CLP 中電

2019 Interim Report

Stock Code: 00002

Our Vision

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

Highlights of 2019 Interim Results

- Group operating earnings of HK$5,474 million were down 30.6% reflecting the impact of the lower permitted rate of return in Hong Kong and lower contribution from Australia in a challenging market.
- Total earnings reported a loss of HK$907 million after an impairment of EnergyAustralia's retail goodwill of HK$6,381 million.
- Second interim dividend declared of HK$0.63 per share, a 3.3% increase from 2018.
- Long-term outlook supported by diversified opportunities and strong financial position.

Contents

Financial Highlights

Group operating earnings of HK$5,474 million were down 30.6% reflecting the impact of the lower permitted rate of return in Hong Kong and lower contribution from Australia in a challenging market. Total earnings reported a loss of HK$907 million after an impairment of EnergyAustralia's retail goodwill of HK$6,381 million.

	Six months ended 30 June 2019	Six months ended 30 June 2018	Increase / (Decrease) %
For the period *(in HK$ million)*			
Revenue			
Hong Kong electricity business	**19,132**	19,876	(3.7)
Energy businesses outside Hong Kong	**24,470**	26,129	(6.3)
Others	**236**	459	
Total	**43,838**	46,464	(5.7)
Earnings			
Hong Kong electricity business	**3,587**	4,497	(20.2)
Hong Kong electricity business related [1]	**102**	131	
Mainland China	**1,174**	1,116	5.2
India	**120**	251	(52.2)
Southeast Asia and Taiwan	**140**	63	122.2
Australia	**824**	2,257	(63.5)
Other earnings in Hong Kong	**(82)**	(3)	
Unallocated net finance costs	**(34)**	(19)	
Unallocated Group expenses	**(357)**	(407)	
Operating earnings	**5,474**	7,886	(30.6)
Items affecting comparability			
Impairment provision	**(6,381)**	(450)	
Total earnings	**(907)**	7,436	N/A
Net cash inflow from operating activities	**5,991**	9,382	(36.1)
Per share *(in HK$)*			
(Loss) / earnings per share	**(0.36)**	2.94	N/A
Dividends per share			
First interim	**0.63**	0.61	
Second interim	**0.63**	0.61	
Total interim dividends	**1.26**	1.22	3.3
Ratio			
FFO interest cover [2] (times)	**8**	10	

	30 June 2019	31 December 2018	Decrease %
At the end of reporting period *(in HK$ million)*			
Total assets	**222,335**	230,514	(3.5)
Total borrowings	**53,965**	55,298	(2.4)
Shareholders' funds	**104,073**	109,053	(4.6)
Per share *(in HK$)*			
Shareholders' funds per share	**41.19**	43.16	(4.6)
Ratio			
Net debt to total capital [3] (%)	**28.1**	25.5	

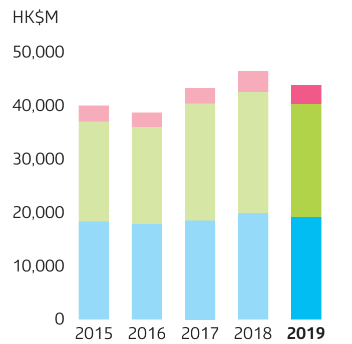
Notes:

1 Hong Kong electricity business related includes PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

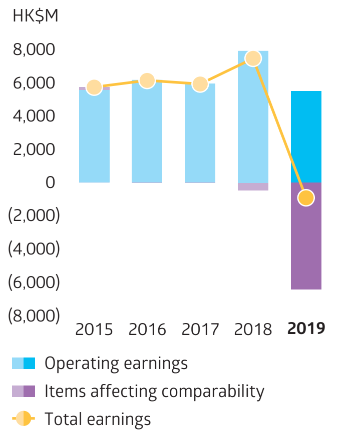
2 FFO (Funds from operations) interest cover = Cash inflow from operations / (Interest charges + capitalised interest)

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

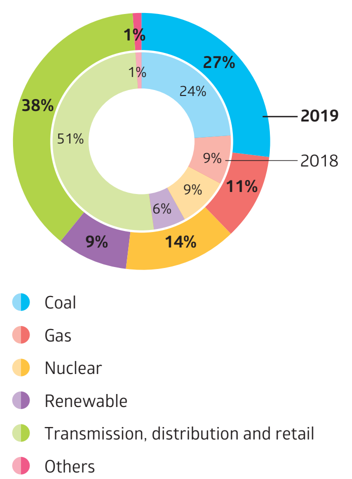
Revenue (First 6 months)



Total Earnings (First 6 months)



Operating Earnings (Before Unallocated Expenses) by Asset Type (First 6 months)



Dear Shareholders,

At CLP, it is our desire to deliver secure, affordable and sustainable energy for the Asia-Pacific region. By delivering on this wish we will also create long-term value for shareholders. Our results for the first half of 2019 reflect both the impact of the decisions we are taking to support this objective, and the influence of significant external challenges.

The Group's operating earnings were HK$5,474 million, a decrease of 30.6% compared with the first half of 2018. This was due to a lower permitted rate of return in Hong Kong, the partial sale of our operations in India and very challenging conditions in Australia in the first half of 2019 particularly relative to the unusually strong results from EnergyAustralia in the first half of 2018. Total earnings decreased by HK$8,343 million to a loss of HK$907 million after an impairment of goodwill attributable to EnergyAustralia's retail business.

The reduction in book value of goodwill in EnergyAustralia is a non-cash item. The Board is confident in the Company's long-term, diversified opportunities, alongside the strength of our balance sheet, and has increased the level of our first and second interim dividends from HK$0.61 per share in 2018 to HK$0.63 per share this year.

In the first half of 2019, we continued our effort to transform into a Utility of the Future, progressively reducing carbon from our portfolio and putting customers and communities at the heart of everything we do.

In **Hong Kong**, we have great confidence in our home market for the next five years and beyond. This is thanks to the stability of the regulatory environment underpinned by the new Scheme of Control Agreement running until 2033, and our Development Plan covering 2018 to 2023 that sees us investing HK$52.9 billion to secure future energy supplies for Hong Kong in support of the Government's decarbonisation policies.

Hong Kong's energy security comes through diversity, and we offer a resilient combination of nuclear power and varied sources of gas, as well as our current coal assets. Gas represents an important bridge to a carbon-free future. To expand Hong Kong's gas-fired generation capacity and diversify our gas supplies, we continue to progress the construction of modern and highly efficient gas-fired generation facilities at Black Point Power Station and to begin development of the offshore LNG terminal project.

We welcome the Hong Kong Government's announcement of a public engagement on decarbonisation strategy in June 2019 as it puts to the community for consideration the core question of how to secure a low-carbon future for Hong Kong. We believe engaging the community in important long-term decisions such as this is crucial in finding the best solutions for Hong Kong's sustainable future.

Back in the 1990s, we took steps to diversify our fuel mix in Hong Kong including the introduction of nuclear and gas-fired power generation. The use of these cleaner fuels has helped us reduce carbon and other emissions while electricity demand continues to grow. This reflects the importance of long-term decisions that can enable a secure and green future for our home city.

Australia is an important but challenging market and after a period of strong growth, EnergyAustralia has seen softer results in this period. This has been largely due to lower electricity production from our major power plants and intense competition in our retail business.

While constraints on electricity production from EnergyAustralia's power plants are likely to ease in the second half, as we announced in June, the new regulatory regime introduced for electricity tariffs on 1 July will result in a decrease in the second half earnings from the retail segment. This is likely to be a headwind for our business for some time. Nonetheless, our work over the last five years to restructure the company, appoint strong management and focus intensely on the customer gives us a good platform for maintaining a valuable and robust presence in the market.

We know that the Australian public has seen retail prices rise due to a reduction in the country's overall generation capacity. In this regard, we will continue to support the development of a long-term, stable integrated national energy policy to drive a secure, low-emission energy future.

EnergyAustralia is ready to be part of the solution to the triple challenge of rising electricity prices, the need to cut emissions and the objective of developing a modern, efficient energy supply system. As well as supporting vulnerable customers, we are investing in flexible, clean generation and are working with the Government to ensure Australia's energy future is delivered.

In **Mainland China**, zero-carbon assets are now the mainstay of our business generating 90% of our profits in the country. This year, Yangjiang's nuclear plant added further capacity, new solar projects increased our renewable assets, and wind and hydro reported solid performance.

India is a market where we see significant opportunities for growth. The reduced earnings in the period reflect the sale of 40% of our operations to Caisse de dépôt et placement du Québec, a step which brings the long-term strategic backing and additional resources of one of Canada's largest pension fund managers that will support efforts to expand our business in the country. A pleasing first step in our new partnership took place recently with CLP India signing agreements to acquire power transmission assets. These investments, once completed, will further diversify our interests in India and open up a new area of business for CLP India which supports the continued growth of renewable energy in the Indian system.

There were further efficiencies found in both the wind and solar portfolios in India, thanks to a combination of operational and technological improvements, a testament to the abilities of our people to maximise our assets. We are also actively exploring further opportunities to grow our renewable portfolio.

Safety is CLP's top priority and we have begun to use drones to conduct exterior checks on some of our assets, avoiding the need for our people to climb scaffolding, reducing the risk of this important work. In some of our power stations, we use robots for the inspection of culverts and boilers, and cleaning of dust silos. There could be no better use for our significant technological abilities than achieving greater safety for our people.

Technology also allows us to make better use of existing resources. In addition to introducing Smart Energy Connect, an energy management app store, we have increased our investment in Silicon Valley's AutoGrid Systems, Inc., an innovative company that develops energy-management software.

The complexities and challenges of our industry are matched by the desire of everyone at CLP to deliver a lower-carbon energy future. I am pleased to say that later this year we will share our plans to meet the stronger targets in our renewed Climate Vision 2050. More recently, we have become the first Hong Kong company to join the EV100 initiative, committing CLP to move our fleet of more than 1,000 cars to electric vehicles by 2030.

At this exciting, dynamic and challenging time for the energy industry, we are as committed as ever to growing shareholder value, and delivering the reliable, affordable and environmentally sustainable energy to the communities we are proud to serve.

The Honourable Sir Michael Kadoorie
Hong Kong, 6 August 2019

Our Portfolio

as at 30 June 2019

CLP's business comprises over 15,900 kilometres of transmission and distribution lines, energy retail activities that serve more than 5.1 million electricity and gas customer accounts, and a diversified portfolio of generation assets across five Asia-Pacific markets, using coal, gas, nuclear, wind, hydro and solar. In addition to holding interests in generation facilities, we also buy electricity through long-term capacity and energy purchase arrangements. As at 30 June 2019, our equity generation capacity that was in operation and under construction stood at 19,208MW, while our long-term capacity and energy purchases amounted to 4,777MW. Among them, renewable energy accounted for 2,469MW and 825MW respectively.

Generation capacity by market (equity basis as well as long-term capacity and energy purchase arrangements)

Hong Kong	Mainland China	India	Southeast Asia and Taiwan	Australia	Total
7,568MW	8,990MW	1,842MW	285MW	5,300MW	**23,985MW**

Note: Minor discrepancies may result from rounding.

Coal | Gas | Nuclear | Wind | Hydro | Solar | Other

Hong Kong — Gross MW / CLP Equity MW

Equity	Fuel type	Investments

100%		**CLP Power Hong Kong Limited (CLP Power Hong Kong)**
		Assets include:
		▪ Electricity and customer services for about **2.62 million customer accounts** in Kowloon, the New Territories and most of Hong Kong's outlying islands
		▪ **Transmission and distribution infrastructure** comprising:
		  ▪ 555 km of 400kV lines, 1,665 km of 132kV lines, 22 km of 33kV lines and 13,695 km of 11kV lines
		  ▪ 67,953 MVA transformers, 232 primary and 14,765 secondary substations in operation

70%	Gas, Coal, Other	**Castle Peak Power Company Limited (CAPCO) 7,568 / 5,298MW** Assets include: ▪ **Black Point Power Station** (3,150MW), one of the world's largest gas-fired combined-cycle power stations comprising four 312.5MW units and four 337.5MW units, with another new 550MW unit under construction and expected to commence operation by early 2020 ▪ **Castle Peak Power Station** (4,108MW), comprising four 350MW coal-fired units and another four 677MW units. Two of the 677MW units can use gas as a backup fuel. All units can use oil as a backup fuel ▪ **Penny's Bay Power Station** (300MW), comprising three 100MW diesel-fired gas turbine units mainly for backup purpose ▪ **West New Territories Landfill** (10MW), comprising five new 2MW units which are under construction. The units make use of landfill gas from waste for generation Co-investor: China Southern Power Grid International (HK) Co., Limited (30%)
40%		**ShenGang Natural Gas Pipeline Company Limited (SNGPC)** Assets include: ▪ **The Hong Kong Branch Line**, comprising a 20-km pipeline and the associated gas launching and end stations, which transports natural gas from PetroChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point Co-investor: PetroChina Company Limited (60%)

Mainland China — Gross MW / CLP Equity MW

Equity	Fuel type	Investments
25%	Nuclear	**Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968 / 492MW** Assets include: ▪ **Guangdong Daya Bay Nuclear Power Station** (1,968MW) is equipped with two 984MW Pressurised Water Reactors. Through long-term capacity purchase, 70% (1,380MW) of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong Province [1] Co-investor: Guangdong Nuclear Investment Co., Ltd. (75%)
17%	Nuclear	**Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) 6,516 / 1,108MW** Assets include: ▪ **Yangjiang Nuclear Power Station** (6,516MW), comprising six 1,086MW generating units [2] Co-investors: CGN Power Co., Ltd. (34%), Guangdong Nuclear Investment Co., Ltd. (25%), Guangdong Energy Group Co., Ltd. (17%) and CGN Industry Investment Fund Phase I Co., Ltd. (7%)
70%	Coal	**CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) 2,580 / 1,806MW** Assets include coal-fired power stations in Guangxi: ▪ **Phase I of Fangchenggang Power Station** (1,260MW) ▪ **Phase II of Fangchenggang Power Station** (1,320MW) Co-investor: China Energy Engineering Investment Corporation Limited (30%)

Notes:

1 Agreements have been reached to increase the proportion of energy supply to Hong Kong to slightly above 70% in 2014 and to about 80% from 2015 to 2023, with the remainder continuing to be sold to Guangdong Province.

2 The sixth generating unit was commissioned in July 2019.

Mainland China (cont'd) Gross MW / CLP Equity MW

Equity	Fuel type	Investments
49%	Coal	**CLP Guohua Shenmu Power Company Limited (Shenmu)** Assets include: ▪ **Shenmu Power Station** [3] in Shaanxi Province Co-investor: China Shenhua Energy Company Limited (51%)
30%	Coal	**CSEC Guohua International Power Company Limited (CSEC Guohua) 7,470 / 1,248MW** [4] Assets include: ▪ **Beijing Yire Power Station** [5] ▪ 65% of **Panshan Power Station** (1,060MW) in Tianjin ▪ 55% of **Sanhe I and II Power Stations** (1,330MW) in Hebei Province ▪ 50% of **Suizhong I and II Power Stations** (3,760MW) in Liaoning Province ▪ 65% of **Zhungeer II and III Power Stations** (1,320MW) in Inner Mongolia Co-investor: China Shenhua Energy Company Limited (70%)
29.4%	Coal	**Shandong Zhonghua Power Company, Limited (SZPC) 3,060 / 900MW** Assets include coal-fired power stations in Shandong Province: ▪ **Heze II Power Station** (600MW) ▪ **Liaocheng I Power Station** (1,200MW) ▪ **Shiheng I and II Power Stations** (1,260MW) Co-investors: China Guodian Corporation (51%) and EDF International S.A.S. (19.6%)
50%	Wind	**CLP-CWP Wind Power Investment Limited (CLP-CWP Wind) 99 / 24MW** [6] Assets include wind farms in Liaoning Province: ▪ 49% of **Qujiagou Wind Farm** (49.5MW) ▪ 49% of **Mazongshan Wind Farm** (49.5MW) Co-investor: China Wind Power Holdings Limited (50%)
100%	Wind	**CLP (Kunming) Renewable Energy Co., Ltd. (Xundian Wind) 50 / 50MW** Assets include: ▪ **Xundian I Wind Farm** (49.5MW) in Yunnan Province
100%	Wind	**CLP (Laiwu) Renewable Energy Limited (Laiwu Wind) 149 / 149MW** Assets include wind farms in Shandong Province: ▪ **Laiwu I Wind Farm** (49.5MW) ▪ **Laiwu II Wind Farm** (49.5MW) ▪ **Laiwu III Wind Farm** [7] (50MW)
100%	Wind	**CLP (Laizhou) Renewable Energy Limited (CLP Laizhou Wind) 99 / 99MW** Assets include wind farms in Shandong Province: ▪ **CLP Laizhou I Wind Farm** (49.5MW) ▪ **CLP Laizhou II Wind Farm** [8] (49.5MW)
100%	Wind	**CLP (Penglai) Wind Power Limited (Penglai Wind) 48 / 48MW** Assets include: ▪ **Penglai I Wind Farm** (48MW) in Shandong Province
100%	Wind	**CLP (Sandu) Renewable Energy Limited (Sandu Wind) 99 / 99MW** Assets include: ▪ **Sandu I Wind Farm** (99MW) in Guizhou Province
45%	Wind	**Huadian Laizhou Wind Power Company Limited (Huadian Laizhou Wind) 41 / 18MW** Assets include: ▪ **Huadian Laizhou I Wind Farm** (40.5MW) in Shandong Province Co-investor: Huadian Power International Corporation Limited (55%)
25%	Wind	**Huaneng Shantou Wind Power Company Limited (Nanao Wind) 60 / 15MW** Assets include wind farms in Guangdong Province: ▪ **Nanao II Wind Farm** (45MW) ▪ **Nanao III Wind Farm** (15MW) Co-investors: Huaneng Renewables Corporation Limited (50%) and Guangdong Wind Power Company Limited (25%)
49%	Wind	**Jilin Datang Wind Joint Ventures (Jilin Datang Wind) 148 / 73MW** Assets include wind farms in Jilin Province: ▪ **Datong Wind Farm** (49.5MW) ▪ **Shuangliao I Wind Farm** (49.3MW) ▪ **Shuangliao II Wind Farm** (49.5MW) Co-investor: China Datang Corporation Renewable Power Company Limited (51%)
100%	Wind	**Qian'an IW Power Company Limited (Qian'an Wind) 99 / 99MW** Assets include wind farms in Jilin Province: ▪ **Qian'an I Wind Farm** (49.5MW) ▪ **Qian'an II Wind Farm** (49.5MW)

Notes:

3 Shenmu Power Station ceased operation on 28 February 2018.

4 The 1,248 equity MW attributed to CLP, through its 30% equity interest in CSEC Guohua, takes into account that CSEC Guohua holds varying equity interests in the generating assets included in the 7,470 gross MW.

