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 2018 to 30 June 2018, Dividend Declaration and Closure of Books

Financial Highlights

- Operating earnings up 33.3% to HK$7,886 million driven by significantly higher earnings from Australia and Mainland China.
- Total earnings increased 25.8% to HK$7,436 million.
- Operating earnings from our local electricity business in Hong Kong rose 3.2% to HK$4,497 million.
- Consolidated revenue rose 7.2% to HK$46,464 million.
- Second interim dividend of HK$0.61 per share.
- Market conditions for the second half year are expected to be less favourable. These include:
  - Lower permitted rate of return under the Scheme of Control in Hong Kong
  - Declining wholesale margins in Australia combined with intense retail competition
  - Lower dispatch and higher fuel costs in Mainland China.

CHAIRMAN'S STATEMENT

I have the pleasure of reporting to you strong results for the first half of 2018. They reflect the Group's robust and diversified asset base and our commitment to meet the needs of our customers across the markets in which we operate.

The Group's operating earnings were HK$7,886 million, an increase of 33.3% compared with the first half of 2017 with dependable results in our core market of Hong Kong and a solid performance in our overseas businesses. Total earnings increased by 25.8% to HK$7,436 million. With confidence in the long-term outlook for the Company, the Board increased the level of our first and second interim dividends from HK$0.59 per share in 2017 to HK$0.61 per share this year.

In Hong Kong, the new Scheme of Control (SoC) Agreement we have signed with the Government comes into effect this October and runs until 2033. This provides a stable regulatory environment at a time when the energy sector throughout the world is undergoing dramatic changes as a result of both new technologies and the energy transition. As part of the new SoC, our submission on a Development Plan for the next five years was approved by the Hong Kong Government. This will require investing HK$52.9 billion over the period to ensure a reliable supply of electricity to meet Hong Kong's continuous development as well as meeting Government's low carbon policy objectives. The Hong Kong administration has demonstrated the clarity of its long-term plans which are in line with China's national goals of moving away from dependence on coal-fired generation and towards less carbon-intensive sources of electricity.

Our new initiatives under the Development Plan aim at promoting the security of our city's electricity supply which is essential for the long-term prosperity of Hong Kong. One of the most significant proposed investments is the construction of an offshore LNG terminal that will allow us to buy natural gas from a wide range of global suppliers. We expect the permitting process to complete in the coming months. Hong Kong's target of generating half of its electricity from natural gas by 2020 is an ambitious one. With the new SoC Agreement and our Development Plan in place, we will demonstrate our commitment with investments such as this to ensure the needed reliability, diversity and cost-competitiveness of gas supply.

Outside of Hong Kong, our results in Australia continued to strengthen. Demand has stayed strong amid tight supply conditions driving up wholesale prices. This has in turn placed price pressures on our customers and consequently EnergyAustralia has introduced products and services to assist customers in keeping their energy costs under control. We have also taken initiatives to help stabilise wholesale electricity prices such as a recently completed programme to financially underpin the development of about 500MW of renewable energy projects. In addition, the business has been assessing investments to support the integration of solar and wind power into the national grid. We expect these initiatives, together with a long-term and stable national energy policy, will help deliver a modern, affordable and reliable energy system in Australia.

Mainland China and India remain our growth markets. We are seeing continued industry-wide policy reforms in both countries as part of their energy transition. Beijing's announcement in May that it would reduce subsidies for solar power is a notable example of a policy shift triggered by falling prices for renewable energy. We are taking a close look at how these policies are developing and how CLP can best work within the evolving regulatory and policy framework. We remain committed to further clean energy investments in both countries.

I am pleased to note that in our Mainland China business, carbon-free sources of electricity, including nuclear, hydro, solar and wind, accounted for over 90% of earnings during the period. Nuclear power is an important part of this as well as Mainland China's low carbon journey. In May, I had the pleasure to visit Yangjiang Nuclear Power Station for the first time since we completed our investment in the plant last year. The visit brought back memories from more than three decades ago when I accompanied my father to Beijing to witness the signing of the Daya Bay joint venture agreement. CLP's participation in Yangjiang reflects strongly on our belief that nuclear energy will not only play an important role in China's transition to a decarbonised economy, but also to the expansion of our non-carbon emitting portfolio in addressing climate change challenges. Equally important, the facility contributed meaningful earnings to CLP during the period under review. These earnings will become more significant when the remaining units in Yangjiang come on stream.

The electric utility business is in the early part of what promises to be an exciting period of technological change. Innovation is an increasingly important facet of our business. In the beginning of the year, we invested about HK$40 million in AutoGrid, a Silicon Valley-based energy management software developer. This represented our first direct investment in a technology startup as we seek to capture opportunities in the rapidly-evolving smart energy sector. In July, we signed a collaboration agreement with TUS-Clean Energy, an enterprise established in alliance with Tsinghua University in Beijing, to develop and deploy new energy and smart city-related technologies and businesses. These are just two of the many collaborations that we are forging around the world to support our efforts to develop new solutions and product offerings to meet the changing demands of our customers.

Reflecting on the performance and positioning of our Company, I know that the strategy and initiatives of the Board, management and employees are underpinned by a vision that will take us to 2050 and beyond. CLP remains committed, as we have been since we were founded more than a century ago, to making the investments needed to ensure safe, reliable and reasonably-priced electricity in the communities we serve while providing a fair return for our shareholders.

The Honourable Sir Michael Kadoorie

FINANCIAL PERFORMANCE

Operating earnings up 33.3% to HK$7,886 million driven by significantly higher earnings from Australia and Mainland China; total earnings increased 25.8% to HK$7,436 million.

	Six months ended 30 June		Increase/
	2018	2017	**(Decrease)**
	HK$M	HK$M	**%**
Hong Kong electricity business	**4,497**	4,356	3.2
Hong Kong electricity business related*	**131**	148	
Mainland China	**1,116**	637	75.2
India	**251**	242	3.7
Southeast Asia (SEA) and Taiwan	**63**	81	(22.2)
Australia	**2,257**	758	197.8
Other earnings in Hong Kong	**(3)**	(37)	
Unallocated net finance (costs)/income	**(19)**	13	
Unallocated Group expenses	**(407)**	(284)	
Operating earnings	**7,886**	5,914	33.3
Items affecting comparability			
Provision for deemed generation receivables	**(450)**	-	
Property revaluation	**-**	(5)	
Total earnings	**7,436**	5,909	25.8

* Hong Kong electricity business 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 SoC net return on higher average net fixed assets and favourable (2017: unfavourable) mark-to-market movement of perpetual capital securities related currency hedges

Mainland China : Improved performance from coal-fired projects mainly due to higher outputs partially offset by higher coal prices; higher contributions from renewables with commissioning of more wholly-owned renewable projects since the second half of 2017, more wind resources and less grid curtailment partially offset by lower generation due to less rainfall from Huaiji; and inclusion of our share of results from Yangjiang Nuclear

India : Paguthan's operation remained stable; notwithstanding solid underlying performance in 2018, lower Jhajjar's earnings due to a favourable coal stock adjustment in 2017; despite loss from the write-off of Yermala project in 2017, contributions from wind projects were lower due to less wind resources; contribution from Veltoor Solar since its phased commissioning in the second half of 2017

SEA and Taiwan : Lower Ho-Ping contribution mainly due to less generation, higher coal prices and increase in tax expenses on higher tax rate despite higher energy tariff; Lopburi Solar operated stably

Australia : Higher energy (wholesale) contribution due to higher realised wholesale prices and lower energy procurement costs due to lower volatility during peak periods; lower customer (retail) contribution due to lower gross margin, lower customer numbers and discounting coupled with higher cost to serve on increased regulations; favourable (2017: unfavourable) movement on energy contracts as a result of reduction in volatility of the wholesale prices

Items affecting comparability : A provision of HK$450 million (Rs3,796 million) was made for the deemed generation dispute in India. Details are set out in Note 15(A) to the Financial Information.

