CLP 中電

2019
Annual Report

Stock Code: 00002

Welcome to CLP's 2019 Annual Report. For nearly 120 years, we have powered the growth of Hong Kong and established a significant presence in markets across the Asia-Pacific region. This report is an important opportunity to reflect on our objectives, achievements and responsibilities at a moment in time when the future of energy is a subject of intense debate.

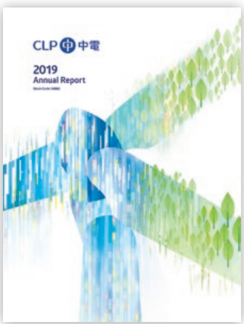
A global energy transition is under way and as one of the largest independent energy providers in the region, CLP is at the forefront of this movement. As illustrated in the cover of this report, we are transforming into a Utility of the Future by decarbonising and digitalising our business.

Communicating our vision, the strategy in achieving it and our progress to investors, customers and all other stakeholders in a clear and effective manner is essential. This report has been prepared with the intention of presenting and explaining CLP's operational and financial performance as well as our environmental, social, and governance performance in a lucid and comprehensive way.

We remain committed to integrated reporting so, as in previous years, our 2019 Annual Report follows the guidelines issued by the International Integrated Reporting Council. We adopt the six-capital approach in explaining how we utilise our financial, intellectual, human, natural, manufactured, and social and relationship capitals to create long-term sustainable value for our stakeholders.

Our report also complies with, and in many respects go beyond, applicable statutory and regulatory requirements and accounting standards including the Hong Kong Listing Rules. This year, we are increasing the transparency of reporting in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) to allow stakeholders to track the risks and opportunities climate change presents to our business. The full extent of our current TCFD disclosures are included in the complementary online Sustainability Report.

We hope you find this report – along with the Sustainability Report – informative and interesting, and that it provides you with a clear and unambiguous insight into the way the Group is facing up to historic global challenges and putting innovative strategies into effect as we move towards a low-carbon future.



A Snapshot of 2019 Annual Report

2019 Sustainability Report

FAQs from Our Shareholders

Throughout the year, we receive a range of pertinent questions from our shareholders, many of these are very relevant to our business which readers of our Annual Report may be interested in. These topics are covered in various sections of our Annual Report.

Topics	Sections
1 The new Scheme of Control agreement and the initial five-year Development Plan	▪ Business Performance and Outlook – Hong Kong (page 40) ▪ Financial Capital (page 72) ▪ Risk Management Report (page 141) ▪ Scheme of Control Statement (page 295)
2 Hong Kong – impact from lower-than-expected tariff hike for 2020 and social unrest / progress on construction of the new gas-fired generation unit and the floating offshore LNG Terminal in Hong Kong / the Feed-in Tariff Scheme	▪ Financial Review (page 30) ▪ Business Performance and Outlook – Hong Kong (page 40) ▪ Financial Capital (page 72) ▪ Risk Management Report (page 141)
3 Mainland China – operational performance of the Yangjiang nuclear power plant / possible further nuclear opportunities / the impact from delayed subsidy payments for renewable generation / growth opportunities	▪ Business Performance and Outlook – Mainland China (page 47) ▪ Risk Management Report (page 141)
4 India – introduction of CDPQ as strategic partner / status of the potential acquisition of the transmission projects / the new wind project in Gujarat	▪ Business Performance and Outlook – India (page 54) ▪ Financial Capital (page 72) ▪ Manufactured Capital (page 77) ▪ Natural Capital (page 95)
5 EnergyAustralia – reregulation of retail electricity pricing / operational performance of the Yallourn and Mount Piper power stations / future opportunities for the business	▪ Financial Review (page 30) ▪ Business Performance and Outlook – Australia (page 62) ▪ Financial Capital (page 72) ▪ Manufactured Capital (page 77) ▪ Risk Management Report (page 141)
6 CLP's new decarbonisation actions under Climate Vision 2050 / exposure to coal-fired generation and mitigation measures	▪ Business Performance and Outlook – Hong Kong (page 40) ▪ Business Performance and Outlook – Mainland China (page 47) ▪ Business Performance and Outlook – Australia (page 62) ▪ Financial Capital (page 72) ▪ Natural Capital (page 95) ▪ Risk Management Report (page 141)
7 Dividends / managing our financial and debt position as uncertainty in financial markets increases / use of cash generated in the business	▪ Financial Highlights (page 9) ▪ Strategic Framework (page 10) ▪ Shareholder Value (page 23) ▪ Financial Review (page 30) ▪ Financial Capital (page 72)

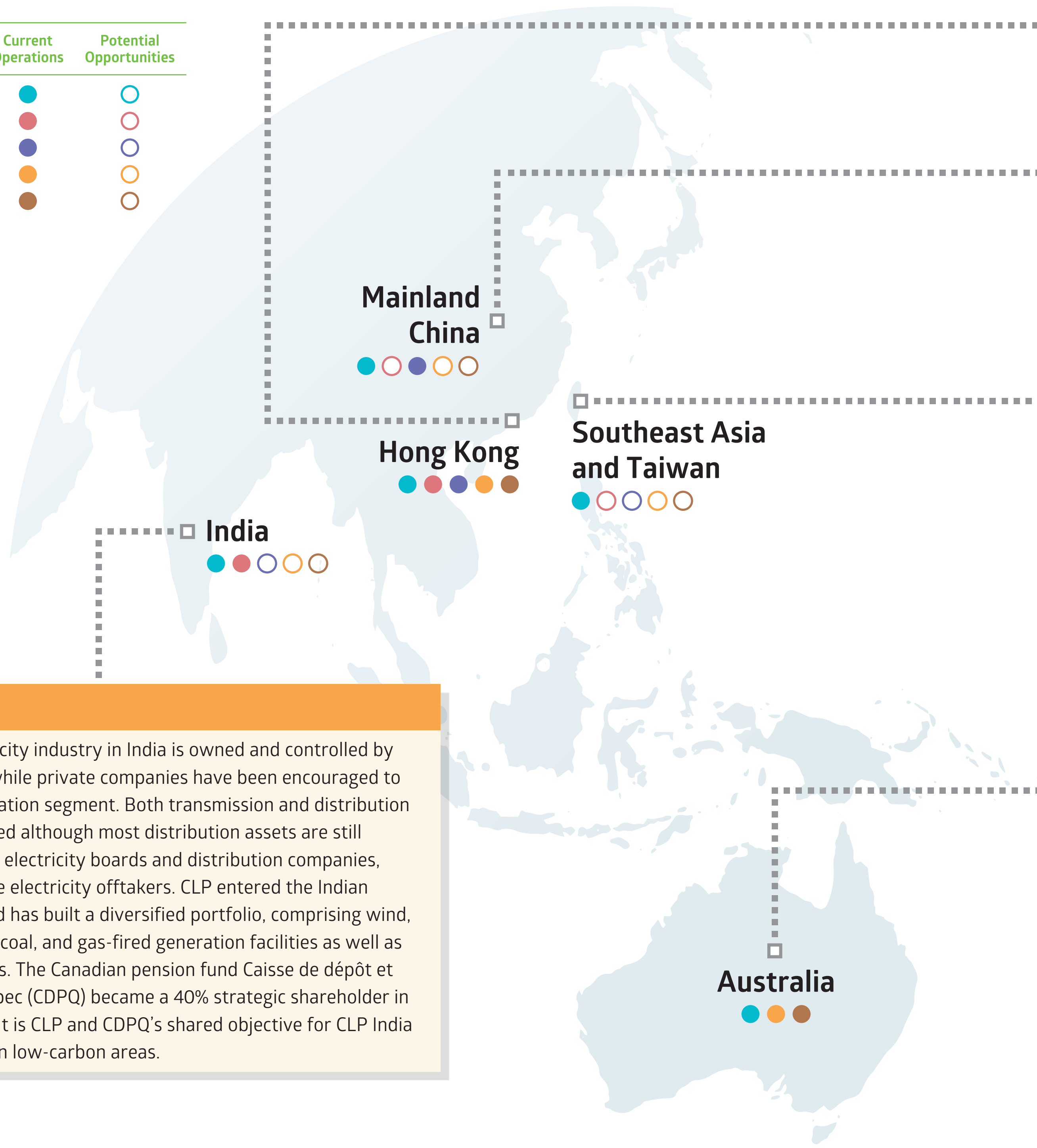
Contents

Throughout this report, the and symbols will guide you to the relevant sections of the Sustainability Report and our website respectively.

About the CLP Group

The CLP Group is an investor and operator in the Asia-Pacific energy sector. It has powered the dynamic growth of Hong Kong for more than a century, and serves 80% of the city's population. Today, its business has expanded to Mainland China, India, Southeast Asia, Taiwan, and Australia. The CLP Group has become an important part of the social and economic fabric of the diverse communities in which it operates, working closely together with them to achieve sustainable growth.

	Current Operations	Potential Opportunities
Generation	●	○
Transmission	●	○
Distribution	●	○
Retail	●	○
Smart Energy Services	●	○



India

Much of the electricity industry in India is owned and controlled by the Government, while private companies have been encouraged to invest in the generation segment. Both transmission and distribution have been privatised although most distribution assets are still controlled by state electricity boards and distribution companies, which are often the electricity offtakers. CLP entered the Indian market in 2002 and has built a diversified portfolio, comprising wind, solar, supercritical coal, and gas-fired generation facilities as well as transmission assets. The Canadian pension fund Caisse de dépôt et placement du Québec (CDPQ) became a 40% strategic shareholder in CLP India in 2018. It is CLP and CDPQ's shared objective for CLP India to pursue growth in low-carbon areas.

Hong Kong

Hong Kong's electricity sector is privately-owned and operated. It consists of two vertically-integrated utility companies serving different geographical areas of the city. The companies are regulated by a Scheme of Control Agreement, under which they are obliged to provide a safe, reliable, and environmentally-responsible electricity supply at a reasonable rate. CLP Power Hong Kong, a wholly-owned subsidy of the Group, provides a power supply of over 99.999% world-class reliability to 2.64 million customers in Kowloon, the New Territories, and most of the outlying islands.

Mainland China

The electricity industry in Mainland China is largely state-controlled. Transmission and distribution are limited to two public companies. Generation is dominated by five state-owned utility companies but the segment is open to market competition and has attracted private firms, foreign investors, and dozens of smaller-sized companies run by regional governments and local authorities. CLP first entered the market in 1979 when the Group began providing electricity to Guangdong province. Today, CLP China is one of the largest external independent power producers in Mainland China with over 50 power projects in 15 provinces, municipalities and autonomous region, concentrating on low-carbon energy, including nuclear power and renewable energy.

Southeast Asia and Taiwan

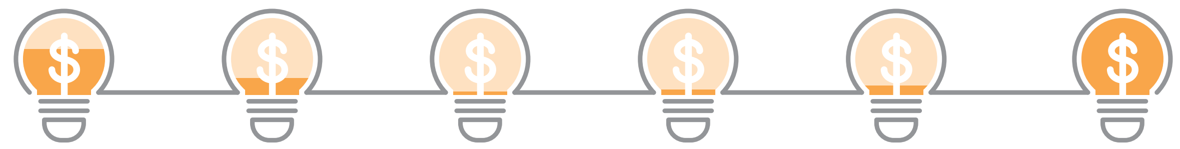
CLP has minority interests in a solar project in Thailand and a coal-based generation plant in Taiwan. The electricity industry is Government-controlled in both markets and CLP's involvement is in the generation side of the business. As a committed supporter of global efforts to reduce carbon emissions, CLP is exploring investment opportunities in renewable energy generation in Taiwan, Thailand and Vietnam.

Australia

CLP's wholly-owned subsidiary EnergyAustralia operates a customer-focused energy business serving 2.47 million accounts across southeast Australia under the National Electricity Market (NEM). Private generators operating under the NEM and a number of Government-owned assets provide generation services in a competitive wholesale market. The retail market is fully privatised while the transmission and distribution portions of the electricity value chain remain substantially regulated. EnergyAustralia is one of the largest privately-owned electricity generators under the NEM, a major gas and electricity retailer in New South Wales, Victoria, South Australia, and the Australian Capital Territory, and an electricity retailer in Queensland.

2019 Operating Earnings

Hong Kong and related activities	Mainland China	India	Southeast Asia and Taiwan	Australia	Total*
HK$7,460 million	HK$2,277 million	HK$263 million	HK$335 million	HK$1,566 million	HK$11,901 million



* Before Group expenses

Our Portfolio

CLP's business spans every major segment of the energy value chain, including retail, distribution, and transmission, along with a diversified portfolio of electricity generation assets. The tables below detail the total generation capacity [1] as well as business activities in each CLP market as of 31 December 2019.

Hong Kong	Mainland China	India	Southeast Asia and Taiwan	Australia	Total
7,568MW	8,990MW	1,842MW	285MW	5,330MW	24,015MW

Hong Kong

Assets and Services	Location	CLP's Equity Interest	Gross Capacity	CLP's Capacity (Equity / Long-term Purchase)
Customer Services				
Electricity and customer services for about **2.64 million customer accounts** in Kowloon, the New Territories and most of Hong Kong's outlying islands	Hong Kong	100%	–	–
Transmission and Distribution				
555 km of 400kV lines, 1,671 km of 132kV lines, 22 km of 33kV lines and 13,782 km of 11kV lines 68,251 MVA transformers, 232 primary and 14,867 secondary substations in operation	Hong Kong	100%	–	–
Gas				
Black Point Power Station, one of the world's largest gas-fired combined-cycle power stations comprising four 312.5MW units and four 337.5MW units, with another new 550MW unit is currently being commissioned	Hong Kong	70%	3,150MW	3,150MW
Coal				
Castle Peak Power Station, comprising four 350MW coal-fired units and another four 677MW units. Two of the 677MW units can use gas as a backup fuel. All units can use oil as a backup fuel	Hong Kong	70%	4,108MW	4,108MW
Others				
Hong Kong Branch Line, comprising a 20-km pipeline and the associated gas launching and end stations, which transports natural gas from PetroChina's Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point	Hong Kong	40%	–	–
Penny's Bay Power Station, comprising three 100MW diesel-fired gas turbine units mainly for backup purpose	Hong Kong	70%	300MW	300MW
West New Territories Landfill Project, comprising five new 2MW units which make use of landfill gas from waste for power generation	Hong Kong	70%	10MW	10MW

Mainland China

Assets and Services	Location	CLP's Equity Interest	Gross Capacity	CLP's Capacity (Equity / Long-term Purchase)
Nuclear				
Guangdong Daya Bay Nuclear Power Station, comprising two 984MW Pressurised Water Reactors. Through long-term capacity purchase, 70% of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong Province [2]	Guangdong	25%	1,968MW	1,577MW
Yangjiang Nuclear Power Station, comprising six 1,086MW generating units [3]	Guangdong	17%	6,516MW	1,108MW
Wind				
Nanao II Wind Farm	Guangdong	25%	45MW	11MW
Nanao III Wind Farm	Guangdong	25%	15MW	4MW
Sandu Wind Farm	Guizhou	100%	99MW	99MW
Changling II Wind Farm	Jilin	45%	49.5MW	22MW
Datong Wind Farm	Jilin	49%	49.5MW	24MW
Qian'an I Wind Farm	Jilin	100%	49.5MW	49.5MW
Qian'an II Wind Farm	Jilin	100%	49.5MW	49.5MW
Shuangliao I Wind Farm	Jilin	49%	49.3MW	24MW
Shuangliao II Wind Farm	Jilin	49%	49.5MW	24MW
Qujiagou Wind Farm	Liaoning	24.5%	49.5MW	12MW
Mazongshan Wind Farm	Liaoning	24.5%	49.5MW	12MW
CLP Laizhou I Wind Farm	Shandong	100%	49.5MW	49.5MW
CLP Laizhou II Wind Farm [4]	Shandong	100%	49.5MW	49.5MW
Dongying Hekou Wind Farm	Shandong	49%	49.5MW	24MW
Huadian Laizhou I Wind Farm	Shandong	45%	40.5MW	18MW
Laiwu I Wind Farm	Shandong	100%	49.5MW	49.5MW
Laiwu II Wind Farm	Shandong	100%	49.5MW	49.5MW
Laiwu III Wind Farm [5]	Shandong	100%	50MW	50MW
Lijin I Wind Farm	Shandong	49%	49.5MW	24MW
Lijin II Wind Farm	Shandong	49%	49.5MW	24MW

1 Of projects in operation and under construction on an equity basis, in addition to long-term capacity and energy purchase arrangements. Rounded to the nearest whole number.

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

3 The sixth generating unit was commissioned in July 2019.

4 Commenced operation in June 2019.

5 Construction commenced in April 2019.

Mainland China (Cont'd)

Assets and Services	Location	CLP's Equity Interest	Gross Capacity	CLP's Capacity (Equity / Long-term Purchase)
Penglai I Wind Farm	Shandong	100%	48MW	48MW
Rongcheng I Wind Farm	Shandong	49%	48.8MW	24MW
Rongcheng II Wind Farm	Shandong	49%	49.5MW	24MW
Rongcheng III Wind Farm	Shandong	49%	49.5MW	24MW
Weihai I Wind Farm	Shandong	45%	19.5MW	9MW
Weihai II Wind Farm	Shandong	45%	49.5MW	22MW
Zhanhua I Wind Farm	Shandong	49%	49.5MW	24MW
Zhanhua II Wind Farm	Shandong	49%	49.5MW	24MW
Chongming Wind Farm	Shanghai	29%	48MW	14MW
Xundian I Wind Farm	Yunnan	100%	49.5MW	49.5MW
Hydro				
Huaiji Hydro Power Stations	Guangdong	84.9%	129MW	110MW
Jiangbian Hydropower Station	Sichuan	100%	330MW	330MW
Dali Yang_er Hydropower Station	Yunnan	100%	49.8MW	49.8MW
Solar				
Jinchang Solar Power Station	Gansu	100%	85MW [6]	85MW [6]
Meizhou Solar Power Station [7]	Guangdong	100%	36MW [8]	36MW [8]
Huai'an Solar Power Station	Jiangsu	100%	12.8MW [9]	12.8MW [9]
Sihong Solar Power Station	Jiangsu	100%	93MW [10]	93MW [10]
Lingyuan Solar Power Station	Liaoning	100%	17MW [11]	17MW [11]
Xicun I Solar Power Station	Yunnan	100%	42MW [12]	42MW [12]
Xicun II Solar Power Station	Yunnan	100%	42MW [13]	42MW [13]
Coal				
Beijing Yire Power Station [14]	Beijing	30%	–	–
Fangchenggang Power Station Phase I	Guangxi	70%	1,260MW	882MW
Fangchenggang Power Station Phase II	Guangxi	70%	1,320MW	924MW
Sanhe I and II Power Stations	Hebei	16.5%	1,330MW	219MW
Zhungeer II and III Power Stations	Inner Mongolia	19.5%	1,320MW	257MW
Suizhong I and II Power Stations	Liaoning	15%	3,760MW	564MW
Shenmu Power Station [15]	Shaanxi	49%	–	–
Heze II Power Station	Shandong	29.4%	600MW	176MW
Liaocheng I Power Station	Shandong	29.4%	1,200MW	353MW
Shiheng I and II Power Stations	Shandong	29.4%	1,260MW	370MW
Panshan Power Station	Tianjin	19.5%	1,060MW	207MW
Others				
Rights to use 50% of Phase I of **Guangzhou Pumped Storage Power Station** for serving CLP's Hong Kong business under a long-term capacity purchase agreement	Guangdong	–	1,200MW	600MW
Fangchenggang Incremental Distribution Network [16]	Guangxi	22.05%	–	–

India

Assets and Services	Location	CLP's Equity Interest	Gross Capacity	CLP's Equity Capacity
Wind				
Mahidad Wind Farm	Gujarat	60%	50.4MW	30MW
Samana I Wind Farm	Gujarat	60%	50.4MW	30MW
Samana II Wind Farm	Gujarat	60%	50.4MW	30MW
Harapanahalli Wind Farm	Karnataka	60%	39.6MW	24MW
Saundatti Wind Farm	Karnataka	60%	72MW	43MW
Chandgarh Wind Farm	Madhya Pradesh	60%	92MW	55MW
Andhra Lake Wind Farm	Maharashtra	60%	106.4MW	64MW
Jath Wind Farm	Maharashtra	60%	60MW	36MW
Khandke Wind Farm	Maharashtra	60%	50.4MW	30MW
Bhakrani Wind Farm	Rajasthan	60%	102.4MW	61MW
Sipla Wind Farm	Rajasthan	60%	50.4MW	30MW
Tejuva Wind Farm	Rajasthan	60%	100.8MW	60MW

6 Gross/CLP Equity MW are expressed on an alternating current (AC) basis. If converted to direct current (DC), they are equivalent to 100/100MW.
7 Acquisition completed in January 2019.
8 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 42.5/42.5MW.
9 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 15/15MW.
10 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 110/110MW.
11 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 20/20MW.
12 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 50/50MW.
13 Gloss/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 50/50MW.
14 Beijing Yire Power Station ceased operation on 20 March 2015.
15 Shenmu Power Station ceased operation on 28 February 2018.
16 The project company, of which TUS-CLP Smart Energy Technology Co. Ltd. is a shareholder, was awarded a contract in February 2019 to build and operate the incremental distribution network, which commenced to provide electricity supply services to customers in Fangchenggang Hi-Tech Zone in January 2020.