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

6 The 24 equity MW attributed to CLP, through its 50% equity interest in CLP-CWP Wind, takes into account that CLP-CWP Wind holds varying equity interests in the generating assets included in the 99 gross MW.

7 Construction commenced in April 2019.

8 CLP Laizhou II Wind Farm commenced operation in June 2019.

Mainland China (cont'd) Gross MW / CLP Equity MW

Equity	Fuel type	Investments
49%	Wind	**Shandong Guohua Wind Joint Ventures (Shandong Guohua Wind) 395 / 194MW** Assets include wind farms in Shandong Province: ▪ **Dongying Hekou Wind Farm** (49.5MW) ▪ **Lijin I Wind Farm** (49.5MW) ▪ **Lijin II Wind Farm** (49.5MW) ▪ **Rongcheng I Wind Farm** (48.8MW) ▪ **Rongcheng II Wind Farm** (49.5MW) ▪ **Rongcheng III Wind Farm** (49.5MW) ▪ **Zhanhua I Wind Farm** (49.5MW) ▪ **Zhanhua II Wind Farm** (49.5MW) Co-investor: Shenhua Renewable Company Limited (51%)
45%	Wind	**Shandong Huaneng Wind Joint Venture (Shandong Huaneng Wind) 69 / 31MW** Assets include wind farms in Shandong Province: ▪ **Weihai I Wind Farm** (19.5MW) ▪ **Weihai II Wind Farm** (49.5MW) Co-investor: Huaneng Renewables Corporation Limited (55%)
29%	Wind	**Shanghai Chongming Beiyan Wind Power Generation Company Limited (Chongming Wind) 48 / 14MW** Assets include: ▪ **Chongming Wind Farm** (48MW) in Shanghai Co-investors: Shanghai Green Environmental Protection Energy Co., Ltd. (51%) and CPI New Energy Holding Company Limited (20%)
45%	Wind	**Sinohydro CLP Wind Power Company Limited (Changling Wind) 50 / 22MW** Assets include: ▪ **Changling II Wind Farm** (49.5MW) in Jilin Province Co-investor: Sinohydro Renewable Energy Company Limited (55%)
100%	Hydro	**CLP Sichuan (Jiangbian) Power Company Limited (Jiangbian Hydro) 330 / 330MW** Assets include: ▪ **Jiangbian Hydropower Station** (330MW) in Sichuan Province
100%	Hydro	**Dali Yang_er Hydropower Development Co., Ltd. (Dali Yang_er Hydro) 50 / 50MW** Assets include: ▪ **Dali Yang_er Hydropower Station** (49.8MW) in Yunnan Province
84.9%	Hydro	**Huaiji Hydropower Joint Ventures (Huaiji Hydro) 129 / 110MW** Assets include hydropower stations in Guangdong Province with combined gross capacity of 129MW Co-investor: Huaiji County Huilian Hydro-electric (Group) Co., Ltd. (15.1%)
100%	Solar	**CLP (Lingyuan) Hejiagou New Energy Company Limited (Lingyuan Solar) 17 / 17MW** [9] Assets include: ▪ **Lingyuan Solar Power Station** (17MW) in Liaoning Province [10]
100%	Solar	**CLP Dali (Xicun) Solar Power Co., Ltd. (Xicun Solar) 84 / 84MW** [11] Assets include solar power stations in Yunnan Province: ▪ **Xicun I Solar Power Station** (42MW) ▪ **Xicun II Solar Power Station** (42MW)
100%	Solar	**Huai'an Gangfa PV Power Company Limited (Huai'an Solar) 13 / 13MW** [12] Assets include: ▪ **Huai'an Solar Power Station** (12.8MW) in Jiangsu Province
100%	Solar	**Jinchang Zhenxin PV Power Company Limited (Jinchang Solar) 85 / 85MW** [13] Assets include: ▪ **Jinchang Solar Power Station** (85MW) in Gansu Province
100% [14]	Solar	**Pingyuan Litian New Energy Power Co., Ltd. (Meizhou Solar) 36 / 36MW** [15] Assets include: ▪ **Meizhou Solar Power Station** (36MW) in Guangdong Province
100%	Solar	**Sihong Tianganghu PV Power Co., Ltd. (Sihong Solar) 93 / 93MW** [16] Assets include: ▪ **Sihong Solar Power Station** (93MW) in Jiangsu Province
100%	Pumped storage	**Hong Kong Pumped Storage Development Company, Limited (PSDC)** Assets include: ▪ Right to use 50% (600MW, until 2034) of **Phase I of Guangzhou Pumped Storage Power Station** (1,200MW, non-equity interest), for serving our Hong Kong business under long-term capacity purchase agreement

Notes:
9 Gross / CLP Equity MW are expressed on an alternating current (AC) basis. If converted to direct current (DC), they are equivalent to 20 / 20MW.
10 Lingyuan Solar Power Station commenced operation in July 2018.
11 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 100 / 100MW.
12 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 15 / 15MW.
13 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 100 / 100MW.
14 In January 2019, CLP completed the acquisition of Meizhou Solar.
15 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 42.5 / 42.5MW.
16 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 110 / 110MW.

India — Gross MW / CLP Equity MW

Equity	Fuel type	Investments
60%		**CLP India Private Limited (CLP India) 705 / 423MW** Assets include two projects in Gujarat state: ▪ **Paguthan Power Station** (655MW), a combined-cycle gas-fired power plant designed to run on natural gas with naphtha as alternate fuel ▪ **Samana I Wind Farm** (50.4MW) Co-investor: Caisse de dépôt et placement du Québec (CDPQ, 40%)
60% [17]		**CLP Wind Farms (India) Private Limited (CLP Wind Farms India) 774 / 464MW** Assets include: ▪ **Andhra Lake Wind Farm** (106.4MW) in Maharashtra state ▪ **Bhakrani Wind Farm** (102.4MW) in Rajasthan state ▪ **Chandgarh Wind Farm** (92MW) in Madhya Pradesh state ▪ **Harapanahalli Wind Farm** (39.6MW) in Karnataka state ▪ **Jath Wind Farm** (60MW) in Maharashtra state ▪ **Mahidad Wind Farm** (50.4MW) in Gujarat state ▪ **Samana II Wind Farm** (50.4MW) in Gujarat state ▪ **Saundatti Wind Farm** (72MW) in Karnataka state ▪ **Sipla Wind Farm** (50.4MW) in Rajasthan state ▪ **Tejuva Wind Farm** (100.8MW) in Rajasthan state ▪ **Theni I Wind Farm** (49.5MW) in Tamil Nadu state
60% [17]		**CLP Wind Farms (Khandke) Private Limited (Khandke Wind) 50 / 30MW** Assets include: ▪ **Khandke Wind Farm** (50.4MW) in Maharashtra state
60% [17]		**CLP Wind Farms (Theni – Project II) Private Limited (Theni II) 50 / 30MW** Assets include: ▪ **Theni II Wind Farm** (49.5MW) in Tamil Nadu state
60% [17]		**Jhajjar Power Limited (JPL) 1,320 / 792MW** Assets include: ▪ **Jhajjar Power Station** (1,320MW) in Haryana state, with two 660MW supercritical coal-fired units
60% [17]		**Tornado Solarfarms Limited (Tornado Solar) 20 / 12MW** Assets include: ▪ **Tornado Solar Farm** (20MW) [18] in Maharashtra state
60% [19]		**Gale Solarfarms Limited 50 / 30MW** Assets include: ▪ **Gale Solar Farm** (50MW) [18] in Maharashtra state
60% [20]		**SE Solar Limited (Veltoor Solar) 100 / 60MW** Assets include: ▪ **Veltoor Solar Farm** (100MW) [21] in Telangana state

Southeast Asia and Taiwan — Gross MW / CLP Equity MW

Equity	Fuel type	Investments
20%		**Ho-Ping Power Company (HPC) 1,320 / 264MW** Assets include: ▪ **Ho-Ping Power Station** (1,320MW) in Taiwan Co-investors: Taiwan Cement Corporation (60%) and Mitsubishi Corporation (20%)
33.3%		**Natural Energy Development Co., Ltd. (NED) 63 / 21MW** [22] Assets include: ▪ **Lopburi Solar Farm** (63MW) in Central Thailand Co-investor: Electricity Generating Public Company Limited (66.7%)

Australia — Gross MW / CLP Equity MW

Equity	Fuel type	Investments
100% [23]		**EnergyAustralia 5,514 / 4,478MW** Assets include: ▪ Electricity and gas services for **2.50 million customer accounts** in Victoria, South Australia, New South Wales and Queensland ▪ **Hallett Gas-fired Power Station** (203MW) ▪ **Mount Piper Coal-fired Power Station** (1,400MW) ▪ **Tallawarra Gas-fired Power Station** (420MW) ▪ **Yallourn Coal-fired Power Station** (1,480MW) and **Brown Coal Open-cut Mine** ▪ **Newport Gas-fired Power Station** (500MW) ▪ **Jeeralang Gas-fired Power Station** (440MW) ▪ **Pine Dale Black Coal Mine** ▪ 50% of **Cathedral Rocks Wind Farm** (64MW) ▪ 20% of **Wilga Park Gas-fired Power Station** (16MW) ▪ 20% of **Narrabri** (2C contingent resource of up to 1,794PJ)
Long-term Offtake [24]		▪ **Boco Rock Wind Farm** (113MW) 100% offtake ▪ **Gullen Range Wind Farm** (165.5MW) 100% offtake ▪ **Mortons Lane Wind Farm** (19.5MW) 100% offtake ▪ **Taralga Wind Farm** (107MW) 100% offtake ▪ **Waterloo Wind Farm Stage 1** (111MW) 50% offtake ▪ **Bodangora Wind Farm** (113MW) 60% offtake ▪ **Gannawarra Solar Farm** (50MW) 100% offtake ▪ **Manildra Solar Farm** (46MW) 100% offtake ▪ **Ross River Solar Farm** (116MW) 80% offtake ▪ **Coleambally Solar Farm** (150MW) 70% offtake

Notes:

17 CLP's indirect equity ownership held through CLP India. CDPQ indirectly owns the remaining 40% through its equity stake in CLP India.

18 Gross MW are expressed on an AC basis. If converted to DC, Tornado Solar Farm and Gale Solar Farm are equivalent to 27.6MW and 69MW respectively.

19 In March 2019, Gale Solarfarms Limited became a wholly owned subsidiary of CLP India after the acquisition of the equity interests held by Suzlon Energy Limited.

20 In March 2019, SE Solar Limited became a wholly owned subsidiary of CLP India after the acquisition of the equity interests held by Suzlon Energy Limited.

21 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 120 / 72MW.

22 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 84 / 28MW.

23 Except those specified without 100% equity interest.

24 Relates to long-term power purchase from power stations in which CLP has neither equity nor operational control.

Financial Review

Analysis of Financial Results

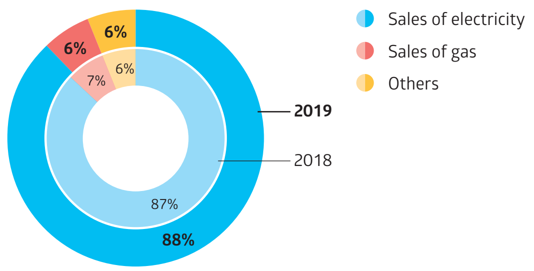
	Notes to the Financial Statements	Six months ended 30 June 2019 HK$M	2018 HK$M	Increase / (Decrease) HK$M	%
Revenue	*4*	**43,838**	46,464	(2,626)	(5.7)
EBITDAF *	*5*	**11,531**	14,243	(2,712)	(19.0)
Share of results of joint ventures and associates, net of tax	*14 and 15*	**1,340**	1,143	197	17.2
Consolidated EBITDAF *	*5*	**12,871**	15,386	(2,515)	(16.3)
Fair value adjustments		**(660)**	125	(785)	N/A
Net finance costs	*7*	**(871)**	(914)	(43)	(4.7)
Operating earnings	*5*	**5,474**	7,886	(2,412)	(30.6)
Items affecting comparability	*13(a)*	**(6,381)**	(450)	5,931	N/A
Earnings attributable to shareholders		**(907)**	7,436	(8,343)	N/A

* Excluding items affecting comparability

Revenue

	2019 HK$M	2018 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**19,362**	20,332	(970)	(4.8)
Australia	**21,111**	22,652	(1,541)	(6.8)
India	**2,494**	2,707	(213)	(7.9)
Mainland China and others	**871**	773	98	12.7
	43,838	46,464	(2,626)	

Revenues by Nature



- Hong Kong: Fewer units sold as there are no sales to Guangdong in first half of 2019 and decrease in average basic tariff of HK¢3.5 per unit since October 2018
- Australia: Mainly reflecting the impact of lower AUD average exchange rate used for translating revenue; higher generation revenue on higher pool prices (despite lower generation) largely offset by lower retail revenue with more discounts under intense market competition and lower customer accounts
- India: No sale of electricity under power purchase agreement for Paguthan after expiry of the agreement in December 2018; higher capacity charges offset by lower generation at Jhajjar; higher revenue from renewable projects with more wind resources and contributions from Gale Solar and Tornado Solar since acquisition in December 2018
- Mainland China: Mainly higher hydro revenue from Huaiji with more rainfall and higher solar capacity in first half 2019 than 2018 (e.g. acquisition of Meizhou Solar in January 2019)

Fair Value Adjustments

Unfavourable (2018: favourable) fair value movements on EnergyAustralia's energy contracts with net sell position in Victoria as a result of increase in forward energy prices

Net Finance Costs

- Hong Kong: Lower interest on lower fuel clause account and lower financing charges with fewer financing activities in 2019
- India: Lower interest on lower debts from scheduled repayments and continuous refinancing of debts at lower interest rates
- Australia: Interest on bank borrowings drawn in June 2019
- Corporate: Increase in market interest rates on loans for Yangjiang Nuclear acquisition

Items Affecting Comparability

During the first half of 2019, the Default Market Offer (DMO) and Victorian Default Offer (VDO) were released in Australia. The new retail tariffs apply to customers on "standing offer tariffs" which result in a reduction in tariffs paid by these customers from 1 July 2019. In parallel, EnergyAustralia is promoting new simple, lower cost energy plans to existing customers on market offers. These changes will result in a decrease in earnings in EnergyAustralia's Retail segment which will likely sustain into the future. Taking into account the potential impacts on retail earnings, an impairment assessment was performed on our retail goodwill arose from our acquisitions of two retail businesses in 2005 and 2011. A shortfall of HK$6,381 million was identified and an impairment was recognised as other charge in profit or loss in June 2019. However, this impairment is a non-cash item and does not have an immediate impact on the Group's cash flows and operations. More details are set out in Note 13(a) to the Financial Statements.

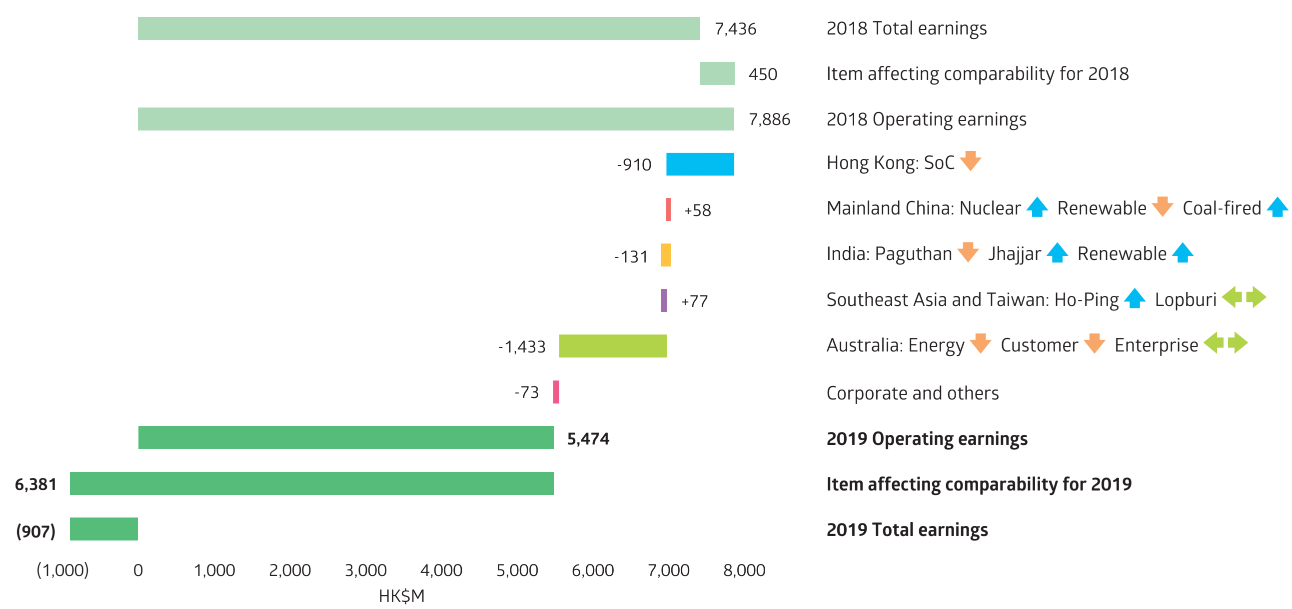
In 2018, a provision of HK$450 million was made for the deemed generation dispute in India.