BUSINESS PERFORMANCE AND OUTLOOK

Hong Kong

The new Scheme of Control (SoC) Agreement between CLP and the Hong Kong Government will become effective in October 2018. Our first five-year Development Plan under the new Agreement projects a capital expenditure of HK$52.9 billion between October 2018 and December 2023. These investments will help strengthen our supply security, maintain our reliability and facilitate Hong Kong's continuing journey to a low-carbon future through a transition from coal to gas.

In addition to the construction of a 550MW advanced combined cycle gas turbine at Black Point Power Station currently underway, the new Development Plan provides for the building of another gas-fired unit of similar capacity and design at the plant to allow for the gradual phasing out of the four oldest coal-fired units at Castle Peak Power Station.

Another important investment we are making to support the transition is an offshore LNG terminal – a critical infrastructure project that will improve the diversity, security, and cost competitiveness of future gas supplies. Good progress has been made with the environmental impact assessment report for the project which is expected to be concluded in the second half of 2018. We are also progressing with the finalisation of the contractual arrangements for the supply of LNG and the Floating Storage and Regasification Unit (FSRU) vessel for the project.

Apart from our own generation fleet, we plan to enhance the reliability and transmission capacity of the existing cross-border transmission overhead line circuits connecting Hong Kong and Mainland China. It will provide greater flexibility for the increased use of zero-carbon energy in future.

As part of our ongoing work to meet growing customer load requirements and ensure supply reliability, we will refurbish our generation assets and undertake improvement works on our core transmission and distribution systems.

The new SoC Agreement includes key initiatives to promote local renewable energy development and encourage community participation in energy efficiency and conservation. A Feed-in Tariff scheme, Renewable Energy Certificates and a new CLP Eco Building Fund will be rolled out in October, while a CLP Community Energy Saving Fund (CESF) will be effective from January 2019. The CESF will be set up by shareholders' incentives to implement a territory-wide energy efficiency and conservation campaign to encourage residential customers to adopt low-carbon lifestyles. It will also be used to assist business customers to replace electrical equipment with more energy efficient models and to support underprivileged people, including tenants of subdivided units.

In July, we announced adjustments to the basic tariff for 15 months from October 2018 under the new Agreement, reflecting the revised permitted rate of return and projected investments in the new Development Plan. Our basic tariff will be 3.7% lower than the level in the first nine months of 2018. It also represents an increase of merely 2% compared to 20 years ago. The total tariff will increase by 2% due to the higher fuel cost resulting from substantially rising fuel prices since 2017 and higher gas consumption to meet the 2020 carbon reduction target. Overall, our tariff remains competitive among metropolitan cities around the world.

In the first half of 2018, total electricity sales, including local sales and sales to the Mainland China, increased 4.9% to 16,368GWh.

Sales of electricity in Hong Kong were 15,831GWh, an increase of 4.7% compared with the first half of 2017. Stronger sales in the residential sector reflected a higher cooling load in the second quarter, caused in part by the exceptionally hot weather in May and a relatively low baseline from the same period in 2017. Both Commercial sector and Infrastructure & Public Services sectors saw higher sales. The sustained growth in electricity sales in Hong Kong emphasised the need for continuing development of our facilities to provide a safe and reliable electricity supply. A breakdown of the changes in local sales during the period by sector is as follows:

	Increase / (Decrease)		% of Total Local Sales
Residential	257GWh	6.7%	26%
Commercial	232GWh	3.7%	41%
Infrastructure & Public Services	233GWh	5.5%	28%
Manufacturing	(6GWh)	(0.7%)	5%

In the ongoing digital transformation of our business, we continue to focus on technology innovations to enhance customer experience and improve our efficiency. We plan to broaden our advanced metering infrastructure, installing more smart meters to give customers more information and control over their energy consumption. During the period, we teamed up with wet market operators to transform traditional markets into a more comfortable environment to promote sustainable business operations. Operationally, we have been trialling different technologies throughout the electricity supply chain to support asset reliability, optimise plant performance and make maintenance work faster and safer.

Outlook

With the start of the new SoC Agreement in the fourth quarter, CLP is preparing to deliver enhanced services to our customers in Hong Kong, while leading the city’s transition to a low-carbon future. We have had a positive initial response to the Feed-in Tariff scheme and the Eco Building Fund and we will focus on executing these important programmes starting from the fourth quarter.

We look forward to implementing the infrastructure investments as set out in our Development Plan. Not only are we required to upgrade and maintain our existing facilities to continue to deliver the reliable electricity supply to our customers, we will also be pressing ahead with our new gas-fired generation unit at Black Point as well as the offshore LNG terminal project to contribute to a lower carbon footprint for Hong Kong.

To offer better services tailored to customers’ needs, we will focus on the development of new smart service platforms for households and businesses, as well as technologies such as robotics solution, digitalisation, and data analytics to enhance our operational performance, and contribute to a greener and smarter Hong Kong.

Mainland China

In the first half of 2018, operations in Mainland China benefitted from CLP's focus on low-carbon investments as increased contributions from our nuclear and renewable assets partially offset the challenge of high coal prices.

Our investment in Yangjiang Nuclear Power Co., Ltd., completed in December 2017, bolstered first-half earnings and the fifth unit of the project has been commissioned. Operation of the Daya Bay Nuclear Power Station remains strong with stable contribution to our earnings.

Renewable energy projects enjoyed strong operations, supported by favourable resources and lower grid curtailment.

In particular, our solar portfolio grew after the commissioning of the Huai'an plant in Jiangsu last year and the acquisition in May of the remaining 49% shareholding in the Jinchang plant in Gansu. Generation from our solar projects increased further at the Jinchang plant as a result of lower grid curtailments.

Similarly, our wind projects saw less grid curtailment, especially those in the northeast of the country. Together with good wind resources in Shandong and the contribution from Laiwu II, commissioned in October 2017, our wind generation increased by more than 18% compared with the same period in 2017.

Hydro assets had a mixed performance in the first half of the year, reflecting diverse rainfall and water flow conditions in different regions. Generation at Jiangbian in Sichuan improved, but operations were impacted by reduced prices as market competition intensified.