India (Cont'd)

Assets and Services	Location	CLP's Equity Interest	Gross Capacity	CLP's Equity Capacity
Theni I Wind Farm	Tamil Nadu	60%	49.5MW	30MW
Theni II Wind Farm	Tamil Nadu	60%	49.5MW	30MW
Solar				
Gale Solar Farm	Maharashtra	60% [17]	50MW [18]	30MW [18]
Tornado Solar Farm	Maharashtra	60%	20MW [19]	12MW [19]
Veltoor Solar Farm	Telangana	60% [20]	100MW [21]	60MW [21]
Gas				
Paguthan Power Station, a combined-cycle gas-fired power plant designed to run on natural gas with naphtha as alternate fuel	Gujarat	60%	655MW	393MW
Coal				
Jhajjar Power Station, comprising two 660MW supercritical coal-fired units	Haryana	60%	1,320MW	792MW
Transmission				
Satpura Transco Private Ltd. which runs a 240 km intra-state line	Madhya Pradesh	60% [22]	–	–

Southeast Asia & Taiwan

Assets and Services	Location	CLP's Interest	Gross Capacity	CLP's Capacity
Solar				
Lopburi Solar Farm	Thailand	33.3%	63MW [23]	21MW [23]
Coal				
Ho-Ping Power Station	Taiwan	20%	1,320MW	264MW

Australia

Assets and Services	Location	CLP's Interest (Equity / Long-term Purchase)	Gross Capacity	CLP's Capacity (Equity / Long-term Purchase)
Customer Services				
Electricity and gas services for **2.47 million customer accounts**	New South Wales, Queensland, South Australia and Victoria	100%	–	–
Wind				
Cathedral Rocks Wind Farm	South Australia	50%	64MW	32MW
Gas				
Tallawarra Gas-fired Power Station	New South Wales	100%	420MW	420MW
Wilga Park Gas-fired Power Station	New South Wales	20%	16MW	3MW
Hallett Gas-fired Power Station [24]	South Australia	100%	233MW	233MW
Jeeralang Gas-fired Power Station	Victoria	100%	440MW	440MW
Newport Gas-fired Power Station	Victoria	100%	500MW	500MW
Coal				
Mount Piper Coal-fired Power Station	New South Wales	100%	1,400MW	1,400MW
Yallourn Coal-fired Power Station and Brown Coal Open-cut Mine	Victoria	100%	1,480MW	1,480MW
Renewable Energy Long-term Purchase [25]				
Boco Rock Wind Farm	New South Wales	100%	113MW	113MW
Bodangora Wind Farm	New South Wales	60%	113MW	68MW
Coleambally Solar Farm	New South Wales	70%	150MW	105MW
Gullen Range Wind Farm	New South Wales	100%	165.5MW	165.5MW
Manildra Solar Farm	New South Wales	100%	46MW	46MW
Taralga Wind Farm	New South Wales	100%	107MW	107MW
Ross River Solar Farm	Queensland	80%	116MW	93MW
Waterloo Wind Farm Stage 1	South Australia	50%	111MW	56MW
Gannawarra Solar Farm	Victoria	100%	50MW	50MW
Mortons Lane Wind Farm	Victoria	100%	19.5MW	19.5MW
Others				
Pine Dale Black Coal Mine	New South Wales	100%	–	–
Narrabri (2C contingent resource of up to 1,794PJ)	New South Wales	20%	–	–
Rights to charge and dispatch energy from **Ballarat Battery Storage** which operates 24/7 and is capable of powering more than 20,000 homes for an hour of critical peak demand before being recharged	Victoria	100%	30MW/ 30MWh	30MW/ 30MWh
Rights to charge and dispatch energy from **Gannawarra Battery Storage** which is capable of powering more than 16,000 homes through two hours of peak demand before being recharged	Victoria	100%	25MW/ 50MWh	25MW/ 50MWh

17 Gale Solar Farm became a wholly-owned asset of CLP India in March 2019 after CLP India acquired the equity interest previously held by Suzlon Energy Limited.
18 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 69/41.4MW.
19 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 27.6MW/16.6MW.
20 Veltoor Solar Farm became a wholly-owned asset of CLP India in March 2019 after CLP India acquired the equity interest previously held by Suzlon Energy Limited.
21 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 120/72MW.
22 Satpura Transco Private Ltd. became a wholly-owned asset of CLP India in November 2019 after CLP India acquired the equity interest previously held by Kalpataru Power Transmission Ltd.
23 Gross/CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 83/28MW.
24 Capacity at Hallett Power Station has increased 30MW in early 2020 following successful upgrade works.
25 Relates to long-term power purchase from power stations in which CLP has neither equity nor operational control.

Financial Highlights

Group operating earnings of HK$11,121 million were 20.5% lower than 2018 reflecting the full year impact of the lower permitted rate of return in Hong Kong and a challenging environment in Australia; total earnings decreased by 65.6% to HK$4,657 million after an impairment of EnergyAustralia's retail goodwill of HK$6,381 million.

	2019	2018	**Increase / (Decrease) %**
For the year *(in HK$ million)*			
Revenue			
Hong Kong electricity business	**40,025**	40,872	(2.1)
Energy businesses outside Hong Kong	**45,088**	49,793	(9.4)
Others	**576**	760	
Total	**85,689**	91,425	(6.3)
Earnings			
Hong Kong electricity business	**7,448**	8,558	(13.0)
Hong Kong electricity business related [1]	**211**	227	
Mainland China	**2,277**	2,163	5.3
India	**263**	572	(54.0)
Southeast Asia and Taiwan	**335**	162	106.8
Australia	**1,566**	3,302	(52.6)
Other earnings in Hong Kong	**(199)**	(92)	
Unallocated net finance costs	**(42)**	(54)	
Unallocated Group expenses	**(738)**	(856)	
Operating earnings	**11,121**	13,982	(20.5)
Items affecting comparability			
Impairment provision	**(6,381)**	(450)	
Property revaluation	**(83)**	18	
Total earnings	**4,657**	13,550	(65.6)
Net cash inflow from operating activities	**21,345**	23,951	(10.9)
At 31 December *(in HK$ million)*			
Total assets	**221,623**	230,514	(3.9)
Total borrowings	**52,349**	55,298	(5.3)
Shareholders' funds	**105,455**	109,053	(3.3)
Per share *(in HK$)*			
Earnings per share	**1.84**	5.36	(65.6)
Dividends per share	**3.08**	3.02	2.0
Shareholders' funds per share	**41.74**	43.16	(3.3)
Ratios			
Return on equity [2] (%)	**4.3**	12.4	
Net debt to total capital [3] (%)	**26.7**	25.5	
FFO interest cover [4] (times)	**12**	13	
Price / Earnings [5] (times)	**45**	17	
Dividend yield [6] (%)	**3.8**	3.4	

Notes:

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

2 Return on equity = Total earnings / Average shareholders' funds

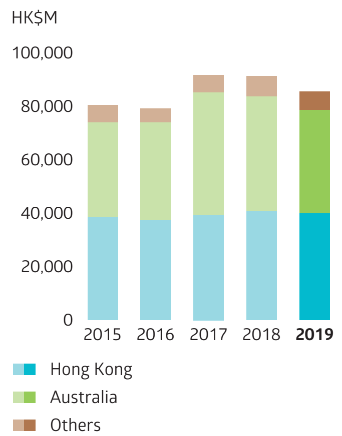
3 Net debt to total capital = Net debt / (Equity + advances from non-controlling interests + net debt). Debt = Bank loans and other borrowings. Net debt = Debt − bank balances, cash and other liquid funds.

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

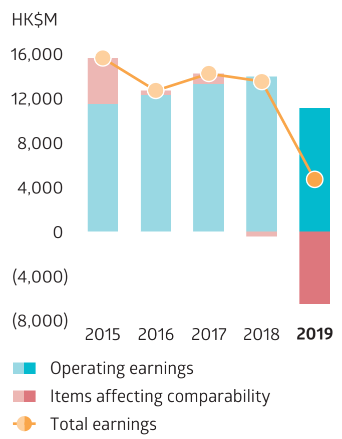
5 Price / Earnings = Closing share price on the last trading day of the year / Earnings per share

6 Dividend yield = Dividends per share / Closing share price on the last trading day of the year

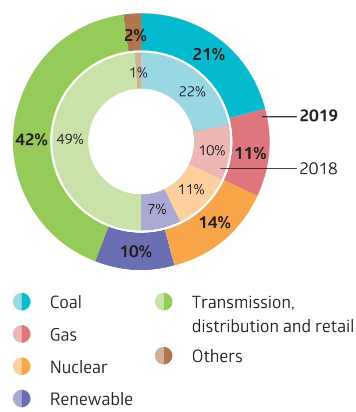
Revenue



Total Earnings



Operating Earnings (Before Unallocated Expenses) by Asset Type



Strategic Framework

Our Purpose

CLP powers the sustainable development of communities in which we operate by providing a safe, reliable and affordable electricity to our customers with minimal impact to the environment. We aim to be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next.

Our Strategy

HOW WE SERVE OUR PURPOSE

To leverage new and emerging technologies to aid the progressive decarbonisation of our portfolio, empower our customers in making better energy choices, enhance performance of our operations, and to evolve and grow our business along with the transition.

Read **CEO's Strategic Review** on pages 18 to 22

Our Values

WHAT GUIDE US IN FULFILLING OUR PURPOSE

CLP cares for people, the community and the environment. We care about performance, respect laws and standards, and value innovation and knowledge.

Our Governance

HOW WE HOLD OURSELVES ACCOUNTABLE

Good corporate governance is a key enabler of long-term value creation, which enhances our credibility and safeguards the interests of our stakeholders. We remain committed to doing the right thing at all times, and to embedding a corporate governance framework that our stakeholders respect and understand.

Read **2019 at a Glance** on pages 111 and 112

Key Performance Highlights

Continue to grow a sustainable business

HK$ 4,657 million
Total earnings ▼
2018: HK$13,550 million

HK$ 11,121 million
Operating earnings ▼
2018: HK$13,982 million

HK$ 7,782 million
Dividends ▲
2018: HK$7,630 million

88,573 million kWh
Electricity sent out ▼
2018: 92,333 million kWh

5.11 million
Retail customer accounts in Hong Kong and Australia ▼
2018: 5.15 million

Leverage new technologies to aid decarbonisation

Key innovation projects and investments
launched Smart Energy Connect, invested in R&B Technology Holding Co. Ltd.

0.62 kg CO_2/kWh
Carbon intensity ▼
2018: 0.66 kg CO_2/kWh

13.7 %
Proportion of renewable energy ▲
2018: 12.8%

24.9 %
Proportion of non-carbon emitting capacity ▲
2018: 24.1%

Empower our customers in making better energy choices

421,000
Smart meters
connected in Hong Kong since 2018

Demand response programmes
118 MW
demand reduced or capacity contracted in Hong Kong and Australia

Feed-in Tariff Scheme in Hong Kong
90 MW
approved or connected to the grid since May 2018

Enhance operational performance

Safety performance

0.11
Lost Time Injury Rate ▲
2018: 0.10

0.38
Total Recordable Injury Rate ▲
2018: 0.25

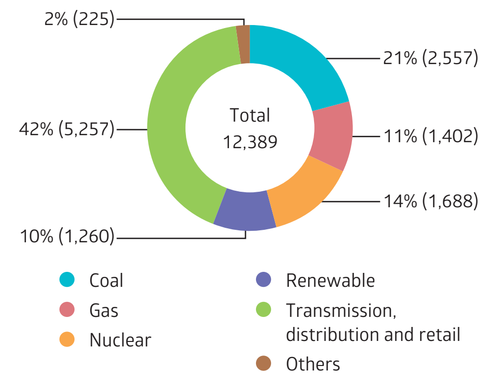
1 case
Fatalities ▼
2018: 2 cases

99.999 %
Reliability in Hong Kong ▲
2018: 99.995%

10
Environmental regulatory non-compliance cases ▲
2018: 2 cases

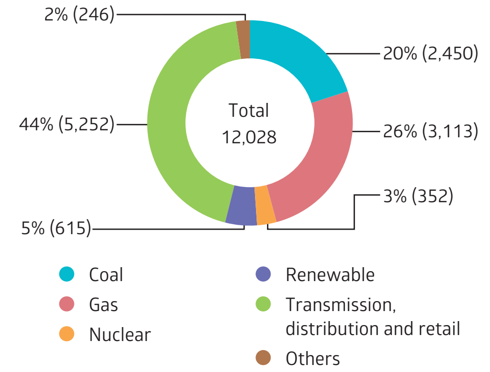
Evolve our business along with the transition

Operating earnings* by asset type
% (HK$ million)



* Before unallocated expenses

Capital investment# incurred by asset type
% (HK$ million)



\# On accrual basis

Key sustainability ratings

73
Dow Jones Sustainability Index

3.7
FTSE4Good

AA
MSCI ESG Leaders Indexes

AA-
Hang Seng Corporate Sustainability Index

B
CDP – Climate Change

Remuneration Policy

HOW WE LINK REMUNERATION TO CLP'S PURPOSE AND STRATEGY

These are amongst the broad range of strategy-linked performance indicators considered and balanced by the Board when determining incentive payments and total remuneration. The determination of performance outcomes is not formulaic but based on the Board's judgment, ensuring alignment between shareholders and management.

See **Human Resources & Remuneration Committee Report** on pages 168 to 183

Creating Value for Stakeholders

At CLP, we utilise a range of capitals, which represent stores of value that can be built up, transformed or depleted in the production of goods or services, to create value for shareholders, customers, employees and the wider community.

Inputs

Read the **Capitals** sections on pages 70 to 99

Financial Capital
- Shareholders' funds of HK$105,455 million
- Total borrowings of HK$52,349 million

Manufactured Capital
- Generation capacity of 19,238 equity MW
- Long-term capacity and energy purchase agreements of 4,777 MW
- Transmission and high voltage distribution lines of 16,270 km
- 15,099 primary and secondary substations in Hong Kong

Human Capital
- 7,960 employees

Intellectual Capital
- Research and development
- Innovation and technology

Natural Capital
- 485,453 TJ of coal consumed
- 107,183 TJ of gas consumed

Social and Relationship Capital
- 20,015 volunteer hours by staff and family members

What we do

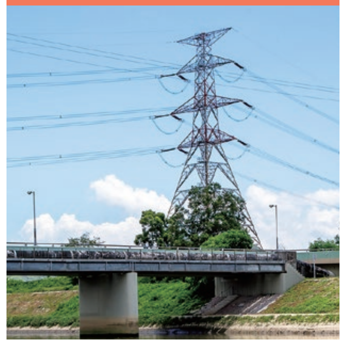
Digital technologies

Data analytics, artificial intelligence and Internet of Things (IoT) enable new efficiencies and delivery of smarter and more connected energy services.

Generation

- Design, build, operate and invest in centralised and decentralised power stations and generation facilities
- Procure adequate and appropriate fuel and energy resources from diversified sources

Transmission



- Design, build and operate transmission networks
- Enhance transmission networks to facilitate integration of more clean energy into the grid

Distribution

- Design, build and operate distribution networks
- Integrate distributed energy resources into the grid

Customers

- Develop and deploy customer-oriented, technology-enabled energy services that help customers become active participants of a power system

Dynamic system balancing

Design, build and operate systems that integrate centralised and decentralised generation, and balance dynamic customer demand against different generation profiles to optimise cost efficiency, reliability and environmental performance.

Outputs

See **The CLP Group Business** in 2019 Sustainability Report

- **Reliable, clean and affordable electricity supply** to customers in each of the markets we operate in
- **Economic value generated** of HK$87,517 million

Outcomes for stakeholders

Employees
- Staff expenses of HK$4,535 million

Community
- Donations of HK$21 million

Government and Regulators
- Current income tax of HK$2,189 million

Suppliers and Contractors
- Fuel and other operating costs of HK$58,985 million*

* Excluding impairment of retail goodwill of HK$6,381 million

Capital Providers
- Shareholders – total dividends of HK$7,782 million, HK$3.08 per share
- Debt holders – finance costs of HK$2,033 million

Material topics

Read the **Material Topics** section in 2019 Sustainability Report

- Responding to climate change
- Harnessing the power of technology
- Reinforcing cyber resilience and data protection
- Building an agile, inclusive and sustainable workforce

Material risks to the Group

Read our **Risk Management Report** on pages 141 to 151

Regulatory risk
- Uncertain regulatory changes, power sector reforms and regulatory compliance issues.

Financial risk
- Cash flow and liquidity, credit and counterparty risks, interest rate risks, foreign currency risks, and market-to-market fair value movements.

Market risk
- Economic structural changes, energy market competition and volatility as well as supply and demand imbalance.

Commercial risk
- Potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties.

Industrial and operational risks
- Risks relating to Health, Safety, Security and Environment incidents, plant performance, human capital, data privacy, cyber attacks, and extreme weather events.

The nature of our business and the ongoing development of the markets in which we operate mean that we are inevitably subject to, and must be prepared for, continuous challenges. At CLP, we take a long-term view and continue to proactively drive change in order to build a sustainable business fit for the future.

The Honourable Sir Michael Kadoorie
Chairman

Dear Shareholders,

Global trade tensions and the rising impacts of climate change combined with local circumstances here in Hong Kong and in Australia to make 2019 one of the most challenging years we have experienced in recent memory. However, the nature of our business and the ongoing development of the markets in which we operate mean that we are inevitably subject to, and must be prepared for, continuous challenges. At CLP, we take a long-term view and continue to proactively drive change within the Company in order to build a sustainable business fit for the future.

The Group's operating earnings for the year decreased 20.5% to HK$11,121 million, largely due to the expected lower permitted rate of return in Hong Kong, a reduction in our share of earnings in India following the strategic partial-divestment, and the continued challenges in Australia. Earnings in Mainland China and Southeast Asia were higher.

The Board is recommending a fourth interim dividend for 2019 of HK$1.19 per share. Total dividends per share for 2019 are HK$3.08, an increase of 2.0% from 2018.

The world needs a sustainable future, so it is pleasing to see increasing interest in Environmental, Social and Governance issues from investors and regulators alike. Properly addressing these issues requires vision and a commitment to manage with a long-term view, two things which have always been a hallmark of CLP's approach. That's why CLP is not only focusing relentlessly on the reliability and affordability of supply today, but also delivering a decarbonisation strategy that is essential to the future of the planet as well as our own prosperity and sustainability as a business.

Late last year we released our updated Climate Vision 2050, which will play a key role in delivering our vision of being the leading responsible energy provider in the Asia-Pacific region. At its heart is a pledge not to invest in any additional coal-fired generation assets, and to phase out our existing coal-fired assets by 2050 at the latest. We have also pledged to revisit and strengthen our decarbonisation targets at least every five years as technologies advance and costs reduce, tracking our progress against the goals of the Paris Climate Change Agreement.

These pledges can be seen in another context. Around 20% of our revenue comes from coal-fired generation so to ensure the long-term sustainability of our business we not only need to decarbonise, we will need to evolve and replace this revenue over time. We started the process of investing in renewable generation in the mid-1990s and we are continuing this process today. We are actively pursuing further opportunities in non-coal electricity generation, transmission and distribution, as well as in new energy services such as those springing from the development of "smart cities".

We also remain deeply committed to, and positive about, our home market of Hong Kong which is as much the foundation stone of our business as it was in 1901. The clearest sign of this is the HK$53 billion of investment we have committed for future energy supply during the course of the current Development Plan to 2023, much of which will go towards improving Hong Kong's energy security and reducing overall emissions.