Consolidated EBITDAF *

	2019 HK$M	2018 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**7,607**	9,023	(1,416)	(15.7)
Mainland China	**1,956**	1,807	149	8.2
India	**861**	971	(110)	(11.3)
Southeast Asia and Taiwan	**140**	62	78	125.8
Australia	**2,655**	3,913	(1,258)	(32.1)
Corporate	**(348)**	(390)	42	
	12,871	15,386	(2,515)	

- Hong Kong: Reflecting the impact of lower permitted rate of return, slightly offset by higher permitted return on higher average net fixed assets
- Mainland China: Higher shares of results of Yangjiang (commissioning of unit 5 in July 2018), Daya Bay (higher output) and Fangchenggang (higher sent-out and lower coal prices despite lower tariff), higher hydro profit mainly from Huaiji with more rainfall, offset by lower contribution from wind projects with lower wind resources
- India: Loss incurred by Paguthan after expiry of power purchase agreement (2018: profit of HK$121 million), partly compensated by higher contribution from Jhajjar on higher cumulative availability, higher wind resources and more solar projects in operation in 2019
- Southeast Asia and Taiwan: Higher share of result from Ho-Ping due to higher energy tariff in 2019 and unfavourable tax adjustment in 2018, and recovery of development expenses in Vung Ang II
- Australia: Lower energy (wholesale) contribution due to lower generation from Mount Piper (resulted from coal supply issues) and higher energy procurement costs; lower customer (retail) contribution resulting from more discounts, lower customer accounts and unfavourable change in customer mix

Earnings Attributable to Shareholders



Analysis of Financial Position

	Notes to the Financial Statements	30 June 2019 HK$M	31 December 2018 HK$M	Increase / (Decrease) HK$M	%
Fixed assets, right-of-use assets * and investment property	*11 and 12*	**149,317**	147,945	1,372 ↑	0.9
Goodwill and other intangible assets	*13*	**20,291**	26,910	(6,619) ↓	(24.6)
Trade and other receivables	*17*	**17,373**	15,917	1,456 ↑	9.1
Trade payables and other liabilities	*18*	**17,355**	19,061	(1,706) ↓	(9.0)
Derivative financial instrument assets #	*16*	**2,938**	1,799	1,139 ↑	63.3
Derivative financial instrument liabilities #	*16*	**3,140**	2,809	331 ↑	11.8
Bank loans and other borrowings #	*19*	**53,965**	55,298	(1,333) ↓	(2.4)

* Including leasehold land and land use rights in 2018

\# Including current and non-current portions

Fixed Assets, Right-of-Use Assets and Investment Property
Goodwill and Other Intangible Assets

- The movements of balances as follows:

	Fixed Assets, Right-of-Use Assets and Investment Property HK$M	Goodwill and Other Intangible Assets HK$M
Balance at 1.1.2019	147,945	26,910
Impact on adoption of HKFRS 16	155	–
Acquisition of a subsidiary	340	–
Additions	4,660	392
Depreciation and amortisation	(3,516)	(491)
Impairment charge	–	(6,381)
Transfers and disposals	(284)	–
Translation difference ^	17	(139)
Balance at 30.6.2019	**149,317**	**20,291**

^ Mainly depreciation of Australian dollar

- Right-of-use assets related to office buildings and plant and machinery, which were previously off-book as commitment, and were recognised at the beginning of the period on adoption of HKFRS 16. Please refer to Note 3 to the Financial Statements for details.
- Major additions for the first half of 2019 included SoC capital expenditure of HK$3.9 billion in Hong Kong; continuous enhancement of Yallourn, Mount Piper and Tallawarra, and upgrade of customer services facilities in Australia; and construction of solar and wind projects in Mainland China

Trade and Other Receivables
Trade Payables and Other Liabilities

- Hong Kong: Higher seasonal electricity sales contributed to increase in trade debtors; lower trade creditors mainly due to lower accruals on capital expenditure made at June as compared to year end
- Mainland China: Higher accrued national subsidies for renewable projects; lower payable balances due to the payment of the remaining consideration of HK$352 million in 2019 for acquisition of Yangjiang Nuclear
- India: Trade debtors and creditors remain stable, lower other receivables balance mainly due to the receipt of the remaining consideration from CDPQ for the sale of CLP India of HK$1,449 million in 2019
- Australia: More seasonal gas sales in winter than summer increased trade debtors and increase in futures margin deposits replacing bank guarantee; lower creditor balances mainly due to settlement of green liabilities (e.g. Renewable Energy Target obligations) in the first half

Derivative Financial Instruments

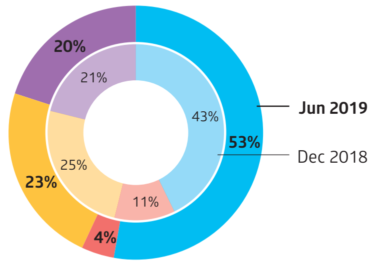
Derivative financial instruments are used to hedge foreign exchange and interest rate risks and energy price risk. The fair value of these derivative instruments was a net deficit of HK$202 million, representing the net amount payable if these contracts were closed out at period end. However, changes in the fair value of derivatives have no impact on cash flows until settlement.

The reduction in net fair value loss (i.e. lower net derivative liabilities) was mainly due to favourable mark-to-market movements on energy contracts (with net buy position) in Australia and cross currency interest rate swaps for Hong Kong electricity business.

	Notional Amount		Fair Value Gain / (Loss)	
	30 June 2019 HK$M	31 December 2018 HK$M	**30 June 2019 HK$M**	31 December 2018 HK$M
Forward foreign exchange contracts and foreign exchange options	**28,910**	26,898	**265**	267
Interest rate swaps and cross currency interest rate swaps	**31,420**	32,922	**(748)**	(1,056)
Energy contracts *	**N/A**	N/A	**281**	(221)
	60,330	59,820	**(202)**	(1,010)

* Derivative financial instruments are used in the normal course of business in order to hedge exposure to fluctuations in energy prices. The aggregate notional volumes of the outstanding energy derivatives at 30 June 2019 were 156,365GWh (31 December 2018: 146,641GWh).

Maturity Profile – Derivatives for Foreign Exchange and Interest Rate Risks



Cash Flow Analysis

Free Cash Flow (2019: HK$5,431 million; 2018: HK$8,652 million; ↓37.2%)

	Six months ended 30 June	
	2019 HK$M	2018 HK$M
Funds from operations	**7,605**	10,445
Less: Tax paid	**(1,716)**	(1,152)
Less: Net finance costs paid	**(1,109)**	(1,195)
Less: Maintenance capex paid	**(528)**	(441)
Add: Dividends from joint ventures and associates	**1,179**	995
	5,431	8,652
Proceeds from divestment	**1,449**	958
Cash Outflows		
Capital investments (excluding maintenance capex)	**5,246**	5,864
Dividend paid	**4,598**	4,421
	9,844	10,285

- Hong Kong: Lower SoC cash inflow reflecting underlying operating results from the lower permitted return, largely compensated by improved cash flow from fuel cost recovery from customers
- Australia: Lower EBITDAF and unfavourable working capital movements including more energy derivative contract settlements and higher payments for green obligations, and higher tax payment
- Mainland China: Dividend income from Yangjiang Nuclear for the first time
- India: Receipt of consideration from CDPQ for the 2018 partial sell down of CLP India
- Capital investments for the first half 2019 mainly related to SoC capex of HK$4.3 billion, growth capex of HK$251 million and the balancing payment for Yangjiang Nuclear acquisition of HK$352 million

Financing and Capital Resources

The Group engaged in new financing activities in support of the operation and growth of its electricity business in the first half of 2019. Going into the second half of the year, CAPCO issued a HK$170 million 25-year New Energy Bond at 2.8% coupon in July to fund the construction of West New Territories landfill gas generation project. This is an inaugural green financing for our SoC business under the CLP Climate Action Finance Framework. In the same month, CLP Power Hong Kong issued a HK$200 million 15-year private bond at 2.74% coupon to further enhance its diversified, cost-effective debt portfolio.

Overall, CLP Group maintained strong liquidity with undrawn bank facilities of HK$19.9 billion and bank balances of HK$6.6 billion as at the end of June.

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 of 30 June 2019, notes with an aggregate nominal value of around HK$26 billion were issued by CLP Power Hong Kong and HK$3.9 billion by CAPCO.

Our businesses outside Hong Kong maintained healthy liquidity positions. In April, EnergyAustralia paid back A$285 million (HK$1.6 billion) to CLP Holdings in the form of shareholder's loan repayment and interest payment.

In India, we refinanced bank loan facilities totalling Rs4.3 billion (HK$483 million) for renewable energy projects at interest rates that were reduced by between 0.55 and 0.7 percentage points. Following the signing of the conditional sale and purchase agreement between CLP and Caisse de dépôt et placement du Québec (CDPQ) in September 2018 for the transfer of 40% shareholding in CLP India Private Limited to CDPQ, CLP received total consideration proceeds equivalent to HK$2.9 billion in December 2018 and June 2019.

In China, we arranged RMB350 million (HK$398 million) 2-year offshore revolving bank loan facility at competitive terms.

The Group is committed to maintaining a diversified, cost-effective portfolio of debt funding and a strong financial structure. As at the end of June 2019, our net debt to total capital ratio was 28.1% (end 2018: 25.5%) and fixed-rate debt as a proportion of total debt was 53% (end 2018: 53%) without perpetual capital securities or 57% (end 2018: 57%) with perpetual capital securities. For the six months ended 30 June 2019, the FFO (Funds from operations) interest cover was 8 times (January – June 2018: 10 times).

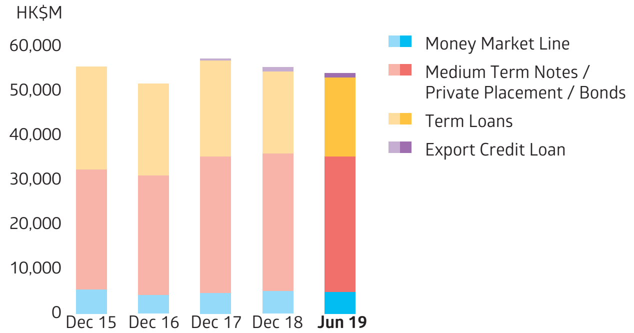
Debt Profile as at 30 June 2019

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Available Facility [1]	8,907	36,317	12,453	16,238	73,915
Loan Balance	2,903	29,384	9,711	11,967	53,965
Undrawn Facility	6,004	6,933	2,742	4,271	19,950

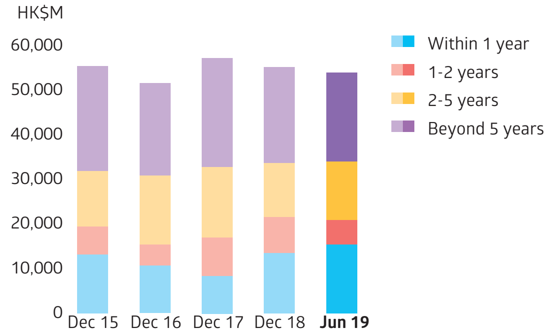
Note:

1 For the MTN Programmes, only the amounts of the bonds issued as at 30 June 2019 were included in the total amount of Available Facility. The Available Facility in EnergyAustralia excludes a facility set aside for guarantees.

Loan Balance – Type



Loan Balance – Maturity[1]



Note:

1 The maturity of revolving loans is in accordance with the maturity dates of the respective facilities instead of the current loan drawdown tenors.

Credit Ratings

Both Standard & Poor's and Moody's kept their credit ratings for CLP Holdings (A and A2) unchanged in June 2019 with stable outlooks following the announcement related to EnergyAustralia's retail business. The credit rating agencies decided our ratings were not impacted as CLP Holdings had adequate financial capacity to accommodate both the goodwill impairment and reduced profit contribution from its Australian operations. In May and June 2019, Moody's affirmed its credit ratings for CLP Holdings (A2), CLP Power Hong Kong (A1) and CAPCO (A1) with stable outlooks. The credit ratings reflect the earnings contribution from CLP Power Hong Kong, the continuation of predictable cash flow supported by a highly stable regulatory environment, the Group's strong financial profile, well-managed debt maturities, sound liquidity profile and good access to domestic and international banks and capital markets, despite rising business exposure outside Hong Kong and a reduced rate of permitted return under the new Scheme of Control Agreement.

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

	CLP Holdings		CLP Power Hong Kong		CAPCO		EnergyAustralia
	S&P	**Moody's**	**S&P**	**Moody's**	**S&P**	**Moody's**	**S&P**
Long-term Rating	A	A2	A+	A1	AA-	A1	BBB+
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Short-term Rating	A-1	P-1	A-1	P-1	A-1+	P-1	–

Business Performance and Outlook

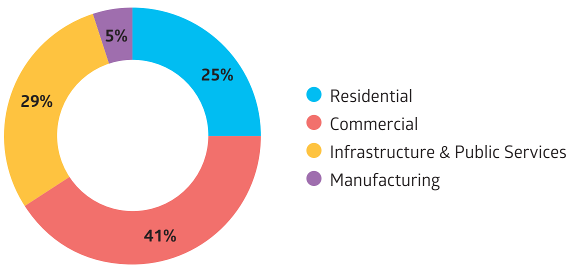
This section describes CLP's operational performance in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia in the first six months of 2019.

Hong Kong

Sales of electricity in Hong Kong in the first half of 2019 were 15,916GWh, 0.5% higher than the same period in 2018. Driven by various major infrastructure developments in Hong Kong, sales in the Commercial sector and the Infrastructure & Public Services sector recorded year-on-year increases of 1% and 2.9% respectively, offsetting lower sales in the Residential sector caused by a significantly warmer winter and cooler than normal temperatures in May. A breakdown by sector of the changes in local sales is as follows:

	Increase / (Decrease)	
Residential	(100GWh)	(2.5%)
Commercial	63GWh	1.0%
Infrastructure & Public Services	130GWh	2.9%
Manufacturing	(8GWh)	(1.0%)

% of Total Local Sales



No sales to Mainland China were recorded during the period as the Shekou electricity supply agreement expired in June 2018. Total electricity sales, which included local sales and sales to Mainland China, were 2.8% lower than in the first half of 2018.

We continued our efforts to reduce Hong Kong's carbon intensity and increase the proportion of natural gas used in power generation, as well as enhance the cross border transmission overhead line circuits connecting Hong Kong and Mainland China known as the Clean Energy Transmission System (CETS). While continuing construction of the new 550MW Combined Cycle Gas Turbine (CCGT) unit at Black Point Power Station, which is due to go into operation by early 2020, we embarked on the development of a second new CCGT unit on an adjacent site. Front-End Engineering Design (FEED) has begun and the unit is targeted for completion in 2023. The additional gas-fired capacity from the two new CCGT units, together with upgrades being undertaken to the existing gas-fired generation units at Black Point, will help to facilitate the gradual retirement of coal-fired units at Castle Peak A Power Station when they reach the end of their operating lives by the mid-2020s.

We made significant progress, meanwhile, with our offshore LNG terminal project. After the issuing of an environmental permit last year, we commenced the FEED process for the offshore jetty facility and the subsea pipelines that will connect the facility to Black Point and Lamma Island. At the same time, Hong Kong LNG Terminal Limited, the joint venture established by Castle Peak Power Company Limited (CAPCO) and The Hongkong Electric Company, Limited, entered into a hire agreement with Mitsui O.S.K. Lines, Ltd. (MOL) for a Floating Storage and Regasification Unit (FSRU) vessel on a long-term time charter basis. When the terminal begins operations, the FSRU vessel will berth at the jetty to receive, store, and regasify LNG for power generation. An agreement has also been entered into by CAPCO with Shell Eastern Trading (Pte.) Ltd., a subsidiary of Royal Dutch Shell, for a long-term LNG supply. Construction is due for completion before the end of 2021, and the terminal will allow us to diversify our gas supply, access competitive international LNG pricing and enhance fuel supply security to the long-term benefit of our customers. At the same time, we will continue to receive gas supplies from PetroChina's Second West-East Gas Pipeline and CNOOC's subsea pipeline in the South China Sea.

Our new generation plant at West New Territories Landfill, comprising five 2MW units fired by landfill gas, is on track to start producing waste-to-energy electricity by the end of 2019.

As part of the new Scheme of Control (SoC) Agreement that came into effect in October 2018, CLP has introduced new initiatives to promote the development of renewable energy and energy efficiency. Our Feed-in Tariff scheme, encouraging customers to install small scale renewable generation systems on their premises, has received positive responses. We received over 3,900 applications to the end of June 2019, with around 80% of the projects representing a total capacity of around 57MW already approved or connected to our grid. Our new Eco Building Fund, which provides subsidies for customers installing energy-efficient equipment in residential and commercial buildings, received over 260 applications from customers by the same date. There has also been positive feedback to our Renewable Energy Certificates, which since January have allowed customers to buy electricity generated from renewable energy sources in Hong Kong.

The Council for Sustainable Development began a three-month public engagement programme on Hong Kong's long-term decarbonisation strategy in mid-June. We are studying the public engagement document in detail and will submit our views at a later stage. It has been our long-standing commitment to address climate change by changing our fuel mix to reduce carbon emissions, while maintaining a highly reliable electricity supply. With the help of our CCGT units and

CETS, we are on track to play an important role in support of the Government's decarbonisation objectives. In addition to efforts by the power industry, however, all sectors of the society can contribute to the effort by improving energy efficiency and living greener lifestyles.

Digitalisation of our power system is an important factor in creating a smarter, greener customer experience, as well as ensuring a more secure and reliable power supply. In the first half of 2019, we continued the rollout of smart meters with a target of providing smart meters for all our 2.6 million customers by 2025. The meters not only provide improved information on electricity consumption to users, but also access to more energy management services and faster maintenance in the event of incidents. By the end of June, 196,000 smart meters had already been installed and connected with priority installations at remote villages which are more prone to typhoon disruptions, in order to improve our supply reliability.

To deliver service innovations and improve energy efficiency, we continued to offer new energy-management tools and services to customers in industries including hospitality and elderly care. In May, we set up the CLP 6 Senses Experience Zone during HOFEX 2019, Asia's leading food and hospitality trade show, to promote a low-carbon catering culture and showcase the latest electric kitchen equipment and technology. We also conducted an Elderly Home Experience Day to showcase green technology and innovations to help improve energy efficiency in homes for the elderly.

The opening of our SmartHub@CLP experience centre was another initiative to engage the community and industry partners and encourage them to support energy efficiency and smart city development in Hong Kong.

The data centre industry is expanding rapidly in Hong Kong. We provide operators with one-stop services in design and build solutions, infrastructural construction and management, energy efficiency, and renewable energy solutions, as well as guaranteeing the reliable, world-class power supply critical for data centre operations which is important for the development of Hong Kong as a regional data hub.