Our coal-fired generation portfolio achieved a higher output in response to stronger customer demand in the first half of the year, driven by colder winter weather and sustained economic growth. The output of Fangchenggang Power Station in Guangxi rose on satisfactory market sales and reduced competition from hydro power. However, with coal prices remaining high and the lack of benchmark tariff adjustments, margins came under pressure and operating conditions continued to be challenging.

The power sector reform has introduced new business opportunities for private capital investment in independent distribution networks and retail energy services. We are exploring opportunities in South China leveraging our expertise across the whole electricity supply chain. We have signed a collaboration agreement with TUS-Clean Energy, an enterprise established in alliance with Tsinghua University in Mainland China, to develop and deploy new energy and smart city-related technologies and businesses on the Mainland.

Outlook

In the second half of 2018, we will work with our partners to progress the construction of the sixth unit of the Yangjiang Nuclear Power Station. We remain committed to our energy transition strategy in Mainland China as we look to sustain the positive trajectory in our nuclear and renewable energy portfolios, and to pursuing new investment opportunities introduced under the power sector reform.

We will also strive to mitigate the risks associated with coal supply and continue our efforts to enhance the operational, commercial, and financial performance of our coal-fired portfolio.

However, we expect that our earnings in the second half will be under pressure as Fangchenggang is impacted by lower dispatch volumes and higher costs associated with the use of imported and domestic coal, while at the same time our portfolio experiences the usual seasonal reduction in wind and solar resources.

India

The performance of our business in India was stable in the first half of 2018. Jhajjar coal-fired station performed well, reporting higher utilisation and availability. Despite a longer-than-projected planned outage at the plant, we achieved greater efficiencies and lower costs through our ongoing efforts to improve the quantity and quality of coal supplies.

Our portfolio increased following the full commissioning of Veltoor, CLP's first solar project in India. The plant is now operating smoothly, benefitting from best-in-class tracking and monitoring technologies.

Our wind projects faced challenging weather conditions in the period with lower than average wind resources in the northern, western, and central parts of the country before the arrival of the monsoon, which has started stronger than last year, leading to robust performance in June.

Operations at the Paguthan gas-fired station remained stable and we continue to review the way forward in anticipation of the expiry of the power purchase agreement in December.

Outlook

In the second half of 2018, we will continue our efforts to maintain operational excellence and strengthen the foundations of our business. We will explore new commercial possibilities for our operations in Paguthan, although we anticipate the lack of gas supplies will continue to pose challenges to our ongoing negotiations.

CLP is committed to further expanding our renewable energy portfolio on the back of supportive government policies. We are also seeking out opportunities along the energy supply chain to broaden the scope of our business in the country.

With a dynamic economy and the Government's focus on strengthening regulatory supervision of the energy industry, India remains a primary growth market for CLP. We will continue to look for ways to enhance our contributions to the long-term growth of the power sector, drawing on our expertise and depth of market experience.

Southeast Asia and Taiwan

In the first half of 2018, a major planned overhaul of one of the two generating units at Ho-Ping coal-fired power station in Taiwan was completed, while a new permanent transmission tower was commissioned as a replacement for the one damaged in a typhoon last year. Performance was impacted by an increase in Taiwan's income tax rate, the extended outage caused by the works combined with higher fuel costs. Although energy tariffs had caught up with higher coal prices observed in 2017, the lagging adjustment meant the increase was offset by even higher coal prices in 2018.

Operations at the Lopburi solar plant in Thailand were stable.

In Vietnam, we continued to make progress in our discussions with the Government and banks over the Vung Ang II and Vinh Tan III projects.

Outlook

In the second half of 2018, we will continue to work closely with the Vietnamese Government and banks to finalise commercial and financial arrangements for the Vung Ang II and Vinh Tan III projects so as to make investment decisions.

Australia

Wholesale electricity prices remained strong in the first half of 2018. The increase in earnings reflects the availability of our generation portfolio in this market. EnergyAustralia's generation has effectively supplied our customers, especially at peak price times, successfully mitigating the risks of not being able to meet customer demand on peak days and during generator outages.

At the same time, energy remained a prominent public policy issue. EnergyAustralia continues to face increasing costs of regulatory compliance, with many industry reviews and interventions commencing in 2017 and continuing in 2018. The Federal and State Governments have been engaged in ongoing discussions with industry groups on ways to address market challenges brought by the energy transition. EnergyAustralia continued to contribute to the solutions through supporting the development of renewable energy projects enabling effective integration of reliable renewable energy into the National Electricity Market (NEM).

Earlier this year, EnergyAustralia announced it had completed a programme to financially underpin around 500MW of new wind and solar projects in eastern Australia, around 390MW of which is directly contracted to EnergyAustralia.

In March, we signed agreements worth A$50 million to operate two utility-scale battery storage systems of 80MWh in Victoria, acquiring the rights to charge and dispatch this energy into the NEM.

The following month, EnergyAustralia completed the acquisition of Ecogen Energy, owner of the Newport and Jeeralang gas-fired power stations in Victoria. The two plants have a combined capacity of 940MW. Taking direct ownership of the plants, with which EnergyAustralia has had an offtake agreement stretching back nearly two decades, gives secure access to the flexibility of intermediate and peaking gas-fired generation to support the integration of renewable energy.

The Victorian Government has extended the mining licence for the Yallourn mine for six years. This will allow coal to be supplied to the adjacent Yallourn power station until 2032, the plant's end of technical life.

EnergyAustralia announced last year that it would deliver around 50MW of demand-response reserve capacity across New South Wales, Victoria and South Australia as part of a pilot programme run by the Australian Renewable Energy Agency and the Australian Energy Market Operator. In the trials that took place in April and May, EnergyAustralia successfully delivered 48MW reserve capacity and is on track to secure 50MW by the end of the year.

EnergyAustralia also progressed assessments of new projects and investments in other areas including pumped hydro-electricity and intelligent energy management systems. The business continues to explore plans for 1,000MW of new gas-fired projects in New South Wales.

We expect these technologies and our assets to underpin a modern energy system in Australia, provided the Federal and State Governments reach agreement on a long-term and stable national energy policy and regulatory framework. At present, the Federal and State Governments are working toward a plan combining energy and emissions policy, known as the National Energy Guarantee. EnergyAustralia believes the policy has the potential to provide the stability required to stimulate investment in the industry.

Meanwhile, high retail prices caused by the closure at short notice of the Hazelwood and Northern power stations continued to weigh heavily on customers. EnergyAustralia continued to experience lower retail customer churn than the overall market. However, intense competition for mass-market customers in the first half of the year resulted in lower sales and margin pressure, impacting customer account numbers and profitability. Customer accounts have dropped by approximately 60,000, or 2%, during the period.

To help ease cost pressures for our customers, EnergyAustralia has removed fees for paper bills and over-the-counter charges, expanded hardship support, and extended the *Secure Saver* offer, which enables customers to cap their electricity and gas tariffs for two years.