As the world has noticed, Hong Kong has been experiencing a period of unrest. My family first came to this wonderful city 140 years ago and it has been disheartening to see the disharmony that has affected the entire community. My profound belief in Hong Kong's future is undimmed. My father once said to me that Hong Kong is like a rubber ball: the further it drops the higher it bounces back – a testimony to the resilience, fortitude and "can do spirit" of the people of Hong Kong. This is a time when I often remember his wise words.

Our future is in the hands of young people and it rests on us to create hope for them. I am proud that the CLP Power Academy in Hong Kong, which we established in 2017 to provide young people with more options and a sense of future, has proven to be a popular choice for those who wish to study power engineering in a professional environment, as an alternative to university. The Academy now has 500 students studying in programmes it runs in collaboration with four renowned education institutions in Hong Kong and abroad. As well as offering a springboard for a career, this initiative helps ensure an adequate supply of skilled engineers for our industry, drives overall excellence and builds partnerships between CLP, the broader industry and academia. We are also now offering our employees in Hong Kong, many of whom are from the younger generations, a home loan scheme that supports them as they look to get on the property ladder and buy their first home. Buying a property in Hong Kong is not easy and it is rewarding to see relatively junior employees able to do that.

Safety remains an absolute priority for the Group and we are continuously and measurably improving safety across the business. However, I do have to report the sad death of a team member of one of our subcontractors in Hong Kong. The Board, on behalf of everybody at CLP, expresses its condolences to their family. We are focused on the highest possible standards and our target of zero harm for everybody.

Chairman Sir Michael Kadoorie receives a memento from a CLP shareholder at the Group's 2019 Annual General Meeting.

As we look to the future, it is critical that we take stock of how we work and to continue to refresh our Board and management to ensure that we are best placed to meet the evolving challenges ahead. In 2019, we completed a Board progression exercise to further enhance the way the Board works to shape CLP's future success. Further details of the outcomes of this exercise can be found in the Corporate Governance Report and Nomination Committee Report.

In line with the retirement guideline we introduced in 2019, two Directors, Mr Vernon Moore and Mr Vincent Cheng, will both retire from the Board at the conclusion of the 2020 Annual General Meeting. I thank them both for their distinguished service and valuable contribution to CLP over many years. We will conduct a director search process in 2020 to ensure we can continue to have the best Board to take the Company forward.

We are also continually reinforcing our management team and in 2019, following the retirements of Mr Roy Massey and Mr Derek Parkin, we were pleased to welcome Ms Eileen Burnett-Kant as Chief Human Resources Officer and Mr David Smales as Chief Operating Officer, two very important roles in the Senior Management. Eileen and David bring with them a wealth of valuable experience and I look forward to working with them.

As I look back on 2019, I see an increasingly people-focused organisation that has rolled-up its sleeves and is hard at work delivering results from our existing assets and committing to new projects that will generate returns in the short and medium term. With the renewed Climate Vision 2050 we are ensuring we can respond to the transformative shifts in our industry, play a pivotal role in the decarbonisation that the world needs, and build a solid platform for our business to grow further and thrive for many decades to come.

The Honourable Sir Michael Kadoorie
Hong Kong, 24 February 2020

We are striving to deliver on our investments, decarbonise, digitalise our operations and keep innovation at the heart of our ongoing development, all while continuing to pursue excellence in our existing operations.

Richard Lancaster
Chief Executive Officer

Our 2019 results reflect the changes, challenges and opportunities in our business. This period of transition is being managed for the best long-term outcome, with the aim of ensuring that we are fit for the future and well-positioned for ongoing operational and financial stability across the Group.

Notable results from 2019 include:

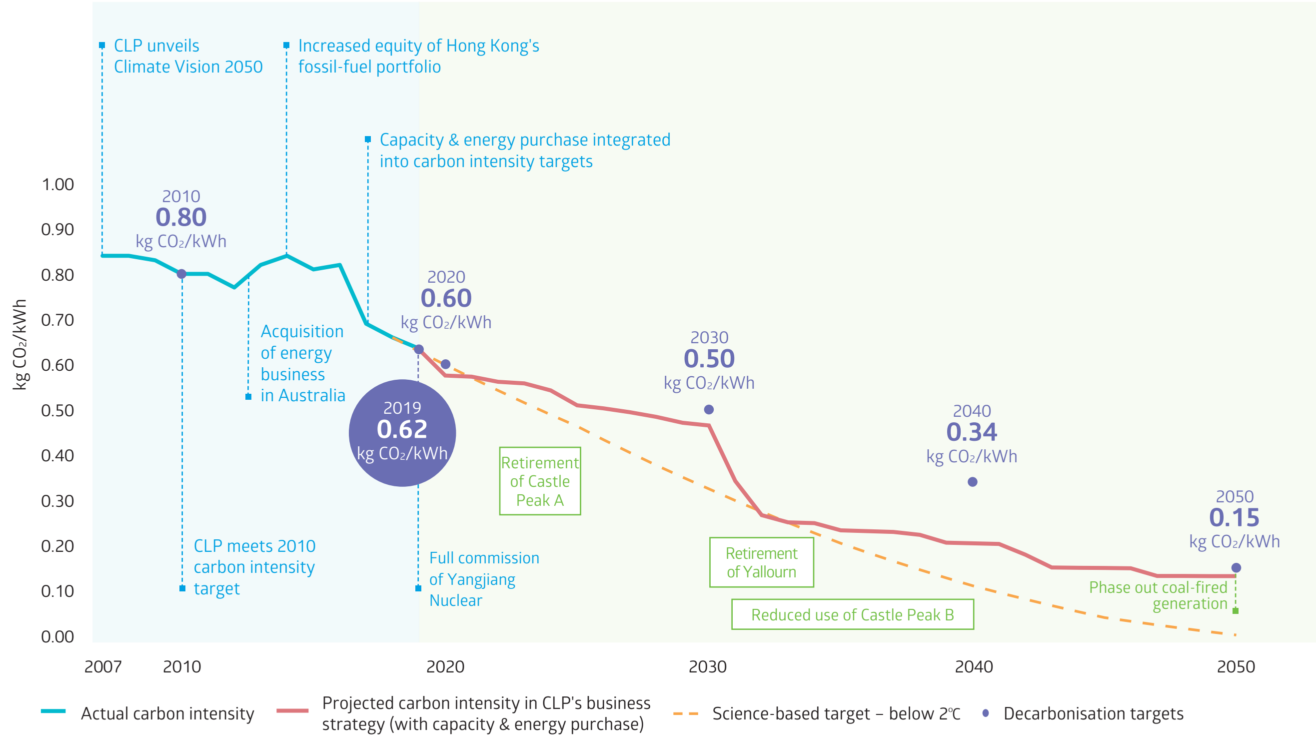
- In Hong Kong we delivered good progress on our Development Plan, while earnings were subject to a full-year effect of the lower permitted rate of return under the new Scheme of Control Agreement;
- Our low-carbon generation portfolio in Mainland China brought us stable and reliable results;
- In India, 2019 saw our first investment in transmission assets, representing a diversification in a marketplace that has great potential;
- In Australia issues with asset availability, fierce competition and regulatory interventions impacted profitability and significantly reduced the value of goodwill on our balance sheet; we adjusted our retail business to the new regulated pricing regime and addressed significant constraints on our major generation units; and
- We launched a revised version of our Climate Vision 2050, further updating our strategy for existing and future investments.

Against the backdrop of accelerating climate change and its impacts, decarbonisation continued to be a key priority of CLP in 2019. The updated Climate Vision 2050 is the foundation stone of our business strategy, giving us a roadmap for deep decarbonisation aligned with local policies in each of our markets, and demonstrating our desire to contribute to the world's journey towards a sustainable energy future.

As we transition to a Utility of the Future, we are further digitalising our operations which is another strategic priority of CLP. We are focused on opportunities that will deliver robust performance from today's asset base well into the medium term in addition to sustainable results from low-carbon solutions in the longer term. In the past year, these strategies continued to steer us forward amid the fluctuations in both our business and operating environment.

Full report of Climate Vision 2050 can be found on our website.

CLP Group's Carbon Intensity



Note: The plant retirement timeframes are indicative only.

Hong Kong

Electricity sales in Hong Kong rose 1.8% in 2019 due to higher demand from most customer segments. Operating earnings decreased 13.0% to HK$7,448 million largely due to the lower permitted rate of return. The reset in our earnings was fully anticipated and we now have a predictable earnings trajectory as we continue with the critical investments under the current Development Plan.

We are a partner to Hong Kong and in 2019, we continued to progress projects with a clear strategy of decarbonisation, digitalisation and driving greater energy efficiency. Our approach to reducing coal from our generation mix is supported by further investment in Black Point Power Station where we expect to commission an additional gas-fired unit in the coming months and another unit in 2023. We are also making progress with the construction of the offshore LNG terminal. This will further improve Hong Kong's energy security with direct access to international sources of natural gas, diversifying Black Point's current supply. We are on track to play our part in meeting the Hong Kong Government's target of increasing the amount of gas-generated electricity in Hong Kong to around 50% by 2020.

We responded to the Council for Sustainable Development's public engagement on a long-term decarbonisation strategy. Hong Kong is a high-density urban environment with great electricity needs. The Government's energy policy objectives – ensuring the community's needs are met safely, reliably, efficiently and at reasonable prices, with minimal environmental impact – are fully aligned with CLP's purpose.

Mainland China

Our non-carbon portfolio continues to be the main driver of growth in Mainland China. The Daya Bay and Yangjiang nuclear plants provided stable earnings while our renewable energy assets contributed higher earnings from our diversified portfolio of hydro, wind and solar facilities. Lower coal prices and higher output supported an increased contribution from Fangchenggang Power Station. Overall, operating earnings for the year increased 5.3% to HK$2,277 million.

We expanded our renewable portfolio through the acquisition of a 100% stake in the 36MW Meizhou Pingyuan solar plant, the commissioning of the 49.5MW CLP Laizhou II wind farm and continued construction of the 50MW Laiwu III wind project, although cash flow of our renewable energy projects was adversely affected by the significant delay in subsidy payments. Supported by opportunities offered by digitalisation and market reform, we are also expanding into other parts of the electricity value chain. Having previously announced our award of a contract to deliver an incremental distribution network at a technology zone at Fangchenggang, we are pleased to see that the project started providing electricity supply services to customers in the area in January 2020. In the meantime, we continue to explore development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area.

India

In India our partnership with Caisse de dépôt et placement du Québec and the expiry of the long-term power purchase agreement for the Paguthan power plant have reduced our operating earnings by 54.0% to HK$263 million. With the strategic support and additional resources provided by the partnership, CLP India agreed to acquire three transmission assets across the country in 2019. Our renewable energy investment strategy has now been running in India for over a decade and in 2019 we bid successfully in a government auction for a 250MW wind project in the state of Gujarat, which is set to be the biggest wind farm across the CLP Group once commissioned in 2021. During the year we saw a marked increase in delay in payments for renewable energy projects from local distribution companies experiencing financial hardship.

There is a need for a strengthened grid in India to support the country's transition to cleaner forms of energy, as well as the overall system stability. We are pleased to be further developing our focus here while also leveraging the opportunities to build a more comprehensive, synergised portfolio of business.

Southeast Asia and Taiwan

Operating earnings in the market rose 106.8% to HK$335 million due to good performance of the Ho-Ping coal-fired power plant and the Lopburi solar plant.

As part of our strategic decision stated in Climate Vision 2050 not to add any new coal-fired generation assets to our portfolio, we have decided to exit from two legacy coal developments in Vietnam. In the future our efforts in the country will focus on investment opportunities in renewable generation.

Australia

A challenging year in Australia was marked by reduced performance at the Yallourn and Mount Piper power stations caused by safety works and coal supply issues respectively. The implementation of new energy price regulations by national and regional governments also had a significant impact on results. Operating earnings therefore reduced significantly by 52.6% to HK$1,566 million.

While we do not expect the uncertainty of the regulatory environment to ease in the short term, we are managing the change of circumstances strategically. EnergyAustralia invested to strengthen the reliability of its existing assets including a more diversified supply of coal for Mount Piper and enhancements to safety and other operational systems at the Yallourn power station. Yallourn has the capacity to supply two million homes every day and employs hundreds of people. We plan to run the plant to 2032 or as long as policy and regulation permit. To assist system planning and the local community, we have committed to giving at least five years' notice of its closure where circumstances remain within our control.

As well as continuing to optimise our existing portfolio, we are playing our part in seeking to build a modern, cleaner energy system for the country. Absorbing high volumes of renewables into the grid brings the challenge of supply volatility and the need for consistent base load. Therefore EnergyAustralia has made capacity purchases of renewable energy and is exploring the addition of flexible generation such as the possibility to expand the gas-fired power station at Tallawarra and the potential of pumped hydro.

Putting customers at the centre of our business and the energy system, we continued to improve customer experience during the year and leveraged the introduction of safety-net electricity prices to launch new products and services that are simpler and lower-cost.

Digitalising our Business

As a Group, our business spans across the entire energy value chain, all aspects of which are increasingly supported by smart energy services. To fully unlock the potential of the digital transformation, we need to develop customised strategies and solutions for each of the markets in which we operate.

The launch of Smart Energy Connect is a prime example of our efforts in 2019. As the first online energy app store in Asia, it offers a range of innovative and practical applications to help businesses and organisations in the region manage energy use in a greener and smarter way.

In our retail businesses in Australia and Hong Kong we have further invested in operations and customer service by digitalising our service operations. In Australia this enables an improvement in customer experience to make it easier for us to attract, acquire and retain customers.

With a high population density and large concentration of skyscrapers, Hong Kong is an excellent testbed for energy innovation. In 2019, we took Free Electrons, the global energy start-up accelerator programme, to Hong Kong for a week-long event filled with sharing and pitching of fresh ideas. EnergyAustralia also continued to partner with world-leading accelerator Startupbootcamp to work with some of the most innovative startups in the energy space.

Looking into the Future

Looking ahead, we will continue to manage our operations and make investments as guided by our strategic focuses of decarbonisation and digitalisation. Opportunities are emerging from an increasing number of organisations in the region that are committing to procure renewable energy. Underpinned by our Climate Vision 2050 as well as both technical and commercial excellence, we are well placed to maximise these opportunities at the heart of the global energy transformation.

In Hong Kong, our long-term vision and confidence remain undimmed and we will continue to focus on delivering our ambitious Development Plan. These investments in Hong Kong will underpin the performance of the business in the years ahead and, in the near term, will take up the bulk of the Group's capital expenditure. This, together with our dividend policy and prudent approach to financing, will limit our resources to invest in other areas over this period, but we will continue to prudently pursue opportunities that help us move towards a digital, low-carbon future.

As 2019 drew to a close and the new year commenced, nowhere was the risk of a changing climate more vividly displayed than by the bushfires in Australia. The scale, magnitude and extent of damage of these fires are certainly galvanising attention to the urgency for climate actions. At the same time, they highlight the need for a strong and resilient power system, and an acceleration of policy changes. Australia has lived with bushfires for years, and so too Hong Kong has lived with typhoons. However, the catastrophic bushfires in Australia and Super Typhoon Mangkhut that hit the region in 2018 have taken these climatic events to an unprecedented level. As the physical impact of these extreme events become clear, so too are the risks to businesses. When we formulate measures to reinforce our power systems, we need to plan for very extreme scenarios and make sure that power systems can withstand unprecedented circumstances. We also need to accelerate our transition towards a low-carbon world while continuing to deliver safe, reliable and affordable power to the communities we serve.

All markets go through transition periods and any country with a legacy of coal generation assets will require its private sector energy partners to be ready for the challenge of decarbonisation. In Australia, India and Mainland China, much like in Hong Kong and the other markets in which we operate, we see ourselves as a ready, willing and highly capable partner in the transition to a low-carbon energy future.

In the midst of all these changes, a word on our people. As the Chairman mentioned, we were deeply saddened to report a fatality of an employee of a subcontractor in Hong Kong this year. It is a reminder that we must continue to relentlessly develop our efforts to understand the cause of all accidents and prevent them. Above all, it is my colleagues working tirelessly every day who make CLP what it is. Together we steer this business through changes and challenges so that we can continue to serve the communities across Asia Pacific who place great trust in us.

Going through the transition in 2019 has not been easy and our results are a stark reminder of the disruption in our industry. Nevertheless, we are striving to deliver on our investments, decarbonise, digitalise our operations and keep innovation at the heart of our ongoing development, all while continuing to pursue excellence in our existing operations. My thanks go to my colleagues for everything they are doing to achieve that and together we go forward.

Richard Lancaster

Hong Kong, 24 February 2020

Q **It is increasingly obvious that vast numbers of young people like me care deeply about the challenges facing the environment and are concerned about the impact of climate change not just on their lives today but on the lives of their children and grandchildren. We have seen students leave their school desks for a day to try to draw attention to what they see as a growing crisis. Many see energy companies as part of the problem, not part of the solution. What do you say to them?**

Ms Lui Tin Long

Secondary five student and recipient of CLP Centenary Scholarship 2019

A I totally share your concern and I can assure you, and young people like yourself, that not only does CLP care and take this issue very seriously, we absolutely see ourselves as part of the solution. There is no doubt that greenhouse gas levels in the atmosphere are increasing due to human activity, bringing damaging changes to our climate as a result. CLP was the first Asian-based power company to set itself targets for reducing the carbon intensity of its business activities and has been strengthening those targets on an ongoing basis. As you will read in this Annual Report, we have stopped investing in new coal-fired power plants and will phase out our existing ones by 2050. But the transition cannot happen overnight. It will need investment to build new carbon-free power plants and new transmission systems to connect them to cities. CLP is helping to make this happen. We must plan carefully to ensure the lights stay on during this transition period and there would be reliable electricity supply for the communities we serve. Hospitals, transport systems and millions of homes and businesses depend on electricity. That's why CLP advocates careful and coordinated planning among all sectors of society to manage this energy transition well. At CLP, we are not only passionate about making this change, we are contributing our expertise and experience as part of the solution. It is your future – and we are with you.

Richard Lancaster

Chief Executive Officer

Shareholder Value

Our Goal:

- Create long-term and sustainable value for shareholders, the Company's ultimate owners.

How We Achieve This:

- Investing in businesses and projects which leverage our core capabilities and provide long-term returns.
- Maintaining a healthy financial position, upholding our values in managing our businesses, and communicating with our shareholders on important issues.
- Recognising that we are the stewards of our shareholders' investments in the Company and we value their trust and confidence.

Our Track Record:

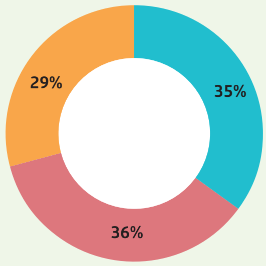
- Annual dividends have not decreased since 1960.
- Annualised rate of total shareholder return of 8.65% over the 10-year period (2010 to 2019).

Our Shareholders

Shareholding as at 31 December 2019

Size of Registered Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,571	13.24	792,567	0.03
501 – 1,000	3,623	18.66	2,909,627	0.11
1,001 – 10,000	8,881	45.75	37,660,523	1.49
10,001 – 100,000	3,859	19.88	110,803,939	4.39
100,001 – 500,000	399	2.06	82,342,144	3.26
Above 500,000	79 [1]	0.41	2,291,941,770	90.72
Total	**19,412** [2]	**100.00**	**2,526,450,570** [3]	**100.00**

Shareholding by Category [4]



- Interests associated with Kadoorie Family – our single largest shareholder group
- Institutional investors – many based in North America, UK, Europe and Asia
- Retail investors – mostly based in Hong Kong

Notes:

1 Information on the 10 largest registered shareholders in the Company is set out on our website.
2 Actual number of investors is much greater as many shares are held through intermediaries including Central Clearing and Settlement System of Hong Kong (CCASS).
3 54.57% of all our issued shares were held through CCASS.
4 The Listing Rules required 25% public float was maintained throughout the year and up to 24 February 2020.

The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings which stood at HK$207 billion as at 31 December 2019. At this time our shares represented 1.67% by weighting of the Hang Seng Index (HSI), Hong Kong's leading listed companies index.