Outlook

Hong Kong

In the second half of the year, we will continue to focus on implementing initiatives under the SoC Agreement and our five-year Development Plan in support of the Government's goals on renewable energy, energy efficiency, and long-term decarbonisation. We will also closely monitor our new investments such as the offshore LNG terminal and the new CCGT units, and continue to focus on developing innovative, technology-enabled services. These efforts will be significant factors in driving Hong Kong's transition to a smarter, greener, low-carbon future.

The new SmartHub@CLP experience centre showcases technologies and innovations that enable Hong Kong's development as a smart city.

Mainland China

Our zero-carbon portfolio was a key driver of CLP's solid performance in Mainland China in the first half of 2019 as a result of our long-standing strategy to focus on low-carbon investments. Our nuclear and renewable energy businesses continued to account for most of our earnings in the country. This also means that the earnings from our portfolio in China will likely become more stable as nuclear is subject to less dispatch and cost volatilities compared with our coal or renewable energy projects.

Yangjiang Nuclear Power Station delivered higher contributions as output increased following the commissioning of the fifth generating unit in July 2018. The sixth and final unit was commissioned in July this year, with the entire project completed within budget. Daya Bay Nuclear Power Station continued to perform safely and reliably.

Our solar energy portfolio benefitted from the addition of new projects such as the Lingyuan plant in Liaoning Province, commissioned in July 2018, and our newly-acquired plant in Meizhou, Guangdong Province. The Meizhou project is CLP's first acquisition of an operating renewable project in Mainland China.

Our wind assets reported a stable performance. During the first half, we commenced commercial operations of CLP Laizhou II in Shandong Province, and began construction of Laiwu III in the same province.

Our hydro portfolio benefitted from the strong generation performance of Huaiji in Guangdong due to plentiful rainfall.

The utilisation level at Fangchenggang Power Station improved from the economic growth in the Guangxi Zhuang Autonomous Region and easing competition from hydro power generation due to low rainfall in the first half. In the meantime, the plant continued its evolution into an integrated energy provider by also supplying steam and carbon dioxide to a nearby factory, thereby securing more generation hours. The approval of our application for direct unloading of imported coal at the Fangchenggang Power Station jetty also helped reduce fuel costs.

TUS-CLP Smart Energy Technology Co. Ltd. (TUS-CLP), our joint venture with Beijing's TUS-Holdings Co., Ltd., was awarded a contract in February to build and operate an incremental distribution network (IDN) at Fangchenggang High-Tech Zone. TUS-CLP formed a project company with several joint venture partners and are working together on power network and smart energy planning. The IDN project is CLP's first investment in distribution grids in Mainland China.

Outlook

Mainland China

We believe the Central Government's efforts to shift the country's energy mix in favour of cleaner generation will lead to growth in this sector over the long term. CLP will therefore continue to look for opportunities to expand our low-carbon portfolio. Following the award of the IDN project in Fangchenggang, we will explore similar opportunities in southern China as reform of the electricity sector continues.

The Outline Development Plan for the Greater Bay Area released by the Central Government in February makes the development of smart cities in the region a key focus for city-level administrations. CLP will work closely with our partners to pursue opportunities in this important emerging sector.

India

CLP India benefitted from the good operational performance of our renewable energy assets and the steady performance of the Jhajjar coal-fired plant in the first half of the year. A strategic partnership with Caisse de dépôt et placement du Québec (CDPQ) has strengthened our ability to capture new investment opportunities across the value chain in India's power sector. In July, we entered into agreements for the acquisition of three power transmission assets, expanding our geographical reach in India and broadening our portfolio into a new segment of the country's electricity value chain. These agreements remain subject to certain regulatory approvals.

The Veltoor solar plant continued to perform well following technology upgrades and operational enhancements. Operations at the Gale and Tornado solar plants stabilised after rectifying technical issues that had earlier hampered output, and the performance of both plants fulfilled expectations. The Veltoor and Gale plants became wholly-owned assets of CLP India after the acquisitions of the equity interests previously held by Suzlon Energy Limited in March.

Improved operational efficiencies and higher wind resources saw CLP India's wind portfolio increase output.

Jhajjar reported a higher level of commercial availability compared with the first half of 2018 due to an increased coal supply and a better performance of the plant. It also reduced its sulphur dioxide (SO_2) emissions after the flue gas desulfurisation unit became fully operational in February 2019.

CLP's renewable energy business in Mainland China grows as projects such as Meizhou Solar are added to our portfolio.

Following the expiry of the previous power purchase agreement for Paguthan in December 2018, we have continued to explore new commercial avenues for the plant including short-term sales on the Indian Energy Exchange. However, the plant did not undertake any significant commercial generation in the first half.

The Indian administration was re-elected at the national elections in May. CLP India remains committed to working closely with the Government and stakeholders to support the country's economic development by meeting its demand for reliable, low-carbon, affordable energy.

Outlook

India

CLP India will continue to maintain and strengthen the operational excellence of our existing assets in the second half of 2019. Meanwhile, our alliance with CDPQ has brought long-term strategic backing and additional resources to support our continuing growth. Our expansion into power transmission opens up a new area of growth for the business which supports the continued growth of renewable energy in India. We are actively exploring further potential opportunities for acquisitions and investments in renewable energy and transmission, as the Government continues to implement energy industry reforms.

Southeast Asia and Taiwan

Both the Ho-Ping coal-fired power station in Taiwan and the Lopburi solar plant in Thailand reported stable operations in the first half of 2019.

In Vietnam, we continued our discussions with our partners and the Government over the Vung Ang II and Vinh Tan III legacy coal-fired projects.

Outlook

Southeast Asia and Taiwan

We will continue to focus on enhancing the operation of our assets in Taiwan and Thailand, and continue our efforts to support the Vietnamese Government to explore options to meet the country's future energy needs.

Australia

The six months ended 30 June 2019 were challenging for EnergyAustralia, reflected by operating earnings before one-off items of HK$824 million, compared with an exceptional first half in 2018 of HK$2,257 million. This performance reflects the impact of operational issues experienced at our generation assets and the continuing competition in the retail business. In addition, a non-cash change to the fair value of energy derivatives used for economic hedges that arose from an increase in the price of forward energy contracts further affected the results. We nevertheless made good progress with ongoing programmes to improve customer service and support the modernisation of Australia's energy system.

EnergyAustralia began the year by pledging commitment to an Energy Charter, a world-first customer initiative aimed at uniting the energy industry to deliver better service for Australians. Meanwhile, work throughout the first half meant that on 1 July 2019 we were well prepared to implement new government safety-net prices for our customers, the most significant regulatory change to energy retailing for several years.

The regulations, known as the Default Market Offer and the Victorian Default Offer, effectively cap retail prices at new, lower levels. To comply, EnergyAustralia has transferred about 173,000 customers – around 10% of our electricity retail customer base – to the new tariffs. At the same time, we approached the disruption caused by the regulatory changes as an opportunity to enhance our competitive standing in the market, launching a new product suite comprising simple, lower-cost energy plans to existing and new customers.

A survey by consumer advocacy group CHOICE of energy offers for the 12 months to April 2019 confirmed our customer-first approach. The survey found that EnergyAustralia offered the most competitively-priced deals of any retailer in our largest market, New South Wales (NSW), and also in South-East Queensland.

The retail market in Australia remains intensely competitive. While our retail business reduced customer churn in line with the overall market, our account numbers decreased by around 50,300, or about 2%, in the first half.

Meanwhile, we continued to implement and assess projects to provide additional capacity and reliability for customers and the national electricity grid. The Hallett Repower project is in progress in South Australia adding 30 MW to our existing gas-fired generation capacity. In early July, we announced a 60MW turbine upgrade at Mount Piper Power Station in NSW. Potential projects under assessment include pumped-hydro in South Australia and Queensland and flexible gas generation in NSW. EnergyAustralia also has demand-response measures and battery storage in its project portfolio.

In our generation business, electricity production from EnergyAustralia's power plants was lower due to coal supply issues affecting Mount Piper and maintenance requirements at Yallourn Power Station in Victoria. This resulted in lower contributions to the energy segment. In addition to planned outages, operations at Yallourn were restricted as a fatal incident in late 2018 was investigated and new measures were introduced to enhance safety.

Coal supply issues hampered generation at Mount Piper, although the plant managed to maintain availability during peak demand periods.

The anticipated reduction in future earnings related to our retail business, announced in June, led EnergyAustralia to record a one-off, non-cash impairment of goodwill of HK$6,381 million as part of the Group's interim results. This impacts EnergyAustralia's earnings in the first half.

In a Federal election held in May, the governing Liberal-National Coalition was re-elected. EnergyAustralia remains committed to working with Federal and State Governments on a long-term, stable, integrated national policy framework that supports the investment needed to ensure supply reliability and affordability as the country moves towards cleaner energy sources.

Outlook

Australia

In an intensely competitive retail market, customer service remains our priority. Our new retail approach is aimed at better serving and retaining customers as the market evolves under the new default price safety nets. Early indications are that the new, simple EnergyAustralia offers are performing well with customers. Heightened competitive activity, and the changes to our product portfolio, are expected to have an ongoing negative impact on earnings.

In the wholesale market, the recent reduction in baseload capacity and the ongoing addition of intermittent renewable energy generation are likely to result in continued volatility and elevated prices. For our existing generation assets, we will focus on enhancing their availability to safeguard the reliability of our supply. We expect operations at Yallourn to return to normal during the second half of 2019 as we complete operational and safety improvements. At Mount Piper, EnergyAustralia is working closely with the NSW Government, as well as the mine owner Centennial, to find alternative sources of coal. We are confident a solution will be reached. We will continue to use the gas-peaking generator at Tallawarra to supplement supply.

As part of our commitment to support Australia's transition to a cleaner and more modern energy system and to better manage volatility in the wholesale electricity market, we will continue to explore innovative solutions and evaluate new projects that can deliver flexible, fast-response generation capacity in this high-price and volatile market environment.

Human Resources

The Group employed 7,716 people as of 30 June 2019, compared with 7,562 at the same time in 2018. Of those, 4,221 were employed in our Hong Kong electricity and related businesses, 3,148 by our businesses in Mainland China, India, Southeast Asia and Taiwan, and Australia, and 347 by CLP Holdings. Total remuneration for the six months to 30 June 2019 was HK$2,992 million, compared with HK$2,994 million for the same period a year earlier, including retirement benefit costs of HK$290 million, compared with HK$284 million in 2018.

Providing a family-friendly working environment and competitive remuneration and benefits help us to attract and retain a diverse workforce. Recognising that buying a home in Hong Kong is difficult for many people, this year we introduced an innovative home loan scheme to provide eligible employees in Hong Kong with financial support for the purchase of their home. The take-up rate has been encouraging, and we are pleased to see relatively junior members of staff receive what could be a life changing benefit for them.

Investors and consumers are increasingly concerned about the impact of labour practices on sustainable organisations and supply chains. As we have a large number of contractors supporting our business operations, this is a relevant issue for us as well.

In the first half, we continued to progress our human rights initiatives following the principles set out in the United Nations Guiding Principles on Business and Human Rights. We revised our Human Rights Policy Statement and developed a set of labour standards covering all key aspects of the employment relationship to put this policy into practice. We will progressively incorporate these standards into our procurement requirements.

Health & Safety

CLP is committed to a goal of zero harm to all employees, contractors, and members of the public in all our activities and operations. We want everyone to go home safe and well at the end of each working day.

Tragically, a fatal incident resulted in the death of a subcontractor's worker of our subsidiary CLP*e* Solutions in Hong Kong in February. We carried out an improvement review following the incident, and we are continuing our unrelenting efforts to prioritise safety in our operations.

We made progress in the first half of 2019 in the implementation of the Group-wide Health, Safety and Environment (HSE) Improvement Strategy across our regional operations, following a multi-year action plan developed in each of our markets to map out key programmes and milestones. Surveys on safety culture were conducted among employees and contractors in our regions to help us identify strengths and areas of improvement. To assess the effectiveness of the strategy's implementation, an audit will be conducted in the second half of the year.

We have also begun internal consultations over the introduction of a new Health and Wellbeing Strategy for employees as the Group promotes more positive attitudes and innovations in occupational health management that go beyond regulatory compliance.

In the first half of the year, a reduction in the Total Recordable Injury Rate (TRIR) was reported among employees compared with the same period last year. We are liaising with our contractors to ensure they comply with CLP standards in their work, as we noted an increase in TRIR when contractors are included in our measurements. We saw a year-on-year reduction in our Lost Time Injury Rate (LTIR) in the first half of the year. The TRIR and LTIR figures are detailed in the table below:

	Employees		Employees and Contractors	
	Jan – Jun 2019	Jan – Jun 2018	**Jan – Jun 2019**	Jan – Jun 2018[1]
LTIR	**0.02**	0.09	**0.08**	0.08
TRIR	**0.12**	0.14	**0.34**	0.21

Note:

1 Figures for 2018 were revised to reflect the reclassification of two cases along with some minor adjustments to the number of hours worked.

We focus on learning from incidents where there was a potential exposure to serious injury or fatality, as rethinking risk is a key pillar in our HSE Improvement Strategy. For instance, we are reviewing our management of tasks involving lifting activities and working at height, and are piloting some new equipment and techniques in Australia and Hong Kong. In addition, we organised forums on zero harm for executives of our subcontractors.

Environment

CLP remained committed to managing and minimising the environmental impact of our operating assets and projects under development and construction. We continued to strengthen the synergies between the markets in which we operate and explored ways to better fulfil our environmental commitments. We also initiated a review on emerging regulations to ensure we are well prepared for new requirements and challenges.

Compliance

CLP had no environmental regulatory non-compliance incidents resulting in fines or prosecutions in the first half of 2019.

Air Quality

Regulatory requirements on air emissions are necessarily becoming more stringent in all of our markets. We continued to explore technological solutions to ensure we meet or exceed our compliance requirements.

In India, we made further improvements to the SO_2 emission performance of Jhajjar Power Station. We also pushed forward with preparations to meet the new nitrogen oxide emission limits by the end of this year.

In Hong Kong, we began measuring and reporting the new mercury emission limit for Castle Peak Power Station from April onwards. All readings to date have been well below the limit. Two new 550MW CCGT units being developed at Black Point Power Station are set to help further improve Hong Kong's air quality.

In Australia, we continued to monitor the introduction of tightened new emissions requirements for per- and polyfluoroalkyl substances (PFAS), a group of man-made chemicals found in many consumer products.

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 India, we continued to explore the possibility of building an additional reservoir for Jhajjar Power Station to improve its future water resilience.

In Australia, the construction of a new water transfer pipeline and water facility at Mount Piper is due for completion later this year to support the plant's long-term operation. This project, being provided by consortium led by a contractor, will augment cooling water supplies to the power station, and source water from the nearby Springvale mine, which faces new environmental requirements to cease dewatering into the local river system.

Climate Change

We continued to decarbonise our asset portfolio in the first half of 2019 by investing in new non-carbon generation capacity and securing access to clean energy sources through long-term purchase agreements. With these ongoing initiatives in Mainland China, India and Australia, we are on course to increase our proportion of non-carbon generation sources in line with the Group's Climate Vision 2050, which was updated in 2018.

We seek to disclose transparent and consistent climate-related information to our stakeholders, including capital providers. In response to the increasing interest in climate-related information, we are working with our industry peers to implement recommendations from the Task Force on Climate-related Financial Disclosures that are relevant and appropriate to the electricity utilities sector. We are also undertaking internal studies to help us further improve our disclosure in future.

Sustainability Performance

Our latest Sustainability Report, published in March 2019, adopted a new approach, structuring our reporting around the environmental, social and governance (ESG) issues that are most important to the Group. The chosen issues were determined following a rigorous assessment based on feedback from our stakeholders to the megatrends affecting our industry and markets. This new, focused approach is designed to offer stakeholders detailed insight into our strategies to meet opportunities and challenges critical to our business in a changing operating environment.

Our sustainability performance continued to gain recognition from major international indices and we have been identified as one of the leading companies in Asia Pacific in integrating sustainability into business strategies, based on a survey of more than 800 experts conducted by consultancy GlobeScan.

Innovation

As part of our commitment to transform into a Utility of the Future, we continued to invest in our digitalisation capabilities and strengthen partnerships with companies around the world, speeding up the innovation of smarter, more customer-centric products and services and engaging with new technologies to enhance our operations.

In the first half of 2019, we introduced Smart Energy Connect (SEC), an energy app store allowing users to access the latest energy management applications developed by CLP and our partners. SEC harnesses digital technologies including artificial intelligence and the Internet of Things to provide new tools for customers to manage their energy usage, enabling businesses and organisations to become more efficient and sustainable.

In June, CLP hosted the Free Electrons global energy start-up accelerator programme in Hong Kong. Free Electrons provides a platform for utility companies to go into partnership with start-up companies and fast-track the development of new energy technologies and solutions. This was the first time the event had been held in Hong Kong and provided an opportunity for businesses, investors, entrepreneurs and policymakers to forge partnerships to speed up the development of smarter and cleaner energy technologies in Hong Kong, the Greater Bay Area and beyond.

We continued to invest in energy innovators to support our ongoing efforts to identify technologies with strong commercial potential. In March, we set up a joint venture with Other Sources Energy Group, which has a proven investment track record in clean energy technologies in Israel. This partnership allows us to explore investment opportunities in next-generation technologies in the country. In May, we made an additional investment of approximately HK$100 million (US$12.7 million) in AutoGrid Systems, Inc., the California-based energy management software developer in which we first invested US$5 million last year.

EnergyAustralia has continued to develop innovative technologies aimed at stabilising the electricity grid and putting customers in control of their energy use, and has already delivered in excess of 50MW of demand response capacity for users in Australia. With the largest grid-scale battery portfolio of any Australian energy retailer, we are assessing opportunities in energy recovery and renewables in New South Wales, South Australia and Queensland. We have continued our partnership with Startupbootcamp on an incubator programme to bring smart energy ideas to life, to help customers save money and protect the environment.

Stakeholder Engagement & Social Performance

We greatly value our opportunities to work in partnership with a broad and diverse range of stakeholders, creating long-term benefits for the communities we serve. We are committed to contributing our time, talent, and resources to help build brighter tomorrows in four focus areas: Community Wellbeing, Arts & Culture, Education and Development and the Environment.

