Announcement of Interim Results as from 1 January 2011 to 30 June 2011, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings for the first half of 2011 increased by 12.7% to HK$5,000 million, while total earnings (which include one-off items) decreased 2.0% to HK$5,800 million.
- Consolidated revenue rose by 45.7% to HK$40,245 million.
- Earnings from our electricity business in Hong Kong increased by 3.3% to HK$3,114 million. Including those businesses supporting the Hong Kong electricity business, these earnings rose by 2.8% to HK$3,486 million.
- Earnings from our businesses outside Hong Kong increased by 40.9% to HK$1,726 million.
- Second interim dividend of HK$0.52 per share.

CHAIRMAN'S STATEMENT

I am pleased to report on a solid performance from CLP Holdings during the six months to 30 June 2011.

During this period, the Group's operating earnings were HK$5,000 million, an increase of 12.7% compared with the corresponding period in 2010. This reflected growth in earnings from our increased investment in Australia, supported by a rise in earnings from our electricity businesses in Hong Kong and in India.

The Group's total earnings for the first half of 2011 were HK$5,800 million, a slight decline from the same period in the previous year, due to the effect of differences in one-off events between the two periods, which are explained in greater detail later in this Announcement.

Investing in our future – the past six months

As shareholders will know, our overall strategy is to ensure a continued focus on the enhancement of our core Hong Kong electricity business, accompanied by targeted investments in our major business streams outside Hong Kong. In the first half of this year, 34.5% of the Group's operating earnings have come from outside Hong Kong. This demonstrates both the increasing importance of these activities and the ongoing significance of the contribution made by our Hong Kong electricity business. I have previously remarked that all of the markets in which CLP is currently engaged offer promising opportunities for investment and long-term growth. Behind the headline numbers of this Announcement lies a theme of ongoing investment across the entire range of the Group's activities – reinforcing our present position in those markets and laying the foundations for future growth.

Some examples of the investments we have made in the first six months of 2011 will serve to illustrate this point. In Hong Kong, we have invested over HK$3.1 billion in our generation, transmission and distribution networks, as well as in frontline customer services. In the Chinese mainland, our wholly-owned 330MW hydro project at Jiangbian in Sichuan Province started full commercial operation in June. Construction works at our wholly-owned 50MW Qian'an II wind project were completed, with commissioning expected in the near future. In addition to these wholly-owned projects, in July we announced the acquisition of a 17% shareholding in the 6,480MW nuclear project in Yangjiang, Guangdong, in joint venture with China Guangdong Nuclear Power Holding Company, Limited (CGNPC) with whom we have established a strong relationship which now goes back two decades to our successful cooperation at Daya Bay, the first nuclear power station of commercial scale in the Mainland.

In March, we completed the acquisition, through our TRUenergy subsidiary, of the EnergyAustralia gas and electricity retail business from the New South Wales Government, as well as the Delta Western GenTrader contract for rights to 2,400MW of generating capacity together with two power station development sites. This was a major investment, at a consideration of A$2.181 billion following completion adjustments, which gives TRUenergy competitive scale in New South Wales (NSW), Australia's largest energy market, and solidifies TRUenergy's position as one of the top three national retailers and generators in Australia. In July, TRUenergy agreed to acquire a substantial interest in coal seam gas reserves in NSW from Santos, one of the leading operators and producers of coal seam gas in Australia. The acquisition provides TRUenergy with upstream gas reserves which will support its generation and gas retail operations into the future and promote our objective of building a diversified and integrated energy business in Australia.

In India, our wind farms at Samana II (50MW), Saundatti (72MW) and Harapanahalli (40MW) were all commissioned – reinforcing CLP India's standing as the leading wind energy investor in India, whether foreign or domestic.

The overall theme of the Group's performance in the first half of this year is one of strong operating performance, backed by ongoing investment. However, we are prepared, whenever this will unlock shareholder value and release capital for allocation elsewhere, to harvest existing investments on a selective basis. We demonstrated this last year with the sale of CLP's 70% shareholding in the Anshun II coal-fired power station in Guizhou, PRC. In similar vein, in April 2011 we completed the sale of our 13.36% effective interest in Electricity Generating Public Company Limited (EGCO) of Thailand. The challenges to becoming a majority shareholder in EGCO, combined with competing demands for CLP's capital elsewhere, supported the strategic decision to divest our interest for a consideration of HK$2,122 million. We realised a gain of HK$876 million which is included in the Group's total earnings for the period under review. We are also proactive in restructuring existing joint ventures and investment where this will lead to enhanced opportunities for our shareholders. With effect from 1 July 2011, we brought to a close our wind energy development joint venture with Hydro Tasmania, known as Roaring 40s. As part of this separation TRUenergy expanded its renewable energy portfolio by 144MW by acquiring ownership of the Waterloo wind farm and a 50% stake in the Cathedral Rocks wind farm together with a pipeline of around 400MW of projects at various stages of development.

Investing in our future – the months ahead

This policy of substantial, yet prudent and selective, investment across the Group will be continued in the months ahead. For instance, in Hong Kong, we are moving forward with the investment in generation infrastructure which will be necessary to allow our combined-cycle gas turbines at Black Point to accommodate the differing sources of natural gas which will arrive as the Memorandum of Understanding (MOU) between the Hong Kong SAR Government and the Central People's Government regarding Hong Kong's future energy supply is implemented. An example of this will be the work on a new Gas Receiving Station (GRS) at Black Point which will assist in migration from the Yacheng gas to the various new gas supplies from the Chinese mainland. In the Mainland, we expect an additional 146MW of wind power to enter commercial operation within the next 12 months and we await approval from the National Development and Reform Commission (NDRC) for an additional 1,320MW of ultra-supercritical generating capacity at Fangchenggang II. In India, our 1,320MW coal-fired power station project at Jhajjar should start to enter commercial operation in the first half of next year. Within the same period we expect to add around 270MW of operating wind farms to our renewable energy portfolio. In Thailand, whilst we have withdrawn from EGCO, our interest in renewable energy remains. The 55MW Lopburi solar plant, in which we have a one-third stake as well as responsibility for project management, will start commissioning in phases between now and May 2012.

In Australia our focus in the coming months will remain the integration of the Delta Western GenTrader contract and the EnergyAustralia retail business within our existing TRUenergy business. In addition we are examining the implications for TRUenergy, in particular our brown coal-fired power station at Yallourn, of the Federal Government's revised carbon policies announced on 10 July. This issue is discussed in more detail later in this Announcement, including at Note 2 to the Financial Statements. At this stage, I note that the proposals still need further detailing and development and to go through the Parliamentary legislative process. I would also observe that, as matters stand, it remains uncertain whether those proposals will provide the necessary certainty to support and encourage the major investment in power generation infrastructure which Australia needs – whether to meet Australia's energy demand during the decade ahead or, more ambitiously, to accelerate Australia's move towards low-carbon generation.

A resilient business in challenging times

In this statement I have painted a picture of substantial and ongoing investment across the Group. I have described your Company as one which has reached beyond its Hong Kong base to establish a broad regional footprint across a range of technologies, differing fuel types and varying markets.

Looking ahead, I believe this approach will continue to serve us well. Amongst other benefits, this offers a degree of assurance against the challenges and difficulties we encounter in individual markets. Even so, we recognise that the power sector is characterised by increasing risks and challenges. The rapid and unprecedented rise in energy demand from developing economies in Asia, most notably China and India, provides tremendous opportunities for companies such as CLP. At the same time, the energy sector is characterised by considerably greater volatility than might have been the case 10 or 20 years ago. In that regard, governments, politicians and society as a whole will need to come to terms with the impact and implications of a broad upward trend in energy prices. I am not sure that the full implications of higher energy prices, including the resulting economic cost and the growing need for energy efficiency, have been fully appreciated. CLP will continue to apply all its expertise towards the effective management of energy costs and the mitigation of increases in electricity prices. However, we, no more than any power company, are not immune to upward movements in global energy costs, nor can we shield our off-takers or customers from their consequences.

CLP has performed well in the first half of 2011. Our business is well-balanced, our differing business streams are operating well and we are investing for our future. The scale, nature and diversity of our portfolio cannot safeguard CLP against the effects of policy change, rising fuel costs, growing environmental concerns, the advent of disruptive technology or evolving public expectations. Nonetheless, our financial strength, operating skills and presence across a range of markets, fuels and technologies give us the resilience and the confidence to move forwards through changing and demanding times.

The Hon. Sir Michael Kadoorie

PERFORMANCE & OUTLOOK

We deploy our experience and expertise to maximise the performance of our assets and investments to realise our strategy. This section describes CLP's operational performance in Hong Kong, Australia, the Chinese mainland, India and Southeast Asia and Taiwan over the first six months of 2011 and our outlook for the second half of the year across each of these businesses.

Electricity Business in Hong Kong

In the first six months of 2011, local sales of electricity were 14,345 gigawatt hours (GWh), an increase of 1.0% over the same period last year. The sales growth in general was supported by the continued strong economy and increased cooling load in the residential sector arising from the hot weather in the second quarter. The overall growth was offset by a drop in sales within the commercial sector attributable to reduced air-conditioning load in the first quarter from the cold weather and a decline in sales within the manufacturing sector.

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

	Increase/(Decrease)		As Percentage of Total Local Sales
Residential	161GWh	4.4%	26.5%
Commercial	(43GWh)	(0.7%)	41.2%
Infrastructure & Public Services	54GWh	1.4%	26.0%
Manufacturing	(29GWh)	(3.1%)	6.3%

Sales to the Chinese mainland amounted to 848GWh, representing a reduction of 40.8% as compared to the same period last year. This was primarily due to lower contract volume for 2011, compared with 2010, under our existing sales contract with Guangdong Power Grid Corporation.

Total electricity sales, including both local sales and sales to the Chinese mainland, decreased by 2.8% over the period to 15,193GWh.

With effect from 1 January 2011 there was a 2.8% average net tariff increase. Despite ongoing inflationary pressure on operating costs the basic tariff remains unchanged and continues to be lower than the level during the mid-1990s. The fuel clause charge was raised by 2.6 cents per unit of electricity, due to rising international fuel prices. The fuel clause charge adjustment is necessary to reflect the costs of fuels for generating electricity. The fuel clause charge is directly passed through to customers. CLP makes no profit on fuel. We continue to work hard to ensure our customers enjoy a stable and competitive tariff through stringent cost control and the enhancement of operational efficiency.

To enhance supply quality and reliability, as well as to provide for demand created by infrastructure development projects, CLP incurred HK$3.1 billion of capital expenditure in generation, transmission and distribution networks, as well as customer services and other supporting facilities during the period. Major projects included:

- ongoing transmission and distribution projects to meet growth in demand arising from infrastructure and property developments; and
- reinforcement of existing networks to improve resilience against ageing and adverse weather.

Work continues on securing gas from the three sources contemplated under the MOU. Discussions with CNOOC on both short-term and long-term replacement gas supplies have advanced, and negotiations on the long-term gas supply from PetroChina are nearing completion. In addition, a commercial arrangement with PetroChina for the West-to-East pipeline to deliver gas to Black Point Power Station has reached the final stages of discussion. Site selection work on the Shenzhen Liquefied Natural Gas terminal continues.