Delivering Long-Term Value to Shareholders

Share Price Performance – 2019

Highest closing price (22 February 2019) **HK$96.85**

Average closing price (increase of 1.8% over 2018) **HK$86.28**

Lowest closing price (2 September 2019) **HK$78.40**

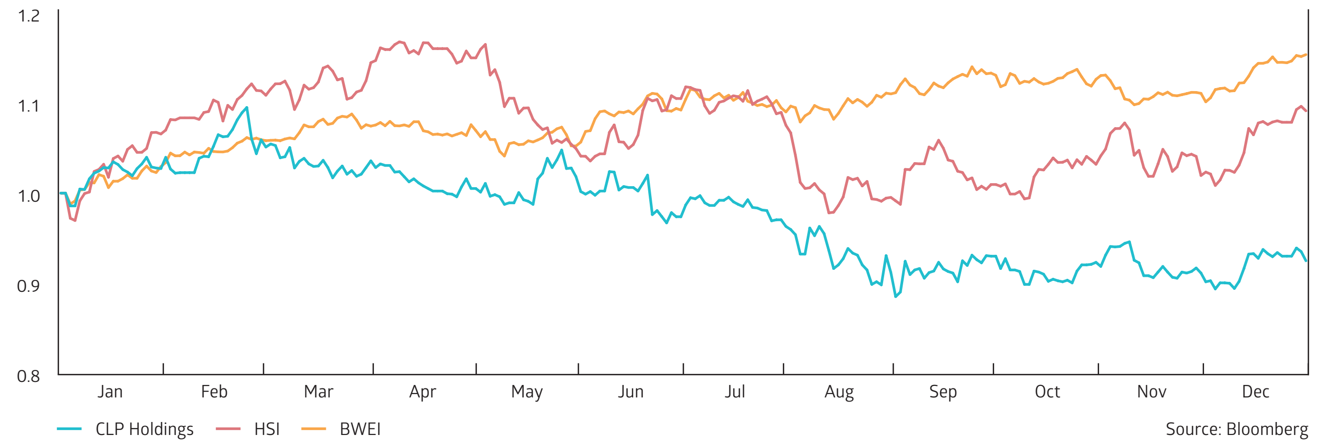
Movement for 2019 ↓ 7.5%
HK$81.90 (31 December 2019)
HK$88.50 (31 December 2018)

CLP Holdings' shares commenced 2019 in a positive trajectory and reached an all-time high closing price of HK$96.85 on 22 February 2019. The stock declined following the 2018 annual results announcement in late February and continued on a softening trajectory for several months, weighed down by external and internal factors including negative market sentiment from trade tensions between China and the United States, ongoing civil unrest in Hong Kong, re-regulation of retail electricity prices in Australia, and constrained operations at our two largest power plants in Australia. The stock regained some ground in the fourth quarter and traded in a fairly constant range through to the end of the year.

CLP Holdings' share price finished the year down by 7.5% relative to the start of the year. By comparison, the HSI and the Bloomberg World Electric Index (BWEI) were up by 9.1% and 15.3% respectively.

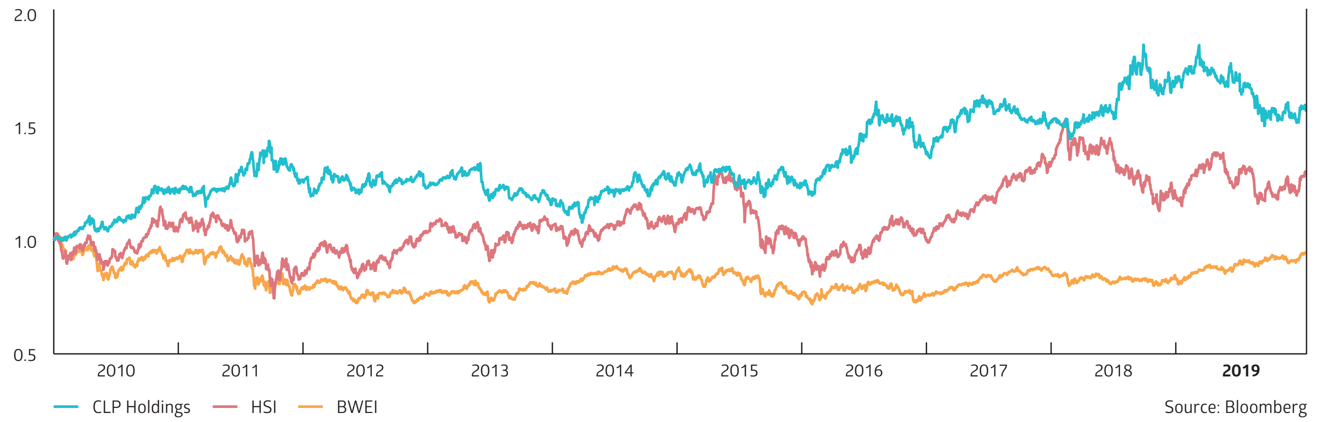
This comparison is shown in the chart below.

1-year Relative Performance – CLP vs HSI and BWEI (1 Jan 2019 – 31 Dec 2019) (Base: 31 December 2018 = 1.0)



The trend shown in the 10-year Relative Performance chart below represents the share price changes compared with the closing price 10 years ago.

10-year Relative Performance – CLP vs HSI and BWEI (1 Jan 2010 – 31 Dec 2019) (Base: 31 December 2009 = 1.0)



Through Dividend Payments

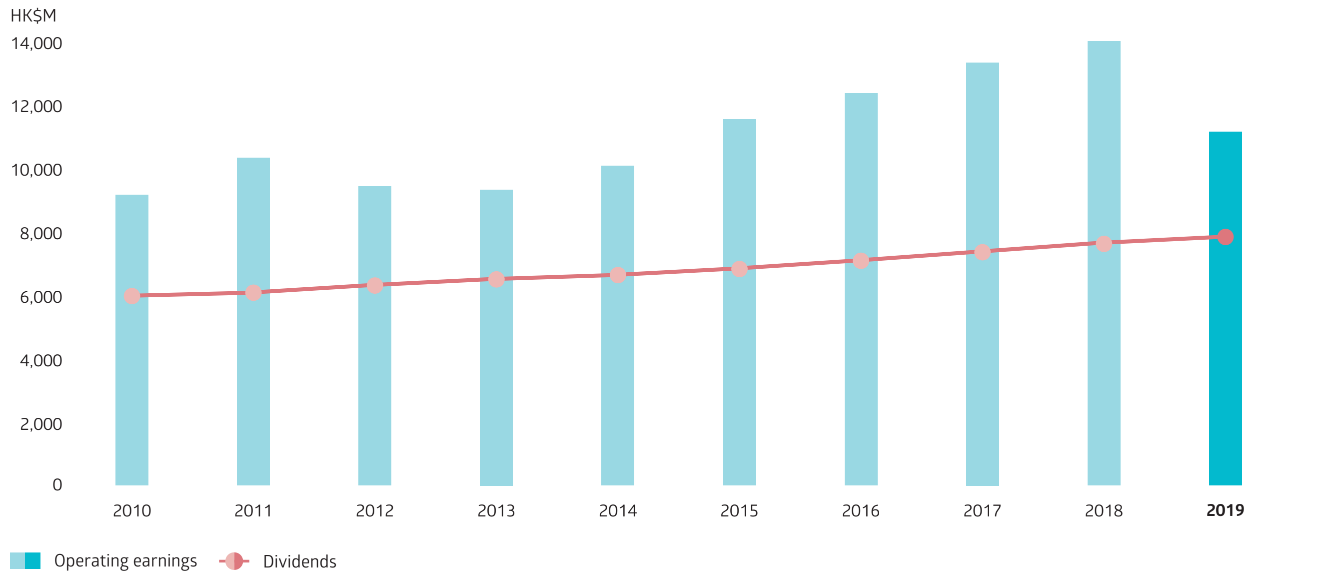
CLP's Dividends Policy, adopted by the Board in February 2019, aims to provide reliable and consistent ordinary dividends with steady growth when supported by our earnings whilst ensuring that a solid financial position can be maintained to fund our business growth. In line with our established practice, our ordinary dividends are paid four times a year in each of the quarters.

CLP's Dividends Policy is available on the CLP website.

Our shareholders, whether institutional or retail investors, have continued to emphasise the importance they attach to a consistent dividend stream with gradual growth from their investment in CLP shares. In fact, our annual dividends have not decreased since 1960 – a solid record maintained over the past 59 years.

The following chart demonstrates that we have maintained a stable dividend stream, despite fluctuations in earnings over the period.

Earnings and Dividends (2010 – 2019)



Past 10 years (2010-2019)

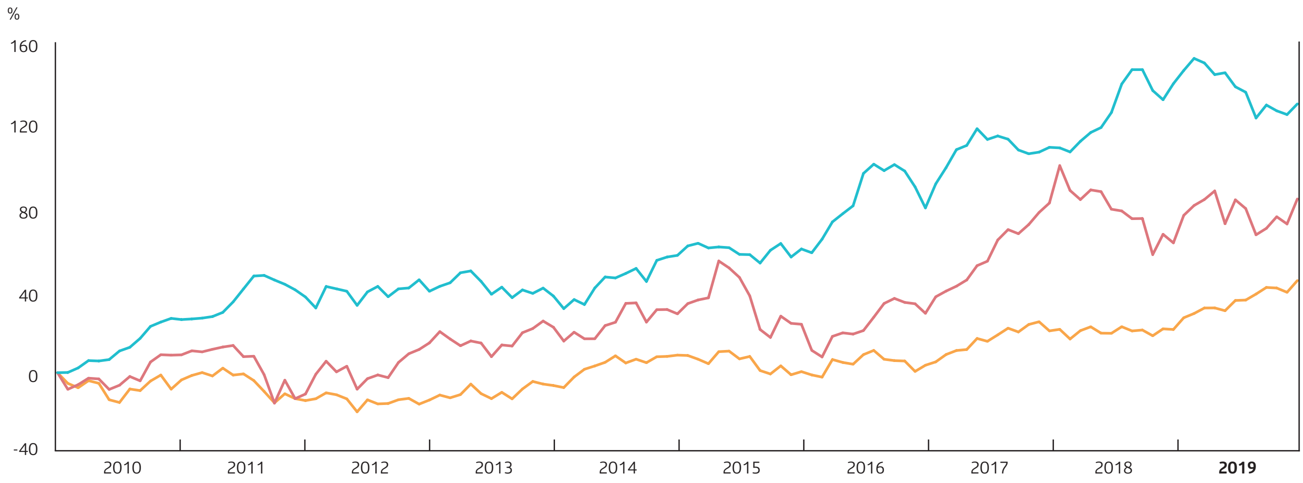
CLP has provided reliable and consistent ordinary dividend payments over the past 10-year period. There was a steady growth in our dividend payments over the last five years where the average year to year growth was around 3.3% and this has been supported by a corresponding increase in earnings other than in 2019 where earnings fell against 2018. For the past 10 years, the average year to year growth was approximately 2% and the dividend payouts were in the range of 55% to 66% of operating earnings, except for 2013 and 2019 when our payout ratio rose to 70% of operating earnings.

The total dividends declared for 2019 were HK$3.08 per share representing an increase of 2.0% over the total dividends for 2018. The dividend payout ratio for 2019 was 70% of operating earnings.

Through Total Returns

Total returns to shareholders come from the combination of share price appreciation and dividend payments over time. During the 10-year period from 2010 to 2019, CLP provided an annualised rate of return of 8.65%, as compared with 6.26% for the HSI and 3.74% for the BWEI.

Total Returns – CLP vs HSI and BWEI (2010 – 2019) (Base: 31 December 2009 = 0%)



Source: Bloomberg

CLP Shares – Investment Comparison

For reference only, we have set out below our share price performance and the performance of some comparable investments which our shareholders might make. We have assumed that during the period of 1, 5 and 10 years prior to 31 December 2019, an investor has put HK$1,000 into each of these investments every year. We have then compared the total worth of these investments (including bonus shares and dividends or interest reinvested) at the end of each of the three periods.

Investment Returns	Total Investment Worth at 31 December 2019		
	1-Year Period HK$	5-Year Period HK$	10-Year Period HK$
CLP	959	6,242	15,367
Tracker Fund of Hong Kong	1,129	6,458	14,957
Hong Kong and China Gas	1,054	7,010	17,360
Power Assets Holdings	1,101	5,861	15,497
HK Electric Investments	1,018	7,047	N / A
HK$ 1-Year Fixed Deposits	1,023	5,240	10,697

Adapted from Bloomberg

Key Dates for 2020

The following are the key shareholder-related dates and events:

Performance-related	Date	Dividend-related
2019 Annual Results and Fourth Interim Dividend announced	24 FEB	2019 Fourth Interim Dividend
	6 MAR	▪ Ex-Dividend Date
	10 MAR	▪ Book Close Date
	19 MAR	▪ Payment Date
	25 MAR Annual General Meeting (AGM) Notice Issue Date	
	5-8 MAY Voting at AGM Book Close Days	
	8 MAY 2020 AGM	
2020 Q1 Quarterly Statement and First Interim Dividend announcement	11 MAY	2020 First Interim Dividend
	2 JUN	▪ Ex-Dividend Date
	4 JUN	▪ Book Close Date
	15 JUN	▪ Payment Date
2020 Interim Results and Second Interim Dividend announcement	3 AUG	2020 Second Interim Dividend
	2 SEP	▪ Ex-Dividend Date
	4 SEP	▪ Book Close Date
	15 SEP	▪ Payment Date
2020 Q3 Quarterly Statement and Third Interim Dividend announcement	19 OCT	2020 Third Interim Dividend
	2 DEC	▪ Ex-Dividend Date
	4 DEC	▪ Book Close Date
	15 DEC	▪ Payment Date

Any changes to these dates will be published on our website.

Any shareholders who have questions or comments are most welcome to contact us by calling our shareholders' hotline on (852) 2678 8228 from 9 a.m. to 5 p.m. (Monday to Friday, excluding Hong Kong public holidays) or email to cosec@clp.com.hk (Company Secretary) or ir@clp.com.hk (Director – Investor Relations).

Financial Review

CLP's strategic focus on decarbonisation and digitalisation guides the Group's operations and investments.

CLP Group's Financial Results and Position at a Glance

Strategy for Becoming Utility of the Future

CLP continues to deliver secure, affordable and sustainable energy in the region, creating long-term value for our shareholders. Hong Kong remains our core market and strategic focus. Our priority in Australia is to deliver on the expectations of our customers under challenging market and regulatory conditions.

We continue our transformation into a Utility of the Future by decarbonising our portfolio, investing in new technologies and digitising our operations and customer services. As part of our renewed Climate Vision 2050, we have pledged not to invest in any additional coal-fired generation capacity and to progressively phase out all remaining coal assets by 2050.

How Well We Execute Our Strategy

Hong Kong electricity business remains dependable despite its 13.0% reduction in earnings, reflecting the full-year impact of the lower permitted rate of return. Overseas businesses had a challenging year with new price regulations and operational difficulties in Australia. We also saw the end of Paguthan's power purchase agreement in India.

In 2019, we have advanced projects in line with our strategy with good progress on two 550MW CCGT units and an offshore LNG terminal in Hong Kong. Other smaller scale initiatives (e.g. installation of smart meters) have also progressed steadily. Investments in renewables and transmission assets continue to grow our business outside Hong Kong.

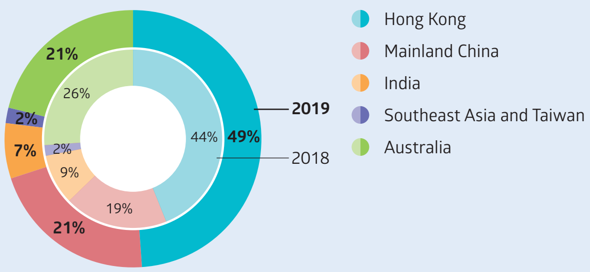
Last Year's Statement of Financial Position

	2018 HK$M
Working capital	
Trade and other receivables	15,917
Trade payables and other liabilities	(19,061)
Cash and cash equivalents	7,365
Others	3,180
	7,401
Non-current assets	
Fixed assets, leasehold land and land use rights and investment property	147,945
Interests in joint ventures and associates	17,420
Goodwill and other intangible assets and others	29,649
	195,014
Debts and other non-current liabilities	
Bank loans and other borrowings *	(55,298)
Others	(22,185)
	(77,483)
Net assets	124,932
Equity	
Share capital and reserves	17,742
Retained profits	91,311
Non-controlling interests and perpetual capital securities	15,879
	124,932

* Including current and non-current portions

Closing exchange rate	
A$ / HK$	5.5171
INR / HK$	0.1120
RMB / HK$	1.1380

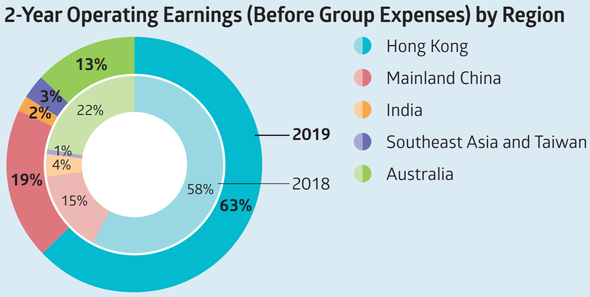
2-Year Net Assets by Region



Statement of Profit or Loss

	2019 HK$M	2018 HK$M	Increase / (Decrease) %
Revenue	**85,689**	91,425	(6.3)
EBITDAF of the Group	**15,943**	26,235	
Share of results of joint ventures and associates, net of tax	**2,713**	2,336	
Consolidated EBITDAF	**18,656**	28,571	(34.7)
Depreciation and amortisation	**(8,118)**	(8,005)	
Fair value adjustments	**(176)**	(68)	158.8
Net finance costs	**(1,821)**	(1,857)	(1.9)
Income tax expense	**(2,787)**	(4,014)	(30.6)
Attributable to non-controlling interests and perpetual capital securities holders	**(1,097)**	(1,077)	
Earnings attributable to shareholders	**4,657**	13,550	(65.6)
Excluding: Items affecting comparability	**6,464**	432	
Operating earnings	**11,121**	13,982	(20.5)
Average exchange rate			
A$ / HK$	**5.4475**	5.8376	(6.7)
INR / HK$	**0.1113**	0.1146	(2.9)
RMB / HK$	**1.1344**	1.1825	(4.1)

2-Year Operating Earnings (Before Group Expenses) by Region



Retained profits (HK$M)	
Balance at 31.12.2018	91,311
Earnings attributable to shareholders	4,657
Dividends paid	(7,782)
Other movements	(106)
Balance at 31.12.2019	**88,080**
Fourth interim dividend declared for 2019, HK$ / share	**1.19**

Adequate Resources to Support Our Strategy

Free cash flow represents the cash that can be extracted from a company without causing issues to its operations. It can be used for distribution to equity and debt holders, and to grow the business.

The challenging market and regulatory changes in Australia resulted in a reduction of our free cash flow in 2019. SoC operating cash inflows and collection of remaining proceeds from the partial sale of interest in CLP India supported the various capital investments and higher dividend payment during the year. Detailed cash flow analysis and five-year summary are available in the Cash Flow Analysis (page 36) and the Broader Perspective (page 37), respectively.