Promoting Sustainability

At Group level, we actively engaged with business and industry organisations to promote sustainable corporate practices and strategies. In May, CLP sponsored the Responsible Business Forum on Climate Innovation in Haikou in the southern Chinese province of Hainan. The event focused on sustainability and climate resilience, and was attended by more than 250 executives, policymakers, and non-governmental organisation representatives from around the world. Managing Director, China, participated as a panel speaker to promote CLP's Climate Vision 2050.

In support of our commitment to green motoring, we became the first Hong Kong company to join EV100, a global initiative to promote electric transport. We aim to convert more than 1,000 cars in our fleet to electric vehicles by 2030.

We continued to sponsor the fifth round of a sustainability lecture series at the City University of Hong Kong, where more than 200 participants attended presentations on topics including environmental protection and nature. In June, CLP organised a seminar in Hong Kong for customers in industry sectors including transportation, hospitality, retail and financial services, with presentations from experts in the fields of weather, engineering and sustainability on the importance of climate resilience and risk management.

CLP is committed to community outreach to promote energy efficiency and low-carbon living, with activities such as the storytelling sessions for children at the Hong Kong Book Fair.

Our senior executives spoke at a number of major business forums and conferences to share their insights on topics including sustainability, innovation, and infrastructure financing. These events included the Asian Financial Forum, the JUMPSTARTER initiative organised by the Alibaba Entrepreneurs Fund, the Connected Cities Conference organised by KPMG, the Low Carbon Charter ceremony organised by the Business Environment Council, the Boao Forum for Asia in Hainan Province, and the Greater Bay Area Forum organised by the Hong Kong General Chamber of Commerce.

We also launched a variety of tailored initiatives to engage with our stakeholders in different markets. Below are some examples:

Hong Kong

We continued to focus on community initiatives to promote energy efficiency, youth development, and support for underprivileged groups.

Energy Efficiency

To encourage energy saving and environmental conservation, we launched the Power Connect programme under the Community Energy Saving Fund in January. Around 150,000 customers have so far joined the programme which allows them to earn rewards by saving energy throughout the year. At the same time, the programme offers underprivileged groups, including elderlies, disabled people, low-income families and tenants of subdivided units, subsidies towards their electricity bills. Power Connect also provides subsidies to landlords of subdivided units to do rewiring work for the installation of individual electricity meters for their tenants.

Youth Development

The CLP Power Academy, launched in 2017 to provide school leavers with a pathway to a career in engineering, celebrated the graduation of the first cohorts from the Professional Diploma in Power Engineering and the Certificate for Junior Electricians programmes in January. The Academy continued to develop new programmes for young people and industry practitioners to advance their qualifications. These include a Bachelor of Engineering (Honours) in Electrical Engineering in partnership with the School of Professional Education and Executive Development of the Hong Kong Polytechnic University, and a Dual Master's Degree Programme in conjunction with the Hong Kong University of Science and Technology and the University of Strathclyde. To promote power engineering as a career of choice, we started a dialogue with the Hong Kong Association of Career Masters and Guidance Masters to share information on the accredited professional training we offer to encourage more students to join the engineering profession. We also continued our partnership with the Hong Kong Federation of Youth Groups for the CLP Energy for Brighter Tomorrows Award programme, offering 20 scholarships and mentoring for young people to promote a positive outlook on life.

Volunteering

We went into partnership with Po Leung Kuk again to set up the fourth CLP Hotmeal Canteen in Sham Shui Po in June. The initiative has served more than 570,000 nutritious meals based on dietician-supervised menus to people in need at a nominal cost since its launch in 2011. The CLP Volunteer Team continued to provide support services to the CLP Hotmeal Canteen and other community projects including visits to homes for the elderly, outings for senior citizens and English tutorial classes.

Mainland China

Our businesses in Mainland China continued to foster strong relations with the communities in which they operate, and support initiatives that focus on environmental protection, education and development, and the promotion of electrical safety awareness.

Donations by employees, boosted by matching contributions from CLP, supported the studies of 450 students from 19 schools in Guangdong, Guangxi, Guizhou, and Yunnan in our Support-a-Student programme.

Under our Support-a-School initiative, we helped three schools in the Ganzi Tibetan Autonomous Prefecture in Sichuan to upgrade their facilities and curriculums. We also produced a bilingual Chinese and Tibetan textbook to promote conservation awareness to the Tibetan students in these schools.

India

CLP India continued efforts to promote community wellbeing in our operating regions, as well as supporting causes that empower women and raise awareness about the need for greater environmental protection.

In Veltoor, CLP India teamed up with the Akshaya Patra Foundation to set up a new centralised kitchen that provides 20,000 midday meals a day for students. This project came after we entered into a three-year partnership with the foundation in 2017 to supply meals to 5,000 children across 27 schools near our Saundatti wind farm.

More than 1,000 people took part in CLP India's health awareness sessions in Veltoor, Sipla, Bhakrani and Khandke in the first half of the year, and anaemia tests were given to 300 women.

CLP India signed an agreement to run a women's empowerment programme with the Self-Employed Women's Association. The two-year programme will reach around 4,000 women and will promote solar energy in their communities as well. CLP India sites including Veltoor, Chandgarh, Jath, Samana and Mahidad also hosted activities for a total of around 900 participants on International Women's Day.

CLP India continued to promote water harvesting and sustainable agricultural practices through de-siltation and building sunken ponds in Khandke. In Jhajjar, we are working with the Confederation of Indian Industries to finalise a two-year project to improve crop residue management. The project will address the stubble-burning practices prevalent around Jhajjar and help improve air quality in the region.

Australia

In January, EnergyAustralia became one of the 17 founding signatories of the Energy Charter, a world-first initiative aimed at delivering better energy services for Australians. EnergyAustralia's voluntary participation builds on one of our core values – putting the customer at the heart of everything we do. Each signatory is required to report annually on its efforts to comply with the Charter's principles, including commitments on energy affordability for customers, service safety, sustainability and reliability.

Meanwhile, our Workplace Giving programme gathered pace with employees donating part of their salaries to their chosen charities. EnergyAustralia is matching their contributions, and the Board and Executive Management Team also pledged to donate 1% of their base salaries to the programme.

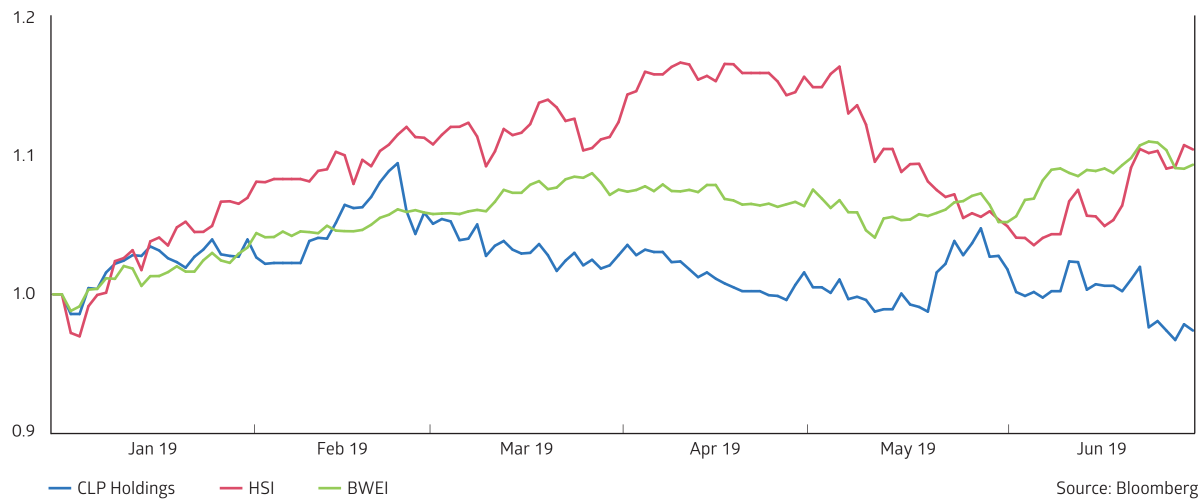
Our first Reconciliation Action Plan (RAP) was launched in 2016 with the aim of engaging with Aboriginal and Torres Strait Islander peoples. We introduced a new RAP in May which focuses on developing and strengthening relationships with these peoples, involving employees and stakeholders in cultural awareness, as well as developing and piloting innovative strategies to empower them. As well as setting out an action plan for the next two years, the new RAP includes reflections on the progress of the initiative so far.

Shareholder Value

The share price of CLP Holdings decreased by 2.6% in the first half of 2019. The price was affected by factors including the underperformance of our Australian operation and a profit warning related to our Australian retail business. During the same period, Hong Kong's benchmark Hang Seng Index (HSI) increased by 10.4% and there was a 9.3% gain in the Bloomberg World Electric Index (BWEI) of electricity companies.

The fourth interim dividend for 2018 of HK$1.19 per share was paid to shareholders on 21 March 2019. The first interim dividend for 2019 of HK$0.63 per share was paid on 14 June 2019, an increase of 3.3% from the same period in 2018. The second interim dividend of HK$0.63 will be paid on 13 September 2019.

Relative Performance – CLP vs HSI and BWEI (1 January 2019 – 30 June 2019) (Base: 31 December 2018 = 1.0)



Source: Bloomberg

Corporate Governance

Highlights for the First Half of 2019

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

- Hybrid Annual General Meeting (AGM): Our 2019 AGM was broadcasted live online for our shareholders, providing them with the option of attending or joining our AGM online in addition to the traditional physical attendance at our AGM. As a pilot programme, (a) our registered shareholders attended our 2019 AGM online with the right to vote and submit questions online and (b) our non-registered shareholders joined our 2019 AGM online as observers and were invited to submit questions online. Electronic voting system was also introduced in the 2019 AGM for enhancing efficiency in the vote counting process.
- Continuous Disclosure in 2019: Our Continuous Disclosure Committee conducts regular assessment of potential inside information and considers the appropriate timing for making relevant announcements. Following the regulatory changes that took place in Australia subsequent to the publication of our Quarterly Statement 2019 (January – March), we have issued a profit warning announcement regarding the impairment of goodwill in respect of the EnergyAustralia retail business on 20 June 2019.
- Board Refreshment: At the 2019 AGM, the refreshment of the Board received strong support from the shareholders with the election of Mr Philip Kadoorie and Ms May Tan. At the same time, Dr Y. B. Lee stepped down from the Board through retirement.
- Consultation Response on ESG: We shared our views on ESG Reporting by responding to the consultation paper on "Review of the ESG Reporting Guide and Related Listing Rules" issued by The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange).

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 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 Hong Kong Stock Exchange.

During the six months ended 30 June 2019, the Company has met the code provisions and applied all the principles in the Stock Exchange Code. 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 110 of our 2018 Annual Report.

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 2019.

At the Company's AGM held on 6 May 2019, the re-appointment of PricewaterhouseCoopers as the Company's independent auditor for the financial year ending 31 December 2019 was approved by our shareholders with strong support of over 99.36% of the votes.

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

Our Board and Senior Management

The CLP Board

As at 30 June 2019, the composition of the Board of CLP Holdings is set out below:

Non-executive Directors	Independent Non-executive Directors	Executive Directors
The Honourable Sir Michael Kadoorie	Mr Vernon Francis Moore	Mr Richard Kendall Lancaster
Mr William Elkin Mocatta	Sir Roderick Ian Eddington	Mr Geert Herman August Peeters
Mr John Andrew Harry Leigh	Mr Nicholas Charles Allen	
Mr Andrew Clifford Winawer Brandler	Mr Cheng Hoi Chuen Vincent	
Mr Philip Lawrence Kadoorie	Mrs Law Fan Chiu Fun Fanny	
	Mrs Zia Mody	
	Ms May Siew Boi Tan	

The Directors who stood for election and re-election at the 2019 AGM, namely Mr Philip Kadoorie, Ms May Siew Boi Tan, Mr J. A. H. Leigh, Mr Richard Lancaster, Mrs Zia Mody and Mr Geert Peeters were respectively elected and re-elected with the approval of the shareholders.

Dr Lee Yui Bor retired as a Non-executive Director of the Company at the conclusion of the 2019 AGM on 6 May 2019. He did not seek re-election at the 2019 AGM pursuant to the retirement age guideline of the CLP Board Diversity Policy.

Save as disclosed above, there had been no other changes in the Board composition during the reported period and up to the date of this Report.

There were no substantial changes to the information of Directors as disclosed on pages 98 to 103 of the 2018 Annual Report and on the CLP website. The positions held by each of the Directors in CLP Holdings' subsidiary companies and their directorships held in the past three years in other public companies have been updated in the Directors' biographies on the CLP website.

Board Committees

As at 30 June 2019 and the date of this Report, the composition of Board Committees remained the same as set out in the 2018 Annual Report (pages 115, 144, 151, 155 and 159).

Directors' Time and Directorship Commitments

Directors have confirmed that they have given sufficient time and attention to the affairs of the Company during the six-month period ended 30 June 2019.

As at 30 June 2019, none of our Directors, individually, held directorships in more than six public companies (including the Company). Our Executive Directors do not hold directorship in other public companies; however, they are encouraged to participate in professional, public and community organisations.

Senior Management

After 19 years with the CLP Group, Mr Roy Massey retired as the Chief Human Resources Officer on 30 June 2019. This was the only change to the Senior Management composition during the reported period and up to the date of this Report. Biographies of all the Senior Management members are available on the CLP website.

Remuneration

Non-executive Directors

In our 2018 Annual Report, we set out the proposed fees for our Non-executive Directors (including Independent Non-executive Directors) who serve on the Board and on the Board Committees of the Company for the ensuing three years ending on the date of the AGM in 2022 (see page 163 of the Company's 2018 Annual Report). At our 2019 AGM, the proposed fees were approved by our shareholders with strong support of over 99.96% of the votes.

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the six months ended 30 June 2019 are set out in the table on page 27.

The amounts disclosed consist of remuneration accrued or paid for service during the first six months of 2019 and, for the annual and long-term incentives, service and performance in previous years. Both the annual incentive and long-term incentive are paid in the first half of the year. As a result, the totals in the table do not represent half of the remuneration which will be accrued or paid for the full year.

The amounts disclosed are the amounts recognised in the financial year for accounting purposes, which do not necessarily reflect the cash actually received by the individual. Where payments are made to the individual over more than one financial year, this is explained in the notes.

To provide a clear picture of remuneration, amounts are shown as recurring or non-recurring items. Recurring items are the normal annual remuneration of Executive Directors and Senior Management, whilst non-recurring items relate primarily to the appointment or termination of Executive Directors and Senior Management.

In the table on page 27 the "Total Remuneration" column includes the following recurring items for the six months ended 30 June 2019:

(i) base compensation, allowances & benefits paid;

(ii) 2019 annual incentive accrued based on the previous year's Company performance and the 2018 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2019 for 2018 performance and the annual incentive accrual for 2018;

(iii) the 2016 long-term incentive award paid in January 2019 when the vesting conditions were satisfied; and

(iv) provident fund contribution made.

The "Other Payments" column includes the following non-recurring item:

(i) contractual payments for departed Senior Management including approved acceleration of long-term incentive payments.

	Recurring Remuneration Items					Non-recurring Remuneration Item	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
Six months ended 30 June 2019							
CEO							
(Mr Richard Lancaster)	4.8	4.4	7.7	1.2	**18.1**	–	**18.1**
Executive Director & Chief Financial Officer							
(Mr Geert Peeters)	3.7	3.4	5.5	0.6	**13.2**	–	**13.2**
Chief Operating Officer							
(Mr Derek Parkin)	2.8	2.5	3.9	0.5	**9.7**	–	**9.7**
Group Director & Vice Chairman – CLP Power Hong Kong							
(Mrs Betty Yuen)	2.3	2.0	3.6	0.6	**8.5**	–	**8.5**
Managing Director – CLP Power							
(Mr Chiang Tung Keung)	2.6	2.4	2.8	0.7	**8.5**	–	**8.5**
Managing Director – EnergyAustralia							
(Ms Catherine Tanna)[3]	5.8	7.2	12.4	0.1	**25.5**	–	**25.5**
Managing Director – India							
(Mr Rajiv Mishra)[4]	2.1	1.8	2.4	0.5	**6.8**	–	**6.8**
Managing Director – China							
(Mr Chan Siu Hung)	2.2	2.0	3.3	0.6	**8.1**	–	**8.1**
Group General Counsel & Chief Administrative Officer							
(Mr David Simmonds)	2.6	2.3	4.1	0.7	**9.7**	–	**9.7**
Chief Corporate Development Officer							
(Ms Quince Chong)	2.6	2.3	4.1	0.6	**9.6**	–	**9.6**
Chief Human Resources Officer							
(Mr Roy Massey)[5]	2.2	2.0	2.7	0.5	**7.4**	8.2	**15.6**
Total	**33.7**	**32.3**	**52.5**	**6.6**	**125.1**	**8.2**	**133.3**

Notes:

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

2 Performance bonus consists of (a) annual incentive (2019 accrual and 2018 adjustment) and (b) long-term incentive (payment for 2016 award). The annual incentive payments and long-term incentive awards were approved by the Human Resources & Remuneration Committee (HR&RC). For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and Members of the HR&RC.

3 The remuneration of Ms Catherine Tanna is denominated in Australian dollars. The month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

4 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HK$ = 8.3 Rupees from 1 October 2015 to 30 September 2019. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

5 Mr Roy Massey retired as Chief Human Resources Officer on 30 June 2019. The annual incentive for 2019 was made on a pro rata basis for his service up to 30 June 2019. The other payments of HK$8.2 million included (a) accelerated payment of long-term incentive for 2017, 2018 and 2019 (HK$8.1 million) and (b) encashment of untaken annual leave (HK$0.1 million).

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 consider 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 130 to 132 of the Company's 2018 Annual Report.

During the six-month period ended 30 June 2019, Group Internal Audit issued a total of seven opinion audit and four special review reports and all the opinion audit 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 our own Code for Securities Transactions (CLP Securities Code) throughout the period from 1 January to 30 June 2019. 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.

As we appreciate that some of our staff may in their day-to-day work have access to potentially inside information, our Senior Management and selected members of staff, "Specified Individuals", are subject to securities dealing restrictions in CLP Securities Code. All members of the Senior Management have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2019.