The Government has approved the construction of a new gas receiving station (GRS) and the updated cost for the associated Black Point Power Station plant modifications. The plant modification for the first unit at Black Point Power Station was successfully completed in early June 2011. This modification, together with a new turbine control system, will enable migration from the Yacheng gas to various new gas supplies from the Chinese mainland. The second unit of plant modification at Black Point Power Station will commence in September 2011. For the GRS, detailed design is nearing completion. Final purchase orders for bulk materials and equipment are being placed. Site preparation and foundation works for the GRS are making good progress. The relocation of the existing gas facilities to enable work to begin on the new GRS is expected to be completed by October 2011.

In September 2010, the HKSAR Government launched a public consultation on Hong Kong's Climate Change Strategy and Action Agenda. The consultation document proposed an overall 50 to 60% carbon intensity reduction for Hong Kong by 2020. For the power sector, the Government proposed a fuel mix target of 50% nuclear, 40% gas, 3 to 4% renewable energy and not more than 10% coal by 2020. The consultation process was completed at the end of December 2010. The Government is presently considering the views expressed before finalising its intended policy direction. CLP responded constructively to the consultation document (see our response "Clean Energy" on our website).

CLP is in favour of a balanced mixture of fuel sources and a generating capacity which meets our society's need for an electricity supply which is secure, adequate, reliable, cost-effective and environmentally responsible as regards both local air quality and climate change. Different fuel types have different characteristics; there is no single fuel source or generating technology which by itself can satisfy Hong Kong's electricity needs in every respect.

CLP will continue to be an honest, informed and authoritative contributor to the debate about the energy choices which Hong Kong must make and the implications of those choices. Once these choices have been made, CLP will implement the policy direction in an expert, responsible, safe and cost-effective manner. CLP will add value not only in the way in which energy is generated, but also in helping our customers and the public to use energy wisely.

In support of the Government's efforts to promote wider adoption of electric vehicles (EVs), the EV leasing scheme was launched in January 2011 in which five corporations signed up to become partners. The scheme covers leasing of CLP's EVs for a period of one year with the option of then purchasing the leased EV.

As the global trend of power grid modernisation continues, CLP has embarked on the integration of transmission, distribution and metering infrastructures through the use of cutting edge digital and communication technologies supported by advanced monitoring and management solutions. Our smart grid experience centre, which is the first exhibition and education facility of its kind in Hong Kong, was opened in March 2011. This will help to raise public awareness of smart grid technologies by showcasing their features and benefits and providing demonstrations.

Following the success of phase one of the Town Island project which consisted of a 20kW solar photovoltaic panel system, construction of the second phase has commenced and is expected to be completed by 2012. The second phase comprises a further 572 solar panels and two wind turbines totalling 192kW.

The roll-out of our Emission Management Information System has further improved the integrity and robustness of our emissions data reporting. We will continue to look into other areas such as emissions data measurement and transmission to explore further improvement in order to ensure CAPCO stays at the forefront of environmental management initiatives.

Work is ongoing on the feasibility study for an offshore wind farm of up to 200MW near Sai Kung. Contracts have been awarded for the fabrication and installation of a temporary offshore wind data collection mast to collect detailed site environmental data. The data collection mast is designed with a suction caisson foundation to minimise disturbance to the seabed and the general environment.

Our major plans and activities for the second half of 2011 include:

- continuing to closely monitor fluctuations in gas availability from the existing Yacheng gas field and prudently manage gas usage prior to the arrival of replacement gas;
- accelerating the pace of work on securing the three gas sources outlined in the Inter-Government MOU signed in August 2008, including progressing contracts for gas supply, and the commercial arrangement and technical development of the related pipeline infrastructure;
- enhancement of stakeholder engagement activities and communication plans in relation to nuclear safety to reinforce public confidence in nuclear power and its ability to meet Hong Kong's energy demands safely and securely;
- engaging with the HKSAR Government on a practical plan for meeting climate change goals and achieving air quality objectives;
- taking forward innovative initiatives such as EV market development, pilot smart grid projects and supporting the development of local renewable energy projects;
- stepping up efforts towards achieving and promoting energy efficiency through public education and the provision of energy efficiency related services; and
- managing critical business issues, including tariff, environment and electricity market development, through excellence in operations, as well as clarity and credibility of communications.

Energy Business in Australia

On 1 March 2011, TRUenergy completed the A$2.181 billion (after adjustments) acquisition of EnergyAustralia Retail, the largest electricity retailer in NSW, as well as the Delta Western GenTrader contract for the Mount Piper (1,400MW) and Wallerawang (1,000MW) coal-fired power stations and two power station development sites. The acquisition of a third development site is expected to be completed during August 2011.

Integration of the acquired businesses into TRUenergy is being overseen by an Integration Management Office. A NSW office has been established to facilitate management of a Transition Services Agreement (TSA), which will run for up to a period of three years. As part of the sale process, that part of the EnergyAustralia business retained by the NSW Government has been re-branded as Ausgrid. Under the TSA, Ausgrid staff will continue to provide service to existing EnergyAustralia customers.

The GenTrader contract has now been fully integrated into TRUenergy and is being managed as part of TRUenergy's overall generation portfolio. The focus over the coming six months will be on integration of the sales and marketing functions and the wholesale business to allow TRUenergy to drive the strategic direction of the broader integrated business.

The NSW Independent Pricing and Regulatory Tribunal handed down its final price determination on 14 June. The determination allows average increases in regulated prices of 17.9% for EnergyAustralia residential and small business customers from 1 July 2011 prices. This comprised a 9% increase for higher network costs and 6% due to the increased costs associated with the Australian Government's Renewable Energy Target scheme.

The Australian Government announced its two-stage carbon policy framework on 10 July. The proposed framework, which still needs to pass through Parliament, will involve a carbon tax for the first three years beginning on 1 July 2012, to be followed by an emissions trading scheme.

Key elements of the carbon policy announcement are:

- a default target of 5% abatement against year 2000 CO_2 emissions by 2020;
- a fixed carbon price of A$23 per tonne for the first three years, beginning on 1 July 2012. There will be a real annual increase in the carbon price of 2.5%;
- from 1 July 2015 Australia will move to an emissions trading scheme with the carbon price set by the market;
- up to 50% of emissions permits under the scheme may be purchased from international markets;
- an Energy Security Fund will be established to administer:
    - transitional assistance provided for generators with emissions intensity between 1 tonne/MWh and 1.3 tonnes/MWh. A$1 billion will be provided as cash compensation in the first year and 41.7 million permits will be made available annually for four years beginning from 2013/2014. TRUenergy is expected to receive around 25% of this assistance; and,
    - a payment for closure programme whereby the Australian Government will negotiate for the closure of 2,000MW of electricity generation capacity by 2020. To be eligible generator intensity needs to be at least 1.2 tonnes/MWh.

TRUenergy will receive financial support and an allocation of free permits over the first five years of the scheme. Under the previous Electricity Sector Adjustment Scheme proposed as part of the 2009 Carbon Pollution Reduction Scheme, CLP would have received transitional assistance over 10 years. There are fewer permits under the new Energy Security Fund package, but the criteria for receiving permits has been reduced to make the package more targeted at higher emissions intensive generators, particularly brown coal-fired power stations.

The Australian Government's proposals need further detailing and development and to go through the Parliamentary legislative process. Legislation is expected to be presented to Parliament during the Spring Sitting which begins in mid-August. If introduced in mid-August, it is likely to have received royal assent and to become law in early September.

TRUenergy's proposal to build a solar plant of up to 180MW in Victoria was unsuccessful in a competitive process to secure funding in Round 1 of the Australian Government's Solar Flagships Program. The Mallee Solar Park proposal had been shortlisted under the Federal programme and had received the support of the Victorian State Government. On 18 June, the Government announced the two successful Round 1 projects. TRUenergy will continue to work with all levels of Government to assess options to progress the Mallee Solar Park proposal, including in Round 2 of the Solar Flagships Program.

At Yallourn, Unit 4 underwent a major 60-day outage during April and May. This included the installation of new high and intermediate pressure turbines and a double unit outage to complete works on cooling tower 3. Based on initial testing in June the redesign and repacking of the cooling tower has resulted in a significant improvement in the water tower's performance. Work on the new Maryvale coal field progressed to schedule during the first half of the year and included the development of the Maryvale embankment and conveyor systems.

Tallawarra and Hallett Power Stations, and the Iona Gas Plant have all performed well during the first half of 2011. Gas turbine "C" inspection planning for the major outage at Tallawarra in the third quarter is progressing to schedule. The 2011 shutdown at Hallett was completed successfully and the expansion project involving the commissioning of an additional gas turbine has been incorporated smoothly into plant operations. This expansion has added 23MW to the capacity of the power station. The Iona gas storage and processing facility successfully completed its major outage for 2011 with a full plant shutdown to allow the completion of inspection and maintenance work.

System Integration Testing for Project Odyssey, TRUenergy's new retail customer service and billing platform, continues and has achieved 80% completion at the end of June. The project is now preparing for TRUenergy User Acceptance Testing which will commence in September. An early release of Odyssey complaints system (INFRA) and associated reporting solution (retail data warehouse) occurred during June to assist the retail business with day-to-day activities. The early release will also help the project assess the critical support processes ahead of a full Odyssey roll-out which is targeted for early 2012.

The new Victorian State Government is reviewing the future of the Victorian Advanced Metering Infrastructure (AMI) Programme. While this occurs the roll-out of smart meters to small customers has continued to progress as originally planned and was ahead of the 25% mandated target for mid-2011.

TRUenergy's Retail Strategy Team is participating in the government review process and is also conducting research into customers' needs and perceptions around energy, energy management and smart meter technologies. This will be critical to the development of TRUenergy's plans to trial a range of customer offerings that will be enabled by smart meters.

Within TRUenergy, the immediate focus for AMI is on operational readiness and the implementation of a new Meter Data Management System (MDMS). The MDMS is scheduled for completion by the end of 2011.

CLP and Hydro Tasmania entered an agreement to end the six-year-old Roaring 40s wind farm development joint venture in April following a strategic review. The disaggregation of the Roaring 40s joint venture between CLP and Hydro Tasmania was completed on 30 June 2011. This resulted in a gain of HK$337 million which has been recorded in the interim accounts.

Under the disaggregation the assets were divided to allow both businesses to pursue their wind development objectives separately. The Waterloo wind farm and Roaring 40s' share in the Cathedral Rocks wind farm, as well as a number of development opportunities on the Australian mainland, will be integrated into the TRUenergy generation portfolio. Hydro Tasmania has taken ownership of the operating wind farms at Studland Bay and Bluff Point (previously known as Woolnorth) in north-west Tasmania together with a share of development opportunities there.

On 18 July TRUenergy announced that it had entered an agreement to acquire an effective interest in over 500 petajoules of coal seam gas reserves in the Gunnedah basin in northern NSW for A$284 million from gas producer Santos.