Where We Stand

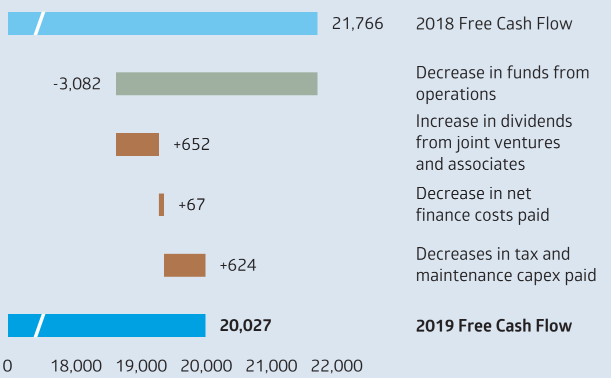
- Good progress on delivery of the Development Plan in Hong Kong with major investments in energy transition and customer-centric products
- Focus on new product and service offerings and assets reliability in Australia
- Partnership with CDPQ to accelerate low carbon investments along the energy supply chain
- Contributions from the non-carbon emitting portfolio increased to HK$2,943 million and represented 26.5% of Group operating earnings
- Strong investment grade credit ratings maintained
- Dividend growth of 2.0% backed with a solid financial position

Statement of Cash Flows

	2019 HK$M
EBITDAF of the Group	15,943
SoC related movements	1,057
Working capital movements	(368)
Non-cash items	6,870
Funds from operations	23,502
Tax paid and interest received	(2,157)
Cash inflow from operating activities	21,345
Cash outflow from investing activities	(5,824)
Cash outflow from financing activities	(14,944)
Net increase in cash and cash equivalents	577
Cash and cash equivalents at 31.12.2018	7,365
Effect of exchange rate changes	(61)
Cash and cash equivalents at 31.12.2019	7,881
Free Cash Flow	
Funds from operations	23,502
Less: tax paid	(2,322)
Less: net finance costs paid ^	(2,176)
Less: maintenance capital expenditure	(1,083)
Add: dividends from joint ventures and associates	2,106
	20,027

^ Includes distributions paid to perpetual capital securities holders

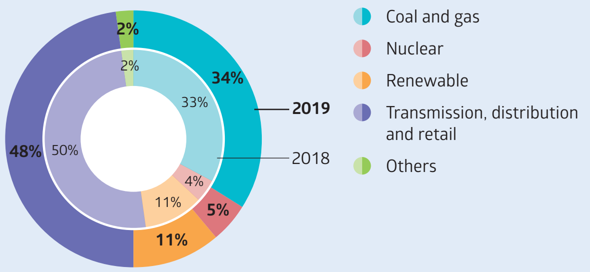
Movements in Free Cash Flow (HK$M)



This Year's Statement of Financial Position

	2019 HK$M
Working capital	
Trade and other receivables	12,986
Trade payables and other liabilities	(17,586)
Cash and cash equivalents	7,881
Others	(1,366)
	1,915
Non-current assets	
Fixed assets, right-of-use assets and investment property	150,786
Interests in joint ventures and associates	18,707
Goodwill and other intangible assets and others	23,304
	192,797
Debts and other non-current liabilities	
Bank loans and other borrowings *	(52,349)
Others	(23,034)
	(75,383)
Net assets	119,329
Equity	
Share capital and reserves	17,375
Retained profits	88,080
Non-controlling interests and perpetual capital securities	13,874
	119,329
Closing exchange rate	
A$ / HK$	5.4487
INR / HK$	0.1092
RMB / HK$	1.1151

Capital Assets # by Asset Type

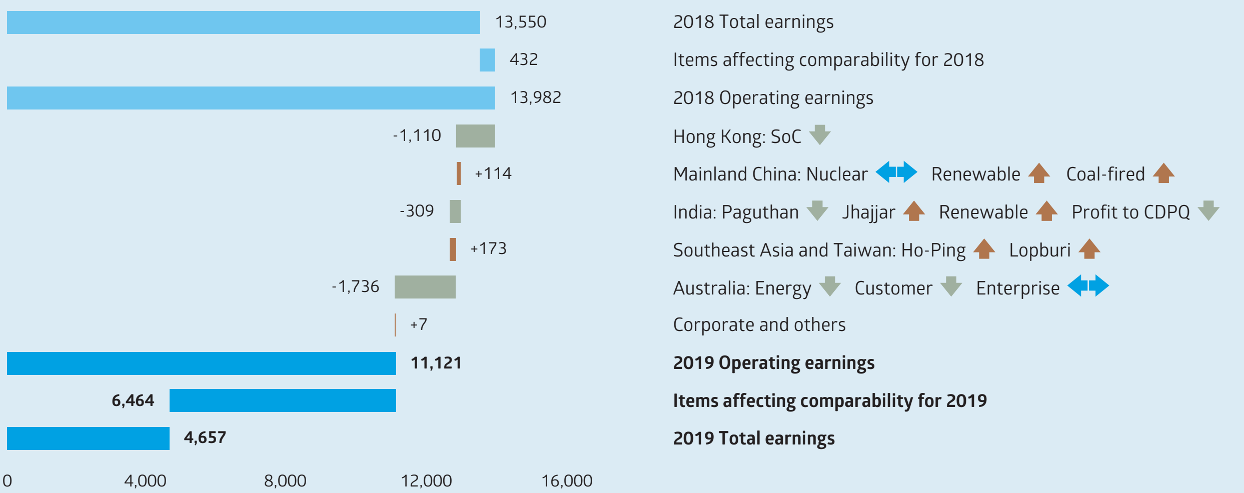


Capital assets represent the year end balances of fixed assets, right-of-use assets, investment property, goodwill and other intangible assets, and interests in joint ventures and associates

Analysis on Financial Results

Total Earnings (2019: HK$4,657 million; 2018: HK$13,550 million; ↓ 65.6%)
Operating Earnings (2019: HK$11,121 million; 2018: HK$13,982 million; ↓ 20.5%)

Earnings for the Year (HK$M)

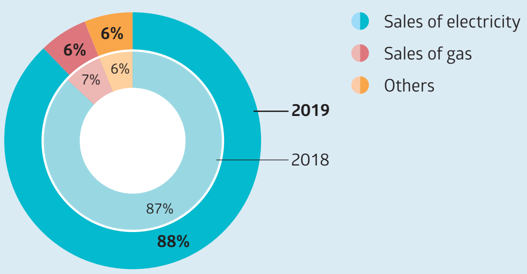


The performance of individual business is analysed on "Business Performance and Outlook" on pages 40 to 69.

Revenue (2019: HK$85,689 million; 2018: HK$91,425 million; ↓ 6.3%)

	2019	2018	Increase / (Decrease)	
	HK$M	HK$M	**HK$M**	**%**
Hong Kong	**40,588**	41,623	(1,035)	(2.5)
Australia	**38,752**	43,013	(4,261)	(9.9)
India	**4,651**	5,269	(618)	(11.7)
Mainland China and others	**1,698**	1,520	178	11.7
	85,689	91,425	(5,736)	

Revenues by Nature



- Hong Kong: Full year impact of the reduction in the average basic tariff of HK¢3.5 per unit

	2019	2018
Electricity sales (GWh)		
Local sales	**34,284**	33,662
Total sales	**34,284**	34,218
Average basic tariff (HK cents per unit)		
January to September	**91.0**	94.5
October to December	**91.0**	91.0

- India: Minimal sales of electricity for Paguthan after the expiry of the power purchase agreement in December 2018 and lower generation (despite higher capacity charges from higher availability) at Jhajjar, partially offset by delayed payment charge revenue from wind projects and additional solar revenue brought in by Gale and Tornado acquisitions since November 2018

- Mainland China: Higher revenue from solar projects as a result of increased number of operating projects (e.g. newly acquired Meizhou Solar in January 2019) and higher solar resources, and higher hydro revenue from more rainfall at Huaiji, slightly offset by lower wind resource

- Australia: Impact from lower AUD average exchange rate; lower retail revenue mainly due to more discounts under keen market competition, the impact from the implementation of the Default Market Offer (DMO) and the Victorian Default Offer (VDO) and lower mass market accounts and usage; and lower generation from Mount Piper caused by coal supply issues

	2019		2018	
	Electricity	**Gas**	Electricity	Gas
Customers	**TWh**	**PJ**	TWh	PJ
Mass Market	**9.9**	**32.5**	10.4	33.3
Commercial & Industrial	**8.5**	**12.5**	8.7	10.2
Energy	**Yallourn**	**Mount Piper**	Yallourn	Mount Piper
Generations (GWh)	**8,954**	**4,355**	9,371	8,193
Average pool prices (A$ / MWh) *	**109.2**	**84.9**	90.5	82.3

* Represented the 12-month average pool price published by Australian Energy Market Operator (AEMO) applicable to Victoria (Yallourn) and New South Wales (Mount Piper)

Items Affecting Comparability (2019: HK$6,464 million; 2018: HK$432 million)

Items affecting comparability includes the impairment of EnergyAustralia's retail goodwill of HK$6,381 million and the revaluation loss of an investment property of HK$83 million (2018: gain of HK$18 million) in Hong Kong. In 2018, a provision for a legal dispute in India (HK$450 million) was recognised.

The DMO and VDO were released in Australia during the first half of 2019. The new retail tariffs apply to customers on "standing offers" resulted in a reduction in their tariffs from 1 July 2019. In parallel, EnergyAustralia promotes new low cost energy plans to existing customers on "market offers". These changes led to a decrease in earnings in EnergyAustralia's retail segment which will likely sustain into the future. Therefore, an impairment assessment was performed and a non-cash impairment loss on the retail goodwill of HK$6,381 million was recognised as other charge in profit or loss in 2019.

Consolidated EBITDAF * (2019: HK$25,120 million; 2018: HK$29,003 million; ↓ 13.4%)

	2019	2018	**Increase / (Decrease)**	
	HK$M	HK$M	**HK$M**	**%**
Hong Kong *	**15,808**	17,541	(1,733)	(9.9)
Mainland China	**3,791**	3,563	228	6.4
India *	**1,657**	1,993	(336)	(16.9)
Southeast Asia & Taiwan	**335**	161	174	108.1
Australia *	**4,231**	6,566	(2,335)	(35.6)
Corporate and others	**(702)**	(821)	119	14.5
	25,120	29,003	(3,883)	

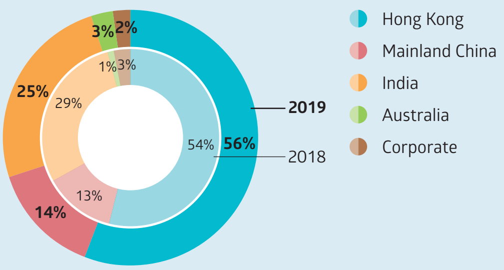
* Excluding the items affecting comparability

- Hong Kong: Reflecting lower permitted rate of return since October 2018 partially compensated by higher permitted return on higher average net fixed assets
- Mainland China: Daya Bay and Yangjiang Nuclear continued to operate stably and contributed with around half of the results; higher contributions from renewable projects mainly due to more rainfall in Huaiji and new solar projects acquired or commissioned, partly offset by lower wind resource; increased contributions from coal-fired projects benefitting from higher sent-out in Fangchenggang (due to higher demand and lower hydro competition) and lower coal prices
- India: Expiry of Paguthan's power purchase agreement (2018: contribution of HK$247 million) partially offset by higher capacity charges on Jhajjar's higher availability, receipt of delayed payment charges from wind projects and contributions from new solar projects
- Southeast Asia & Taiwan: Higher share of result from Ho-Ping due to higher energy tariff (reflecting last year's higher coal prices) and lower coal prices in 2019; higher solar irradiance at Lopburi as well as the recovery of development expenses in Vietnam
- Australia: Lower gross margin from the energy (wholesale) segment mainly due to lower generation from Mount Piper (coal supply issues), partly offset by higher margins from Ecogen (mainly higher generation) and Yallourn (higher realised prices); reduced gross margin from customer (retail) segment mostly caused by the resultant impacts from price re-regulation, higher discounts and lower retail sales volumes
- Corporate: Realised exchange gains in the first quarter of 2019 for capital investments in Mainland China as opposed to unrealised exchange losses from Renminbi-denominated deposits in 2018

Net Finance Costs (2019: HK$1,821 million; 2018: HK$1,857 million; ↓ 1.9%)

Lower finance costs were mainly attributable to lower average total borrowings despite largely offset by higher market interest rates.

Net Finance Costs by Region



Fair Value Adjustments (2019: HK$176 million; 2018: HK$68 million; ↑ 158.8%)

The increase in the unfavourable fair value movement was mostly due to the impact of higher forward energy prices on our derivative contracts (net sell position) in Victoria.

Income Tax Expense (2019: HK$2,787 million; 2018: HK$4,014 million; ↓ 30.6%)

- Hong Kong: In line with the lower permitted return
- Mainland China: Higher withholding tax on stronger results
- India: Reduced tax on lower operating results partially offset by the write-off of net deferred tax benefits (HK$87 million) upon adoption of a lower tax rate effective April 2019
- Australia: Given the impairment of the retail goodwill was not tax deductible, lower tax reflecting declined underlying financial performance

Non-controlling Interests (2019: HK$885 million; 2018: HK$827 million; ↑ 7.0%)

- Hong Kong: Lower CAPCO's SoC return shared by CSG
- India: Profit of HK$156 million attributed to CDPQ for the first year

Analysis on Financial Position

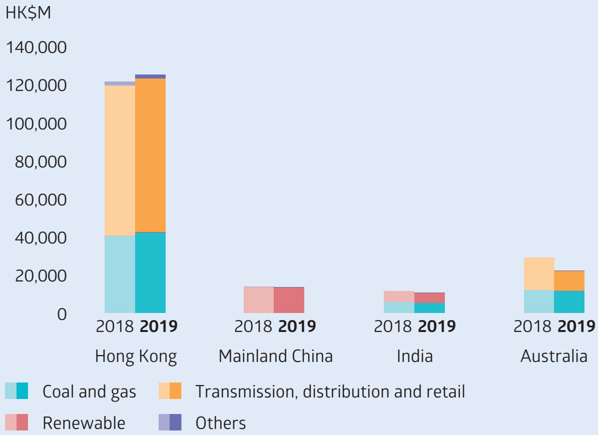
Fixed Assets, Right-of-Use Assets and Investment Property (2019: HK$150,786 million; 2018: HK$147,945 million; ▲1.9%) Goodwill and Other Intangible Assets (2019: HK$20,111 million; 2018: HK$26,910 million; ▼25.3%)

	Fixed Assets, Right-of-Use Assets and Investment Property HK$M	Goodwill and Other Intangible Assets HK$M	Total HK$M	Breakdown: SoC Assets HK$M	Breakdown: Non-SoC Assets HK$M
Balance at 1.1.2019	147,945	26,910	174,855	113,295	61,560
Impact on adoption of HKFRS 16	155	–	155	–	155
Acquisition of Meizhou Solar	340	–	340	–	340
Additions	10,615	775	11,390	8,982	2,408
Depreciation and amortisation	(7,110)	(1,008)	(8,118)	(4,753)	(3,365)
Impairment charge	(7)	(6,381)	(6,388)	–	(6,388)
Translation difference and others *	(1,152)	(185)	(1,337)	(482)	(855)
Balance at 31.12.2019	**150,786**	**20,111**	**170,897**	**117,042**	**53,855**

* Mainly depreciation of Australian dollar, Indian rupee and Renminbi and disposal of fixed assets

- Upon the adoption of HKFRS 16 Leases, operating lease commitments of office buildings and plant and machinery were recognised as right-of-use assets on 1 January 2019. Details of the impact on adoption of HKFRS 16 can be found in Note 3 of Significant Accounting Policies to the financial statements on pages 227 to 228.
- Major capital additions for the year including:
  - SoC: Enhancement of transmission and distribution networks (including smart meters) and generation facilities (such as upgrade of gas turbines, construction of Combined Cycle Gas Turbine, offshore LNG terminal and landfill gas-fired power generators)
  - Non-SoC: Construction of renewable projects in Mainland China of HK$345 million; turbine upgrade at Mount Piper, generation capacity addition at Hallett, enhancement works at Yallourn and enterprise transformation and digitalisation programmes in Australia totalling HK$1,894 million

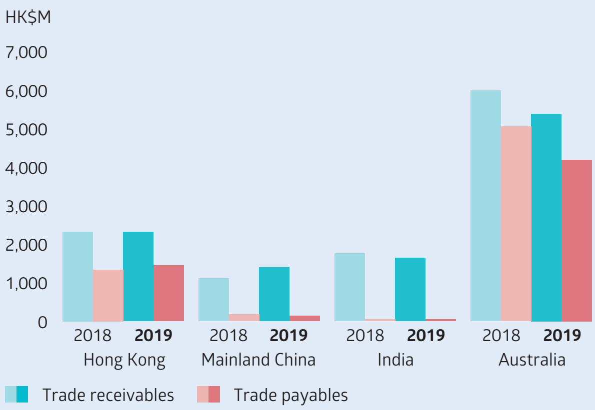
Analysis of Total Balances at Year Ends



Trade and Other Receivables (2019: HK$12,986 million; 2018: HK$15,917 million; ▼18.4%) Trade Payables and Other Liabilities (2019: HK$17,586 million; 2018: HK$19,061 million; ▼7.7%)

- Hong Kong: Stable trade debtors and capex creditors
- Mainland China: Higher accrued national subsidies for renewable projects; lower other receivables upon receipt of last year dividend from GNPJVC; lower payables due to continuous settlement of construction costs and the balance payment for the Yangjiang Nuclear acquisition
- India: Lower receivables mainly due to lower generation from Jhajjar and the collection of the remaining consideration for the partial sale down of CLP India, partly offset by higher renewable energy debtors; lower payables due to lower accrual for coal purchases and interest
- Australia: Reduction in sales volume, higher discounts and drop in pool prices at year end resulted in lower electricity debtors and lower accrued pool purchases, distribution costs payable and green liabilities

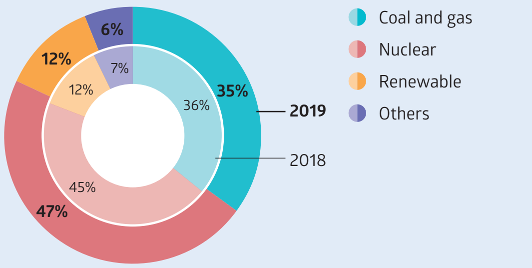
2-Year Trade Receivables / Payables by Region



Interests in Joint Ventures and Associates (2019: HK$18,707 million; 2018: HK$17,420 million; ↑7.4%)

- Increased contributions from joint ventures, in particular Fangchenggang, and stable operations from nuclear associates
- Investments in Hong Kong LNG Terminal and other new business development such as Echo Group in Australia
- Repayment of shareholder's loan by ShenGang Pipeline as scheduled
- Translation loss on our investments in Mainland China due to Renminbi depreciation

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments
Assets: 2019: HK$2,424 million; 2018: HK$1,799 million; ↑34.7%
Liabilities: 2019: HK$2,298 million; 2018: HK$2,809 million; ↓18.2%

Derivative financial instruments are mainly used to hedge foreign exchange, interest rate and energy price risks. As at 31 December 2019, the fair value of these derivative instruments was a net surplus of HK$126 million, representing the net amount receivable if these contracts were closed out at year end. However, the changes in fair value of derivatives has no impact on cash flows until settlement.

The change from net derivative liabilities to assets was mainly attributable to favourable mark-to-market movements on energy contracts in Australia (due to recognition of gains upon commencement of several renewable offtake contracts and the close-out of an out-of-money legacy energy contract) and reduction in fair value losses from cross currency interest rate swaps under fair value hedges for Hong Kong electricity business (due to decrease in HKD floating swap rates and weakening of HKD against USD in forward market).

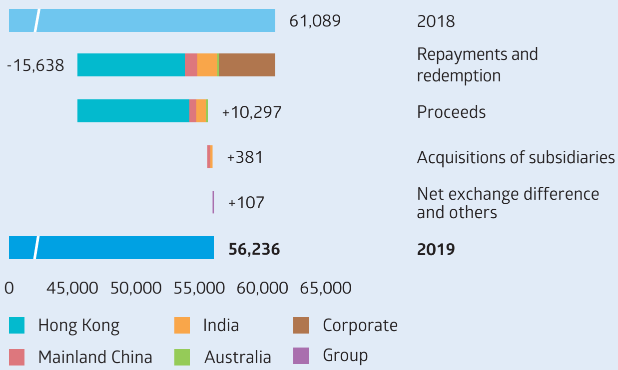
	Notional Amount		Derivative Assets/(Liabilities)	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M
Forward foreign exchange contracts and foreign exchange options	**26,492**	26,898	**178**	267
Interest rate swaps and cross currency interest rate swaps	**31,105**	32,922	**(735)**	(1,056)
Energy contracts *	**N/A**	N/A	**683**	(221)
			126	(1,010)

* Derivative financial instruments are used in the normal course of business in order to hedge exposure to fluctuations in energy prices. The aggregate notional volumes of the outstanding energy derivatives at 31 December 2019 were 175,097GWh (2018: 146,641GWh) and 6.3 million barrels (2018: 5.3 million barrels) for electricity and oil, respectively.

Bank Loans and Other Borrowings
(2019: HK$52,349 million; 2018: HK$55,298 million; ↓5.3%)
Perpetual Capital Securities (2019: HK$3,887 million; 2018: HK$5,791 million; ↓32.9%)

- Major financing activities during the year including:
  - Hong Kong: CLP Power Hong Kong redeemed US$750 million perpetual capital securities using the proceeds from a new issuance of US$500 million and the application of internal resources; CAPCO issued a HK$170 million 25-year green bond to fund the construction of the landfill gas project
  - Mainland China: New project loans arranged in 2019 for financing the acquisition and construction of renewable projects
  - India: Scheduled repayments and arranged facilities to support the new transmission and renewable projects
  - Corporate: Loans for financing Yangjiang Nuclear acquisition fully repaid in November

Movements in Bank Loans and Other Borrowings, and Perpetual Capital Securities (HK$M)



- The net debt to total capital ratio increased from 25.5% to 26.7% mainly caused by a lower level of capital after the impairment of EnergyAustralia's retail goodwill
- In June, both Standard & Poor's and Moody's kept the credit ratings of CLP Holdings unchanged after the announcement of retail goodwill impairment. All credit ratings of CLP Power Hong Kong, CAPCO and EnergyAustralia were also affirmed.