Save for the interest disclosed by the CEO on this page and the interest in 600 shares disclosed by the Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 30 June 2019.

Interests of Directors and Chief Executive Officer

The interests / short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 30 June 2019, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

1. ***Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations***

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 30 June 2019 were as follows:

Directors	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
The Hon Sir Michael Kadoorie	Note 1	480,672,780	19.02562
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	218,796,853	8.66025
Mr Andrew Brandler	Note 4	10,600	0.00042
Mr Philip Kadoorie	Note 5	410,524,882	16.24908
Mr Nicholas C. Allen	Note 6	27,000	0.00107
Mrs Fanny Law	Beneficial Owner	6,800	0.00027
Ms May Siew Boi Tan	Beneficial Owner	20,000	0.00079
Mr Richard Lancaster (CEO)	Personal	600	0.00002

Notes:

1 The Hon Sir Michael Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 480,672,780 shares in the Company. These shares were held in the following capacity:

   a 1,243 shares were held by his spouse, Lady Kadoorie in a personal capacity.

   b 70,146,655 shares were ultimately held by discretionary trusts, of which The Hon Sir Michael Kadoorie is one of the discretionary objects.

   c 233,044,212 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   d 170,180,670 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   e 1,300,000 shares were ultimately held by a discretionary trust, of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   f 2,000,000 shares were ultimately held by each of three discretionary trusts, all of which The Hon Sir Michael Kadoorie is one of the beneficiaries and the founder.

   For the purpose of the Securities and Futures Ordinance, the spouse of The Hon Sir Michael Kadoorie was taken to have a discloseable duty in Hong Kong in relation to the shares referred to in 1b to 1f above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 480,672,780 shares in the Company representing approximately 19.03% of the issued share capital of the Company, of which 1,243 shares were held by her in a personal capacity and an aggregate of 480,671,537 shares were attributed to her pursuant to the Securities and Futures Ordinance for disclosure purposes. Nevertheless, she has no interest, legal or beneficial, in these 480,671,537 shares attributed to her for disclosure purposes.

2 Mr William Mocatta was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 400,000 shares in the Company. These shares were held in the following capacity:

   a 250,000 shares were held in the capacity as the founder of a discretionary trust.

   b 150,000 shares were held by a trust of which Mr William Mocatta is one of the beneficiaries.

3 Mr J. A. H. Leigh was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 218,796,853 shares in the Company. These shares were held in the following capacity:

   a 145,000 shares were held in a beneficial owner capacity.

   b 218,651,853 shares were ultimately held by a discretionary trust. Mr J. A. H. Leigh was deemed to be interested in such 218,651,853 shares in his capacity as one of the trustees of a trust which was deemed to be interested in such 218,651,853 shares.

4 600 shares were held in a personal capacity and 10,000 shares were held in a beneficial owner capacity.

5 Mr Philip Kadoorie was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 410,524,882 shares in the Company. These shares were held in the following capacity:

   a 233,044,212 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.

   b 170,180,670 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.

   c 1,300,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.

   d 2,000,000 shares were ultimately held by a discretionary trust, of which Mr Philip Kadoorie is one of the discretionary beneficiaries.

   e 2,000,000 shares were ultimately held by each of two discretionary trusts, both of which Mr Philip Kadoorie is one of the default beneficiaries.

6 27,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Mr Vernon Moore, Sir Rod Eddington, Mr Vincent Cheng, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 30 June 2019.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 30 June 2019.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 30 June 2019.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors and the CEO of the Company (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests of Substantial Shareholders

The interests / short positions of substantial shareholders in the shares and underlying shares of the Company as at 30 June 2019, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

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

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 30 June 2019:

Substantial Shareholders	Capacity	Total Interests in Number of Ordinary Shares of the Company	% of the Issued Share Capital of the Company
Bermuda Trust Company Limited	Trustee / Interests of controlled corporations	311,153,954 Note 1	12.32
Guardian Limited	Beneficiary / Interest of controlled corporation	218,651,853 Note 7	8.65
Harneys Trustees Limited	Interest of controlled corporation	410,524,882 Note 3	16.25
Lawrencium Holdings Limited	Beneficiary	170,180,670 Note 2	6.74
Lawrencium Mikado Holdings Limited	Beneficiary	233,044,212 Note 2	9.22
The Magna Foundation	Beneficiary	233,044,212 Note 2	9.22
The Mikado Private Trust Company Limited	Trustee / Interests of controlled corporations	410,524,882 Note 2	16.25
Oak CLP Limited	Beneficiary	218,651,853 Note 4	8.65
Oak (Unit Trust) Holdings Limited	Trustee	218,651,853 Note 1	8.65
The Oak Private Trust Company Limited	Trustee / Interests of controlled corporations	233,371,475 Note 4	9.24
The Hon Sir Michael Kadoorie	Note 5	480,672,780 Note 5	19.03
Mr J. A. H. Leigh	Notes 6 & 7	218,796,853 Notes 6 & 7	8.66
Mr Philip Kadoorie	Note 8	410,524,882 Note 8	16.25
Mr R. Parsons	Trustee	218,651,853 Note 7	8.65

Notes:

1 Bermuda Trust Company Limited was deemed to be interested in the shares in which Oak (Unit Trust) Holdings Limited, The Oak Private Trust Company Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The interests of Bermuda Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the discretionary objects as disclosed in "Interests of Directors and Chief Executive Officer".

2 The Mikado Private Trust Company Limited was deemed to be interested in the shares in which Lawrencium Holdings Limited, Lawrencium Mikado Holdings Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies. The Magna Foundation was also deemed to be interested in the shares in which Lawrencium Mikado Holdings Limited was deemed to be interested. The interests of The Mikado Private Trust Company Limited in the shares of the Company include the shares held by discretionary trusts of which The Hon Sir Michael Kadoorie is one of the beneficiaries and a founder as disclosed in "Interests of Directors and Chief Executive Officer".

3 Harneys Trustees Limited controlled The Mikado Private Trust Company Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.

4 The Oak Private Trust Company Limited was deemed to be interested in the shares in which Oak CLP Limited and other companies were deemed to be interested, either in the capacity as trustee of various discretionary trusts and / or by virtue of having direct or indirect control over such companies.

5 See Note 1 under "Interests of Directors and Chief Executive Officer".

6 See Note 3 under "Interests of Directors and Chief Executive Officer".

7 Mr R. Parsons and Mr J. A. H. Leigh, in their capacities as trustees of a trust, jointly controlled Guardian Limited and therefore were deemed to be interested in the shares in which Guardian Limited was deemed to be interested. Accordingly, the 218,651,853 shares in which Guardian Limited was interested was duplicated within the interests attributed to each of Mr J. A. H. Leigh and Mr R. Parsons.

8 See Note 5 under "Interests of Directors and Chief Executive Officer".

As at 30 June 2019, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

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

As at 30 June 2019, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 30 June 2019, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Purchase, Sale or Redemption of the Company's Listed Shares

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2019.

Consolidated Statement of Profit or Loss – Unaudited

	Note	Six months ended 30 June 2019 HK$M	2018 HK$M
Revenue	*4*	**43,838**	46,464
Expenses			
Purchases of electricity, gas and distribution services		**(17,819)**	(17,285)
Staff expenses		**(2,263)**	(2,219)
Fuel and other operating expenses		**(12,885)**	(13,042)
Depreciation and amortisation		**(4,007)**	(4,004)
		(36,974)	(36,550)
Other charge	*13(a)*	**(6,381)**	–
Operating profit	*6*	**483**	9,914
Finance costs	*7*	**(973)**	(1,006)
Finance income	*7*	**102**	92
Share of results, net of income tax			
Joint ventures	*14*	**425**	357
Associates	*15*	**915**	786
Profit before income tax		**952**	10,143
Income tax expense	*8*	**(1,320)**	(2,141)
(Loss) / profit for the period		**(368)**	8,002
(Loss) / earnings attributable to:			
Shareholders		**(907)**	7,436
Perpetual capital securities holders		**125**	125
Other non-controlling interests		**414**	441
		(368)	8,002
(Loss) / earnings per share, basic and diluted	*10*	**HK$(0.36)**	HK$2.94

The notes on pages 38 to 57 are an integral part of these condensed consolidated interim financial statements.

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

	Six months ended 30 June	
	2019	2018
	HK$M	HK$M
(Loss) / profit for the period	**(368)**	8,002
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(194)**	(2,905)
Cash flow hedges	**679**	699
Costs of hedging	**29**	5
Share of other comprehensive income of joint ventures	**–**	1
	514	(2,200)
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**41**	(13)
Remeasurement (losses) / gains on defined benefit plans	**(10)**	6
	31	(7)
Other comprehensive income for the period, net of tax	**545**	(2,207)
Total comprehensive income for the period	**177**	5,795
Total comprehensive income attributable to:		
Shareholders	**(392)**	5,239
Perpetual capital securities holders	**125**	125
Other non-controlling interests	**444**	431
	177	5,795

The notes on pages 38 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2019 HK$M	Audited 31 December 2018 HK$M
Non-current assets			
Fixed assets	*11*	**142,068**	141,309
Leasehold land and land use rights under operating leases	*11*	**–**	5,432
Right-of-use assets	*12*	**6,045**	–
Investment property		**1,204**	1,204
Goodwill and other intangible assets	*13*	**20,291**	26,910
Interests in and loan to joint ventures	*14*	**9,571**	9,674
Interests in associates	*15*	**7,931**	7,746
Deferred tax assets		**613**	835
Derivative financial instruments	*16*	**1,683**	1,000
Equity investments		**341**	300
Other non-current assets		**660**	604
		190,407	195,014
Current assets			
Inventories – stores and fuel		**3,202**	2,840
Renewable energy certificates		**560**	847
Property under development		**2,971**	2,971
Trade and other receivables	*17*	**17,373**	15,917
Derivative financial instruments	*16*	**1,255**	799
Short-term deposits and restricted cash		**2,260**	4,761
Cash and cash equivalents		**4,307**	7,365
		31,928	35,500
Current liabilities			
Customers' deposits		**(5,592)**	(5,476)
Fuel clause account		**(728)**	(901)
Trade payables and other liabilities	*18*	**(17,355)**	(19,061)
Income tax payable		**(957)**	(1,399)
Bank loans and other borrowings	*19*	**(15,419)**	(13,535)
Derivative financial instruments	*16*	**(1,612)**	(1,262)
		(41,663)	(41,634)
Net current liabilities		**(9,735)**	(6,134)
Total assets less current liabilities		**180,672**	188,880

	Note	30 June 2019 HK$M	Audited 31 December 2018 HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*21*	**80,830**	85,810
Shareholders' funds		**104,073**	109,053
Perpetual capital securities		**5,791**	5,791
Other non-controlling interests		**10,036**	10,088
		119,900	124,932
Non-current liabilities			
Bank loans and other borrowings	*19*	**38,546**	41,763
Deferred tax liabilities		**14,816**	14,650
Derivative financial instruments	*16*	**1,528**	1,547
Scheme of Control (SoC) reserve accounts	*20*	**711**	998
Asset decommissioning liabilities and retirement obligations		**3,673**	3,558
Other non-current liabilities		**1,498**	1,432
		60,772	63,948
Equity and non-current liabilities		**180,672**	188,880

The Honourable Sir Michael Kadoorie
Chairman
Hong Kong, 6 August 2019

Richard Lancaster
Chief Executive Officer

Benjamin Lau
Acting Chief Financial Officer

The notes on pages 38 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity – Unaudited

for the six months ended 30 June 2019

	Attributable to Shareholders					
	Share Capital HK$M	Reserves HK$M	Total HK$M	Perpetual Capital Securities HK$M	Other Non-controlling Interests HK$M	Total Equity HK$M
Balance at 1 January 2019	23,243	85,810	109,053	5,791	10,088	124,932
(Loss) / profit for the period	–	(907)	(907)	125	414	(368)
Other comprehensive income for the period	–	515	515	–	30	545
Dividends paid						
2018 fourth interim	–	(3,006)	(3,006)	–	–	(3,006)
2019 first interim	–	(1,592)	(1,592)	–	–	(1,592)
Acquisition of non-controlling interests	–	10	10	–	(96)	(86)
Distributions to perpetual capital securities holders	–	–	–	(125)	–	(125)
Dividends paid to other non-controlling interests	–	–	–	–	(400)	(400)
Balance at 30 June 2019	**23,243**	**80,830**	**104,073**	**5,791**	**10,036**	**119,900**
Balance at 1 January 2018	23,243	85,627	108,870	5,791	7,019	121,680
Profit for the period	–	7,436	7,436	125	441	8,002
Other comprehensive income for the period	–	(2,197)	(2,197)	–	(10)	(2,207)
Transfer to fixed assets	–	(29)	(29)	–	(12)	(41)
Dividends paid						
2017 fourth interim	–	(2,880)	(2,880)	–	–	(2,880)
2018 first interim	–	(1,541)	(1,541)	–	–	(1,541)
Distributions to perpetual capital securities holders	–	–	–	(125)	–	(125)
Dividends paid to other non-controlling interests	–	–	–	–	(487)	(487)
Balance at 30 June 2018	23,243	86,416	109,659	5,791	6,951	122,401

The notes on pages 38 to 57 are an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows – Unaudited

	Six months ended 30 June			
	2019		2018	
	HK$M	HK$M	HK$M	HK$M
Operating activities				
Net cash inflow from operations	**7,605**		10,445	
Interest received	**102**		89	
Income tax paid	**(1,716)**		(1,152)	
Net cash inflow from operating activities		**5,991**		9,382
Investing activities				
Capital expenditure	**(5,039)**		(4,870)	
Capitalised interest and other finance costs paid	**(148)**		(139)	
Proceeds from disposal of fixed assets	**14**		70	
Additions of other intangible assets	**(392)**		(201)	
Acquisitions of subsidiaries	**(50)**		(1,243)	
Proceeds from disposal of an equity investment	**–**		958	
Increase in other financial assets	**(118)**		(37)	
Repayment of advances from joint ventures	**59**		18	
Proceeds from partial disposal of interest in a joint venture	**44**		–	
Investment in an associate	**(352)**		(9)	
Dividends received from				
Joint ventures	**73**		65	
Associates	**1,106**		930	
Equity investments	**13**		1	
Decrease in bank deposits with maturities of more than three months	**2,395**		449	
Net cash outflow from investing activities		**(2,395)**		(4,008)
Net cash inflow before financing activities		**3,596**		5,374
Financing activities				
Proceeds from long-term borrowings	**3,687**		3,522	
Repayment of long-term borrowings	**(4,462)**		(2,504)	
Decrease in short-term borrowings	**(1,109)**		(1,147)	
Payment of lease liabilities	**(71)**		–	
Interest and other finance costs paid	**(951)**		(1,005)	
Settlement of derivative financial instruments	**(43)**		83	
Increase in advances from other non-controlling interests	**31**		121	
Distributions paid to perpetual capital securities holders	**(125)**		(125)	
Dividends paid to shareholders	**(4,598)**		(4,421)	
Dividends paid to other non-controlling interests	**(400)**		(487)	
Payment for acquisition of non-controlling interests	**(86)**		–	
Proceeds from disposal of interest in a subsidiary without loss of control	**1,449**		–	
Net cash outflow from financing activities		**(6,678)**		(5,963)
Net decrease in cash and cash equivalents		**(3,082)**		(589)
Cash and cash equivalents at beginning of period		**7,365**		6,529
Effect of exchange rate changes		**24**		(200)
Cash and cash equivalents at end of period		**4,307**		5,740

The notes on pages 38 to 57 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. General Information

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the condensed consolidated interim financial statements. The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries are generation and supply of electricity in Hong Kong, Mainland China, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and Castle Peak Power Company Limited (CAPCO) (collectively referred to as SoC Companies), are governed by a SoC Agreement entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the SoC Agreements are summarised on pages 283 and 284 of the 2018 Annual Report.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 6 August 2019.

2. Basis of Preparation

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

The interim financial statements have been prepared in accordance with the accounting policies which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of HKFRS 16 Leases as described in Note 3 below. Other amendments to standards and new interpretation that are effective for the first time for this interim period did not have any material impact to the Group's accounting policies.

The financial information relating to the year ended 31 December 2018 that is included in the 2019 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 2018 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 2018 financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

3. Adoption of HKFRS 16

The Group has adopted HKFRS 16 from 1 January 2019. HKFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees' financial statements. HKFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset for the lease term) and a lease liability (representing the obligation to pay rentals) are recognised for all leases. The lessor accounting largely remains unchanged.

3. Adoption of HKFRS 16 (continued)

(A) Effects of the adoption

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated.

For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. For those leases previously classified as finance leases, the right-of-use assets and lease liabilities are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application. Accordingly, no adjustments were recognised to the opening balance of retained profits at the date of initial application.

The Group reassessed all lease contracts as well as contracts which did not satisfy the definition of a lease under the previous accounting standard (HKAS 17) at 1 January 2019. For these lease contracts, the Capacity Purchase Contract entered into by Hong Kong Pumped Storage Development Company, Limited which was previously classified as an operating lease when applying HKAS 17 does not meet the definition of a lease under HKFRS 16. All other existing lease contracts, which mainly relate to leases for land and buildings, remain their lease classification.

There were no existing contracts that were not classified as a lease under HKAS 17 but satisfy the definition of a lease under HKFRS 16. The Group has identified that an existing water treatment service contract in Australia meets the definition of a lease. This asset is currently under construction and it will be accounted for according to HKFRS 16 upon the commercial operation of the water treatment plant.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial application
- Applied the recognition exemption for leases of low value assets
- Excluded the initial direct costs from the measurement of the right-of-use assets
- Used hindsight in determining lease term if the contract contained an option to extend or terminate the lease

Upon the adoption of HKFRS 16, the Group reclassified the assets under finance leases (mainly leasehold land) from fixed assets and leasehold land and land use rights under operating leases to right-of-use assets for presentation purpose.

The table below explains the difference between operating lease commitments disclosed at 31 December 2018 by applying HKAS 17 and lease liabilities recognised at 1 January 2019 by applying HKFRS 16:

	HK$M
Operating lease commitments at 31 December 2018	2,337
Less:	
Contract reassessed as service agreement	(1,592)
Exemption for short term leases	(5)
Leases committed but not yet commenced	(556)
Operating lease liabilities before discounting at 31 December 2018	184
Effect from discounting at incremental borrowing rate at 1 January 2019*	(6)
Operating lease liabilities recognised at 1 January 2019	178
Finance lease liabilities at 31 December 2018	79
Total lease liabilities at 1 January 2019	257

* The weighted average incremental borrowing rate was 3.1%.