This was part of the binding agreements by Santos to acquire 100% of outstanding ordinary shares in coal seam gas company Eastern Star Gas (ESG), with the subsequent sale to TRUenergy of a 20% working level interest in key ESG production and exploration permits and others assets.

Two U.S. private placements were completed, raising US$270 million with funding on 20 December 2010 and 24 January 2011 and the second raising US$225 million with funding on 17 March 2011. The tenor of the financing ranges from 8 to 15 years.

Bank refinancing for A$2.05 billion was completed on 28 June 2011. The new debt facilities comprise a A$700 million three-year working capital facility and a A$1.35 billion revolving facility split equally over three, four and five years.

In the second half of 2011, TRUenergy will continue to focus on:

- integrating the EnergyAustralia sales and marketing functions and the wholesale business into TRUenergy and continuing to effectively manage the TSA to achieve a smooth ownership transition of EnergyAustralia into TRUenergy;
- managing the Delta Western GenTrader contract as part of the TRUenergy portfolio;
- achieving customer growth and maintaining retail margins;
- effectively and efficiently managing our operations;
- maintaining the delivery of Project Odyssey (our new retail customer services and billing platform) as planned;
- integrating the Waterloo and Cathedral Rocks wind farm assets into the TRUenergy portfolio; and
- completion of TRUenergy's acquisition of a 20% working level interest in key ESG production and exploration permits and others assets.

Chinese Mainland

With the start of the 12th Five-Year Plan period the Mainland economy is expected to continue to grow steadily. Double-digit growth in electricity demand and consumption was maintained in the first half of 2011 and a generally balanced supply-demand of electricity is expected to continue nationwide during 2011. However, power shortages may occur in certain areas due to a combination of high demand growth, low rainfall and high coal prices which affect hydro and coal-fired power stations respectively. The on-grid tariff increases in 15 provinces on 10 April 2011 and the increase in retail tariffs (except for residential users) on 1 June 2011 provided slight relief to the pressure of high coal prices on coal-fired plants.

Coal production increased by 13% year on year in the first half of 2011. It is expected that the supply of coal will be generally sufficient for demand, but shortage in coal supply is expected to occur in certain regions constrained by transportation. Chinese mainland domestic coal prices were stable at the beginning of the year, but have since increased with greater demand as we enter the summer months.

The People's Bank of China is expected to continue its prudent monetary policy in 2011 by maintaining high levels of RMB deposit reserve requirement ratio and benchmark interest rate for deposits and lending in order to ease excessive liquidity and help curb increasing inflation and asset bubbles. Consequently the capital markets in the Mainland are expected to experience tightened liquidity and increases in funding costs.

The safe operation of Daya Bay was not affected by the earthquake that occurred in Japan in March 2011. It has remained under normal operation throughout the first six months of the year. Following the Fukushima incident, a comprehensive safety review was conducted by the National Nuclear Safety Administration (NNSA), the nuclear safety regulator in the Mainland, at all nuclear power stations including Daya Bay. It is expected that the final result of the review will be submitted to the State Council before year end. Preliminary results confirmed that the design and operation of Daya Bay were in full compliance with the existing national regulations and standards. Prior to NNSA's review, Daya Bay had also conducted its own internal review to ensure its safe operation.

Earlier in the year in January, an enhanced notification mechanism was put into effect to provide information on the website of Hong Kong Nuclear Investment Company Limited on any non-emergency licensing operational events, that is to say events with no nuclear safety consequences and no impact to the external environment or public safety, at Daya Bay within two working days following their occurrences. This was a change to the previous practice of providing the information in the following month. It is to be noted that matters of an emergency nature would be handled according to the established protocols between the HKSAR Government and the relevant authorities in the Mainland.

After careful review, the decision was made to acquire a 17% interest in the nuclear power project in Yangjiang, Guangdong and will set up a joint venture with CGNPC, the long time partner of CLP in Daya Bay. The Yangjiang Nuclear Power Station is located in the west of Guangdong, approximately 220 kilometres away from Hong Kong, and will comprise six units of 1,080MW pressurised water reactors. CLP had shown its interest in the project in July 2010 when a memorandum of understanding was entered into with CGNPC. The project will supply power to the market of Guangdong and serves to help achieve the environmental target of the Guangdong Province. The mature Chinese pressurised water reactor technology (CPR 1000) will be used in the project. The safe and reliable performance of Daya Bay over the past 17 years has given CLP confidence in the CPR 1000 technology and in CGNPC's capabilities in the construction and the operation of the power station. The experience and technical know-how gained over the years of operation are also important factors taken into consideration. The technology has been approved by NNSA.

Construction of CLP's wholly-owned Jiangbian hydro project (3 x 110MW) in Sichuan Province was completed on 23 June 2011 after the successful 72-hour test run of the third unit. All three units have now entered commercial service and are operating at full load. The first two units entered commercial service on 28 April 2011 and 11 June 2011 respectively. Completion of the project was five weeks ahead of schedule and the project cost was within budget.

The Fangchenggang Power Station has operated reliably so far this year, with utilisation generally similar to the corresponding period last year. We have conducted trials with a wider range of coal types than originally intended for the plant and demonstrated the ability to use sub-bituminous types that are available at somewhat lower prices than standard bituminous coal. The stable operating performance of Fangchenggang, coupled with its ability to source competitively-priced international coal, has supported CLP's aim to move forward with the development of Fangchenggang II, an additional 1,320MW of ultra-supercritical generating capacity. The Guangxi Government has submitted the project proposal for Fangchenggang II to the NDRC and approval is being awaited.

Approval for CLP's wholly-owned Qian'an II wind project (49.5MW) was obtained in February 2011. Erection of all 33 wind turbines and installation of substation equipment were completed, with pre-commissioning tests underway for energisation.

Construction of CLP's wholly-owned Penglai I wind project (48MW) is in progress and erection of wind turbines commenced in early June 2011. Rongcheng III wind project (49.5MW), in which CLP owns a 49% equity stake, successfully commenced operation in January 2011. Construction of Chongming Island wind project (48MW), in which CLP owns a 29% equity stake, commenced in May 2011.

Subsequent to modifications to the Shandong Boxing Biomass Plant, with the installation of an additional 15MW condensing turbine, operational flexibility and plant efficiency have been improved by allowing generation of electricity independently of steam sales. We have refined our fuel procurement strategy so that an improved supply of varied biomass fuels can be maintained at reasonable prices.

In February 2011 CGN CLP Energy Services (Shenzhen) Co. Ltd was established as a joint venture with CGNPC to further participate in the growing energy services market in the Mainland. Setting up this joint venture is a strategic move to grow our energy services business (enabling a range of services including consulting, implementation and provision of funding) while extending customer relationships and building the CLP brand in Southern China.

Looking ahead to the second half of 2011, the focus of our activities in the Mainland will be to:

- further improve the operating and financial performance of our power stations;
- maintain high despatch at Fangchenggang;
- reduce fuel costs by pursuing long-term coal supply contracts and sourcing alternative coal supplies;
- take forward the proposed development of Fangchenggang II;
- complete all regulatory processes for the establishment of the Sino-foreign joint venture for the Yangjiang project;
- follow-up with joint venture partners on any necessary actions that may arise from the NNSA comprehensive safety review of Daya Bay and Yangjiang;
- take Qian'an II wind project and Penglai I wind project towards commercial operation by the third quarter of 2011 and the fourth quarter of 2011 respectively; and
- continue to build our wind power portfolio by developing new wholly-owned or majority-owned projects, or by expansion of minority-owned projects at existing project sites.

India

The GPEC plant continues to perform well, with no major operational issues. However, due to the commissioning of several large coal-fired power projects in Gujarat, we have seen the despatching of the plant at lower levels than in the past.

The 50.4MW Samana II wind farm was fully commissioned on 31 January 2011 and is now feeding power into the grid under the terms of a long-term agreement with the State utility. 72MW of the wind farm at Saundatti has achieved commissioning. Construction of the remaining 10.4MW of capacity is awaiting allocation of land by the Government.

On 25 February 2011 the 39.6MW Harapanahalli wind farm in Karnataka was fully commissioned. Construction continues at our 113.6MW wind project at Andhra Lake with commissioning still expected to occur later this year.

CLP India signed agreements with Enercon India Limited in February 2011 for two new wind projects that are located in Andhra Pradesh (Project Narmada – 50.4MW) and Rajasthan (Project Sipla – 102.4MW). Land acquisition is in progress and preliminary construction activities have commenced. Both projects are expected to be commissioned in the first quarter of 2012.

Construction of the Jhajjar project has continued under difficult conditions due to shortages of local labour. However, virtually all equipment is now on site and we are still working towards the original schedule for commercial operation of the two units during the first half of 2012. The substation was successfully energised on 6 June and this allows commissioning activities to proceed. Jhajjar safety management remains one of our greatest challenges due to relatively low prevailing standards of safety culture in the area. We have therefore introduced additional programmes such as an initiative where all CLP employees walk the site daily, specifically looking for safety-related issues.

The original terms for the Jhajjar project required all coal to be supplied from domestic sources. It now appears, however, that there will be a shortfall in domestic supply and there may need to be some imported coal. We are in close contact with the relevant Indian authorities to determine a level of imported coal that is technically acceptable within the design of the boilers and to agree the means of importation and delivery. It is important that these issues are resolved in the near future.

In the coming months, the focus of our activities will be to:

- manage the construction of the Jhajjar project towards commissioning in the first half of 2012 and to resolve the coal supply issues;
- complete our wind projects at Andhra Lake and Saundatti; and
- secure long-term (5 to 10 years) gas supply contracts for GPEC.

Southeast Asia and Taiwan

CLP completed the divestment of its 13.36% effective interest in EGCO in early April 2011 along with an associated restructuring of our OneEnergy joint venture with Mitsubishi. The sale price for our share in EGCO of US$273 million (HK$2,122 million) has been received in full and a gain of HK$876 million was recognised.

Construction of the 55MW Lopburi solar plant in Thailand by NED, one-third owned by CLP, is on schedule for commissioning in phases during late 2011 to early 2012. Preliminary work for an 8MW expansion at an adjacent site is continuing.

Ho-Ping Power Plant achieved good operational and safety performance, but financial performance has been affected significantly by the major overhaul in the first quarter and high coal market prices. Ho-Ping will eventually be compensated for coal price increases through an energy tariff adjustment linked to the off-taker Taiwan Power Company’s coal price, but with a one-year delay.

We have been developing the Vung Ang 2 and Vinh Tan 3 coal-fired projects in Vietnam in partnership with Mitsubishi and other local entities. The feasibility study reports for both projects have been approved and we are negotiating details of the various project documents with the Vietnamese Government. We have also started negotiations on the engineering, equipment procurement, construction, financing and fuel supply that will be required to implement the projects.

The key tasks for the second half of 2011 will include:

- maintaining the good operational and safety performance of Ho-Ping;
- starting to commission the 55MW Lopburi solar project in Thailand and finalising arrangements for the 8MW expansion;
- finalising key contracts for the Vung Ang 2 project, assessing the economics and progressing negotiations with the Vietnamese Government on the project documents;
- obtaining proposals for the key contracts for the Vinh Tan 3 project and progressing negotiations with the Vietnamese Government on the project documents; and
- reviewing any opportunities in renewable energy that arise in the Indochina area.