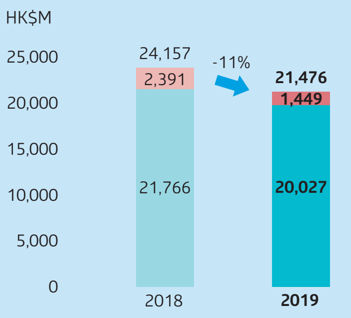
More details can be found on "Financial Capital" on page 75.

Cash Flow Analysis

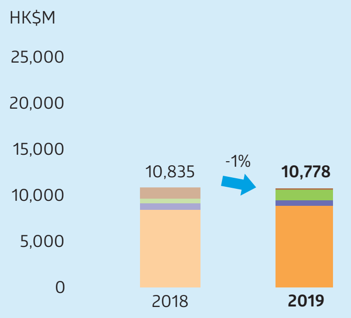
Free Cash Flow (2019: HK$20,027 million; 2018: HK$21,766 million; ↓ 8.0%)

- Free cash flow decreased HK$1,739 million because of:
  - Australia: Significant drop in cash inflows driven by lower EBITDAF, unfavourable working capital movements (such as more settlements for energy derivative contracts) and higher income tax paid, partly offset by
  - Hong Kong: Higher inflow from operating activities mainly due to deferral of tax payments to January 2020 and higher fuel cost recovery from customers despite reduction in permitted return
- Proceeds from divestments represented the considerations from the partial sale down of CLP India received in June 2019 (50%) and in December 2018 (50%), and the sale of CGN Wind in 2018 of HK$958 million
- Capital investments include additions to fixed assets, right-of-use assets and intangible assets, investments in and advances to joint ventures and associates, and acquisition of business. Major items include:
  - HK$8.8 billion of SoC capital expenditure (SoC capex) to enhance transmission and distribution networks and construction of lower carbon-emitting generation facilities in Hong Kong
  - HK$617 million of growth capital expenditure (growth capex) related to our renewable projects in Mainland China and expansion of generation capacity in Mount Piper and Hallett
  - Acquisition of business and other capex mainly related to the acquisitions of Meizhou Solar in Mainland China, and a transmission project and remaining interests in two solar projects in India (2018: Ecogen and Jinchang Solar) and balance payment for the acquisition of Yangjiang Nuclear

Cash Inflows

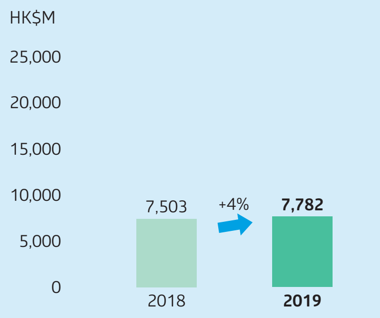


Capital Investments *



* Excluding maintenance capex as deducted from free cash flow

Dividends Paid



Financial Obligations at a Glance

The consolidated financial statements only show the financial obligations of CLP Holdings and its subsidiaries (category 1). In order to have a full picture of the financial risks of the Group associated with unconsolidated financial obligations, the borrowings of equity accounted entities (category 2) and off-balance sheet contingent liabilities (category 3) are also included. The full financial obligations of the Group are presented below:

CLP

Category 1
Consolidated

Debts and Borrowings of CLP Holdings and Subsidiaries

2019:	2018:
HK$52,349 million	HK$55,298 million

Borrowings of subsidiaries are non-recourse to CLP Holdings.

+

Category 2
Equity Accounted

Share of Debts of Joint Ventures and Associates

2019:	2018:
HK$16,551 million	HK$17,270 million

These debts are non-recourse to CLP Holdings and its subsidiaries. The share of debts is calculated by reference to the Group's shareholdings in the relevant joint ventures and associates.

+

Category 3
Off-balance Sheet

Contingent Liabilities

2019:	2018:
HK$6,208 million	HK$6,263 million

Details of the contingent liabilities are set out in Note 33 to the Financial Statements.

Broader Perspective

	2019	2018	2017	2016	2015
Performance Indicators					
EBITDAF[1], HK$M	**18,656**	28,571	27,662	25,355	31,267
ACOI[2], HK$M	**17,002**	20,998	19,925	18,128	17,929
Operating earnings, HK$M	**11,121**	13,982	13,307	12,334	11,519
Total earnings, HK$M	**4,657**	13,550	14,249	12,711	15,656
Return on equity, %	**4.3**	12.4	13.8	13.3	17.3
Operating return on equity[3], %	**10.4**	12.8	12.9	12.9	12.7
Financial Health Indicators					
Undrawn facilities, HK$M	**18,854**	24,059	25,924	23,986	29,685
Total borrowings, HK$M	**52,349**	55,298	57,341	51,646	55,483
Fixed rate borrowings to total borrowings, %	**54**	53	52	57	57
FFO interest cover, times	**11.9**	13.4	14.6	14.0	9.2
FFO to debt[4], %	**43.7**	47.2	48.6	47.3	34.2
Net debt to total capital, %	**26.7**	25.5	27.8	29.5	32.4
Debt / Capitalisation[5], %	**25.3**	24.7	28.4	28.7	33.3
Shareholders' Return Indicators					
Dividends per share, HK$	**3.08**	3.02	2.91	2.80	2.70
Dividend yield, %	**3.8**	3.4	3.6	3.9	4.1
Dividend cover[6], times	**1.4**	1.8	1.8	1.7	1.7
Total returns to shareholders[7], %	**8.7**	9.6	8.4	6.4	8.4

Readers can refer to "Shareholder Value" on pages 23 to 27 for more analysis on shareholders' return.

	2019	2018	2017	2016	2015
Cash Flows and Capital Investments					
FFO, HK$M	**23,502**	26,584	26,506	25,353	20,994
Free cash flow[8], HK$M	**20,027**	21,766	22,867	22,485	17,290
Capital investments, HK$M	**11,861**	12,045	15,270	10,866	11,967

Notes:

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

2 ACOI (Adjusted Current Operating Income) represents operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and net fair value gain / loss on derivatives relating to transactions not qualified as hedges and ineffectiveness of cash flow hedges.

3 Operating return on equity = Operating earnings / Average shareholders' funds

4 FFO to debt = FFO / Average debt; debt = bank loans and other borrowings

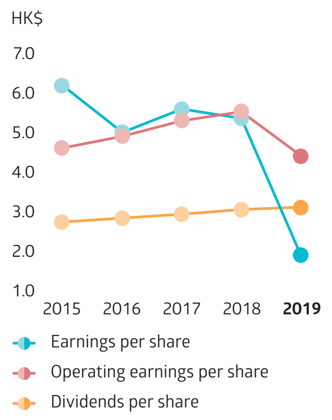
5 Capitalisation = Closing share price on the last trading day of the year x number of issued shares at the end of the year

6 Dividend cover = Operating earnings per share / Dividend per share

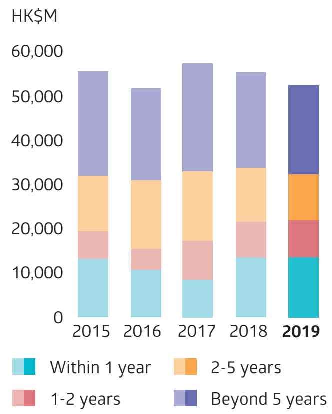
7 Total returns to shareholders represents the 10-year annualised rate of return from the combination of share price appreciation and dividend payments.

8 Free cash flow = FFO – income tax paid + interest received – interest and other finance costs paid – maintenance capital expenditure paid + dividends received from joint ventures and associates

Earnings and Dividends Per Share

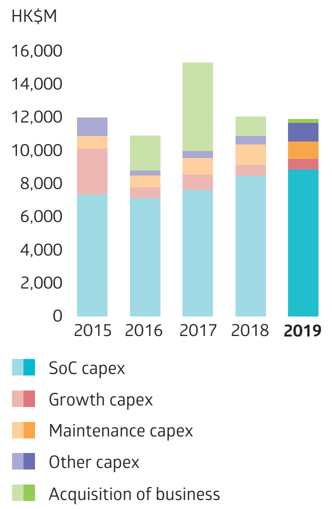


Loan Balance – Maturity



Note: The maturities of revolving loans are in accordance with maturity dates of the respective facilities instead of the loan drawdown tenor

Capital Investments



Business Performance and Outlook

The Group is building a Utility of the Future for energy users in Asia Pacific to support the region's low-carbon, digital transformation.

SmartHub@CLP

Hong Kong

Supports the city through an important journey of decarbonisation while maintaining a safe and highly-reliable electricity supply to 2.64 million customers.

Financial and Operational Performance

Overview

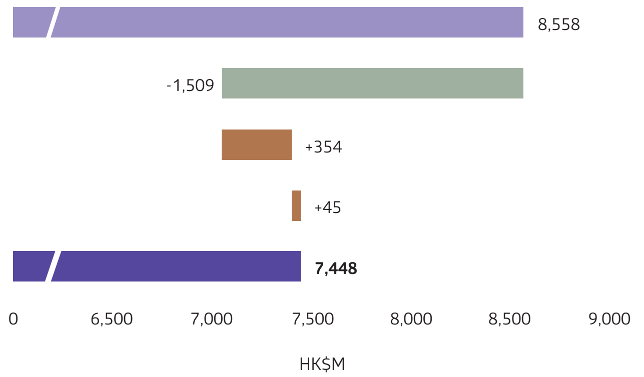
CLP continued to provide Hong Kong with a safe and highly reliable electricity supply in an environmentally-friendly way and at a reasonable cost throughout 2019. Sales of electricity within Hong Kong rose 1.8% to 34,284GWh as warmer weather lifted demand in the residential, commercial as well as infrastructure and public services customer sectors. A new local demand peak of 7,206MW was reported on 9 August 2019, 51MW higher than the previous record set in 2017. The figure would have been 62MW higher had CLP not actively pursued demand response initiatives to ask key customers to reduce electricity use.

In addition to this underlying growth, major local infrastructure developments, including the commencement of the Guangzhou-Shenzhen-Hong Kong High Speed Rail (Hong Kong Section) and the Hong Kong-Zhuhai-Macao Bridge, also resulted in more electricity use. There were no sales to Mainland China in 2019, after the expiry of the electricity supply contract with Shekou in June 2018.

In 2019, the number of customer accounts rose to 2.64 million, compared with 2.60 million in 2018. CLP places a very high importance on continuing to deliver positive outcomes for its communities and customers, and in doing so throughout 2019 it achieved an overall supply reliability of 99.999%.

Operating earnings declined 13.0% from 2018 to HK$7,448 million due to the full-year impact of the reduced permitted rate of return in the Scheme of Control agreement that came into effect in October 2018. CLP's performance is summarised below:

Operating Earnings of Hong Kong Electricity Business (HK$M)

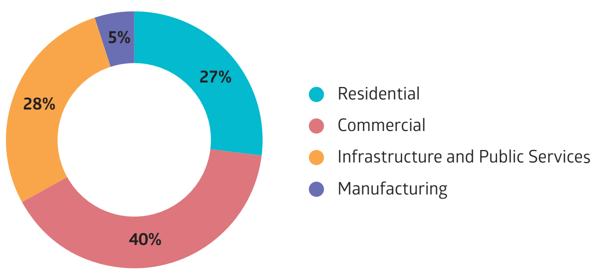


Local Electricity Sales in 2019

Year-on-Year Change

	Increase / (Decrease) GWh	%
Residential	260	2.8
Commercial	159	1.2
Infrastructure and Public Services	244	2.6
Manufacturing	(41)	(2.4)

Share of Total Local Sales



To support the Government's environmental policy, CLP is using substantially more natural gas for electricity generation in 2020. This resulted in a 3-cent increase in the Fuel Cost Adjustment to 30.8 cents per unit of electricity in 2020. The Average Basic Tariff was raised by 1.2 cents per unit of electricity, but the increase would be offset by a Rent and Rates Special Rebate for the entire year. Therefore, the Average Net Tariff increased 2.5% to 121.8 cents per unit of electricity from the beginning of the year.

Continuing the Decarbonisation Journey

The Hong Kong Government is developing a long-term decarbonisation strategy and as part of this exercise, in June 2019 the Council for Sustainable Development launched a public engagement exercise on ways to reduce the city's carbon emissions. In its response, CLP highlighted two broad directions that could increase the supply of low-carbon electricity: adding local gas-fired generation, and sourcing more zero-carbon energy via regional cooperation. Both options present opportunities and challenges, and elements of each option could be combined. Once a future policy direction is set, CLP will use its power expertise to work with the Government and the community in delivering a practical and reliable electricity supply solutions for the city's future.

The Government has previously established a fuel mix target of increasing gas-fired power generation to around 50% in 2020. In full support of this, CLP has continued to make progress in the construction of a 550MW Combined Cycle Gas Turbine (CCGT) unit at Black Point Power Station which is currently being commissioned. Preparations for another CCGT unit on an adjacent site is also underway with the Front-End Engineering Design (FEED) process commencing from mid-2019. CLP expects to apply for the environmental permit for this second unit in 2020, with completion scheduled by the end of 2023. Once commissioned, the two new gas units will be among the world's most efficient and will help with the replacement of coal-fired generation units at Castle Peak A Power Station.

This energy transition has implications for the fuel supply chain and CLP has therefore taken additional steps to increase the diversity of sources of natural gas and ensure security of supply. At present, CLP receives gas from CNOOC through the Yacheng pipeline from Wenchang and other gas fields in the South China Sea under the new contract with CNOOC. CLP also takes supplies through an undersea pipeline connecting the West-East-Pipeline Phase II at Dachan Island in Shenzhen to Black Point as part of a 20-year supply contract with PetroChina that began in 2013.

Q

KMB is a big supporter and promoter of electric vehicles. In what way can a utility like CLP support the future of e-mobility?

Mr Roger Lee
Managing Director
The Kowloon Motor Bus Company (1933) Limited

A

Along with power plants, motor vehicles and marine vessels are the main sources of carbon emission in Hong Kong. Moreover, diesel vehicles, particularly trucks, buses and light buses, are the major contributors of street-level pollution. An increased penetration of e-mobility will therefore help the city decarbonise and improve air quality. Underlying our commitment, CLP became the first Hong Kong company to join EV100, a global initiative by the Climate Group to accelerate the transition to electric vehicle, in 2019. We pledged to convert our entire fleet of vehicles below 3.5 tonnes, as well as half of those between 3.5 and 7.5 tonnes, to EVs by 2030 across our Asia-Pacific markets. We are also committed to continuing our collaboration with KMB and other partners to enable the electrification of the transport sector.

KMB is a champion of e-mobility in Hong Kong and a key partner of CLP. We are pleased to support KMB in the deployment of smart technologies in major bus depots, which will comprise eBus charging facilities, renewable energy and smart building systems. We are also working closely with KMB to explore technical requirements for eBuses, including the evaluation of different standards and technologies of charging systems. Last but not least, we are supporting KMB to roll out electronic systems at bus stops across the city to display estimated time of arrival (ETA) information of bus services, which will enable passengers to plan their journeys and save time. We look forward to working hand-in-hand with KMB to contribute to a cleaner, lower-carbon transportation sector in Hong Kong.

TK Chiang
Managing Director
CLP Power Hong Kong

To access competitive supplies from the global LNG market for the long term, CLP is developing an offshore LNG terminal in Hong Kong waters, jointly with The Hongkong Electric Co., Ltd. Significant progress was made in 2019 as the FEED process for the offshore jetty facility and the subsea pipelines was completed. The Engineering, Procurement and Construction contract was awarded in January 2020, putting the project on course to begin construction in 2020 and to be completed by the end of 2021. A long-term time charter agreement was signed with Mitsui O.S.K. Lines, Ltd. for a Floating Storage and Regasification Unit, and a long-term LNG supply agreement was signed with Shell Eastern Trading (Pte) Ltd. Once completed, this facility will enhance and diversify CLP's fuel supply, adding supply security and the flexibility to access competitively-priced gas from around the world.

In addition to the large-scale developments noted above, CLP continues to invest in other sustainable power generation facilities. The West New Territories Landfill project started commissioning from December 2019 which will use waste gas from landfills to generate enough energy to power around 17,000 residential households per year.

Transportation currently accounts for around 18% of Hong Kong's greenhouse gas emissions and CLP is playing a key role to facilitate the decarbonisation of the sector. During the year CLP increased its electric vehicle (EV) fleet and began to upgrade its network of free EV charging stations across the city. Moreover, CLP has been supporting the network extension by MTR which forms part of the Government's "rail first" policy.

Helping Customers Optimise Their Energy Use

Building a sustainable future for Hong Kong requires effort from all sectors of society, including energy consumers. CLP therefore launched a broad range of initiatives to encourage customers to embrace greener lifestyles.

The new Eco Building Fund provided subsidies for more than 600 residential and commercial buildings to install energy-efficient equipment in 2019, saving around 50GWh of electricity. Commercial and industrial customers also took advantage of CLP's Energy Audit service to find ways to lower their electricity bills and in 2019, CLP helped over 600 business customers save around 55GWh of electricity potentially.

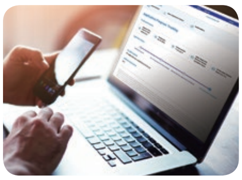
The Renewable Energy Feed-in Tariff (FiT) scheme, which encourages customers to install solar or wind energy generation systems, had received more than 6,900 applications by the end of 2019. Around 84% of projects, representing a total capacity of around 90MW, have already been approved or connected to the grid. In addition, there was a positive response to the offer of Renewable Energy Certificates (RECs) since January 2019 for CLP customers to support local renewable energy generation.

Accurate and timely information about electricity usage is extremely useful to customers who want to change their consumption habits. In November 2018, CLP started a programme to replace conventional electricity meters with smart meters for all of its customers by 2025. By the end of 2019, around 421,000 smart meters had already been connected.

Renewable Energy Feed-in Tariff Scheme

Online Application and Tracking

Application via
CLP App or CLP website

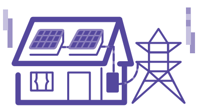


Tracking
application progress

Online tracking of the amount of electricity generated after the renewable energy system is connected to the grid

Progress

Received more than **6,900 applications**



Around **84% of projects**, representing a total capacity of around **90MW**, have been approved or connected to the grid

Supporting Hong Kong in Difficult Times

The social unrest experienced by Hong Kong in the second half of 2019 saw the economy face some of its most challenging times in recent history. As the city's biggest utility company, CLP is committed to helping customers through this difficult period.