In June, EnergyAustralia announced that average energy prices for household and small business customers in 2018 would fall in Queensland, ease slightly in New South Wales and remain steady in South Australia.

Outlook

Wholesale electricity prices realised by the business are likely to decline in the second half of 2018. The forward market also indicates reduced pricing into 2019 and beyond as a large number of wind and solar projects enter the market. Meanwhile, intense retail competition shows no sign of abating, placing further pressure on margins as EnergyAustralia focuses on retaining and acquiring customers.

New and ongoing initiatives, including current studies of flexible capacity options such as pumped hydro, battery storage, and gas-fired generation, will support EnergyAustralia’s long-term plans for the generation of affordable and sustainable energy. In addition, EnergyAustralia will continue to explore and develop new energy technologies and services through our NextGen business and partnership with Startupbootcamp, a global accelerator programme for startups.

These initiatives seek to address energy affordability and sustainability, combined with the ongoing focus on improving the customer experience, will ensure customers remain at the heart of everything EnergyAustralia does.

Human Resources

The Group employed 7,562 people as at 30 June 2018, compared with 7,433 at the same time in 2017. Of those, 4,225 were employed in Hong Kong electricity and related businesses, 3,019 by our businesses in Mainland China, India, Southeast Asia and Taiwan, and Australia, and 318 by

CLP Holdings. Total remuneration for the six months to 30 June 2018 was HK$2,994 million, compared with HK$2,758 million for the same period in 2017, including retirement benefits costs of HK$284 million, compared with HK$277 million in 2017.

Health & Safety

CLP is committed to ensuring all our activities and operations result in zero harm for our employees, contractors, customers and the public. We want everyone to go home safe and well every day. As part of our commitment to driving continuous improvement in this area, a new role of Senior Director of Health, Safety, and Environment (HSE) was created in January 2018.

A new HSE Improvement Plan was approved by the Board in May 2018, focusing on raising our safety culture, rethinking our risks, and building a healthy and engaged workforce, involving all stakeholders on our journey. It also promotes initiatives to ensure we continue to operate in an environmentally responsible manner. We continue to focus on injury incidents, while at the same time drawing responsibly on lessons learnt from potential exposure to serious injuries and fatalities. To share experiences across CLP and to learn from other companies, a Group HSE Forum was held in July 2018.

In the first half of 2018, we observed a reduction in our injury rates compared with the corresponding period of 2017. The Lost Time Injury Rate (LTIR)[1] and Total Recordable Injury Rate (TRIR)[2] are shown in the table below:

	Employees		Employees and Contractors	
	Jan – Jun 2018	Jan – Jun 2017	Jan – Jun 2018	Jan – Jun 2017
LTIR[1]	0.09	0.09	0.07	0.13
TRIR[2]	0.14	0.19	0.19	0.26

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

Environment

CLP remains committed to managing and minimising the environmental impact of our operating assets and projects under development. In the first half of 2018, we continued to strengthen the synergy among the regions in which we operate and explore ways to better fulfil our environmental commitment. We also initiated studies on key emerging environmental issues to ensure we are well prepared for any new requirements and challenges.

Compliance

CLP had no environmental regulatory non-compliance incidents resulting in fines or prosecutions in the first half of 2018.

Air Quality

Regulatory requirements on air emissions are becoming more stringent in jurisdictions where we operate, and we continue to explore technological solutions to ensure we remain at or ahead of our compliance requirements. In Mainland China, our emissions control retrofit at

Fangchenggang Power Station is nearing completion. In India, we are evaluating enhancements to our flue gas desulphurisation equipment at Jhajjar Power Station so we can reliably meet the revised emissions requirements by 2019. In addition, we are studying options to improve Jhajjar's nitrogen oxides performance to meet the new required standard. In Hong Kong, we are committed to commissioning our new 550MW combined-cycle gas-fired generation unit at Black Point Power Station to support the Government's target for an increased use of natural gas by 2020. In Australia, we continue to monitor trends in emission standards and we are underpinning the construction of new renewable energy facilities.

Water Usage & Risk

We are committed to using water resources responsibly and sustainably in all our operations, and to ensuring our assets withdraw water according to licence entitlements. In the first half of 2018, water supplies at Jhajjar Power Station in India were subject to conservation measures that had a minor and temporary impact on the plant. We are looking at options to improve water resilience.

Every year we employ the World Business Council for Sustainable Development's global water tool to assess our operating assets and mitigate any risks that are identified. This year, we also participated in the CDP Water Survey, consulting with industry peers to benchmark and share good practices relating to water resource management.

Climate Change

Climate change remains one of the most significant global factors affecting our business. Our new targets under the updated Climate Vision 2050 are both challenging and ambitious. And they set a clear roadmap for our journey to a low-carbon future.

We anticipate our carbon intensity will continue to fluctuate for the foreseeable future. However, we are committed to achieving these targets, and our renewable energy and nuclear power projects will play important roles in our growth plans. Following our investment last year in Yangjiang Nuclear Power Co., Ltd, we have made progress in further reducing the carbon intensity of our portfolio in the first half of 2018.

Our new carbon credits e-commerce platform launched in March 2018 was a new initiative to support our stakeholders on their journey to a low-carbon future. It leverages on our experience in renewable energy development for more than a decade, and helps our end-use customers to access greener and smarter electricity. Interested parties from anywhere in the world can use the platform to calculate their carbon emissions and purchase carbon credits from our wind farms in India to offset the emissions.

Sustainability Performance

In March 2018, we published our 2017 Sustainability Report as a supplement to our integrated Annual Report, with additional information on our operational, environmental, and social performance. It 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.

We have moved our full report online, allowing us to enhance signposting, draw references from different sources, show key ideas visually, and interact more effectively with readers. As with previous years, it 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.

Our sustainability performance continued to be recognised by key sustainability indices, including the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index, and the MSCI ESG Leaders Indexes. We will continue to respond to disclosure requests and to engage with investor communities.

Innovation

As digitalisation of energy infrastructure gathers pace around the world and our industry continues to evolve, CLP is well-positioned to meet these opportunities and challenges, as well as rising demand from consumers and businesses for smarter and more connected energy services. Our works focus on global and local scanning of best of breed solutions and new business models; using technology and innovation to increase our operational efficiency and deliver enhanced services to our customers; and investing in companies and collaborating with partners to develop and deliver new capabilities and smart energy products and solutions.

Some of our achievements this year include:

- Completed our investment in AutoGrid, a Silicon Valley company focused on distributed energy management systems;

- Invested, along with Alibaba Entrepreneurs Fund, in En-trak, a Hong Kong energy management and smart lighting solutions provider;

- Joined Free Electrons, a global accelerator programme for startup companies focused on digital energy technologies with commercial potential. The programme is backed by nine other utilities from around the world including American Electric Power, Tokyo Electric, and SP Group;

- Signed an agreement with Beijing TUS-Clean Energy Co., Ltd., a subsidiary of TUS-Holdings Co., Ltd., to jointly explore clean energy and smart city technologies;

- Teamed up with public and private sector partners in Thailand to collaborate on energy technologies for industrial parks; and

- Deepening relationships with partners including the Hong Kong Science and Technology Parks Corporation and the West Kowloon Cultural District Authority to pilot innovative solutions.