Human Resources

As at 30 June 2011, the Group employed 6,185 staff (2010: 5,904), of whom 3,941 were employed in the Hong Kong electricity and related business, 1,934 by our businesses in Australia, the Chinese mainland, India, Southeast Asia and Taiwan, as well as 310 by CLP Holdings. Total remuneration for the six months ended 30 June 2011 amounted to HK$2,011 million (2010: HK$1,718 million), including retirement benefit costs of HK$147 million (2010: HK$131 million).

Safety

Safety performance, in terms of number of injury incidents, has been worse this year compared to the same period last year.

There were four fatal incidents in India. The investigation into the fatality of a subcontractor worker on 3 February 2011 at the Jhajjar site has been completed. The main area of concern relates to the control of temporary floor openings at height and improvement measures have been implemented. On 11 June there was one fatality to a contractor supervisor at the Andhra Lake wind farm project resulting from a vehicle accident. On 22 June there were a further two fatalities at the Jhajjar site. This accident involved two subcontractor workers who entered a confined space area of a coal mill at the boiler basement. Accident investigation panels have been set up to look into the incidents and resulting actions will be determined by the findings of the panel.

Safety management at the Jhajjar construction site continues to be a concern despite extensive efforts across all organisations that are involved. Various safety management reviews were conducted at the Jhajjar site in India, together with an initiative to increase the engagement of employees in the health and safety efforts.

In addition to these significant incidents, there were three other fatal incidents at assets in the Chinese mainland in which CLP holds minority ownership and minority operational controls. In March, there was one fatality at the Hongji project of China CGN Wind in Inner Mongolia, where a subcontractor engineer was electrocuted. Later in March, a fatality occurred when a subcontractor worker fell from height. In July, a fatality occurred at Wuluji wind farm of China CGN Wind where a contractor driver was involved in a traffic incident on a public road in Inner Mongolia.

In Hong Kong there were serious injuries to two subcontractor workers during work near an overhead power line and to two CLP employees in a flashover during routine switchgear maintenance.

Safety management systems of various assets continue to be aligned with the enhanced Group standard. Safety leading indicators, including pre-work risk assessment practices have been implemented and have been shown to reduce work safety risks. For example, a surveillance audit on the Yallourn safety management system in Australia was completed against the national standard and a gap audit was completed at Hallett in preparation for formal certification against the same standard. Various safety leadership workshops and site inspections were conducted at the Qian'an and Penglai wind farms in the Chinese mainland.

We were recognised as a Model Enterprise for Safety Culture by the Sichuan Provincial Government for efforts on the Jiangbian hydro project, being the only enterprise from Ganzi Prefecture to receive this award.

CLP received ten awards in Hong Kong for outstanding site safety performance through the Construction Industry Safety Award Scheme organised by the Occupational Safety & Health (OSH) Council and the Labour Department. CLP also received 13 awards in the Considerate Contractors Site Award Scheme organised by the Development Bureau of the Hong Kong Government. CLP employees also won the Silver and Bronze awards in the annual scheme for Outstanding Employees in OSH organised by the OSH Council. Whilst these awards are welcome recognition of the hard work of CLP staff in implementing and promoting safe working environments, more work is needed and will be undertaken to ensure that a safe working environment exists wherever we operate.

Environment

As environmental regulatory development and stakeholder expectations on environmental performance increase across the Asia-Pacific region, so do our responsibilities in managing these risks and expectations. Reporting requirements are increasing not only in the number of environmental aspects, but also in the level of detail and frequency of reporting. During the first half of 2011, we experienced some regulatory non-compliance at our Tallawarra facilities in Australia involving late information reporting and submission, not relating to any breaches of emissions limits or standards. This is being reviewed and rectified.

Climate Change

Our decision to reduce the carbon intensity of our generation portfolio entails a fundamental change in the way we do business and measure our performance. We met our 2010 carbon intensity target of 0.8kg CO_2/kWh and we are now working towards meeting our updated 2020 target of 0.6kg CO_2/kWh. Our target to have 20% of our generating capacity in non-carbon emitting sources by 2020 was met on 31 December 2010, 10 years ahead of schedule and so we have updated our non-carbon emitting target to 30% by 2020. At the start of this year, renewable energy accounted for 16.8% of CLP Group's generation portfolio, making good progress towards our renewable energy target of 20% by 2020.

In the first half of 2011, we have seen various developments in climate change related policies in the countries where we operate. China's 12th Five-Year Plan, adopted in March, set several new carbon and energy targets with 2010 as their baseline. It will increase the proportion of non-fossil fuels in energy consumption to 11.4% by 2015 and 15% by 2020 as well as reduce the CO_2 emissions per unit of GDP by 17% by 2015. In April, the Indian Bureau of Energy Efficiency implemented a three-year PAT (Perform Achieve & Trade) Scheme to improve energy efficiency in large energy-intensive industries, which include thermal power plants. In Australia, the government has announced a carbon tax of A$23 per tonne for 500 companies which will transition to a market-based trading scheme in 2015. Since CLP operates facilities in these countries, we will continue to monitor and assess these developments so that we can plan and respond to the economic, social and environmental challenges of our business. We will also review our Climate Vision 2050 targets again by 2013, in anticipation of further national developments, as well as more certainty on whether or not an international framework will continue to develop.

CLP continues to participate as one of the leaders in power generation in the Asia-Pacific region in the international climate change framework discussions through the World Business Council for Sustainable Development (WBCSD). CLP is a signatory of the WBCSD's Manifesto for Energy Efficiency in Buildings which calls on members to take voluntary action in improving energy efficiency in its buildings. In the first half of 2011, CLP commenced work to create an energy baseline for its commercial buildings, carrying out energy audits, working with building users in setting reduction targets and implementing energy efficiency initiatives.

In May, we submitted our response to the 2011 Carbon Disclosure Project (CDP), a programme in which we have participated since its inception in 2000. Our response includes an in-depth and transparent discussion of our carbon emissions, trends, risks, opportunities and management of the climate change issue within CLP and is publicly available on CDP's website.

Air Quality

In December 2010, the Emissions Control (EC) Project was completed at our Castle Peak "B" Power Station in Hong Kong which boosts its already high-standard emissions performance, making it one of the cleanest coal-fired power stations in the world. The EC Project includes retrofitting flue gas desulphurisation (FGD) equipment, nitrogen oxide reduction plant and other facilities. With the installation, sulphur dioxide (SO_2), nitrogen oxides (NO_x) and the respirable suspended particulates (RSP) are substantially reduced.

We continued our efforts to reduce air emissions from the facilities in our Group portfolio. Between 2009 and 2010 we reduced the emissions of SO_2 by 49%, NO_x by 10% and total suspended particulates by 6%. In Hong Kong alone, from 1990 to 2010 total emissions of NO_x, SO_2, and RSP fell by 85%, 85% and 82% respectively, despite total electricity demand rising almost 80%.

In the Chinese mainland we have made progress at our coal-fired generating units in optimising coal consumption rates and auxiliary power consumption through the fine-tuning of boiler combustion and equipment modification. FGD plant efficiency and reliability were maintained to minimise SO_2 emissions. We are also looking at installing selective catalytic reduction facilities on our new and existing generating units to further reduce NO_x emissions.

Water

Water and energy are intricately linked. We need water to generate energy and we need energy to extract, process and deliver clean water. Water is particularly important for power generation with thermal and hydropower projects resting on long-term assumptions about current and future water availability. With water risk being an important emerging issue, CLP is participating in the development and pilot of the WBCSD Global Water Tool for Utilities, which is scheduled to be launched later this year. CLP also participated in the 2011 CDP Water Disclosure Project which collects critical water related data from the world's largest corporations. We map our water usage and assess risks relative to our regional operations and supply chains by understanding our water needs in relation to local conditions, such as water availability (current and projected), water scarcity, access to safe drinking water sources and sanitation, as well as population and industrial growth.

Going forward, we will continue to build our capacity in monitoring, assessing and responding to the emerging issue of water risk.

Clean Energy Impacts

Every energy type will have its positive and negative environmental attributes and clean energy is no exception. The challenge with new technologies is that the full range of possible impacts are rarely predicted until there is more widespread implementation of these technologies. We are therefore strengthening our capability to follow developments in clean energy and implementation of renewable energy projects to anticipate possible unintended negative environmental impacts and to look for solutions to manage them. We will continue to apply expertise and innovation to address these concerns, and to ensure that we continuously act in an environmentally responsible manner.

FINANCIAL PERFORMANCE

Operating earnings increased by 12.7% to HK$5,000 million, benefiting mainly from the improved and expanded operations in Australia. Including the one-off items, total earnings attributable to shareholders reduced to HK$5,800 million, a 2.0% decrease.

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

	Six months ended 30 June				Increase/	
	2011		2010		(Decrease)	
	HK$M	**HK$M**	HK$M	HK$M	HK$M	%
Electricity business in Hong Kong (HK)		**3,114**		3,014	100	3.3
Electricity sales to Chinese mainland from HK	**11**		25			
Generating facilities in Chinese mainland serving HK	**361**		351			
Other power projects in Chinese mainland	**349**		458			
Energy business in Australia	**1,166**		461			
Electricity business in India	**183**		115			
Power projects in Southeast Asia and Taiwan	**28**		191			
Other earnings	**55**		53			
Earnings from other investments/operations		**2,153**		1,654	499	30.2
Unallocated net finance costs		**(17)**		(8)		
Unallocated Group expenses		**(250)**		(225)		
Operating earnings		**5,000**		4,435	565	12.7
Gain on sale of EGCO		**876**		-		
Gain on reorganisation of Roaring 40s		**337**		-		
Valuation gain on Hok Un redevelopment		**202**		-		
Stamp duty for NSW Acquisition		**(615)**		-		
Gain on sale of CLP Power China (Anshun)		**-**		400		
Tax consolidation benefit from Australia		**-**		989		
Yallourn coal mine subsidence insurance recovery		**-**		97		
Total earnings		**5,800**		5,921	(121)	(2.0)

Earnings from the HK electricity business grew slightly on higher average net fixed assets. This was partly offset by higher interest expenses on higher borrowings.

Rising coal prices in the Chinese mainland significantly affected the performance of our coal-fired projects. The tariff adjustments since mid-April 2011 for certain coal-fired projects and increased contributions from wind projects (due to expanded capacity) offset part of the decrease.

With additional contributions from the NSW retail business, the uplift of retail electricity and gas prices, and the favourable mark-to-market movement of energy derivatives, earnings from Australia more than doubled. The increase was partly offset by lower generation at Yallourn, lower contribution from Ecogen and higher operating and interest costs following the NSW Acquisition.

The increase in earnings from CLP India was mainly attributable to the translation gain of foreign currency receivables under the power purchase agreement of GPEC of HK$15 million (2010: loss of HK$37 million). The operating earnings of GPEC remained steady and reflected the sound performance of GPEC. Commissioning of additional wind projects made a positive, though lower than expected, contribution to earnings.