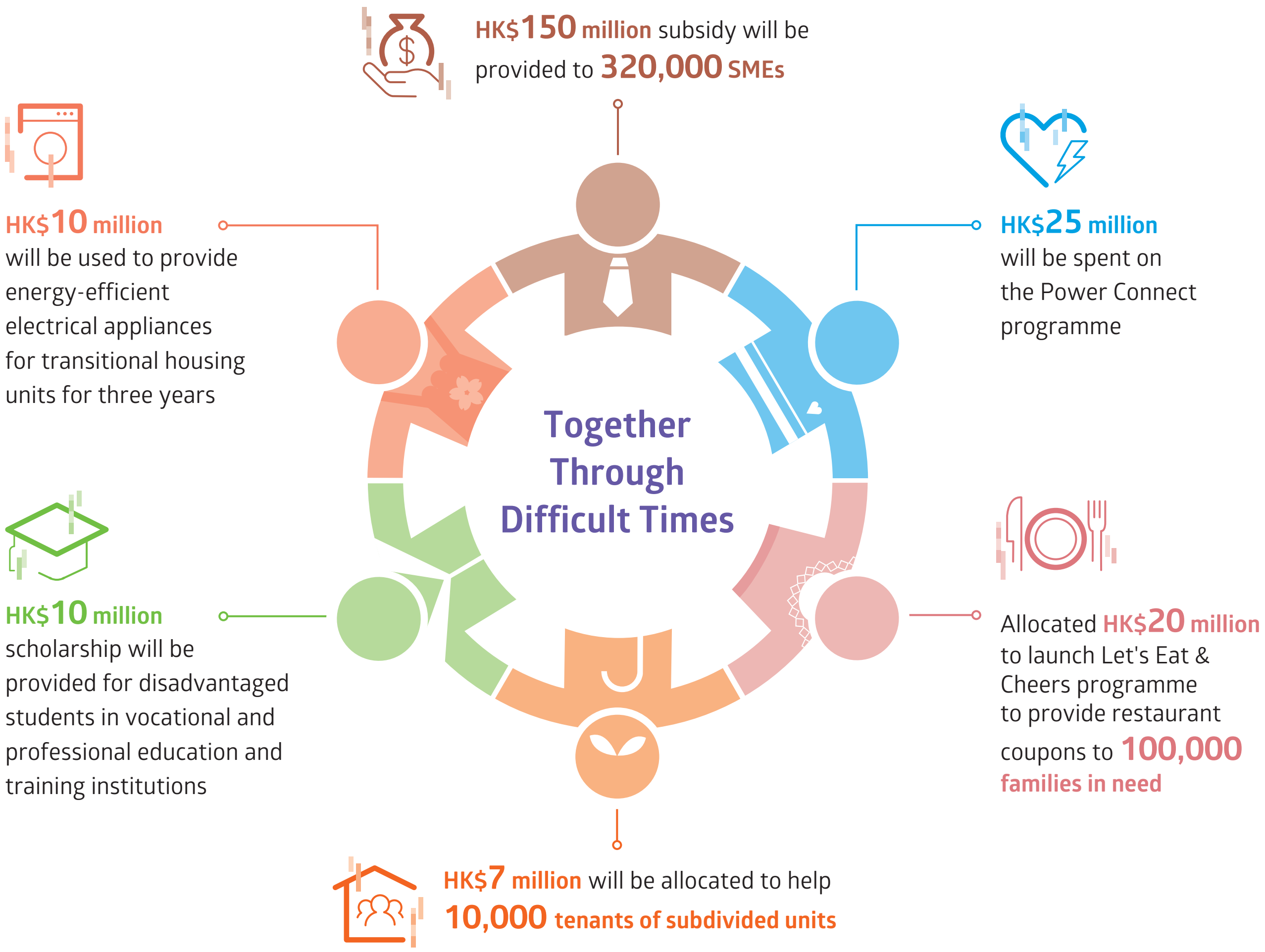
CLP has launched an over HK$200 million relief programme to help ease the burden on small businesses and underprivileged people. Measures include a subsidy to offset the upward adjustment in Average Net Tariff for 320,000 small and medium-sized enterprises (SMEs) for the first six months of 2020, in addition to the Rent and Rates Special Rebate.

Below are details of some of the initiatives in the relief programme:

The Power of Innovation

CLP has been acting as an innovation accelerator by adopting cutting-edge technologies in its operations and introducing innovative products and services to customers. We brought Free Electrons, the global energy start-up accelerator programme, to Hong Kong for the first time in 2019. The event connected utility companies with some of the world's most innovative start-up companies behind new technologies that deliver smarter and cleaner energy. They included Hong Kong-based Ambi Labs, whose products help users enhance air conditioning comfort with artificial intelligence technologies. CLP began piloting Ambi Labs' products with residential customers, promoting them on its online platform to help bring them to a wider audience.

New products and solutions from start-up companies, along with other smart city technologies and innovative energy solutions, were demonstrated at CLP's new SmartHub@CLP exhibition centre which showcases the Company's role as a smart city enabler and a pioneer of smart living.



In recent years, more businesses have started to look at Hong Kong as a potential location to set up data centres, taking advantage of the city's first-class infrastructure and connectivity. CLP supports this drive and is committed to providing a reliable electricity supply to further strengthen Hong Kong's role as a regional hub for these important facilities.

Environmental Performance

Environmental Regulatory Compliance

All Hong Kong assets under CLP's operational control maintained full compliance with environmental regulations in 2019.

CLP complied with all the emissions caps set by the Government in 2019. It has achieved this while maintaining supply reliability and by optimising its diversified fuel mix and maintaining the effectiveness of its emissions control facilities. It also complied with the new mercury emissions limit set from April 2019 onwards for Castle Peak.

Air Emissions

The Government launched a public consultation in July 2019 following the completion of the Air Quality Objectives (AQOs) Review in 2018. Based on the review's findings, Hong Kong's air quality will be further improved by 2025 through the implementation of a variety of ongoing and new measures, including CLP's increased use of gas-fired electricity generation. Legislation for the proposed tightening of the AQOs will begin in 2020. CLP is committed to playing a key role in achieving better air quality and long-term decarbonisation for Hong Kong.

Social Performance

Stakeholder Engagement

To promote environmental initiatives to stakeholders, more than 50 roadshows, seminars, and workshops were held in 2019 to explain the details of the FiT and RECs schemes to members of the public and industry partners.

Over 240,000 residential customers have signed up to the CLP Power Connect programme since its launch in January 2019. The programme operates under the company's Community Energy Saving Fund and aims to encourage residential customers to save energy year-round, earning rewards while simultaneously helping people in need. It offers electricity subsidies of HK$500 for 40,000 underprivileged households. The first batch of subsidies were paid out from May onwards.

As construction of the offshore LNG terminal continued, CLP conducted meetings and briefings to update stakeholders on the project's latest status and to hear their views.

Community Initiatives

CLP has grown hand-in-hand with Hong Kong through the decades and treasures its close bond with the community. It has focused on youth engagement and caring for people in need in recent years, and in 2019 CLP launched and supported 403 initiatives aimed at creating a more caring and harmonious society.

Free Electrons connects utility companies with innovative start-up companies behind new, smarter and cleaner energy technologies.

Some of the initiatives are detailed below. For further details of individual programmes, please also refer to the Social and Relationship Capital chapter of this report on pages 91 to 94.

Environment

- The Green Elites Campus Accreditation Programme reached around **10,000 students**, educating primary school students on green living.
- The Green Studio, a mobile classroom that educates the public on environmental protection, has welcomed more than **180,000 school children** and **visitors** since 2009.
- Launched a series of public education videos on climate change on the CLP website and other social media platforms with over **10,000 views**.
- The CLP Energy Innovation for Smart City Competition attracted more than **60 teams** from secondary schools.

Volunteering

- CLP Volunteer won the Gold Award under Volunteer Team Category in the 10th Hong Kong Outstanding Corporate Citizenship Awards organised by the Hong Kong Productivity Council.
- More than **1,600 CLP volunteers** contributed close to **11,600 hours** of services to the community.

Community Wellbeing

- Set up the fourth CLP Hotmeal Canteen in Sham Shui Po with its non-governmental organisation partner. The four Hotmeal Canteens have served more than **670,000 hot meals** since 2011.
- More than **240,000 residential customers** have signed up for the Power Connect programme, relieving the electricity cost of some **40,000 underprivileged households** and helping to install **40 individual electricity meters** in **10 subdivided flats**.

Education and Development

- The CLP Power Academy partnered with education institutions to offer a variety of part-time programmes ranging from certificate courses to master's degree programmes, attracting more than **500 applications** for around **240 available places**.
- Power Kid Mobile App was launched to enable children to learn green knowledge with their parents. It was downloaded nearly **20,000 times**.
- The Power Kid Channel's 3D cartoon videos featuring *POWER FOUR* to help children learn about electricity and conservation have reached **3.3 million views**.
- CLP engineers have shared basic energy saving and power journey knowledge with more than **40,000 kindergarten pupils** through the POWER YOU Kindergarten Visitation Programme since 2017.

Outlook

Hong Kong is on an important journey of decarbonisation. CLP will do its best to support the Government's environmental goals and emission reduction targets. Besides moving decisively on investments to add gas-fired capacity and enhance gas supply reliability, it is leading the way in the development of renewable energy in Hong Kong through the FiT and RECs schemes.

In 2020, for the first time, around half of the electricity sold by CLP will be generated by natural gas. Added to the around one-third zero carbon energy from Daya Bay, this represents a significant milestone on the road to lower emissions. However, the switch to gas – which costs more than coal or nuclear energy – will inevitably lead to upward pressure on tariffs. To ease this, CLP is committed to continuing to implement stringent cost control measures across its operations.

Hong Kong is CLP's home. It remains committed as ever to work with the Government and the community to support the city through challenging times and steer it towards a dynamic new chapter of growth and opportunity in a greener, brighter future.

Laiwu III Wind Farm

Mainland China

One of the largest external independent power producers in Mainland China concentrating on low-carbon energy, including nuclear power and renewables.

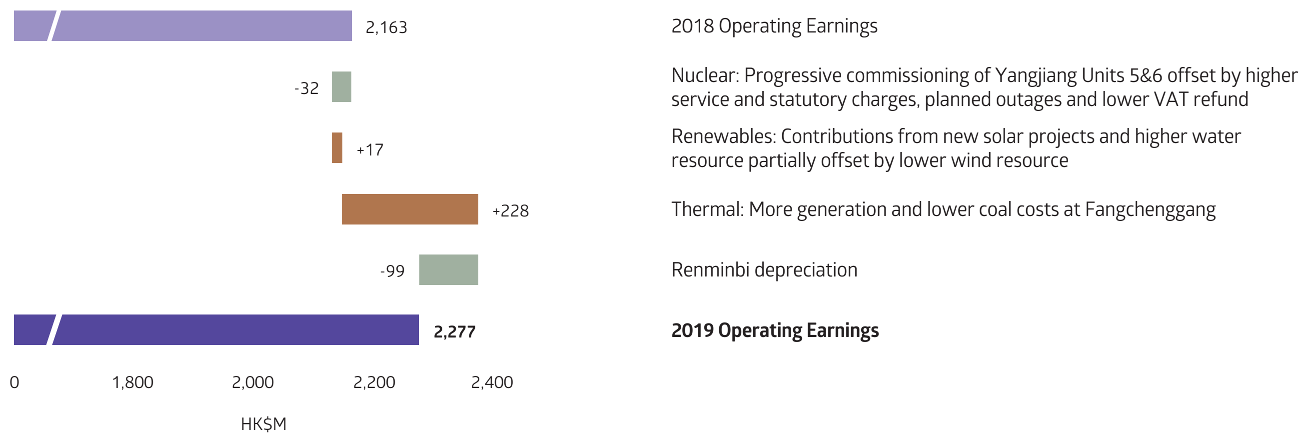
Financial and Operational Performance

Overview

The economy of Mainland China grew by 6.1% in 2019, its slowest rate in 29 years, putting pressure on electricity demand. CLP was affected by the slowdown, although to a lesser degree than other power companies because its diversified portfolio and the steady performance of its non-carbon assets helped weather some of the fluctuation.

Operating earnings in 2019 increased 5.3% to HK$2,277 million. CLP's performance in Mainland China is summarised below:

Operating Earnings	2019 HK$M	2018 HK$M	Change %
Nuclear Energy	1,688	1,720	(1.9)
Renewable Energy	547	530	3.2
Thermal Energy	264	36	633.3
Operating and Development Expenditure	(222)	(123)	80.5
Total	**2,277**	2,163	5.3



Nuclear Energy Portfolio

Nuclear energy projects play a pivotal role in the transition towards a low-carbon economy and represent CLP's main source of income in Mainland China, amounting to around two-thirds of operating earnings for the year.

The sixth and final generating unit of Yangjiang Nuclear Power Station was commissioned in July 2019, contributing higher earnings to the Group. However, that contribution was more than offset by higher service and statutory charges, planned outages and lower value-added tax (VAT) refund.

The full operation of the project represents a milestone in CLP's decarbonisation efforts, adding 1,108MW of non-carbon generation capacity to its portfolio and helping the company towards its Climate Vision 2050 targets. Daya Bay Nuclear Power Station, meanwhile, continued to operate steadily.

Renewable Energy Portfolio

Renewable energy projects are another major source of income in Mainland China. While earnings from renewable projects were higher in 2019, the performance of different asset types was mixed.

CLP's solar energy portfolio grew through the acquisition of a 100% stake in Meizhou Pingyuan Solar Power Station in Guangdong Province in January 2019, the first time CLP has bought an operating renewable project in Mainland China. The acquisition raised both output and earnings. Performance of CLP's other solar projects remained stable.

Earnings from hydro energy projects were higher too, largely because abundant rainfall in the first half of the year led to increased generation from the Huaiji plants in Guangdong. This, however, was partially offset by the impact of lower rainfall at Yang_er Hydro Power Station in Yunnan Province.

Wind energy projects, on the other hand, reported lower earnings due to reduced wind resources in Shandong Province although the situation of grid curtailment in northeast China has improved. In Shandong, the CLP Laizhou II project was commissioned in June while construction began on the Laiwu III project in the second quarter of 2019.

In the past year, payment of subsidies from the Central Government for renewable energy projects had been delayed with the total amount due increasing to RMB1.14 billion (HK$1.27 billion) as of 31 December 2019.

Thermal Energy Portfolio

CLP's only majority-owned coal-fired project in Mainland China, Fangchenggang Power Station, recorded good performance in 2019. Its utilisation was higher due to economic growth in the Guangxi Zhuang Autonomous Region and less competition from hydro power generation due to low rainfall. The plant continued its evolution into an integrated energy provider by supplying steam and carbon dioxide (CO_2) to a nearby factory, thereby helping to secure more generation hours. The granting of approval for direct unloading of imported coal at the Fangchenggang Power Station dedicated jetty also helped to lower fuel costs.

Q **At present, the broad application of cutting-edge digital technologies such as Artificial Intelligence (AI) and Big Data is bringing about profound changes in China's energy and power sectors as well as economic development as a whole. The deep integration between energy transformation and digital revolution is the future trend. As such, how is CLP promoting digitalisation and the adoption of such technologies as AI?**

Ms Mary Nan
Chief Executive Officer, CYZone

A In Mainland China, we are leveraging digital technologies to improve operations, boost efficiency and enhance safety. For example, data analytics and AI technologies are used to monitor the operations of different assets including wind, solar and coal-fired generation facilities. Performance data is transferred and managed on cloud-based systems for analysis, giving us greater insights into plant operations and potential issues. To enhance access for mobile users, we have also developed wireless applications for various plant operations.

In some of our solar assets, data from thermal cameras fitted to aerial drones is analysed using AI algorithms to identify potential performance issues and defects in equipment. Drones are also deployed for plant inspection and security management. Besides, we have adopted robotic application at Fangchenggang Power Station for working at height, and increased the use of robots for cleaning photovoltaic panels at our Sihong solar plant. We have also introduced location identification and access control system in key office locations and plants for better management, while virtual reality technology is being applied in simulation training of operation and maintenance staff. These digital technologies are playing a bigger role in building intelligent power plants with higher management efficiency.

In addition, we launched a trial in 2019 at one of our hydro plants at Huaiji using facial recognition combined with AI to create a virtual fence on site. This allows us to monitor trespassers and have better access control. We look forward to sharing the experience with other assets and a wider application of the innovative technology.

SH Chan
Managing Director – China

The table below shows the performance of CLP's renewable energy and thermal energy projects in Mainland China.

	Installed Capacity Equity MW	Electricity Sent Out [1] GWh		Availability %		Utilisation %	
		2019	2018	**2019**	2018	**2019**	2018
Renewable Projects – Performance							
Wind	884.6	**1,793**	1,771	**98.1**	97.0	**24.4**	24.9
Wholly-owned	493.5	**1,052**	983	**97.2**	95.5	**25.9**	25.5
Qian'an I and II	99	**261**	231	**99.3**	98.2	**30.6**	26.5
Penglai I	48	**93**	98	**99.6**	99.7	**21.9**	23.6
Laiwu I & II [2]	99	**160**	183	**99.4**	99.4	**18.9**	21.6
Xundian I	49.5	**154**	135	**99.7**	99.6	**36.2**	31.8
Sandu	99	**203**	209	**88.1**	82.5	**24.0**	24.1
CLP Laizhou I & II [3]	99	**181**	127	**99.8**	99.8	**27.0**	30.1
Minority-owned	391.1	**741**	788	**99.2**	98.8	**22.6**	24.3
Solar [4]	328.3	**581**	458	**99.9**	99.9	**20.3**	19.9
Jinchang	85	**162**	124	**99.8**	99.9	**21.9**	21.4
Sihong	93.4	**139**	133	**100**	99.9	**17.0**	16.3
Xicun	84	**174**	166	**100**	100	**23.7**	22.6
Huai'an	12.8	**20**	20	**99.9**	100	**17.9**	17.6
Lingyuan [5]	17	**33**	15	**100**	100	**23.5**	21.4
Meizhou [6]	36.1	**52**	N/A	**99.7**	N/A	**16.4**	N/A
Hydro	489.3	**1,758**	1,604	**93.1**	90.6	**41.4**	39.0
Dali Yang_er	49.8	**134**	182	**93.0**	92.6	**30.9**	41.9
Huaiji	109.5	**436**	278	**88.4**	88.9	**46.9**	29.9
Jiangbian	330	**1,187**	1,144	**94.6**	90.9	**41.1**	41.6
Thermal Projects – Performance							
Majority-owned							
Fangchenggang I & II	1,806	**7,720**	5,787	**95.8**	86.7	**51.7**	38.8
Minority-owned	2,147.2	**9,272**	9,924	**91.6**	90.0	**53.1**	55.4
Shiheng I & II	370.4	**1,246**	1,511	**90.1**	83.6	**41.8**	50.7
Heze II	176.4	**907**	973	**91.0**	92.9	**62.9**	67.7
Liaocheng I	352.8	**1,649**	1,731	**87.3**	78.8	**57.2**	59.2
Panshan	206.7	**810**	930	**91.2**	96.6	**47.8**	54.9
Sanhe I and II	219.5	**1,008**	1,048	**97.0**	94.5	**56.1**	58.4
Suizhong I and II	564	**2,368**	2,473	**93.7**	91.9	**51.1**	53.3
Zhungeer II and III	257.4	**1,284**	1,258	**91.3**	95.4	**63.1**	61.8

Any minor discrepancies in totals are due to rounding of figures

Notes:

1 Indicates CLP equity sent-out.
2 The data of Laiwu I & II have been combined to align with reporting practice in Mainland China.
3 CLP Laizhou II was commissioned in June 2019. The data of CLP Laizhou I & II have been combined to align with reporting practice in Mainland China.
4 Alternate Current (AC) capacity is used to align with the calculation method for other power plants in the CLP portfolio.
5 The project commenced commercial operation in July 2018.
6 The project was acquired in January 2019.

Innovation

CLP has taken part in the development and operation of an incremental distribution network (IDN) at Fangchenggang Hi-Tech Zone to provide electricity supply services to customers in the park – the Group's first investment in distribution grids in Mainland China. The project provides a solid foundation for similar opportunities in southern China as reform of the electricity sector continues. It started services in January 2020 and CLP's involvement was through TUS-CLP Smart Energy Technology Co. Ltd., its joint venture with a subsidiary of TUS-Holdings which is affiliated to Tsinghua University. The IDN project demonstrates CLP's capability in supporting the further development of smart distribution grid and smart energy solutions in Mainland China.

Environmental Performance

Environmental Regulatory Compliance

All assets under CLP's operational control in Mainland China maintained full compliance with environmental regulations in 2019.

Air Emissions

CLP continued to explore innovative technologies to further reduce emissions and greenhouse gases in 2019. A pilot project was launched using flue gas generated from Fangchenggang as a source of CO_2 to cultivate microalgae in partnership with a nearby farm.

There was a significant decrease in sulphur dioxide (SO_2) since the completion of the emissions control retrofit project at Fangchenggang by the end of 2018. However, as output was approximately 33% higher in 2019 compared with a year earlier, nitrogen oxides (NO_x) and particulate matter (PM) increased. As a result, total air emissions remained at a similar level to that in 2018.

Social Performance

Stakeholder Engagement

Continuing its practice from past years, CLP management held a wide-ranging series of meetings with Government officials and business partners in Mainland China in 2019 to strengthen its stakeholder relations. Talks were held with Government officials at national levels including the National Energy Administration, the Hong Kong and Macao Affairs Office, the Liaison Office of the Central People's Government in Hong Kong, as well as senior officials from various provinces.

Chairman Sir Michael Kadoorie joined a Hong Kong delegation that travelled to Beijing to take part in the celebration of the 70th Anniversary of the founding of the People's Republic of China on 1 October 2019.

2019 marked the 40th anniversary of CLP's power supply to Guangdong. A celebratory dinner was arranged with China Southern Power Grid Co., Ltd. (CSG) in Hong Kong to commemorate the occasion and to further cement CLP's ties with CSG.

CLP is exploring new business opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) and stepped up stakeholder engagement in the region. Company management met with senior officials of Guangzhou, Foshan and Zhaoqing, and signed the Strategic Cooperation Framework Agreement for Power Utilities Supporting the Development of the Greater Bay Area with major industry partners in Beijing. CLP also participated in the Guangxi Integration with the Greater Bay Area Forum in Hong Kong, and signed a Memorandum of Understanding with CSG to explore opportunities in electric vehicle charging in the region.