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 & Risk Committee. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.

Consolidated Statement of Profit or Loss – Unaudited

		Six months ended 30 June	
		2018	2017
	Note	**HK$M**	HK$M
Revenue	*3*	**46,464**	43,337
Expenses			
Purchases of electricity, gas and distribution services		**(17,285)**	(19,499)
Staff expenses		**(2,219)**	(2,059)
Fuel and other operating expenses		**(13,042)**	(10,056)
Depreciation and amortisation		**(4,004)**	(3,573)
		(36,550)	(35,187)
Operating profit	*5*	**9,914**	8,150
Finance costs		**(1,006)**	(1,103)
Finance income		**92**	72
Share of results, net of income tax			
Joint ventures		**357**	213
Associates		**786**	458
Profit before income tax		**10,143**	7,790
Income tax expense	*6*	**(2,141)**	(1,337)
Profit for the period		**8,002**	6,453
Earnings attributable to:			
Shareholders		**7,436**	5,909
Perpetual capital securities holders		**125**	124
Other non-controlling interests		**441**	420
		8,002	6,453
Earnings per share, basic and diluted	*8*	**HK$2.94**	HK$2.34

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

	Six months ended 30 June	
	2018	2017
	HK$M	HK$M
Profit for the period	**8,002**	6,453
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(2,905)**	2,951
Cash flow hedges	**699**	(778)
Costs of hedging	**5**	(56)
Share of other comprehensive income of joint ventures	**1**	-
	(2,200)	2,117
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**(13)**	(193)
Remeasurement gains on defined benefit plans	**6**	15
	(7)	(178)
Other comprehensive income for the period, net of tax	**(2,207)**	1,939
Total comprehensive income for the period	**5,795**	8,392
Total comprehensive income attributable to:		
Shareholders	**5,239**	7,832
Perpetual capital securities holders	**125**	124
Other non-controlling interests	**431**	436
	5,795	8,392

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2018 HK$M	Audited 31 December 2017 HK$M
Non-current assets			
Fixed assets	*9*	**138,860**	137,207
Leasehold land and land use rights under operating leases	*9*	**5,504**	5,345
Investment property	*9*	**1,186**	1,186
Goodwill and other intangible assets		**27,792**	29,087
Interests in and loans to joint ventures		**10,222**	10,383
Interests in associates		**7,848**	8,081
Finance lease receivables		**617**	620
Deferred tax assets		**495**	929
Derivative financial instruments		**1,381**	956
Equity investments		**339**	349
Other non-current assets		**564**	298
		194,808	194,441
Current assets			
Inventories – stores and fuel		**3,034**	3,050
Renewable energy certificates		**625**	1,047
Property under development		**2,971**	2,971
Trade and other receivables	*10*	**16,749**	15,427
Finance lease receivables		**70**	148
Derivative financial instruments		**1,426**	1,137
Short-term deposits and restricted cash		**2,740**	3,401
Cash and cash equivalents		**5,740**	6,529
		33,355	33,710
Current liabilities			
Customers' deposits		**(5,323)**	(5,221)
Fuel clause account		**(1,327)**	(2,212)
Trade and other payables	*11*	**(17,946)**	(18,978)
Income tax payable		**(1,453)**	(762)
Bank loans and other borrowings		**(8,801)**	(8,472)
Derivative financial instruments		**(724)**	(789)
		(35,574)	(36,434)
Net current liabilities		**(2,219)**	(2,724)
Total assets less current liabilities		**192,589**	191,717

Consolidated Statement of Financial Position – Unaudited (continued)

	Note	30 June 2018 HK$M	Audited 31 December 2017 HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*13*	**86,416**	85,454
Shareholders' funds		**109,659**	108,697
Perpetual capital securities		**5,791**	5,791
Other non-controlling interests		**6,951**	7,019
		122,401	121,507
Non-current liabilities			
Bank loans and other borrowings		**48,748**	48,869
Deferred tax liabilities		**14,433**	14,275
Derivative financial instruments		**1,544**	1,640
Scheme of Control (SoC) reserve accounts	*12*	**391**	977
Asset decommissioning liabilities and retirement obligations		**3,671**	2,987
Other non-current liabilities		**1,401**	1,462
		70,188	70,210
Equity and non-current liabilities		**192,589**	191,717

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 2017, except for the adoption of HKFRS 15 Revenue from Contracts with Customers (HKFRS 15) as described in Note 2 below. Other amendments to standards and new interpretation that are effective for the first time for this interim period did not have any impact to the Group's accounting policies.

The financial information relating to the year ended 31 December 2017 that is included in the 2018 Interim Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 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 the 31 December 2017 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 6 August 2018.

2. Adoption of HKFRS 15

The Group has first time adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application, under which the cumulative effect of the initial application is adjusted to the opening balance of retained profits on 1 January 2018 and no comparative figures are restated.

2. Adoption of HKFRS 15 (continued)

HKFRS 15 establishes a new framework for revenue recognition. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time. The new standard also sets out new capitalisation criteria for contract acquisition costs which are incremental and the entity is expected to recover them.

Considering the nature of the Group's principal activities (i.e. generation and supply of electricity and sales of gas), the adoption of HKFRS 15 does not have material impact on the Group's revenue recognition. The key impact to the Group is on the accounting for costs to obtain a contract.

Costs of HK$247 million related to commissions paid to third parties for obtaining the contracts with residential customers in Australia were expensed previously but were qualified for capitalisation as an asset under HKFRS 15 at 1 January 2018. The capitalised costs are amortised on a straight line basis over the expected benefit periods of the contracts and consistent with the recognition pattern of the associated revenue. The table below summarises the impact on the adoption of HKFRS 15:

	At 1 January 2018 HK$M
Increase in other non-current assets	247
Decrease in deferred tax assets	(74)
Increase in retained profits	173

	Six months ended 30 June 2018 HK$M
Increase in fuel and other operating expenses*	16
Decrease in income tax expense	(5)
Decrease in earnings attributable to shareholders	(11)

* Increase in amortisation offset by capitalisation of commissions paid

3. Revenue

The Group's revenue is disaggregated as follows:

	Six months ended 30 June	
	2018	2017
	HK$M	HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**19,542**	17,783
Transfer for SoC to revenue (note)	**232**	685
Total sales of electricity in Hong Kong	**19,774**	18,468
Sales of electricity outside Hong Kong	**20,657**	19,129
Sales of gas in Australia	**3,063**	3,738
Others	**661**	410
	44,155	41,745
Other revenue		
Operating lease income under Power Purchase Agreement (PPA)	**1,872**	1,184
Finance lease income under PPA	**52**	56
Lease service income under PPA	**233**	186
Others	**152**	166
	2,309	1,592
	46,464	43,337

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.