Lower earnings in Southeast Asia and Taiwan reflected the discontinued contribution from EGCO after its sale in February 2011. There was also a lower contribution from Ho-Ping due to higher coal prices and the effects of a major overhaul in the first quarter of 2011.

A gain of HK$876 million was recognised on the sale of our entire interest in EGCO. The reorganisation of Roaring 40s also gave rise to a gain of HK$337 million. The revaluation of the commercial section of the Hok Un redevelopment, namely the Fisherman's Wharf, added another gain of HK$202 million. On the other hand, stamp duty of A$78 million (HK$615 million) was paid in respect of the NSW Acquisition.

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

Consolidated Income Statement – Unaudited

		Six months ended 30 June	
		2011	2010
	Note	**HK$M**	HK$M
Revenue	*4, 5*	**40,245**	27,618
Expenses			
Purchases of electricity, gas and distribution services		**(19,088)**	(10,650)
Operating lease and lease service payments		**(5,187)**	(4,498)
Staff expenses		**(1,318)**	(1,066)
Fuel and other operating expenses		**(5,113)**	(3,426)
Depreciation and amortisation		**(3,024)**	(2,357)
		(33,730)	(21,997)
Other income	*6*	**628**	400
Operating profit	*7*	**7,143**	6,021
Finance costs		**(2,858)**	(1,958)
Finance income		**65**	36
Share of results, net of income tax			
Jointly controlled entities		**2,012**	1,264
Associated companies		**381**	335
Profit before income tax		**6,743**	5,698
Income tax (expense)/credit	*8*	**(940)**	228
Profit for the period		**5,803**	5,926
Earnings attributable to:			
Shareholders		**5,800**	5,921
Non-controlling interests		**3**	5
		5,803	5,926
Dividends	*9*		
First interim paid		**1,251**	1,251
Second interim declared		**1,251**	1,251
		2,502	2,502
Earnings per share, basic and diluted	*10*	**HK$2.41**	HK$2.46

Consolidated Statement of Comprehensive Income – Unaudited

	Six months ended 30 June	
	2011	2010
	HK$M	HK$M
Profit for the period	**5,803**	5,926
Other comprehensive income		
Exchange differences on translation	**2,050**	(1,023)
Cash flow hedges	**(369)**	(86)
Net fair value (losses)/gains on available-for-sale investments	**(43)**	8
Share of other comprehensive income of jointly controlled entities	**(370)**	(20)
Reclassification adjustments		
Sale of an available-for-sale investment	**(171)**	-
Sale of a jointly controlled entity	**(320)**	-
Sale of a subsidiary	**-**	(91)
Acquisition of additional interest in a jointly controlled entity to become a subsidiary	**-**	(17)
Other comprehensive income for the period, net of tax	**777**	(1,229)
Total comprehensive income for the period	**6,580**	4,697
Total comprehensive income attributable to:		
Shareholders	**6,575**	4,691
Non-controlling interests	**5**	6
	6,580	4,697

Consolidated Statement of Financial Position – Unaudited

	Note	**30 June 2011 HK$M**	31 December 2010 HK$M
Non-current assets			
Fixed assets	*11*	**131,061**	115,731
Leasehold land and land use rights under operating leases	*11*	**1,789**	1,729
Goodwill and other intangible assets		**26,386**	9,150
Interests in jointly controlled entities		**17,955**	20,476
Interests in associated companies		**1,547**	2,378
Finance lease receivables		**2,238**	2,286
Deferred tax assets		**1,259**	4,210
Fuel clause account		**58**	294
Derivative financial instruments		**3,402**	2,736
Available-for-sale investments		**1,489**	1,512
Other non-current assets		**148**	139
		187,332	160,641
Current assets			
Inventories – stores and fuel		**1,591**	751
Trade and other receivables	*12*	**19,701**	11,118
Finance lease receivables		**155**	144
Available-for-sale investments		**-**	336
Derivative financial instruments		**2,301**	1,609
Bank balances, cash and other liquid funds		**3,799**	4,756
		27,547	18,714
Current liabilities			
Customers' deposits		**(4,213)**	(3,979)
Trade and other payables	*13*	**(15,461)**	(11,344)
Income tax payable		**(245)**	(165)
Bank loans and other borrowings		**(9,471)**	(7,816)
Obligations under finance leases		**(2,124)**	(1,995)
Derivative financial instruments		**(2,394)**	(932)
		(33,908)	(26,231)
Net current liabilities		**(6,361)**	(7,517)
Total assets less current liabilities		**180,971**	153,124
Financed by:			
Equity			
Share capital		**12,031**	12,031
Share premium		**1,164**	1,164
Reserves			
Declared dividends		**1,251**	2,214
Others		**68,325**	64,252
Shareholders' funds		**82,771**	79,661
Non-controlling interests		**92**	97
		82,863	79,758
Non-current liabilities			
Bank loans and other borrowings		**56,303**	36,807
Obligations under finance leases		**25,405**	25,105
Deferred tax liabilities		**7,675**	7,590
Derivative financial instruments		**5,335**	1,079
Scheme of Control (SoC) reserve accounts		**671**	1,509
Other non-current liabilities		**2,719**	1,276
		98,108	73,366
Equity and non-current liabilities		**180,971**	153,124

Notes:

1. Basis of Preparation

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

The accounting policies used in the preparation of this set of condensed consolidated interim financial statements are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2010, except that the Group has adopted the following new/revised Hong Kong Financial Reporting Standards (HKFRS) standards and interpretations effective 1 January 2011:

- HKAS 24 (Revised) "Related Party Disclosures"
- HKICPA's improvements to HKFRS published in May 2010

The adoption of these new/revised HKFRS standards and interpretations has no significant impact on the results and the financial position of the Group.

The condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 16 August 2011.

2. Critical Accounting Estimates and Judgments

The Australia climate change policy as stated in the 2010 Annual Report is updated with the latest developments.

Australia Climate Change Policy

Introduction

Recent developments in climate change policy in Australia pose potentially significant financial risks to the Group's business in Australia. The position up to 31 December 2010 was disclosed on page 159 of the 2010 Annual Report.

Background

On 27 April 2010, the Australian Government announced that it did not intend to reintroduce the Carbon Pollution Reduction Scheme bill, previously defeated three times in the Senate, again before 2012. Slow progress towards a comprehensive global agreement as well as continued opposition domestically was cited as reasons for the delay. On 27 September 2010 the Australian Government announced the membership and terms of reference for the new Multi-Party Climate Change Committee (the "Committee") to explore options for the introduction of a carbon price (as the starting position of the Committee).

On 24 February 2011 the Committee released a proposal for policy architecture and implementation arrangements for a carbon pricing mechanism. The proposal focused on the high level framework, start date, potential mechanisms to enable the transition from a fixed to a floating carbon price, sectoral coverage and international linking arrangements.

On 10 July 2011 the Australian Government announced its revised carbon pricing mechanism and related policies, along with its transitional assistance package for the generation sector. The policies are wide-ranging and include revisions to income tax for Australian taxpayers as well as varied measures to address affected industries. With the package of assistance the Australian Government has acknowledged the need for transitional support for existing coal-fired generators and particularly for brown coal-fired power stations. The proposed carbon pricing mechanism if implemented will include the following elements:

2. Critical Accounting Estimates and Judgments (continued)

Australia Climate Change Policy (continued)

- From 1 July 2012 − a three years fixed carbon price period will commence, with annual surrender of permits and no permit banking. The anticipated fixed carbon price will start at A$23 per tonne and will be subject to revision.

- From 1 July 2015 − a floating carbon price period will commence including a 50% limit on the importation of international permits for surrender by domestic liable parties each year (until 2020).

- From 2014 the Australian Government plans to determine and release five years of emissions caps commencing 1 July 2015. It is anticipated that updated five year forecasts will be released on a rolling annual basis.

Draft legislation was released on 28 July 2011 for consultation and will be introduced into the Parliament during the Spring Sitting which begins in mid-August.

Potential Implications for TRUenergy

The possible introduction of climate change legislation may have a significant impact on TRUenergy's business, in particular on the Yallourn brown coal-fired generation business. It may result in a significant impairment of the business due to either a reduction in the earnings from a combination of reduced output and increased costs, not fully offset by higher electricity prices and/or a reduction in the useful life of the asset.

Uncertainty remains regarding the timing and structure of any climate change legislation. As such, the introduction of climate change legislation presents an unquantifiable, but potentially material risk to the Group. At 30 June 2011, no impact of climate change legislation has been reflected in the Group's financial statements (including impairment model cash flows, assumptions on discount rate, asset useful lives, outage rates and capital expenditure) on the basis that there is currently uncertainty in relation to the likely structure, timing and impact of any climate change legislation. The carrying amount of the Yallourn power station assets, which comprised a single cash generating unit, was A$1,710 million (HK$14,238 million) at 30 June 2011 (31 December 2010: A$1,656 million (HK$13,103 million)). Other parts of the Group in Australia may also be impacted adversely or favourably.

3. Business Combinations and Reorganisations

(A) New South Wales (NSW) Acquisition

On 14 December 2010 the Group entered into an agreement with the NSW Government to acquire 100% of EnergyAustralia Retail, the Delta Western GenTrader contract and Project Sites (the "NSW Acquisition"). The acquisition was completed on 1 March 2011 except for a development site, Mount Piper Extension, which is expected to complete in the second half of 2011.

EnergyAustralia Retail is an energy retailing business with a customer base of approximately 1.5 million billable connections across the east coast of Australia. The acquisition of EnergyAustralia Retail does not include EnergyAustralia's electricity distribution network, which will continue to be owned and operated by the vendor. The EnergyAustralia Retail business consists of the customer accounts and associated assets, but does not include the transfer of employees or physical assets. The Group has entered into a Transitional Service Agreement with the vendor to ensure the smooth integration of EnergyAustralia customers into the TRUenergy business.

3. Business Combinations and Reorganisations (continued)

(A) New South Wales (NSW) Acquisition (continued)

The Delta Western GenTrader contract comprises long-term exclusive off-take arrangements to control the dispatch and buy the output of the black coal-fired power stations of Delta Electricity at Mount Piper and Wallerawang. The Mount Piper and Wallerawang Power Stations have a power generating capacity of 1,400MW and 1,000MW respectively. In accordance with the terms of the GenTrader contract, Delta Electricity will continue to own, operate and maintain the power stations and employ a workforce for these purposes, while the Group has exclusive rights to trade the electricity for the anticipated life of each power station. The Group will make periodic payments to Delta Electricity ("Fixed and Variable Charges") which are intended to cover Delta Electricity's costs of operating and maintaining the stations, including capital expenditure.

The Project Sites are three development sites for potential new power station projects located at Marulan and Mount Piper. Their development is subject to obtaining all necessary licences and approvals, and future market conditions.

