCE

Corporate Governance Practices

The "CLP Code on Corporate Governance" (CLP Code) is our own unique code on corporate governance (available on our website or from the Company Secretary on request). The CLP Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations (Code Provisions and Recommended Best Practices) in The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited.

CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. We do not issue quarterly financial results, but we issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities. Our considered reasons for not issuing quarterly financial results have been set out in the Corporate Governance Report on pages 96 and 97 of our 2016 Annual Report.

During the six months ended 30 June 2017, the Company met the Code Provisions and Recommended Best Practices, other than the exception explained above, as provided in the Stock Exchange Code.

Highlights for the first half of 2017

We have always emphasised that our corporate governance practices should evolve as we continuously look for opportunities to improve.

- **Establishment of CLP Climate Action Finance Framework:** This new Framework was established to facilitate the arrangement of socially responsible and sustainable financings (e.g. green/new energy bonds and energy transition/emission reduction bonds) by CLP Group business units and represents a significant step towards achieving the goals set out in our Climate Vision 2050. The CLP Group Climate Action Finance Committee has been formed and is responsible for the overall governance,

review and approval of the financing arranged under this Framework. CLP Group will issue a Climate Action Finance Report on an annual basis, which will be reviewed by our external auditor and published within the Group Sustainability Report.

- **Continuous disclosure:** In 2016, we established a Continuous Disclosure Committee to conduct regular assessment of potential inside information. Through this Committee, members of the Committee were able to, on a timely and co-ordinated basis, consider and assess the appropriate timing for making relevant announcements. These include the announcements for the new Scheme of Control Agreement and the litigation concerning EnergyAustralia.
- **Monitoring risks:** Led by the Chairman of the Audit Committee, members of the Audit Committee attended a typhoon recovery drill run by our core Hong Kong business. This enabled them to gain a useful insight of the operational procedures in the event of a typhoon strike. Cyber security was another area of operational risks which the Audit Committee has been actively reviewing especially in light of the recent attacks worldwide and the ever changing nature of cyber security attacks. A cyber security briefing update was given to the Committee shortly after the worldwide attacks. CLP was not affected by those attacks that occurred during the reported period.

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 2017.

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

Remuneration - Non-executive Directors

In our 2016 Annual Report, we set out the fees for our Non-executive Directors (including Independent Non-executive Directors) who serve on the Board and on the Board Committees of the Company for the period from 2016 to the date of the Annual General Meeting in 2019 (see page 133 of the Company's 2016 Annual Report). For other details on the principles of remuneration for our Non-executive Directors, please refer to the Human Resources & Remuneration Committee Report of our 2016 Annual Report.

Internal Control

The Audit Committee has the delegated responsibility from the Board to assure that effective risk management and internal control systems are in place and followed. The Audit Committee has continued to oversee CLP Group's risk management and internal control approaches and the internal audit reports submitted by Group Internal Audit. Details of CLP's risk management and internal control systems were set out in the Corporate Governance Report on pages 113 and 114 of the Company's 2016 Annual Report.

During the six-month period ended 30 June 2017, 10 out of a total of 12 reports issued by Group Internal Audit carried satisfactory audit opinion. Two reports had not-satisfactory opinions; one related to sales call compliance processes and the other concerned business development payments not following contract terms, at two of our subsidiaries. No significant impact on the interim financial statements resulted from such audit findings. To address these audit findings in a comprehensive manner, mitigating measures are being implemented by management. No significant areas of concern that might affect shareholders were identified.

Interests in CLP Holdings' Securities

CLP's own Code for Securities Transactions (CLP Securities Code) is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those 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 2017.

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 2017.

INTERIM DIVIDEND

Directors today declared the second interim dividend of HK\$0.59 per share (2016: HK\$0.57 per share) which will be payable on 15 September 2017 to shareholders registered as at the close of business on 5 September 2017. The dividend of HK\$0.59 per share is payable on the existing 2,526,450,570 shares in issue.

The Register of Shareholders will be closed on 6 September 2017. To rank for the second interim dividend of HK\$0.59 per share, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 5 September 2017.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 7 August 2017

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 14 August 2017 and despatched to shareholders on 22 August 2017.

中電控股有限公司
CLP Holdings Limited
(incorporated in Hong Kong with limited liability)
(Stock Code: 00002)

The Directors of CLP Holdings as at the date of this announcement are:

Non-executive Directors:

The Hon Sir Michael Kadoorie, Mr William Mocatta,
Mr J. A. H. Leigh, Mr Andrew Brandler and Dr Y. B. Lee

Independent Non-executive Directors:

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

Executive Directors:

Mr Richard Lancaster and Mr Geert Peeters



Energy for Brighter Tomorrows