3. Adoption of HKFRS 16 (continued)

(A) Effects of the adoption (continued)

The table below summarises the impact on the adoption of HKFRS 16:

	At 1 January 2019 HK$M
Decrease in fixed assets	(413)
Decrease in leasehold land and land use rights under operating leases	(5,432)
Increase in right-of-use assets	6,000
Increase in trade payables and other liabilities	60
Increase in other non-current liabilities	95

	Six months ended 30 June 2019 HK$M
Decrease in fuel and other operating expenses	(39)
Increase in depreciation and amortisation	46
Increase in finance costs	3
Decrease in income tax expense	(3)
Decrease in earnings attributable to shareholders	(7)

(B) Revised accounting policy for leases

A contract is assessed for whether it is or contains a lease at its inception. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

For lessors, leases whereby all substantial risks and rewards incidental to the ownership of an underlying asset are not transferred to the customer are classified as operating lease arrangements. The respective lease assets are included in the financial statements according to their nature.

For lessees, a right-of-use asset and a lease liability are recognised at the lease commencement date, except for leases with a lease term of 12 months or less, or those low value assets, which are recognised as expenses on a straight-line basis over the lease terms.

A lease liability is initially measured at the present value of future lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. Future lease payments are discounted using the interest rate implicit in the lease, if this cannot be readily determined, an incremental borrowing rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, over a similar term and with a similar security. The lease liability is subsequently measured by increasing its carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing its carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options. The lease liability is included in the trade payables and other liabilities and/or other non-current liabilities where appropriate.

At inception, the right-of-use asset comprises the initial lease liability, initial direct costs and the obligation to restore the asset, less any incentive granted by the lessor. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4. Revenue

The Group's revenue primarily represents sales of electricity and gas, which is recognised over time, and is disaggregated as follows:

	Six months ended 30 June	
	2019	2018
	HK$M	HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**18,876**	19,542
Transfer for SoC to revenue [a]	**129**	232
SoC sales of electricity	**19,005**	19,774
Sales of electricity outside Hong Kong	**19,615**	20,657
Sales of gas in Australia	**2,733**	3,063
Others	**474**	661
	41,827	44,155
Other revenue		
Operating lease income under Power Purchase Agreement (PPA) [b]		
Fixed payments	**547**	514
Variable payments	**1,312**	1,358
Finance lease income under PPA	**–**	52
Lease service income under PPA	**–**	233
Others	**152**	152
	2,011	2,309
	43,838	46,464

Notes:

(a) Under the SoC Agreements, 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 a revenue adjustment to the extent that the return and charges under the SoC are recognised in the profit or loss.

(b) The operating lease income under PPAs relate to the 25-year PPAs between Jhajjar Power Limited (JPL) and its offtakers. Under the PPAs, the contract price mainly comprises of capacity charge and energy charge. Capacity charge is payable for maintaining availability of the plant for dispatch of electricity, regardless of actual dispatch. Energy charge is a variable amount that depends on actual fuel consumption.

5. 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. The operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

5. Segment Information (continued)

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

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2019							
Revenue from contracts with customers	19,301	830	611	6	21,079	–	41,827
Other revenue	61	29	1,883	–	32	6	2,011
Revenue	19,362	859	2,494	6	21,111	6	43,838
EBITDAF	7,616	742	861	15	(3,736)	(348)	5,150
Share of results, net of income tax							
Joint ventures	(9)	299	–	125	10	–	425
Associates	–	915	–	–	–	–	915
Consolidated EBITDAF	7,607	1,956	861	140	(3,726)	(348)	6,490
Depreciation and amortisation	(2,403)	(366)	(322)	–	(907)	(9)	(4,007)
Fair value adjustments	(2)	–	–	–	(658)	–	(660)
Finance costs	(465)	(140)	(267)	–	(55)	(46)	(973)
Finance income	–	14	34	–	42	12	102
Profit / (loss) before income tax	4,737	1,464	306	140	(5,304)	(391)	952
Income tax expense	(770)	(175)	(122)	–	(253)	–	(1,320)
Profit / (loss) for the period	3,967	1,289	184	140	(5,557)	(391)	(368)
Earnings attributable to							
Perpetual capital securities holders	(125)	–	–	–	–	–	(125)
Other non-controlling interests	(337)	(13)	(64)	–	–	–	(414)
Earnings / (loss) attributable to shareholders	3,505	1,276	120	140	(5,557)	(391)	(907)
Excluding: Items affecting comparability	–	–	–	–	6,381	–	6,381
Operating earnings	3,505	1,276	120	140	824	(391)	5,474
At 30 June 2019							
Fixed assets, right-of-use assets and investment property	116,909	9,149	11,120	–	12,083	56	149,317
Goodwill and other intangible assets	5,545	4,317	27	–	10,402	–	20,291
Interests in and loan to joint ventures	33	7,750	–	1,708	80	–	9,571
Interests in associates	–	7,931	–	–	–	–	7,931
Deferred tax assets	–	92	136	–	385	–	613
Other assets	11,458	4,122	5,303	265	13,414	50	34,612
Total assets	133,945	33,361	16,586	1,973	36,364	106	222,335
Bank loans and other borrowings	39,095	5,933	5,900	–	134	2,903	53,965
Current and deferred tax liabilities	14,103	1,246	342	–	82	–	15,773
Other liabilities	20,410	1,059	517	2	10,440	269	32,697
Total liabilities	73,608	8,238	6,759	2	10,656	3,172	102,435

EBITDAF = Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

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

5. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 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	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
Consolidated EBITDAF	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 31 December 2018							
Fixed assets, leasehold land and land use rights and investment property	115,631	8,997	11,287	–	11,922	108	147,945
Goodwill and other intangible assets	5,545	4,453	27	–	16,885	–	26,910
Interests in and loan to joint ventures	42	7,689	–	1,866	77	–	9,674
Interests in associates	–	7,746	–	–	–	–	7,746
Deferred tax assets	–	94	130	–	611	–	835
Other assets	10,206	4,128	6,698	67	14,354	1,951	37,404
Total assets	131,424	33,107	18,142	1,933	43,849	2,059	230,514
Bank loans and other borrowings	38,636	6,080	6,182	–	–	4,400	55,298
Current and deferred tax liabilities	13,641	1,282	307	–	819	–	16,049
Other liabilities	21,088	1,494	552	18	10,643	440	34,235
Total liabilities	73,365	8,856	7,041	18	11,462	4,840	105,582

Items affecting comparability refer to significant unusual and infrequent events such as acquisition / disposal, impairment of non-current assets, property valuation gain / loss, provision for legal disputes and change in law or natural catastrophe. They are considered irrelevant for assessing the underlying performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results. Details of the items affecting comparability can be found on page 9.

6. Operating Profit

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

	Six months ended 30 June 2019 HK$M	2018 HK$M
Charging		
Retirement benefits costs	**221**	212
Net loss on disposal of fixed assets	**253**	10
Impairment of		
Trade receivables	**148**	661
Goodwill (Note 13(a))	**6,381**	–
Variable lease payments expenses	**33**	32
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	**253**	27
Fuel and other operating expenses	**(17)**	(64)
Transactions not qualifying as hedges	**660**	(125)
Net exchange loss	**8**	16
Crediting		
Rental income from investment property	**(17)**	(21)
Dividends from equity investments	**(13)**	(13)

7. Finance Costs and Income

	Six months ended 30 June 2019 HK$M	2018 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**427**	378
Other borrowings	**578**	618
Tariff Stabilisation Fund (note)	**7**	3
Customers' deposits and fuel clause over-recovery	**21**	43
Lease liabilities	**7**	1
Finance charges	**91**	124
Net fair value (gain) / loss on debt related derivative financial instruments		
Reclassified from cash flow hedge reserve	**(24)**	(252)
Reclassified from costs of hedging reserves	**36**	43
Fair value hedges	**(346)**	210
Transactions not qualifying as hedges	**(17)**	(86)
Ineffectiveness of cash flow hedges	**(4)**	(1)
Ineffectiveness of fair value hedges	**1**	(1)
Loss / (gain) on hedged items in fair value hedges	**346**	(210)
Other net exchange loss on financing activities	**1**	272
	1,124	1,142
Less: amount capitalised	**(151)**	(136)
	973	1,006
Finance income		
Interest income on short-term investments, bank deposits and loans to joint ventures	**102**	92

Note: In accordance with the provisions of the SoC Agreements, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund.

8. Income Tax Expense

	Six months ended 30 June	
	2019	2018
	HK$M	HK$M
Current income tax	**1,231**	1,873
Deferred tax	**89**	268
	1,320	2,141

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

9. Dividends

	Six months ended 30 June			
	2019		2018	
	HK$ per Share	**HK$M**	HK$ per Share	HK$M
First interim dividend paid	**0.63**	**1,592**	0.61	1,541
Second interim dividend declared	**0.63**	**1,592**	0.61	1,541
	1.26	**3,184**	1.22	3,082

At the Board meeting held on 6 August 2019, the Directors declared the second interim dividend of HK$0.63 per share (2018: HK$0.61 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

10. (Loss) / Earnings per Share

The (loss) / earnings per share are computed as follows:

	Six months ended 30 June	
	2019	2018
(Loss) / earnings attributable to shareholders (HK$M)	**(907)**	7,436
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
(Loss) / earnings per share (HK$)	**(0.36)**	2.94

Basic and fully diluted (loss) / earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2019 and 2018.

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

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases
	Land					
	Freehold HK$M	Leased HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M	HK$M
Net book value at 1 January 2019, as previously reported	1,203	357	20,562	119,187	141,309	5,432
Effects of the adoption of HKFRS 16 (Note 3)	–	(357)	–	(56)	(413)	(5,432)
Net book value at 1 January 2019, as restated	1,203	–	20,562	119,131	140,896	–
Acquisition of a subsidiary (note)	–	–	5	333	338	–
Additions	–	–	675	3,797	4,472	–
Transfers and disposals	–	–	(27)	(257)	(284)	–
Depreciation	–	–	(348)	(3,024)	(3,372)	–
Exchange differences	7	–	9	2	18	–
Net book value at 30 June 2019	**1,210**	**–**	**20,876**	**119,982**	**142,068**	**–**
Cost	1,306	–	34,461	215,880	251,647	–
Accumulated depreciation and impairment	(96)	–	(13,585)	(95,898)	(109,579)	–
Net book value at 30 June 2019	**1,210**	**–**	**20,876**	**119,982**	**142,068**	**–**

Note: In January 2019, the Group acquired all the shares in Pingyuan Litian New Energy Power Co., Ltd. (Meizhou Solar), which owns and operates a 42.5MW solar farm in Guangdong Province, China, for a consideration of HK$26 million (RMB23 million).

12. Right-of-Use Assets

	Prepaid Leasehold Land[(a)] HK$M	Land and Buildings[(b)] HK$M	Machinery and Equipment[(b)] HK$M	Total HK$M
Net book value at 1 January 2019, as previously reported	–	–	–	–
Effects of the adoption of HKFRS 16 (Note 3)	5,789	165	46	6,000
Net book value at 1 January 2019, as restated	5,789	165	46	6,000
Acquisition of a subsidiary (Note 11)	2	–	–	2
Additions	136	18	34	188
Depreciation	(96)	(45)	(3)	(144)
Exchange differences	–	–	(1)	(1)
Net book value at 30 June 2019	**5,831**	**138**	**76**	**6,045**

Notes:

(a) Prepaid leasehold land represents upfront lease payments, including land premium, on lease of land with the tenure of 20 to 75 years.

(b) The Group has leased several land and buildings for offices and battery storage facilities. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Tenures of the leases range from 1 to 30 years.

13. Goodwill and Other Intangible Assets

	Goodwill HK$M	Capacity Right [b] HK$M	Others HK$M	Total HK$M
Net carrying value at 1 January 2019	20,670	4,420	1,820	26,910
Additions	–	1	391	392
Amortisation	–	(138)	(353)	(491)
Impairment charge [a]	(6,381)	–	–	(6,381)
Exchange differences	(124)	–	(15)	(139)
Net carrying value at 30 June 2019	**14,165**	**4,283**	**1,843**	**20,291**
Cost	20,673	5,695	6,837	33,205
Accumulated amortisation and impairment	(6,508)	(1,412)	(4,994)	(12,914)
Net carrying value at 30 June 2019	**14,165**	**4,283**	**1,843**	**20,291**

Notes:

(a) During the first half of 2019, the Default Market Offer and the Victorian Default Offer (collectively, the "default offers") were released in Australia. The default offers serve as a price cap for electricity for those previously paying the highest prices on contracts known as "standing offers". The default offers impact gross margin by stipulating a new, lower standing offer. This resets the market baseline for future market offers, providing an indicator that the value of the energy retail business goodwill, which is included in EnergyAustralia's Retail cash generating unit (CGU) could be impaired.

Given these regulatory changes and the expected resulting change to the market, an assessment of the value in use of the Retail CGU was performed to determine the recoverable amount. The carrying value of the Retail CGU cannot be supported by the value in use. As a result, the Group has recognised an impairment on Retail goodwill of HK$6,381 million (A$1,176 million) as other charge in the profit and loss.

The value in use calculations use cash flow projections as at 30 June 2019. These cash flow projections are based on EnergyAustralia's approved business plan (which has a forecast covering a period of ten years) and have been updated for the latest forecast to incorporate recent regulatory changes, and a discounted terminal value.

Key assumptions for value in use calculations

The key assumptions used in the value in use calculations reflect a combination of internal and external factors impacting gross margin, number of customer accounts and discount rates.

The assumptions impacting gross margin include:

- Retail tariffs are based on management estimates and expectations of current and expected market conditions arising from known regulatory outcomes.
- Electricity and gas volumes for purchases and sales represent the forecast projections in EnergyAustralia's business plan, updated for the latest forecast. External information is used to verify and align internal estimates.
- Electricity and gas network (distribution) cost assumptions are based on published regulated prices. When no estimates are available, network costs are assumed to escalate by the relevant consumer price index.
- Electricity pool prices, generation volumes, dispatch levels and gas prices were derived using modelling of the electricity and gas wholesale markets. This is prepared internally, where possible, using observable inputs. The modelling used for the electricity wholesale and gas markets is based on past experience and observable market activity.

Other assumptions include:

- The number of customer accounts for electricity and gas aligns with EnergyAustralia's business plan, updated for the latest forecast.
- The cash flow projections are discounted using a pre-tax discount rate of 11% (31 December 2018: 11%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital.
- A long term growth rate of 2.3% (31 December 2018: 2.3%) is applied in the terminal value calculation after the first ten years of cash flows.

13. Goodwill and Other Intangible Assets (continued)

Notes (continued):

Sensitivity analysis for the Retail CGU valuation

The Retail CGU valuation is sensitive to certain key assumptions, in particular, gross margin and customer accounts growth. Movements in discount rates, whilst driven by different assumptions, would also have an impact.

- A 5% decrease in gross margin would decrease the recoverable amount by HK$1,477 million (A$270 million).
- A 1% decrease in annual customer growth rate would decrease the recoverable amount by HK$766 million (A$140 million).
- An increase in the discount rate of 0.5% would decrease the recoverable amount by HK$821 million (A$150 million).

These sensitivities are based on a change in the relevant assumption while holding other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

(b) Capacity right represents the right to use 50% of the pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou and the corresponding right to use the associated transmission facilities until 2034.

14. Interests in and Loan to Joint Ventures

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

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Profit for the Period HK$M	Other Comprehensive Income HK$M	Total Comprehensive Income HK$M	Profit for the Period HK$M	Other Comprehensive Income HK$M	Total Comprehensive Income HK$M
CSEC Guohua International Power Company Limited (CSEC Guohua)	(17)	-	(17)	34	-	34
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang)	159	-	159	43	-	43
ShenGang Natural Gas Pipeline Company Limited (SNGPC)	70	-	70	82	-	82
OneEnergy Taiwan Ltd (OneEnergy Taiwan)	93	-	93	42	-	42
Shandong Zhonghua Power Company, Ltd. (SZPC)	(1)	-	(1)	13	-	13
Others	121	-	121	143	1	144
Total	425	-	425	357	1	358

	30 June 2019					31 December 2018				
	Share of Net Assets HK$M	Goodwill HK$M	Interests in Joint Ventures HK$M	Loan (note) HK$M	Total HK$M	Share of Net Assets HK$M	Goodwill HK$M	Interests in Joint Ventures HK$M	Loan (note) HK$M	Total HK$M
CSEC Guohua	2,381	-	2,381	-	2,381	2,400	-	2,400	-	2,400
Fangchenggang	1,995	-	1,995	-	1,995	1,840	-	1,840	-	1,840
SNGPC	830	-	830	247	1,077	843	-	843	308	1,151
OneEnergy Taiwan	1,322	-	1,322	-	1,322	1,484	-	1,484	-	1,484
SZPC	462	-	462	-	462	470	-	470	-	470
Others	2,293	41	2,334	-	2,334	2,288	41	2,329	-	2,329
	9,283	41	9,324	247	9,571	9,325	41	9,366	308	9,674

Note: The loan to SNGPC is unsecured, carries interest at 90% (31 December 2018: 90%) of the over five years Renminbi benchmark lending rate of the People's Bank of China and with final maturity in June 2022. The current portion of the loan of HK$123 million (31 December 2018: HK$123 million) was included in the Group's trade and other receivables. There was no impairment recognised on the loan at 30 June 2019 and 31 December 2018.

The Group's capital and other commitments in relation to its interests in joint ventures are disclosed in Note 22(D).

15. Interests in Associates

The Group's share of results and net assets of major associates are as follows:

	Six months ended 30 June 2019 HK$M	2018 HK$M
Group's share of profit and total comprehensive income		
Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC)	**468**	429
Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear)	**447**	366

	30 June 2019 HK$M	31 December 2018 HK$M
Group's share of net assets		
GNPJVC	**1,248**	800
Yangjiang Nuclear	**6,683**	6,946

The Group's capital commitments in relation to its interests in associates are disclosed in Note 22(D).