4. 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.

4. 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 2018							
Revenue from contracts with customers	20,258	731	522	8	22,636	-	44,155
Other revenue	74	31	2,185	-	16	3	2,309
Revenue	20,332	762	2,707	8	22,652	3	46,464
EBITDAF* of subsidiaries	9,032	719	521	(4)	3,915	(390)	13,793
Share of results, net of income tax							
Joint ventures	(9)	293	-	66	7	-	357
Associates	-	795	-	-	(9)	-	786
EBITDAF of the Group	9,023	1,807	521	62	3,913	(390)	14,936
Depreciation and amortisation	(2,515)	(344)	(310)	-	(818)	(17)	(4,004)
Fair value adjustments	(6)	-	-	-	131	-	125
Finance costs	(481)	(129)	(313)	-	(45)	(38)	(1,006)
Finance income	-	17	23	1	32	19	92
Profit/(loss) before income tax	6,021	1,351	(79)	63	3,213	(426)	10,143
Income tax expense	(952)	(127)	(106)	-	(956)	-	(2,141)
Profit/(loss) for the period	5,069	1,224	(185)	63	2,257	(426)	8,002
Earnings attributable to							
Perpetual capital securities holders	(125)	-	-	-	-	-	(125)
Other non-controlling interests	(422)	(5)	(14)	-	-	-	(441)
Earnings/(loss) attributable to shareholders	4,522	1,219	(199)	63	2,257	(426)	7,436
Excluding: Items affecting comparability	-	-	450	-	-	-	450
Operating earnings	4,522	1,219	251	63	2,257	(426)	7,886
At 30 June 2018							
Fixed assets, leasehold land and land use rights and investment property	113,519	9,180	10,655	-	12,095	101	145,550
Goodwill and other intangible assets	5,545	4,558	28	-	17,661	-	27,792
Interests in and loans to joint ventures	55	8,123	-	1,966	78	-	10,222
Interests in associates	-	7,819	-	-	29	-	7,848
Deferred tax assets	-	94	122	-	279	-	495
Other assets	12,538	3,236	4,101	30	14,603	1,748	36,256
Total assets	131,657	33,010	14,906	1,996	44,745	1,849	228,163
Bank loans and other borrowings	41,259	5,978	5,918	-	-	4,394	57,549
Current and deferred tax liabilities	14,144	909	285	-	548	-	15,886
Other liabilities	20,072	1,404	649	2	9,920	280	32,327
Total liabilities	75,475	8,291	6,852	2	10,468	4,674	105,762

* EBITDAF refers to earnings before interest, taxes, depreciation and amortisation, and fair value adjustments.

4. 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 2017							
Revenue from contracts with customers	18,692	644	503	6	21,900	-	41,745
Other revenue	103	16	1,470	-	-	3	1,592
Revenue	18,795	660	1,973	6	21,900	3	43,337
EBITDAF 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 31 December 2017							
Fixed assets, leasehold land and land use rights and investment property	112,270	8,522	11,698	-	11,138	110	143,738
Goodwill and other intangible assets	5,545	4,698	29	-	18,815	-	29,087
Interests in and loans to joint ventures	34	8,417	-	1,848	84	-	10,383
Interests in associates	-	8,050	-	-	31	-	8,081
Deferred tax assets	-	97	67	-	765	-	929
Other assets	11,157	3,894	5,081	121	13,239	2,441	35,933
Total assets	129,006	33,678	16,875	1,969	44,072	2,551	228,151
Bank loans and other borrowings	40,361	5,573	6,785	-	234	4,388	57,341
Current and deferred tax liabilities	13,232	1,228	282	-	295	-	15,037
Other liabilities	21,145	1,526	1,002	2	10,213	378	34,266
Total liabilities	74,738	8,327	8,069	2	10,742	4,766	106,644

5. Operating Profit

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

	Six months ended 30 June	
	2018	2017
	HK$M	HK$M
Charging		
Retirement benefits costs	**212**	207
Net loss on disposal of fixed assets	**10**	109
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	**27**	1
Fuel and other operating expenses	**(64)**	20
Transactions not qualifying as hedges	**(125)**	206
Impairment loss on trade receivables	**661**	176
Revaluation losses on investment properties	**-**	5
Net exchange loss/(gain)	**16**	(95)
Crediting		
Rental income from investment property	**(21)**	(24)
Dividends from equity investments	**(13)**	(9)

6. Income Tax Expense

	Six months ended 30 June	
	2018	2017
	HK$M	HK$M
Current income tax	**1,873**	978
Deferred tax	**268**	359
	2,141	1,337

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

7. Dividends

	Six months ended 30 June			
	2018		2017	
	HK$ per Share	**HK$M**	HK$ per Share	HK$M
First interim dividend paid	**0.61**	**1,541**	0.59	1,491
Second interim dividend declared	**0.61**	**1,541**	0.59	1,491
	1.22	**3,082**	1.18	2,982

At the Board meeting held on 6 August 2018, the Directors declared the second interim dividend of HK$0.61 per share (2017: HK$0.59 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

8. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June 2018	2017
Earnings attributable to shareholders (HK$M)	**7,436**	5,909
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**2.94**	2.34

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 2018 and 2017.

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

Fixed assets, leasehold land and land use rights under operating leases and investment property totalled HK$145,550 million at 30 June 2018 (31 December 2017: HK$143,738 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases	Investment Property [a]
	Land Freehold HK$M	Land Leased HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M	HK$M	HK$M
Net book value at 1 January 2018	786	386	19,943	116,092	137,207	5,345	1,186
Acquisitions of subsidiaries [b]	134	-	301	1,841	2,276	-	-
Additions	-	-	375	4,201	4,576	252	-
Transfers and disposals	-	(18)	(13)	(78)	(109)	-	-
Depreciation/amortisation	-	(6)	(345)	(3,093)	(3,444)	(90)	-
Impairment charge	-	-	(1)	(14)	(15)	-	-
Exchange differences	(56)	-	(121)	(1,454)	(1,631)	(3)	-
Net book value at 30 June 2018	**864**	**362**	**20,139**	**117,495**	**138,860**	**5,504**	**1,186**
Cost/valuation	964	495	33,228	211,478	246,165	6,688	1,186
Accumulated depreciation/ amortisation and impairment	(100)	(133)	(13,089)	(93,983)	(107,305)	(1,184)	-
Net book value at 30 June 2018	**864**	**362**	**20,139**	**117,495**	**138,860**	**5,504**	**1,186**

Notes:

(a) Investment property at 30 June 2018 represented the commercial interest of the retail portion of the Laguna Mall in Hong Kong.

(b) In April 2018, the Group acquired all the shares of Ecogen Energy Pty Ltd (Ecogen) at a consideration of HK$1,065 million (A$174 million). Ecogen owns both the Newport and Jeeralang gas-fired power stations with a total capacity of 940MW in Victoria, Australia. Since 1999, EnergyAustralia Holdings Limited (EnergyAustralia) has had the right to call upon electricity from these power stations till 2019. This offtake agreement is effectively settled upon acquisition.