The acquisition offers an opportunity for the Group to strengthen its position in NSW, the largest energy market in Australia, and is in line with the Group's objective of building a diversified and integrated energy business in Australia. The total consideration for the acquisition is A$2,181 million (HK$17,303 million). The final consideration will be adjusted in the second half upon completion of a working capital adjustment with respect to the difference between the working capital balance agreed under the Sale and Purchase Agreement and the final audited accounts. The following table summarises the consideration paid and the amounts of the assets and liabilities recognised at the acquisition date. The provisional measurements of fixed assets, other intangible assets, deferred tax, working capital, derivative financial instruments and goodwill are subject to change. The initial accounting for the NSW Acquisition has only been provisionally determined as the necessary market valuation and other calculations have not been finalised.

	HK$M
Consideration	
Cash	15,453
Deferred consideration [(a)]	1,894
Others	(44)
Total consideration [(b)]	17,303
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fixed assets [(c)]	6,151
Other intangible assets	1,799
Trade receivables [(d)]	5,620
Derivative financial instrument assets	1,261
Other current assets	1,057
Trade and other payables	(4,987)
Deferred tax liabilities	(2,652)
Derivative financial instrument liabilities	(4,976)
Total identifiable net assets	3,273
Goodwill [(e)]	14,030
	17,303

Acquisition-related costs charged to profit or loss (included in fuel and other operating expenses) totalled HK$769 million, which comprised stamp duty of HK$615 million and other costs of HK$154 million.

3. Business Combinations and Reorganisations (continued)

(A) New South Wales (NSW) Acquisition (continued)

Notes:

(a) A payable for the GenTrader contract with respect to Wallerawang Power Station of A$239 million (HK$1,894 million) was recognised upon the acquisition. This represents the fair value of committed, contracted and unavoidable fixed capital charges that must be paid to Delta Electricity in return for no future economic benefit.

(b) A contingent acquisition payment of up to an additional A$60 million (HK$476 million) is payable by TRUenergy Holdings Pty Ltd (TRUenergy) if the Australian Tax Office rules that GenTrader upfront capacity payments are tax deductible. The Group is not aware of any similar circumstances or structures where the Australian Tax Office has allowed such deductions. The Group therefore considers that an additional payment by TRUenergy is unlikely and no consideration has been recorded for this contingent payment.

(c) Including leased fixed assets of Mount Piper Power Station of A$761 million (HK$6,039 million). The GenTrader arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17 whilst the corresponding obligations under finance leases have been effectively paid upfront as part of the consideration.

(d) The fair value of trade receivables acquired is HK$5,620 million, with the gross contractual amount being HK$5,767 million. The Group expects HK$147 million to be uncollectible.

(e) The goodwill arising from the acquisition is attributed to increased business scale, diversity of earnings, greater liquidity and access to capital, and other cost and revenue synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The revenue and profit included in the consolidated income statement from 1 March 2011 to 30 June 2011 contributed by the NSW Acquisition was HK$9,941 million and HK$635 million respectively. If, which was not the case, the NSW Acquisition had been effected from 1 January 2011, our estimate is that the consolidated income statement would have shown revenue of HK$45,273 million and profit of HK$5,843 million. These are "pro-forma" numbers given for illustrative purposes only, based on certain judgments and assumptions relating to what the consolidated income statement might have been in the hypothetical case that the NSW Acquisition had been effected two months earlier.

(B) Reorganisation of OneEnergy Limited (OneEnergy) and sale of interest in Electricity Generating Public Company Limited (EGCO)

In February 2011, the Group, Mitsubishi Corporation (MC) and OneEnergy (a 50% owned jointly controlled entity of the Group with MC) entered into an agreement in relation to the reorganisation of OneEnergy and the divestment of the Group's interest in EGCO.

Prior to the reorganisation, the Group had an effective interest (both direct and indirect interest through OneEnergy) of approximately 13.36% in EGCO. As part of the reorganisation, the Group and OneEnergy sold all their interests in EGCO to a company owned by MC and its business partner. The total consideration for the divestment is US$273 million (HK$2,122 million). In addition, OneEnergy became a wholly-owned subsidiary of the Group after the reorganisation and the Group continues to hold a 20% effective interest in Ho-Ping Power Company in Taiwan through OneEnergy Taiwan Ltd (a 50% owned jointly controlled entity held by OneEnergy with MC).

The reorganisation was completed in April 2011 and the Group recognised a total gain of HK$876 million, which comprised the gain on sale of the Group's direct interest in EGCO of HK$171 million (Note 6) and an amount included in the share of results of OneEnergy of HK$705 million (being the gain on sale of the indirect interest in EGCO).

3. Business Combinations and Reorganisations (continued)

(C) Reorganisation of Roaring 40s Renewable Energy Pty Ltd (Roaring 40s)

On 30 June 2011, the Group completed the reorganisation of its 50% investment in the Roaring 40s joint venture. Under the reorganisation, the Group acquired 100% interest in Waterloo wind farm, 50% interest in Cathedral Rocks wind farm and certain development site assets from Roaring 40s. Consideration for these assets was the Group's 50% existing interest in Roaring 40s and a cash payment of A$11 million (HK$93 million). As a result of the reorganisation, the interest in Roaring 40s was effectively sold and a gain of HK$457 million was recognised (Note 6). Taking into account the loss on deemed cancellation of a pre-acquisition off-take contract between TRUenergy and Waterloo wind farm of HK$120 million, the overall gain on the reorganisation was HK$337 million.

4. Segment Information

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

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

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2011							
Revenue	14,520	24,237	210	1,257	18	3	**40,245**
Operating profit/(loss)	4,671	2,153	12	414	143	(250)	**7,143**
Finance costs	(1,737)	(878)	(46)	(179)	-	(18)	**(2,858)**
Finance income	2	30	1	29	2	1	**65**
Share of results, net of income tax							
Jointly controlled entities	792	15	443	-	762	-	**2,012**
Associated companies	-	40	341	-	-	-	**381**
Profit/(loss) before income tax	3,728	1,360	751	264	907	(267)	**6,743**
Income tax expense	(346)	(472)	(38)	(81)	(3)	-	**(940)**
Profit/(loss) for the period	3,382	888	713	183	904	(267)	**5,803**
Earnings attributable to non-controlling interests	-	-	(3)	-	-	-	**(3)**
Earnings/(loss) attributable to shareholders	3,382	888	710	183	904	(267)	**5,800**
At 30 June 2011							
Fixed assets	84,741	29,897	4,684	11,642	2	95	**131,061**
Interests in							
Jointly controlled entities	9,140	83	7,443	-	1,289	-	**17,955**
Associated companies	-	29	1,518	-	-	-	**1,547**
Deferred tax assets	-	1,186	64	9	-	-	**1,259**
Other assets	7,185	45,209	2,547	7,480	31	605	**63,057**
Total assets	101,066	76,404	16,256	19,131	1,322	700	**214,879**

4. Segment Information (continued)

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2010							
Revenue	13,798	12,307	144	1,341	26	2	27,618
Operating profit/(loss)	4,486	1,154	427	183	(4)	(225)	6,021
Finance costs	(1,480)	(387)	(24)	(59)	-	(8)	(1,958)
Finance income	-	19	1	16	-	-	36
Share of results, net of income tax							
Jointly controlled entities	549	(17)	534	-	198	-	1,264
Associated companies	-	3	332	-	-	-	335
Profit/(loss) before income tax	3,555	772	1,270	140	194	(233)	5,698
Income tax (expense)/credit	(463)	775	(56)	(25)	(3)	-	228
Profit/(loss) for the period	3,092	1,547	1,214	115	191	(233)	5,926
Earnings attributable to non-controlling interests	-	-	(5)	-	-	-	(5)
Earnings/(loss) attributable to shareholders	3,092	1,547	1,209	115	191	(233)	5,921
At 31 December 2010							
Fixed assets	82,829	20,093	3,907	8,814	3	85	115,731
Interests in							
Jointly controlled entities	9,144	1,018	7,371	-	2,943	-	20,476
Associated companies	-	36	2,342	-	-	-	2,378
Deferred tax assets	-	4,146	64	-	-	-	4,210
Other assets	6,288	18,257	2,308	7,044	378	2,285	36,560
Total assets	98,261	43,550	15,992	15,858	3,324	2,370	179,355

5. Revenue

	Six months ended 30 June	
	2011 HK$M	2010 HK$M
Sales of electricity	**34,629**	23,462
Lease service income	**819**	1,044
Finance lease income	**176**	180
Sales of gas	**3,501**	2,387
Other revenue	**412**	488
	39,537	27,561
Transfer for SoC (note)	**708**	57
	40,245	27,618

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

6. Other Income

	Six months ended 30 June	
	2011	2010
	HK$M	HK$M
Gain on sale of an available-for-sale investment (Note 3(B))	**171**	-
Gain on sale of a jointly controlled entity (Note 3(C))	**457**	-
Gain on sale of a subsidiary	**-**	400
	628	400

7. Operating Profit

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

	Six months ended 30 June	
	2011	2010
	HK$M	HK$M
Staff costs		
Salaries and other costs	**1,222**	986
Retirement benefits costs	**96**	80
Net loss/(gain) on disposal of fixed assets	**72**	(36)
Coal mine subsidence insurance recovery of TRUenergy	**-**	(138)
Net fair value (gain)/loss on derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	**105**	(36)
Fuel and other operating expenses	**(45)**	(30)
Transactions not qualifying as hedges	**364**	225
Ineffectiveness of cash flow hedges	**(17)**	-
Net exchange (gain)/loss	**(333)**	50

8. Income Tax Expense/(Credit)

	Six months ended 30 June	
	2011	2010
	HK$M	HK$M
Current income tax		
Hong Kong	**205**	325
Outside Hong Kong	**48**	59
	253	384
Deferred tax		
Hong Kong	**141**	138
Outside Hong Kong (note)	**546**	(750)
	687	(612)
	940	(228)

Note: In 2010, the amount included TRUenergy's tax consolidation benefit of HK$989 million (A$144 million) as a result of certain amendments to the tax consolidation rules in Australia.

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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			
	2011		2010	
	HK$ per share	**HK$M**	HK$ per share	HK$M
First interim dividend paid	**0.52**	**1,251**	0.52	1,251
Second interim dividend declared	**0.52**	**1,251**	0.52	1,251
	1.04	**2,502**	1.04	2,502

At the Board meeting held on 16 August 2011, the Directors declared the second interim dividend of HK$0.52 per share. The second interim dividend is not reflected as a dividend payable in the interim financial statements, but as a separate component of the shareholders' funds at 30 June 2011.

10. Earnings per Share

The earnings per share are computed as follows:

	Six months ended 30 June	
	2011	2010
Earnings attributable to shareholders (HK$M)	**5,800**	5,921
Number of shares in issue (thousand shares)	**2,406,143**	2,406,143
Earnings per share (HK$)	**2.41**	2.46

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2011 and 30 June 2010.