16. Derivative Financial Instruments

	30 June 2019		31 December 2018	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	**75**	**73**	88	65
Foreign exchange options	**22**	**–**	31	–
Cross currency interest rate swaps	**175**	**729**	147	767
Interest rate swaps	**28**	**65**	97	19
Energy contracts	**2,207**	**1,038**	883	746
Fair value hedges				
Cross currency interest rate swaps	**1**	**143**	3	455
Interest rate swaps	**2**	**39**	–	86
Not qualifying as accounting hedges				
Forward foreign exchange contracts	**250**	**9**	237	24
Interest rate swaps	**28**	**6**	26	2
Energy contracts	**150**	**1,038**	287	645
	2,938	**3,140**	1,799	2,809
Current	**1,255**	**1,612**	799	1,262
Non-current	**1,683**	**1,528**	1,000	1,547
	2,938	**3,140**	1,799	2,809

17. Trade and Other Receivables

	30 June 2019 HK$M	31 December 2018 HK$M
Trade receivables	**13,660**	11,229
Deposits, prepayments and other receivables	**2,607**	3,547
Dividend receivables from		
Joint ventures	**408**	57
Associates	**559**	949
Loan to and current accounts with		
Joint ventures	**138**	134
Associates	**1**	1
	17,373	15,917

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

	30 June 2019 HK$M	31 December 2018 HK$M
30 days or below *	**11,538**	8,992
31 – 90 days	**672**	820
Over 90 days	**1,450**	1,417
	13,660	11,229

* Including unbilled revenue

18. Trade Payables and Other Liabilities

	30 June 2019 HK$M	31 December 2018 HK$M
Trade payables [(a)]	**5,716**	6,653
Other payables and accruals	**6,250**	7,273
Lease liabilities [(b)]	**101**	21
Advances from non-controlling interests	**1,553**	1,522
Current accounts with		
Joint ventures	**1**	1
Associates	**667**	517
Deferred revenue	**3,067**	3,074
	17,355	19,061

Notes:

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

	30 June 2019 HK$M	31 December 2018 HK$M
30 days or below	**5,426**	6,404
31 – 90 days	**156**	145
Over 90 days	**134**	104
	5,716	6,653

(b) At 30 June 2019, non-current lease liabilities of HK$146 million (31 December 2018: HK$58 million) was included under other non-current liabilities.

19. Bank Loans and Other Borrowings

At 30 June 2019, the Group's bank loans and other borrowings were repayable as follows:

	Bank Loans		Other Borrowings *		Total	
	30 June 2019 HK$M	31 December 2018 HK$M	**30 June 2019 HK$M**	31 December 2018 HK$M	**30 June 2019 HK$M**	31 December 2018 HK$M
Within one year	**10,344**	11,935	**5,075**	1,600	**15,419**	13,535
Between one and two years	**5,452**	3,858	**4**	4,183	**5,456**	8,041
Between two to five years	**3,823**	3,876	**9,362**	8,229	**13,185**	12,105
Over five years	**3,663**	4,364	**16,242**	17,253	**19,905**	21,617
	23,282	24,033	**30,683**	31,265	**53,965**	55,298

* Other borrowings mainly included Medium Term Notes of HK$29,202 million (31 December 2018: HK$29,405 million) and bonds of HK$1,451 million (31 December 2018: HK$1,558 million).

20. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates 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 2019 HK$M	31 December 2018 HK$M
Tariff Stabilisation Fund	**704**	941
Rate Reduction Reserve	**7**	11
Rent and Rates Refunds (note)	**–**	46
	711	998

Note: CLP Power Hong Kong has been challenging the amount of Government rent and rates levied dating back to the year of assessment 2001 / 02. While the appeals up to 2007 / 08 were settled, final resolution for the remaining appeals for rating years from 2008 / 09 remains 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 each of these years.

Interim refunds of HK$757 million have been paid by the Hong Kong Government on a without prejudice basis for the appeal years 2008 / 09 to 2012 / 13. Using the refunds received (totalling HK$2,054 million including the interim refunds), CLP Power Hong Kong has provided customers with the Rent and Rates Special Rebate. In 2019 a rebate of HK$46 million was paid to customers. The refunds have now been fully expended and the Rent and Rates Special Rebate ceased in February 2019.

CLP Power Hong Kong maintains that it will recover no less than the interim refunds received to date for the remaining years under appeal in the final outcome of these appeals. The rent and rates refunds are classified within the SoC reserve accounts, and the Rent and Rates Special Rebate to customers was offset against the refunds received.

In the event that the final amount recovered on conclusion of the remaining appeals is less than the total amount rebated to customers in respect of these years, 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 for the remaining years exceeds the special rebates paid out, the additional amounts will be returned to customers.

21. 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 2019	(7,429)	404	(43)	1,567	91,311	85,810
Loss attributable to shareholders	–	–	–	–	(907)	(907)
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(206)	(10)	–	–	10	(206)
Joint ventures	(28)	–	–	–	–	(28)
Associates	3	–	–	–	–	3
Cash flow hedges						
Net fair value gains	–	793	–	–	–	793
Reclassification to profit or loss	–	198	–	–	–	198
Tax on the above items	–	(298)	–	–	–	(298)
Costs of hedging						
Net fair value losses	–	–	(11)	–	–	(11)
Amortisation /reclassification to profit or loss	–	–	39	–	–	39
Tax on the above items	–	–	(6)	–	–	(6)
Fair value gain on equity investments	–	–	–	41	–	41
Remeasurement losses on defined benefit plans	–	–	–	–	(10)	(10)
Total comprehensive income attributable to shareholders	(231)	683	22	41	(907)	(392)
Appropriation of reserves	–	–	–	(15)	15	–
Dividends paid						
2018 fourth interim	–	–	–	–	(3,006)	(3,006)
2019 first interim	–	–	–	–	(1,592)	(1,592)
Acquisition of non-controlling interests	–	–	–	10	–	10
Balance at 30 June 2019	**(7,660)**	**1,087**	**(21)**	**1,603**	**85,821**	**80,830**

21. Reserves (continued)

	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	(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)
Appropriation of reserves	–	–	–	94	(94)	–
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

22. Commitments

(A) Capital expenditure on fixed assets, leasehold land, investment property as well as intangible assets contracted for at the end of the period but not yet incurred amounted to HK$5,768 million at 30 June 2019 (31 December 2018: HK$5,497 million).

(B) As at 30 June 2019, the total future lease payments for leases committed and not yet commenced in relation to land and building and water treatment plant were HK$543 million and HK$697 million respectively.

(C) At 30 June 2019, equity contribution to be made for joint ventures and private equity partnerships were HK$94 million (31 December 2018: HK$27 million) and HK$122 million (31 December 2018: HK$136 million) respectively.

(D) At 30 June 2019, the Group's share of capital and other commitments of its joint ventures and associates were HK$3,003 million (31 December 2018: HK$422 million) and HK$1,466 million (31 December 2018: HK$1,526 million) respectively.

23. Related Party Transactions

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

(A) For the six months ended 30 June 2019, purchases of nuclear electricity from Guangdong Daya Bay Nuclear Power Station amounted to HK$3,087 million (2018: HK$2,790 million).

(B) The loan made to the joint venture is disclosed under Note 14. Other amounts due from and to the related parties at 30 June 2019 are disclosed in Notes 17 and 18 respectively. The Group also provided a shareholder loan facility to a joint venture of approximately HK$1.6 billion (31 December 2018: nil). At 30 June 2019, the Group did not have any guarantees which were of a significant amount given to or received from these entities (31 December 2018: none).

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

	Six months ended 30 June	
	2019	2018
	HK$M	HK$M
Fees	**6**	5
Recurring remuneration items		
Base compensation, allowances & benefits	**34**	33
Performance bonus		
Annual incentive	**32**	32
Long-term incentive	**52**	39
Provident fund contribution	**7**	6
Non-recurring remuneration item		
Other payments	**8**	–
	139	115

Note: Refer to remuneration items on page 26 under Corporate Governance.

Key management personnel at 30 June 2019 comprised twelve (30 June 2018: eleven) Non-executive Directors, two (30 June 2018: two) Executive Directors and nine (30 June 2018: nine) senior management personnel.

24. 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 PPA 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$822 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".

24. Contingent Liabilities (continued)

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

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$94 million) (31 December 2018: Rs830 million (HK$93 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. Since the matter has been pending before the Supreme Court for a long period of time, an application of early hearing was filed before the court, which was allowed. The matter could be listed for hearing in the coming months.

While CLP India has not altered its view regarding the legal merits of the claim, in view of the expiry of the PPA in December 2018 and uncertainty on the timing of recoverability, a provision of Rs3,796 million (HK$430 million) was made in 2018 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 2019, the time-barred portion of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs4,737 million (HK$536 million) (31 December 2018: Rs4,737 million (HK$530 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.

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

CLP India and its subsidiaries (CLP India group) has invested in approximately 533MW of wind power projects developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, 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 2019, 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

JPL has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs2,958 million (HK$335 million) at 30 June 2019 (31 December 2018: Rs2,719 million (HK$305 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.

24. Contingent Liabilities (continued)

(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$5,291 million) or alternatively A$780 million (approximately HK$4,268 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. On 6 May 2019, an amended Statement of Claim was issued by the plaintiff which introduced (as a third alternative method of quantifying its damages) a damages claim based on the cost to fix the alleged issues with the plant as well as alleged associated losses and costs. 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.

25. Fair Value Hierarchy of Financial Instruments

The following table presents the Group's financial instruments that were measured at fair value:

	Level 1 HK$M	Level 2 (note) HK$M	Level 3 (note) HK$M	Total HK$M
At 30 June 2019				
Financial assets				
Equity investments	**306**	**–**	**35**	**341**
Forward foreign exchange contracts	**–**	**325**	**–**	**325**
Foreign exchange options	**–**	**22**	**–**	**22**
Cross currency interest rate swaps	**–**	**176**	**–**	**176**
Interest rate swaps	**–**	**58**	**–**	**58**
Energy contracts	**–**	**987**	**1,370**	**2,357**
	306	**1,568**	**1,405**	**3,279**
Financial liabilities				
Forward foreign exchange contracts	**–**	**82**	**–**	**82**
Cross currency interest rate swaps	**–**	**872**	**–**	**872**
Interest rate swaps	**–**	**110**	**–**	**110**
Energy contracts	**750**	**1,111**	**215**	**2,076**
	750	**2,175**	**215**	**3,140**
At 31 December 2018				
Financial assets				
Equity investments	265	–	35	300
Forward foreign exchange contracts	–	325	–	325
Foreign exchange options	–	31	–	31
Cross currency interest rate swaps	–	150	–	150
Interest rate swaps	–	123	–	123
Energy contracts	–	468	702	1,170
	265	1,097	737	2,099
Financial liabilities				
Forward foreign exchange contracts	–	89	–	89
Cross currency interest rate swaps	–	1,222	–	1,222
Interest rate swaps	–	107	–	107
Energy contracts	625	403	363	1,391
	625	1,821	363	2,809

You may refer to page 279 of the 2018 Annual Report for the definitions of Levels 1, 2 and 3.

25. Fair Value Hierarchy of Financial Instruments (continued)

Note: The valuation technique and inputs used in the fair value measurements within Level 2 and Level 3 are as follows:

Financial Instruments	Valuation Technique	Significant Inputs
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Garman Kohlhagen Model	Observable exchange rates, interest rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap price curve; and long term forward electricity price and cap price curve

The significant unobservable inputs of energy contracts used for fair value measurement included long term forward electricity price and cap price curve. The finance department of EnergyAustralia includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to EnergyAustralia's Chief Financial Officer (CFO – EA) and Audit and Risk Committee (ARC – EA). The valuation of Level 3 forward energy contracts involves the use of a short term forward curve which is observable in the liquid market and an internally generated long term forward electricity price and cap price curve which is derived using unobservable inputs. This short term forward curve is reviewed at least once every six months, in line with the Group's half-yearly reporting dates. Review of the long term forward curve is performed by the CFO – EA and ARC – EA annually due to the lack of market liquidity. Analysis of fair value changes is performed on a monthly basis for reasonableness.

The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the six months ended 30 June 2019 and 2018, there were no transfers between Level 1 and Level 2.

The movements and the sensitivity analysis of Level 3 financial instruments are set out below:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Equity Investments HK$M	**Energy Contracts HK$M**	**Total HK$M**	Equity Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	**35**	**339**	**374**	47	27	74
Total losses recognised in						
Profit or loss and presented in						
fuel and other operating expenses[(a)]	**–**	**129**	**129**	–	(116)	(116)
Other comprehensive income	**–**	**1,097**	**1,097**	–	223	223
Purchases	**–**	**–**	**–**	3	–	3
Settlements	**–**	**(459)**	**(459)**	–	(150)	(150)
Transfer out of Level 3[(b)]	**–**	**49**	**49**	–	–	–
Closing balance	**35**	**1,155**	**1,190**	50	(16)	34

Notes:

(a) Out of which, unrealised losses recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period was HK$3 million (2018: gains of HK$9 million).

(b) During 2019, the transfer of certain energy contracts out of Level 3 is because certain observable significant inputs are used in the fair value measurement instead of those unobservable ones used previously.

At 30 June 2019 and 31 December 2018, the valuation of long tenure energy contracts is sensitive to electricity pool price assumptions. A favourable and unfavourable change of 15% (31 December 2018: 15%) would cause the balance of the energy contracts to rise by HK$848 million (31 December 2018: HK$596 million) and decline by HK$839 million (31 December 2018: HK$577 million) respectively, with all other variables held constant.

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors of CLP Holdings Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements (the "Interim Financial Statements") set out on pages 32 to 57 which comprise the consolidated statement of financial position of CLP Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the Interim Financial Statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the Interim Financial Statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 6 August 2019

Scheme of Control Statement – Unaudited

The electricity related operations of CLP Power Hong Kong and CAPCO have been governed by the SoC Agreements with the Hong Kong Government, a summary of which is set out on pages 283 and 284 of the 2018 Annual Report. The calculations shown below are in accordance with the SoC and the agreements between the SoC Companies.

	Six months ended 30 June	
	2019	2018
	HK$M	HK$M
SoC revenue	**18,952**	19,590
Expenses		
Operating costs	**2,492**	2,052
Fuel	**6,375**	6,399
Purchases of nuclear electricity	**2,583**	2,401
Provision for asset decommissioning	**119**	186
Depreciation	**2,363**	2,487
Operating interest	**484**	493
Taxation	**780**	960
	15,196	14,978
Profit after taxation	**3,756**	4,612
Interest on increase in customers' deposits	**2**	–
Interest on borrowed capital	**551**	523
Adjustments required under the SoC (being share of profit on sale of electricity to Mainland China attributable to the SoC Companies)	**–**	(34)
Profit for SoC	**4,309**	5,101
Transfer from Tariff Stabilisation Fund	**248**	418
Permitted return	**4,557**	5,519
Deduct interest on		
Increase in customers' deposits as above	**2**	–
Borrowed capital as above	**551**	523
Tariff Stabilisation Fund to Rate Reduction Reserve	**7**	3
	560	526
Net return	**3,997**	4,993
Divisible as follows:		
CLP Power Hong Kong	**2,696**	3,423
CAPCO	**1,301**	1,570
	3,997	4,993
CLP Power Hong Kong's share of net return		
CLP Power Hong Kong	**2,696**	3,423
Interest in CAPCO	**911**	1,099
	3,607	4,522

Information for Our Investors

Financial Diary – 2019 Interim Results and Second Interim Dividend

Publication dates

Interim results and second interim dividend announcement	6 August 2019
Interim report available online:	13 August 2019

- CLP website: www.clpgroup.com ("Investors Information" section)
- Hong Kong Stock Exchange website: www.hkexnews.hk

Interim report posted to shareholders	21 August 2019

Dividend-related dates

Ex-dividend date	2 September 2019
Latest time for lodging share transfer documents for registration	3 September 2019 (Not later than 4:30 p.m.)
Book close date	4 September 2019
Payment date	13 September 2019

Share Listing

Shares of CLP Holdings are:

- listed on the Stock Exchange of Hong Kong;
- eligible for Southbound trading through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect; and
- traded over the counter in the United States in the form of American Depositary Receipts.

Our Stock Code

The Stock Exchange of Hong Kong	: 00002
Bloomberg	: 2 HK
Reuters	: 0002.HK
Ticker Symbol for ADR Code	: CLPHY
CUSIP Reference Number	: 18946Q101

Company's Registrars

Computershare Hong Kong Investor Services Limited

Address	: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone	: (852) 2862 8628
Facsimile	: (852) 2865 0990
Email	: hkinfo@computershare.com.hk

Contact Us

Address	: 8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong
Telephone	: (852) 2678 8228 (Shareholders' hotline)
Facsimile	: (852) 2678 8390 (Company Secretary)
Email	: cosec@clp.com.hk (Company Secretary) ir@clp.com.hk (Director – Investor Relations)

Choice of Language and Means of Receipt of Corporate Communications [1]

The Company's future corporate communications – you can ask to change [2] your choice of

(a) language (English and / or Chinese); and / or

(b) means of receipt (in printed form or by electronic means through our website).

You can make the above request(s) at any time, free of charge, by writing to the Company or the Company's Registrars or email to cosec@clp.com.hk or clp.ecom@computershare.com.hk.

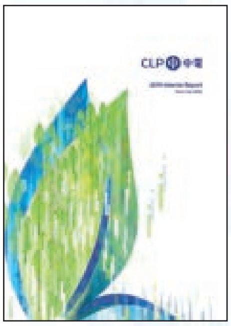
If your shares are held in joint names, such notice must be specified and signed by all joint holders whose names stand on the Register of Shareholders of the Company in respect of the joint holding in order to be valid.

Should you have any difficulties in accessing the corporate communications electronically, please ask us for a printed form and we will promptly send you the corporate communications free of charge.

Notes:

1 Corporate communications refer to Interim / Annual Reports, Quarterly Statements, notices, documents or other shareholder publications of the Company (including any "corporate communication" as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

2 Your change request applies to the next batch of corporate communications if we have at least seven days written notice of your request, otherwise, it will apply to the subsequent batch of corporate communications.



The cover of our 2019 Interim Report shows a foliage of leaves, depicted in a digital abstract design, to manifest our ongoing transformation into a Utility of the Future through the decarbonisation and digitalisation of our business.

CLP Holdings Limited
中電控股有限公司

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