In May 2018, the Group acquired the remaining 49% interest in Jinchang Zhenxin PV Power Company Limited (Jinchang Solar), which owns and operates a 85MW solar farm in Gansu, China, from its joint venture partner for a consideration of HK$206 million (RMB168 million). Jinchang Solar became the wholly-owned subsidiary of the Group since then.

10. Trade and Other Receivables

	30 June 2018 HK$M	31 December 2017 HK$M
Trade receivables	**14,190**	12,228
Deposits, prepayments and other receivables	**2,261**	2,930
Dividend receivables from		
Joint ventures	**146**	68
Equity investments	**12**	-
Loan to and current accounts with		
Joint ventures	**139**	200
Associates	**1**	1
	16,749	15,427

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

	30 June 2018 HK$M	31 December 2017 HK$M
30 days or below	**12,149**	9,465
31 – 90 days	**726**	882
Over 90 days	**1,315**	1,881
	14,190	12,228

11. Trade and Other Payables

	30 June 2018 HK$M	31 December 2017 HK$M
Trade payables	**6,646**	7,092
Other payables and accruals	**5,974**	6,991
Advances from non-controlling interest	**1,635**	1,514
Current accounts with		
Joint ventures	**1**	1
Associates	**624**	271
Deferred revenue	**3,066**	3,109
	17,946	18,978

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

	30 June 2018 HK$M	31 December 2017 HK$M
30 days or below	**6,216**	6,507
31 – 90 days	**110**	146
Over 90 days	**320**	439
	6,646	7,092

12. 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 Limited (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 2018 HK$M	31 December 2017 HK$M
Tariff Stabilisation Fund	**332**	746
Rate Reduction Reserve	**3**	4
Rent and Rates Interim Refunds (note)	**56**	227
	391	977

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. Final resolution of the matter is now subject to the application of the Lands Tribunal judgments, which were in favour of CLP Power Hong Kong, to the rent and rates amounts for all rating years under appeal.

Interim refunds totalling HK$1,868 million have been paid by the Hong Kong Government on a without prejudice basis since 2012. Using the interim refunds, CLP Power Hong Kong has provided customers with the Rent and Rates Special Rebate. Including the rebate of HK$171 million paid in the first half of 2018, the Rent and Rates Special Rebate made by CLP Power Hong Kong has reached an aggregate of HK$1,812 million. CLP Power Hong Kong maintains that it would recover no less than the interim refunds received to date in the final outcome of the appeals. The interim refunds are classified within the SoC reserve accounts, and the Rent and Rates Special Rebate to customers was offset against these 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.

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 2018, as previously reported	(3,313)	668	(53)	2,853	85,299	85,454
Effect on adoption of HKFRS 15 (net of tax) (Note 2)	-	-	-	-	173	173
Balance at 1 January 2018, as restated	(3,313)	668	(53)	2,853	85,472	85,627
Earnings attributable to shareholders	-	-	-	-	7,436	7,436
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(2,624)	62	(14)	-	(48)	(2,624)
Joint ventures	(177)	-	-	-	-	(177)
Associates	(96)	-	-	-	-	(96)
Cash flow hedges						
Net fair value gains	-	1,265	-	-	-	1,265
Reclassification to profit or loss	-	(283)	-	-	-	(283)
Tax on the above items	-	(279)	-	-	-	(279)
Costs of hedging						
Net fair value losses	-	-	(47)	-	-	(47)
Amortisation/reclassification to profit or loss	-	-	52	-	-	52
Tax on the above items	-	-	(2)	-	-	(2)
Fair value losses on equity investments	-	-	-	(13)	-	(13)
Remeasurement gains on defined benefit plans	-	-	-	-	6	6
Share of other comprehensive income of joint ventures	-	(3)	-	-	4	1
Total comprehensive income attributable to shareholders	(2,897)	762	(11)	(13)	7,398	5,239
Transfer to fixed assets	-	(29)	-	-	-	(29)
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(1)	1	-
Appropriation of reserves of subsidiaries	-	-	-	95	(95)	-
Dividends paid						
2017 fourth interim	-	-	-	-	(2,880)	(2,880)
2018 first interim	-	-	-	-	(1,541)	(1,541)
Balance at 30 June 2018	**(6,210)**	**1,401**	**(64)**	**2,934**	**88,355**	**86,416**

14. Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases, investment property as well as intangible assets contracted for at the end of the period but not yet incurred amounted to HK$4,858 million at 30 June 2018 (31 December 2017: HK$5,397 million).

(B) At 30 June 2018, equity contribution to be made for an associate and a private equity partnership was HK$5 million (31 December 2017: HK$15 million) and HK$61 million (31 December 2017: HK$64 million) respectively.

(C) At 30 June 2018, the Group's share of capital commitments of its joint ventures and associates were HK$463 million (31 December 2017: HK$475 million) and HK$1,465 million (31 December 2017: HK$1,310 million) respectively.

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 Plant (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 Rs7,260 million (HK$828 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 PPA. 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 Rs830 million (HK$95 million) (31 December 2017: Rs830 million (HK$102 million)).

15. Contingent Liabilities (continued)

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

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.

The PPA term is due to expire in December 2018 and GUVNL has formally declined extension of the PPA. A meeting was recently held with the Gujarat Power Ministry Officials to examine the possibility of an extension – however no progress could be made.

Attempts have been made to request the Honourable Supreme Court to expedite the hearings on the matter, especially given the matter has been outstanding for over seven years and the imminent expiry of the PPA. However, given the fact that the matter has not moved, it is considered unlikely that the matter will see a closure before the expiry of the PPA.

While CLP India has not altered its view regarding the legal merits of the claim, in view of the imminent expiry of the PPA and uncertainty on the timing of recoverability, it is appropriate to make a provision of Rs3,796 million (HK$450 million) in the profit or loss and against the amounts withheld by GUVNL. This will not prejudice the stance CLP India has taken all along and CLP India remains committed to pursuing this case and closing it successfully. If this is eventually achieved and the monies are recovered from GUVNL, the provision would be reversed.

At 30 June 2018, the time-barred portion of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs4,737 million (HK$540 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 the time-barred portion of the claim plus interest and tax.

15. Contingent Liabilities (continued)

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

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 2018, 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 Rs2,393 million (HK$273 million) at 30 June 2018 (31 December 2017: Rs2,117 million (HK$259 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

JPL 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.

(D) EnergyAustralia – Disposal of Iona Gas Plant

In December 2015, 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 received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd, the purchaser of the Iona Gas Plant, and certain related entities, commencing formal legal proceedings seeking A$967 million (approximately HK$5,576 million) or alternatively A$780 million (approximately HK$4,498 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 has rejected the claims and is vigorously defending the legal proceedings. On the basis of currently available information, the Directors' 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

The Group engaged in new financing activities in the first half of 2018 in support of the operation and growth of its electricity business. Overall, CLP Holdings has maintained strong liquidity with undrawn bank facilities of HK$6.9 billion and bank balances of HK$1.7 billion as at the end of June 2018. CLP Holdings completed HK$2.5 billion refinancing through arrangement of new bank loan facilities with three banks at preferential interest rates.