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

Fixed assets and leasehold land and land use rights under operating leases totalled HK$132,850 million at 30 June 2011 (31 December 2010: HK$117,460 million). Movements in the accounts are as follows:

	Fixed Assets							Leasehold Land and Land Use Rights under Operating Leases
	Land		Buildings		Plant, Machinery and Equipment			
	Freehold HK$M	Leased HK$M	Owned HK$M	Leased HK$M	Owned HK$M	Leased HK$M	Total HK$M	HK$M
Net book value at 1 January 2011	849	412	10,817	5,907	76,517	21,229	115,731	1,729
Acquisition of business (Note 3(A))	112	-	-	-	-	6,039	6,151	-
Acquisition of subsidiaries (Note 3(C))	61	-	-	-	1,937	216	2,214	-
Additions	5	176	1,080	125	5,698	1,354	8,438	79
Transfers and disposals	-	(3)	(4)	(5)	(58)	(89)	(159)	-
Depreciation/ amortisation	-	(6)	(113)	(165)	(1,640)	(881)	(2,805)	(22)
Exchange differences	22	-	73	-	1,096	300	1,491	3
Net book value at 30 June 2011	**1,049**	**579**	**11,853**	**5,862**	**83,550**	**28,168**	**131,061**	**1,789**
Cost	1,049	647	15,007	11,652	123,700	50,341	202,396	2,104
Accumulated depreciation/ amortisation and impairment	-	(68)	(3,154)	(5,790)	(40,150)	(22,173)	(71,335)	(315)
Net book value at 30 June 2011	**1,049**	**579**	**11,853**	**5,862**	**83,550**	**28,168**	**131,061**	**1,789**

Leasehold land (under finance or operating leases) is mainly held under medium-term (10-50 years) leases in Hong Kong.

12. Trade and Other Receivables

	30 June 2011 HK$M	31 December 2010 HK$M
Trade receivables	**14,340**	7,425
Deposits and prepayments	**5,189**	3,425
Dividends receivable from		
Jointly controlled entities	**114**	160
Associated companies	**-**	48
Current accounts with jointly controlled entities	**58**	60
	19,701	11,118

The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees.

12. Trade and Other Receivables (continued)

For subsidiaries outside Hong Kong, the credit term for trade receivables ranges from about 12 to 60 days. TRUenergy in Australia determines its doubtful debts provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired.

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

	30 June 2011 HK$M	31 December 2010 HK$M
30 days or below	**12,854**	5,534
31 – 90 days	**515**	771
Over 90 days	**971**	1,120
	14,340	7,425

13. Trade and Other Payables

	30 June 2011 HK$M	31 December 2010 HK$M
Trade payables	**8,143**	5,026
Other payables and accruals	**5,583**	4,807
Current accounts with		
Jointly controlled entities	**1,579**	1,425
Associated companies	**156**	86
	15,461	11,344

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

	30 June 2011 HK$M	31 December 2010 HK$M
30 days or below	**7,608**	4,828
31 – 90 days	**111**	87
Over 90 days	**424**	111
	8,143	5,026

14. Commitments

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

	30 June 2011 HK$M	31 December 2010 HK$M
Contracted but not provided for	**13,092**	17,589
Authorised but not contracted for	**11,283**	14,294
	24,375	31,883

14. Commitments (continued)

(B) The Group has entered into a number of joint venture arrangements to develop power projects. At 30 June 2011, remaining equity contributions of HK$253 million (31 December 2010: HK$303 million) were required to be made by the Group.

(C) The other commitments associated with NSW Acquisition but not recorded in the statement of financial position, mainly related to the operating and maintenance costs of Mount Piper and Wallerawang power stations payable under the GenTrader contract as follows:

	30 June 2011 HK$M	31 December 2010 HK$M
Within one year	**1,461**	1,189
Between one to five years	**4,275**	4,286
Over five years	**8,147**	8,214
	13,883	13,689

15. Contingent Liabilities

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

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

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the “deemed generation incentive” payment should not be paid for the periods when the plant is declared with availability to generate on “naphtha” as fuel rather than on “gas”. GUVNL’s contention is based on a 1995 Government of India notification which disallowed “deemed generation incentive” for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$1,264 million). GPEC’s position, amongst other arguments, is that the GPEC power station is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the “deemed generation incentive”.

GUVNL also claimed that GPEC has wrongly received interest on “deemed loans” under the existing power purchase agreement. GUVNL’s claim rests on two main grounds: (i) GPEC had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the “deemed loans” amounts to a further Rs.830 million (HK$145 million).

15. Contingent Liabilities (continued)

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

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to GPEC of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when GPEC's plant was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against GPEC in respect of deemed generation incentive payments up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,896 million (HK$504 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

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

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$650 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$87 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010. The total amount of the claim plus interest and tax with respect to the "deemed generation incentive" was therefore revised to Rs.8,968 million (HK$1,555 million) as at 31 December 2010.

Subsequent to the above deduction, GPEC represented to GUVNL that during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$51 million) and interest of Rs.150 million (HK$26 million) in March 2011. However, during the first quarter 2011, with the spot gas availability being constrained, GPEC was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.15 million (HK$3 million). At 30 June 2011, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" was revised to Rs.8,541 million (HK$1,487 million).

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

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

CLP Wind Farms (India) Private Limited, GPEC and CLP India group companies ("CLP India") have invested (or are committed to invest) in around 500MW of wind power projects to be developed with Enercon India Limited ("EIL"). EIL's major shareholder, Enercon GmbH, has commenced litigation against EIL claiming infringement of intellectual property rights. CLP India, as a customer of EIL, has been named as a pro-forma defendant. Enercon GmbH is also seeking an injunction restraining CLP India's use of certain rotor blades acquired from EIL. As at 30 June 2011, the Group considered that CLP India has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits to the Group.

16. Events after the end of the Reporting Period

(A) On 18 July 2011, TRUenergy entered into an agreement with Santos Limited (Santos), subject to the successful completion of Santos' acquisition of Eastern Star Gas Limited (ESG), to acquire 20% interest in key ESG production and exploration (PEL) permits and other assets (which represents over 500PJ of coal seam gas reserve in the Gunnedah Basin) from Santos for a consideration of A$284 million (HK$2,364 million). The transaction is expected to complete in the second half of 2011.

(B) On 15 August 2011, the Group entered into an agreement with China Guangdong Nuclear Power Holding Co., Ltd. to acquire 17% interest in Yangjiang Nuclear Power Company, Limited (YJNP) at a consideration of RMB954 million (HK$1,149 million) with future investment estimated at RMB3,799 million (HK$4,574 million). YJNP owns the Yangjiang Nuclear Power Project in Yangjiang, Guangdong which consists of six units of 1,080MW pressurised water reactors under construction.

Supplementary Information on Treasury Activities

The Group engaged in new financing activities in the first half of 2011 in support of the expansion of its electricity business. In May 2011, CLP Holdings successfully completed a HK$5.2 billion 5-year revolving bank loan facility with a consortium of 16 international and regional banks. Together with the HK$2.4 billion bilateral bank facilities arranged in the first half of 2011, CLP Holdings has obtained a total of HK$7.6 billion new credit facilities to support our business growth and maintain ample liquidity for contingencies. Up to July 2011, CLP Power Hong Kong successfully arranged HK$4.1 billion new financing at attractive interest rates. This included a US$300 million (HK$2.3 billion) 10-year bond at 4.75% coupon under the Medium Term Note (MTN) Programme, HK$615 million 15, 20 and 30-year fixed rate bonds at coupon rates of 3.97%, 4.00% and 4.10% respectively, and HK$1.2 billion 5 and 7-year bank credit facilities at attractive terms. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$3.5 billion, increased from US$2.5 billion, may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 30 June 2011, notes with an aggregate nominal value of about HK$17.6 billion have been issued under the MTN Programme.

In Australia, TRUenergy successfully arranged A$2.05 billion (HK$17.06 billion) debt with 14 multinational banks in June 2011. This comprised A$1.35 billion 3, 4 and 5-year revolving facilities and a A$700 million 3-year working capital facility mainly to refinance the NSW Acquisition. In addition, TRUenergy issued a total of US$495 million bonds with tenor up to 15 years through a U.S. private placement between December 2010 and March 2011. In the Chinese mainland, CLP China procured a RMB300 million (HK$361 million) project level loan for the CLP wholly-owned Qian'an Phase II wind power project in Jilin Province amidst a challenging monetary situation. In India, CLP India negotiated with lenders to reduce the interest rate of the Rupee project loan for Jhajjar and arranged a US$50 million project loan to fund the construction of the Andhra Lake wind project.

As at 30 June 2011, financing facilities totalling HK$89.8 billion were available to the Group, including HK$39.7 billion for TRUenergy and subsidiaries in India. Of the facilities available, HK$65.8 billion had been drawn down, of which HK$30.9 billion relates to TRUenergy and subsidiaries in India. Facilities totalling HK$6.2 billion were available to CAPCO, of which HK$5.3 billion had been drawn down. The Group's total debt to total capital ratio as at 30 June 2011 was 44.3%, decreasing to 42.8% after netting off bank balances, cash and other liquid funds. Interest cover for the six months ended 30 June 2011 was 6 times.

CLP's prudent financial and risk management and a disciplined investment strategy have enabled the Group to maintain good investment grade credit ratings during both favourable and challenging times. CLP's ability to maintain a good credit standing and access the financial markets at cost-effective terms is crucial if we are to meet our business needs and objectives. In March, Standard & Poor's (S&P) and Moody's re-affirmed the A- / A2 credit ratings of CLP Holdings and A / A1 credit ratings of CLP Power Hong Kong with stable outlooks. This effectively removed the credit watch on both companies which were placed by S&P and Moody's following TRUenergy's announcement of its successful bid in the NSW Acquisition.

Moody's re-affirmed the A2 credit rating of CLP Holdings and A1 credit rating of CLP Power Hong Kong with stable outlooks in March 2011. They opined CLP Power Hong Kong (the wholly-owned subsidiary of CLP Holdings) has strong and highly predictable cash flows generated from the SoC business in Hong Kong; a sound liquidity profile supported by the good track record in accessing the domestic and international bank and capital markets; a well managed debt maturity profile; and management's prudent and gradual approach in pursuing overseas expansion. As a matter of caution, Moody's alerted that CLP Holdings' rating reflected a weakened (though still appropriate) financial profile after its recent expansion into riskier, non-regulated merchant energy and retail businesses in the region which was mainly funded by debt borrowings. Moody's considered the NSW Acquisition would bring strategic benefits to the CLP Group (geographical diversification, economies of scale) and is immediately earnings-accretive due to the significant increase in TRUenergy's customer base. As a result, Moody's expected that CLP Holdings' financial metrics would weaken temporarily in 2011, but would improve in 2012 and afterwards as a result of the full-year contributions from the NSW business and the commissioning of the Jhajjar project in India.

S&P re-affirmed the A- credit rating of CLP Holdings and A credit rating of CLP Power Hong Kong with stable outlooks in March 2011. The ratings reflect the adequate liquidity position supported by the stable operations and cashflow of the SoC business in Hong Kong, and good liability management practices with diversified funding sources and debt tenors. S&P opined that the NSW Acquisition will weaken the Group's financial health in 2011 due to increased debt and overseas expansion in recent years which weakened CLP Holdings' business risk profile from a strong level. Notwithstanding this, S&P expected that CLP Holding's financial flexibility would improve by 2012 as a result of higher returns from Hong Kong operations due to further capital expenditure, higher earnings from its enlarged Australian operations, steady earnings from Chinese mainland investments, expected full commissioning of Jhajjar project in India and management's strong commitment to deleveraging the balance sheet.