During the period, CLP Power Hong Kong arranged a HK$1 billion 15-year fixed rate private placement bond and HK$1.3 billion three and five-year bank loan facilities at attractive interest rates. Both CLP Power Hong Kong and CAPCO have Medium Term Note (MTN) Programmes in place under which bonds in aggregate amounts of up to US$4.5 billion and US$2 billion may be issued respectively. As at 30 June 2018, notes with an aggregate nominal value of about HK$26.5 billion and HK$3.9 billion had been issued by the two entities respectively.

Our projects beyond Hong Kong have maintained healthy liquidity positions. EnergyAustralia re-arranged a A$500 million (HK$2.9 billion) syndicated guarantee facility in March 2018 at more favourable costs. With stronger operating cash flow and more surplus fund, EnergyAustralia cancelled A$850 million (HK$4.9 billion) bank loan facilities and repaid US$30 million (HK$235 million) private placement bond earlier than scheduled to reduce finance costs. In addition, EnergyAustralia extended the maturity date of an existing A$300 million (HK$1.7 billion) working capital facility by three years to June 2021.

In India, we arranged a Rs1.5 billion (HK$171 million) 18-year project loan in June 2018 for SE Solar Limited (49% owned by CLP India with an option to acquire the remaining 51% shareholding one year after commissioned), owner of the Veltoor solar project, to refinance existing short-term bank facilities and shareholder’s loan. In addition, Jhajjar Power Limited successfully negotiated with two lenders to reduce interest rate margins by 0.7% for Rs2.9 billion (HK$331 million) project loans.

Our strong track record in financial management is held in high regard in the industry. In May 2018, the arrangement of CAPCO’s HK$5.7 billion term loan facilities was recognised as the Hong Kong Power Deal of the Year at the Asset Triple A Asia Infrastructure Awards 2018 organised by The Asset magazine. This self-arranged loan comprised the HK$1.4 billion, 15-year export credit facility arranged in March 2017 and the HK$4.3 billion, five-year commercial loan facility arranged in January 2017, for funding of the new Combined Cycle Gas Turbine plant at Black Point Power Station. In addition, financing arrangement for the project also includes the US$500 million (HK$3.9 billion) Energy Transition Bond issued in July 2017 to refinance a major portion of the aforementioned commercial loan facility.

As at 30 June 2018, the Group maintained HK$81.6 billion financing facilities, including HK$16.5 billion for subsidiaries in Mainland China and India. Of the facilities available, HK$57.5 billion had been drawn down, of which HK$11.9 billion related to subsidiaries in Mainland China and India. The Group’s net debt to total capital ratio was 28.3% (end 2017: 27.8%) and fixed-rate debt as a proportion of total debt was 52% (end 2017: 52%) without perpetual capital securities or 56% (end 2017: 56%) with perpetual capital securities. For the six months ended 30 June 2018, the EBIT (earnings before interest and taxes) interest cover was 11 times.

In May 2018, both Standard & Poor's (S&P) and Moody's affirmed their credit ratings for CLP Holdings (A and A2) and CLP Power Hong Kong (A+ and A1) with stable outlooks. S&P expected CLP Holdings will steadily grow its cash flow and reduce leverage in the coming two years owing to increased contributions from Australia and our new investment in Yangjiang Nuclear Power Station. It also said the lowered permitted rate of return under the new SoC Agreement should have a moderate impact on CLP Holdings' financial performance. Moody's, meanwhile, indicated the credit ratings reflected CLP Power Hong Kong's large earnings contribution and predictable cash flow, CLP Group's strong financial profile, well-managed debt maturities and sound liquidity profile, adding that the financial impact arising from the new SoC Agreement should be manageable.

In June 2018, S&P affirmed CAPCO's AA- credit rating with stable outlook, while Moody's affirmed its A1 credit rating. S&P noted CAPCO's operations in a strong and transparent regulatory environment, underpinning its ability to earn stable and predictable cash flows, while Moody's factored in CAPCO's predictable cash flow and low-risk business profile. S&P's credit rating on EnergyAustralia remains unchanged at BBB+.

As at 30 June 2018, the Group had gross outstanding derivative financial instruments amounted to HK$82.2 billion. The fair value of these derivative instruments was a net surplus of HK$539 million, representing the net amount receivable if these contracts were closed out on 30 June 2018.

CORPORATE GOVERNANCE

Highlights for the first half of 2018

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

- Change in Board Committee composition: With effect from 1 June 2018, the Nomination Committee is chaired by an Independent Non-executive Director. As part of CLP Holdings' commitment to continuously adapt and improve its corporate governance practices, the Chairman has decided to step down as Chairman of the Nomination Committee but will remain on the Nomination Committee as a member. Other than the change in the role of the Chairman of the Committee, there is no change in the Committee's membership.

- Issuance of Climate Action Finance Report: Pursuant to CLP Climate Action Finance Framework (CAFF) which was established to formalise and govern project evaluation, monitoring and reporting the use of proceeds for Climate Action Bond issuances, a Climate Action Finance Report was issued within the 2017 Sustainability Report in respect of bonds issued under the CAFF, including the inaugural issue of Energy Transition Bond in July 2017. Our auditor also provided an independent assurance that selected information in this report had been prepared in line with the CAFF.

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). 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 page 106 of our 2017 Annual Report.

During the six months ended 30 June 2018, the Company has met the Code Provisions and Recommended Best Practices, other than the exception explained above, as provided in the Stock Exchange Code.

The Audit & Risk 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 2018.

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 2017 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 149 of the Company’s 2017 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 2017 Annual Report.

Risk Management and Internal Control

The Audit & Risk 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 & Risk 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 125 and 126 of the Company’s 2017 Annual Report.

During the six-month period ended 30 June 2018, Group Internal Audit issued nine audit reports and all the reports carried satisfactory audit opinion. No significant areas of concern that might affect shareholders were identified.

Interests in CLP Holdings’ Securities

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’s own Code for Securities Transactions (CLP Securities Code) throughout the period from 1 January to 30 June 2018. 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.

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 2018.

INTERIM DIVIDEND

Today, the Board of Directors of the Company declared the second interim dividend for 2018 of HK$0.61 per share (2017: HK$0.59 per share) payable on 14 September 2018 to Shareholders registered as at 5 September 2018. The dividend of HK$0.61 per share is payable on the existing 2,526,450,570 shares in issue.

The Register of Shareholders will be closed on 5 September 2018. To rank for this second interim dividend, 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, 4 September 2018.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 6 August 2018

The Company's 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 13 August 2018 and despatched to shareholders on 21 August 2018.

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 and Mrs Zia Mody
Executive Directors:	Mr Richard Lancaster and Mr Geert Peeters

Energy for Brighter Tomorrows