S&P re-affirmed the BBB credit rating of TRUenergy Holdings with stable outlook in July 2011. According to S&P, the rating reflects the support from a strongly rated owner, CLP Holdings; vertically integrated electricity generation and retailing components of the business, with market diversity; operational flexibility provided by a diverse portfolio of generation fired by brown coal, black coal, and gas; and strong liquidity following the refinancing of maturing debt. That said, S&P reminded TRUenergy about the integration risks from the acquisition of assets in NSW; potential exposure to higher competitive pressures; and over the longer term, a need to manage its asset portfolio to mitigate the impact of the government's carbon policy.

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

As at 30 June 2011, the Group had gross outstanding derivative financial instruments amounting to HK$158.2 billion. The fair value of these derivative instruments was a net deficit of HK$2.0 billion (included the net derivative liabilities of HK$3.7 billion from the NSW Acquisition), representing the net amount payable if these contracts were closed out on 30 June 2011.

CORPORATE GOVERNANCE

Corporate Governance Practices

In the Corporate Governance Report of 24 February 2011, which was published in our 2010 Annual Report, we reported that the Company had adopted its own Code on Corporate Governance (CLP Code) on 28 February 2005 (further updated in February 2009). This incorporated all of the Code Provisions and Recommended Best Practices in the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange (the Stock Exchange Code), save for one exception.

This single deviation from the Recommended Best Practices of the Stock Exchange Code relates to the recommendation that an issuer should announce and publish quarterly financial results. The considered reasons for this deviation were stated in the Corporate Governance Report on page 101 of the Company's 2010 Annual Report. Although CLP does not issue quarterly financial results, CLP issues quarterly statements which set out key financial and business information such as revenue, electricity sales, dividends and progress in major activities over the quarter.

During the six months ended 30 June 2011 the Company met the Code Provisions set out in the Stock Exchange Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules).

In 2011, we made further progress in our corporate governance practices. This included:

(a) sharing our expertise and views on corporate governance issues by participating in formal and informal focus groups organised by the Hong Kong Stock Exchange, as well as by responding to the formal Consultation Paper issued by the Hong Kong Stock Exchange on Review of The Code on Corporate Governance Practices and Associated Listing Rules;

(b) adopting a consolidated Code of Conduct for all CLP Group companies to reflect global best practices and to meet the expectations of all stakeholders; and

(c) having sought approval from shareholders at the Annual General Meeting held on 12 May 2011 on the four interim dividend practice. Accordingly, the Board has decided to continue this practice and will keep the Company's dividend policy and practice under review, in the interests of the Company and its shareholders.

The Honourable Sir Sze Yuen Chung retired as an Independent Non-executive Director of CLP Holdings effective from the conclusion of the 2011 Annual General Meeting held on 12 May 2011.

The composition of Board Committees remains the same as set out in the Corporate Governance Report (pages 106, 107 and 122), save that Mr. Nicholas C. Allen was appointed a member of the Nomination Committee in place of Sir S. Y. Chung with effect from 13 May 2011.

There were no substantial changes to the information of Directors as disclosed on pages 96 and 97 of the 2010 Annual Report and on CLP's website. The positions held by each Director with CLP Holdings' subsidiary companies and their directorships held in the last three years in public companies are updated in each Director's biography on CLP's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman and two members having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters.

At the Company's Annual General Meeting held on 12 May 2011, shareholders approved the re-appointment of PricewaterhouseCoopers as the Company's External Auditors for the financial year ending 31 December 2011.

Change of Remuneration

Non-executive Directors

There has been no change to the basis of determining Directors' remuneration. The levels of fees payable to Non-executive Directors and Independent Non-executive Directors for serving on the Board and Board Committees remain the same as last year, and as approved by shareholders at the Annual General Meeting held on 27 April 2010. The levels of fees payable to Directors were set out in the Remuneration Report on page 125 of the Company's 2010 Annual Report.

Executive Directors and Senior Management

Details of the remuneration of Executive Directors and Senior Management for the six months ended 30 June 2011 are set out in the table below. It should be noted that the amounts disclosed comprise remuneration paid and accrued in respect of service during the first six months of 2011 and, in the case of the annual and long-term incentive, service and performance in previous years. Both annual incentive and long-term incentive are paid annually in the first half of the year, but relate to previous years performance.

As a result, the totals set out in the following table do not represent half of the remuneration which will actually be paid and accrued in respect of service in 2011.

		Performance Bonus *					
	Base Compensation, Allowances & Benefits HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Final Payment ** HK$M	Other Payments HK$M	Total HK$M
Paid in the six months ended 30 June 2011							
CEO (Mr. Andrew Brandler)	3.5	5.2	5.1[(a)]	0.4	-	-	14.2
Group Executive Director (Mr. Peter P. W. Tse)	2.4	3.1	1.7	0.3	-	-	7.5
Group Executive Director – Strategy (Mr. Peter W. Greenwood)	2.6	3.9	-	0.3	-	-	6.8
Group Director & Chief Financial Officer (Mr. Mark Takahashi)	2.1	3.1	1.4	0.3	-	-	6.9
Vice Chairman – CLP Power Hong Kong (Mrs. Betty Yuen)	1.5	3.1[(b)]	4.2[(c)]	0.2	-	-	9.0
Group Director – Managing Director Hong Kong (Mr. Richard Lancaster)	2.1	3.1	0.8	0.2	-	-	6.2
Group Director – Managing Director Australia (Mr. Richard McIndoe)	2.5	3.7	2.1	0.3	-	6.4[(d)]	15.0
Group Director – Operations (Mr. Peter Littlewood)	1.8	2.7	1.2	0.3	-	-	6.0
Managing Director – India (Mr. Rajiv Mishra)	1.7	2.4	1.9[(e)]	0.2	-	-	6.2
Managing Director – China (Dr. Ko Yu Ming)	1.3	1.7	0.8	0.2	-	-	4.0
Managing Director – Southeast Asia (Mr. Mark Jobling) [(f)]	1.6	2.9	5.3	0.2	10.0	-	20.0
Group Director – Corporate Finance and Development (Mr. Stefan Robertsson)	1.4	1.9	1.0	0.2	-	-	4.5
	24.5	36.8	25.5	3.1	10.0	6.4	106.3

Notes:

(a) This figure included the final value of additional discretionary long-term incentive for year 2008 of HK$2 million paid to Mr. Andrew Brandler in January 2011.
(b) This figure included the additional discretionary annual incentive for year 2010 of HK$1 million paid to Mrs. Betty Yuen in March 2011.
(c) This figure included the final value of additional discretionary long-term incentive for year 2008 of HK$2 million paid to Mrs. Betty Yuen in January 2011.
(d) Payment for tax equalisation, housing allowance and children's education allowances for secondment to offices outside Hong Kong for Mr. Richard McIndoe. Out of this payment, HK$5.6 million (88%) was the tax payment to the tax authority of the country where the executive was based during secondment.
(e) This figure included the final value of additional discretionary long-term incentive for year 2008 of HK$0.8 million paid to Mr. Rajiv Mishra in January 2011.
(f) Mr. Mark Jobling left the Company as Managing Director – Southeast Asia with effect from 1 July 2011. The annual incentive of HK$2.9 million was for the years 2010 and 2011 paid to him this year. The amount for 2011 was pro rata. The long-term incentive of HK$5.3 million was for the years 2008, 2009, 2010 and 2011 paid to him this year. Final payment of HK$10 million included payment in lieu of notice, ex-gratia payment, compensation for loss of office and discretionary final performance bonus paid to him.

* Performance bonus consists of (i): annual incentive and (ii): long-term incentive. These payments and awards were approved by the Human Resources and Remuneration Committee.

(i) The total amount of annual incentive includes the accruals that have been made from January to June 2011 in the performance bonus for the Executive Directors and members of Senior Management at the target level (at 50% of base salary) of performance; and the actual bonus paid in 2011 for the previous year in excess of the previous accruals made.
(ii) The long-term incentive is the incentive for 2008, paid in 2011 when the vesting conditions had been satisfied. In 2011, there was an increase in the target long-term incentive award from 25% of base salary to 33.3%. The rationale for this change is to align this long-term incentive element of senior executive remuneration more closely with international market practice, and ensure that our total remuneration package remains competitive. As there is a three-year vesting period for the awards, the payment of long-term incentive award for 2011 will be made in 2014.

** The final payment is not part of the remuneration arrangement of the Group, but may be payable, where appropriate, upon approval by the Chairman of the Human Resources & Remuneration Committee.

Internal Controls

In respect of the year ended 31 December 2010, the Board considered CLP's internal control system effective and adequate. During the six months ended 30 June 2011, no significant areas of concern that might affect shareholders were identified. One out of 13 reports on the Group's affairs submitted by Group Internal Audit during this period carried an unsatisfactory audit opinion, and the issues arising from this audit are being addressed by management. Details of the standards, processes and effectiveness of CLP's internal control system were set out in the Corporate Governance Report on pages 111 to 113 of the Company's 2010 Annual Report.

Interests in CLP Holdings' Securities

Since 1989, the Company has adopted its own CLP Securities Code, which is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities. The current CLP Securities Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2011.

We have voluntarily extended the ambit of the CLP Securities Code to cover Senior Management (comprising the three Executive Directors and senior managers as set out above; their biographies are set out on CLP's website) and other "Specified Individuals" such as other managers in the CLP Group.

All members of the Senior Management have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 30 June 2011.

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 2011.

INTERIM DIVIDEND

Directors today declared the second interim dividend of HK$0.52 per share (2010: HK$0.52 per share) which will be payable on 15 September 2011 to Shareholders registered as at the close of business on 5 September 2011. The dividend of HK$0.52 per share is payable on the existing 2,406,143,400 shares of HK$5.00 each in issue.

The Register of Shareholders will be closed on 6 September 2011. To rank for the second interim dividend of HK$0.52 per share, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 September 2011.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 16 August 2011

The Interim Report containing financial statements and notes to the financial statements will be published on the Company's website www.clpgroup.com and the website of the Stock Exchange of Hong Kong by 23 August 2011 and despatched to shareholders on 31 August 2011.

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Non-executive Directors:	The Hon. Sir Michael Kadoorie, Mr. William Mocatta, Mr. R. J. McAulay, Mr. J. A. H. Leigh, Mr. I. D. Boyce, Dr. Y. B. Lee and Mr. Paul A. Theys (Mr. Neo Kim Teck as his alternate)
Independent Non-executive Directors:	Mr. V. F. Moore, Mr. Hansen C. H. Loh, Professor Judy Tsui, Sir Rod Eddington and Mr. Nicholas C. Allen
Executive Directors:	Mr. Andrew Brandler, Mr. Peter P. W. Tse and Mr. Peter W. Greenwood