Community Initiatives

CLP launched a broad range of initiatives in the communities surrounding its power stations in Mainland China in 2019 with a focus on education, environmental protection, and community wellbeing. A three-year programme was launched to support underprivileged ethnic minority students and villagers in Guangxi and to help preserve their culture.

Some key projects are detailed below, while further information can be found in the Social and Relationship Capital chapter on pages 91 to 94.

Community Wellbeing

- Donated daily necessities to around **5,000 underprivileged villagers**, **elderly home residents**, and **children in need** in **8 provinces**.
- Made donations to **600 residents** in Jiangbian in Sichuan.
- Installed a water purifying system in a community in Penglai in Shandong, ensuring clean water supply for **300 residents**.
- Made donations to build a water cellar in Yunnan, benefitting **1,000 villagers of the Yi ethnic community**.
- Erected safety signs and built road speed bumps in a village in Laizhou in Shandong to improve road safety for **1,500 villagers**.

Environment

- Published a bilingual book on environmental protection in Mandarin and Tibetan to strengthen awareness of environmental protection among Tibetan primary school students and their families.
- Conducted talks on environmental protection to over **1,100 students** and **2,700 residents** in **10 provinces**.
- Made donations to upgrade the rubbish processing system in Fangchenggang in Guangxi, benefitting **2,800 residents**.

Volunteering

- CLP volunteers contributed close to **1,700 hours** in organising charity events and visits.

Education and Development

- Organised Support-a-Student and Support-a-School programmes for more than **1,300 students** from **22 schools**.
- Provided financial subsidies to disadvantaged secondary school and college students in Guangxi, Guizhou and Yunnan.
- Arranged electrical safety talks for more than **1,400 students** from **21 schools** in **6 provinces**.
- Arranged site visits to Fangchenggang Power Station in Guangxi and Sihong Solar Power Station in Jiangsu to strengthen students' knowledge about power generation and environmental protection.

Outlook

The economy of Mainland China is in a period of structural change in which heavy industry is giving way to more diverse commercial activities and expanding domestic consumption. This transformation has had an impact on demand for electricity and is expected to lead to an oversupply in some parts of China.

Reforms, meanwhile, are continuing in the electricity market, particularly in relation to market sales, the introduction of a carbon trading regime and the development of trading mechanism for renewable energy certificates. In response, CLP has formulated strategies based on market conditions in different provinces and regions to secure more sales and is carefully observing the evolution of market regulations in order to capitalise on the opportunities arisen from the market reforms.

Overall, about half of CLP's total generation volumes across all projects were through market sales in 2019, and the proportion of market sales is expected to rise continuously. Although tariffs under the market mechanism are generally lower than the benchmark tariff, sales strategies and initiatives in different provinces and regions have helped improve dispatch levels.

While coal remains an important source of fuel in Mainland China, it is gradually being replaced by non-carbon sources because of the recognition for cleaner air. CLP will therefore continue to develop its non-carbon portfolio to play a part in the energy transition.

Because of a decline in manufacturing costs, subsidies to renewable energy providers have been scaled back. Going forward, therefore, CLP will opt for renewable projects that can achieve grid parity or compete with conventional projects on cost. In view of the increasing competition for new wind and solar projects, CLP will also explore offshore options.

2019 marks the 40th anniversary of CLP's power supply to Guangdong.

Chandgarh Wind Farm

India

Pursuing growth in low-carbon areas, non-generation opportunities and other customer-focused businesses.

Financial and Operational Performance

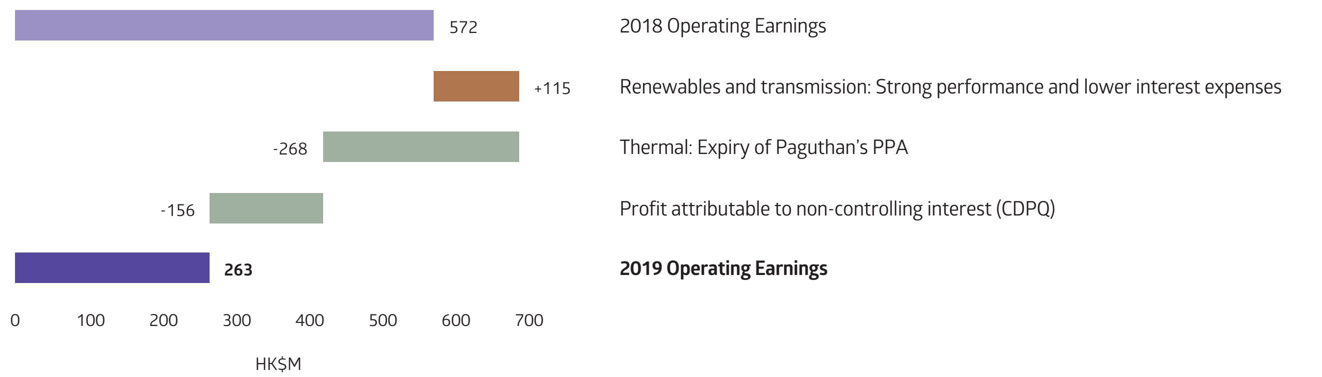
Overview

CLP India continued to expand its portfolio and explore new business opportunities in 2019. The performance of operating assets was strong, with Jhajjar Power Station and renewable energy assets reporting higher earnings.

Operating earnings attributed to the CLP Group were nonetheless 54.0% lower than in the previous year. Paguthan Power Station did not report any significant generation during 2019 after a power purchase agreement (PPA) expired in December 2018, resulting in an operating loss. In addition, a 40% stake in CLP India was sold to the Canadian pension fund Caisse de dépôt et placement du Québec (CDPQ) in December 2018, thereby diluting our share of earnings.

CLP's performance in India is summarised below:

Operating Earnings	2019 HK$M	2018 HK$M	Change %
Renewable Energy and Transmission	359	244	47.1
Thermal Energy	60	328	(81.7)
Profit attributable to non-controlling interest (CDPQ)	(156)	–	
Total	**263**	572	(54.0)



New Horizons

CLP India entered the power transmission sector in 2019 by agreeing to acquire three transmission assets from Kalpataru Power Transmission Ltd. and Techno Electric & Engineering Co. Ltd. One of the projects, Satpura Transco Private Ltd. (STPL), formerly known as Kalpataru Satpura Transco Private Ltd., was successfully transferred to CLP India in November 2019. STPL reported an availability of 100% in 2019. The other two projects, Alipurduar Transmission Ltd. and Kohima Mariani Transmission Ltd., are expected to be taken over by CLP India in 2020. The acquisitions represent a milestone for CLP India, which has now broadened its portfolio to include two of the three main segments in the country's power value chain. They will also enable CLP India to expand its geographic reach across the country and reinforce its commitment to expand its low-carbon investments.

CLP India also made its first successful bid for a wind project at competitive auction in 2019, securing about 250MW in wind capacity which it plans to develop in Sidhpur in Gujarat state. When the project is commissioned in 2021, it will be the biggest of all wind assets in the CLP Group.

Renewable Energy Portfolio

Renewable energy projects accounted for about 85% of CLP India's operating earnings in 2019. The wind energy portfolio performed well thanks to better operational management. Availability reached 95.8%, an increase on 2018's 95.4%, while output also improved marginally.

Performance of the solar energy portfolio was stable, helped by higher availability and generation at the Veltoor Solar Farm. A pilot project for dry cleaning of PV modules was initiated to reduce water consumption. The Veltoor plant won a number of awards including Outstanding Renewable Energy Generation Project (Solar) at the Indian Federation of Green Energy's India Green Energy Awards 2019, Top Plant of 2019 in the renewable energy sector by the Power Magazine, and Best Performing Project of the Year (100MW and below) in the India Solar Week Excellence Awards.

The performance of our renewable energy projects is summarised in the table below.

	Installed Capacity Equity MW	Electricity Sent Out [1] GWh 2019	Electricity Sent Out [1] GWh 2018	Availability % 2019	Availability % 2018	Utilisation % 2019	Utilisation % 2018
Wind	554.5	**1,046**	1,723	**95.8**	95.4	**21.5**	21.3
Andhra Lake	63.8	**129**	229	**95.7**	93.6	**23.1**	24.6
Bhakrani	61.4	**84**	130	**94.6**	95.6	**15.6**	14.6
Chandgarh	55.2	**106**	190	**98.3**	96.8	**22.0**	23.7
Harapanahalli	23.8	**55**	90	**95.9**	99.1	**26.4**	25.9
Jath	36	**73**	112	**97.8**	97.0	**23.0**	21.3
Khandke	30.2	**58**	88	**91.1**	85.5	**22.0**	20.0
Mahidad	30.2	**59**	99	**92.1**	97.2	**22.1**	22.6
Samana I	30.2	**58**	90	**93.8**	95.7	**22.0**	20.4
Samana II	30.2	**63**	100	**93.4**	96.3	**24.0**	22.7
Saundatti	43.2	**81**	129	**97.9**	97.2	**21.4**	20.5
Sipla	30.2	**49**	73	**96.1**	94.0	**18.5**	16.6
Tejuva	60.5	**121**	206	**97.6**	97.8	**22.6**	23.3
Theni I	29.7	**56**	99	**95.7**	94.5	**21.5**	22.8
Theni II	29.7	**54**	88	**97.9**	93.0	**20.7**	20.3
Solar	102	**182**	112	**96.8**	98.8	**22.8**	23.1
Veltoor	60	**106**	101	**99.3**	99.2	**23.3**	23.7
Gale	30	**54**	6	**96.4**	98.4	**22.7**	22.2
Tornado	12	**22**	5	**85.0**	98.6	**20.8**	22.7

Note:

1 Indicates CLP equity sent out.

Thermal Energy Portfolio

Jhajjar achieved a commercial availability of 89.2% in 2019 on the back of improved coal supply and operational management. The plant also recorded a satisfactory financial performance as it collected higher capacity charges from increased availability.

As part of its efforts to comply with the Government's environmental requirements, the Jhajjar project became one of the first in India to successfully dispose of 100% of ash generated by the plant.

In recognition of its high safety standards, Jhajjar became the first CLP India asset to receive the ISO 45001:2018 certification, and also won the Greentech Safety Gold Award.

Despite repeated attempts by CLP India to sell output from Paguthan on the Indian Energy Exchange, the plant did not undertake any significant commercial generation over the course of the year.

The table below shows the performance of our thermal energy projects in India.

	Installed Capacity Equity MW	Electricity Sent Out [1] GWh 2019	Electricity Sent Out [1] GWh 2018	Availability % 2019	Availability % 2018	Utilisation % 2019	Utilisation % 2018
Coal							
Jhajjar	792	**3,465**	6,691	**89.8** [2]	90.1 [2]	**53.8**	62.1
Gas							
Paguthan	393	**0**	365	**100** [3]	96.2 [3]	**0**	6.5

Notes:

1 Indicates CLP equity sent out.

2 Technical availability. Jhajjar's commercial availability was 89.2% in 2019 and 77.2% in 2018.

3 Technical availability.

Environmental Performance

Environmental Regulatory Compliance

Further to the more stringent SO_2 emission limit at the end of January 2019, there were five minor licence limit exceedances at Jhajjar in the first half of 2019, while the flue-gas desulfurisation (FGD) units became fully operational. None of them resulted in any action from authorities.

Air Emissions

To meet India's new compliance requirements, the FGD units at Jhajjar went into partial operation in the second half of 2018 and full operation from February 2019 onwards. The units significantly reduced SO_2 emissions from 5.02 kg / MWh * in 2017 to 2.75 kg / MWh * in 2018 and 0.74 kg / MWh in 2019.

PM emission in 2019 was 0.15 kg / MWh, same as 2018. The combustion optimisation carried out in 2018 helped reduce NO_x emissions in 2018 and 2019 to 0.85 kg / MWh * and 0.93 kg / MWh respectively, compared with 1.36 kg / MWh * in 2017.

* Restated by using electricity sent-out, instead of gross output, to calculate the intensity.

Water

CLP India received the Second Runner Up Jury Special Mention Award in an award programme organised by Frost & Sullivan and The Energy and Resources Institute for the Jhajjar plant's achievements in water management.

Despite the continuous operation of the FGD units since February 2019, water consumption remained stable at 2.47 m^3 / MWh in 2019 which is substantially below the statutory authorisation of 3.5 m^3 / MWh.

Social Performance

CLP India's community investment initiatives in 2019 focused on strategic partnerships with a special emphasis on youth and women empowerment.

Among the many initiatives, CLP India funded the construction of a centralised kitchen near Veltoor. Together with another similar kitchen near Saundatti Wind Farm, around 30,000 children in 315 Government schools received hot mid-day meals sponsored by CLP India in 2019. The services help to keep children in school while giving them nutritious meals.

In Jhajjar, CLP India launched in partnership with the Confederation of Indian Industry an ambitious project to improve air quality by promoting alternatives to stubble burning. The project, covering 9,000 acres of land in six villages in Haryana near Jhajjar, involved the deployment of different technological tools in fields, and mass awareness campaigns to encourage behavioural change by farmers.

A 1,500-seat mini sports stadium with training support for youngsters was developed in Khanpur Kalan village near Jhajjar. Several water harvesting initiatives were also launched to improve water security in CLP India's catchment communities.

Renewable energy projects including solar farms account for about 85% of CLP India's operating earnings in 2019.

Some of the other impactful community projects conducted by CLP India are highlighted in the graphic below. More details can be found in the Social and Relationship Capital chapter on pages 91 to 94.

Environment

- Engaged around **800 students** in environmental activities including seed ball making, learning about medicinal plant and awareness programmes on renewable energy.
- More than **3,300 saplings** were planted in schools, village offices and community spaces.
- **42 water structures** were repaired or constructed. Training programmes on sustainable agriculture were also held for **316 farmers** in Khandke.
- **16 village ponds** with an estimated water harvesting capacity of **30 million litres** were de-silted in Samana and Mahidad. Water initiatives were also launched at Veltoor.

Community Wellbeing

- An overhead water tank with a storage capacity of **200,000 litres** was constructed in Khanpur Khurd village near Jhajjar to benefit around **6,000 residents**.
- **5,800 villagers** benefitted from initiatives including the repair of drinking water structures in Khandke village, construction of water tanks for Samana and Mahidad villages, and the distribution of water filters to schools and communities.
- Provided doorstep primary healthcare services to **63,000 people** in **58 villages** in Andhra Lake, Sipla Bhakrani, Tejuva, Veltoor, Paguthan and Jhajjar.
- Sports equipment was provided to **990 young people** at schools and communities in Samana, Mahidad and Veltoor.

Volunteering

- Employees and their families contributed more than **1,200 volunteer hours** in activities such as beach cleaning.

Education and Development

- A milk cooperative initiative at Chandgarh benefitted **1,500 women**. An International Women's Day celebration welcomed **2,000 female participants** from the area.
- Exposure tours, training of master trainers and other action plans were developed with the Self-Employed Women's Association with aims to support **4,000 women** in **73 villages**.
- Funded **283 young people** to receive trainings in wrestling, basketball, football, cricket, hockey and other sports.
- The CLP India Scholarship Scheme provided financial assistance for **874 underprivileged students**.

Outlook

Although the country's economic growth and electricity demand both slowed down in 2019, CLP India remains confident in the future of the country's power market, particularly in its potential for low-carbon projects as India undergoes an energy transition.

There are risks in a rapidly-changing energy market. Of particular concern is the evolution of the financial health of the state distribution companies to whom CLP India sells renewable energy. Total receivables relating to revenue from our renewable projects increased to HK$805 million as of 31 December 2019. CLP will therefore continue to seek out quality projects such as our recent acquisition of transmission assets and the new greenfield wind development project we successfully bid for in Gujarat.

As there is no commercial market for the output of the Paguthan plant, CLP India will explore whether there are opportunities to utilise the site.

For the longer term, CLP India will continue to diversify its revenue stream and expand its non-generation operation in transmission, distribution and other customer-focused businesses. Innovation and new business models will also be pursued as and when the opportunities arise.

Q **Are you happy with the progress we have made on the agreement to acquire stakes in three power transmission assets? What are CLP India's future plans in this space?**

Praveen Khatri
Deputy Manager of Operation & Maintenance
Jhajjar Power Station, CLP India

A There has been a noticeable growth in private investment in India's grid infrastructure projects, driven by the Government's decision to increase the number of transmission projects available for tariff-based competitive bidding, which enables private sector participation. With significant renewable capacity scheduled to come online and the Government's focus on rural electrification, the Government has identified 66,500MW of transmission projects to be built by October 2021 in phases*. Therefore, the Ministry of Power is putting priority on developing renewable energy transmission projects.

This is a great opportunity for companies like ours. We have already expanded into the transmission sector by entering into an agreement with Kalpataru Power Transmission Ltd. and Techno Electric & Engineering Co. Ltd. to acquire their stakes in three power transmission assets. We have had the intent of entering this segment for some time and were glad to have found the right assets to mark our entry. We took over the first asset in 2019 and are currently pursuing requisite approvals to complete the transaction for the other two assets.

India is a primary growth market for our shareholders CLP and CDPQ, and they share a vision to invest in a low-carbon, clean energy portfolio. The transmission assets acquisition will enable us to diversify our earnings base, expand our geographical reach across the country and reinforce our commitment to grow our investments. We will continue to look for the right assets and act as India's partner in modernising and building a robust transmission grid.

* Details can be found in a press release titled *Ministry of New and Renewable Energy refutes reports expressing doubt on India's renewable energy target* issued by the Government of India on 10 October 2019: https://pib.gov.in/PressReleseDetailm.aspx?PRID=1587655

Rajiv Mishra
Managing Director – India

Lopburi Solar Farm

Southeast Asia and Taiwan

Keen to invest in renewable energy generation in the region to support global efforts to reduce carbon emissions.

Financial and Operational Performance

Overview

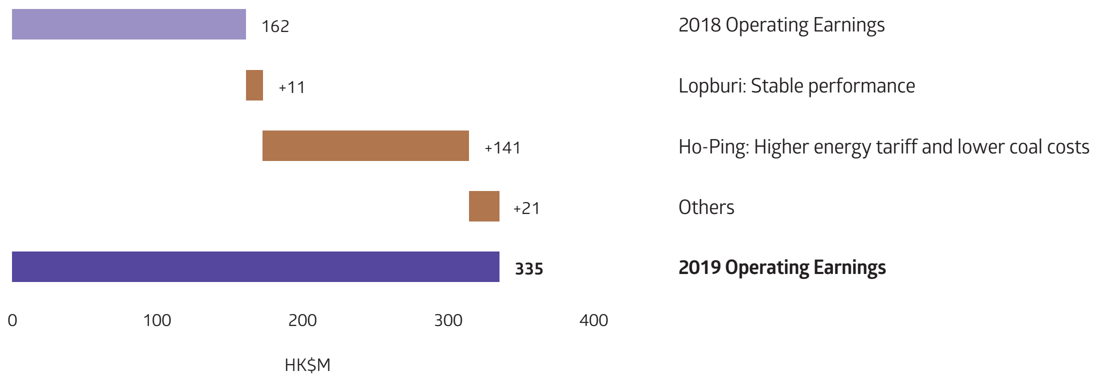
The coal-fired Ho-Ping Power Station in Taiwan continued to deliver a stable supply of electricity in 2019. The plant also produced sound financial results due to lower coal costs and a higher energy tariff. Under its PPA with Government-owned Taiwan Power Company, Ho-Ping's annual energy tariff was increased in 2019 to reflect higher coal costs in the previous year.

In Thailand, the Lopburi solar plant operated steadily with higher levels of solar irradiance.

In late 2019 CLP published its updated Climate Vision 2050 and gave an undertaking not to invest in any additional coal-fired generation assets. As a result it is in the process of withdrawing from two legacy coal-fired power plant developments in Vietnam.

CLP's performance in Southeast Asia and Taiwan is summarised below:

Operating Earnings	2019 HK$M	2018 HK$M	Change %
Renewable Energy	**80**	69	15.9
Thermal Energy	**272**	131	107.6
Operating and Development Expenditure	**(17)**	(38)	(55.3)
Total	**335**	162	106.8



Outlook

In accordance with Taiwan's Electricity Act of 2017, Ho-Ping will invest in renewables in the coming years. CLP will also continue to explore ways to expand its renewable energy footprint in Thailand, and will explore new investment opportunities in renewable generation in Vietnam.

Geelong Customer Service
Call Centre

Australia

Operates a customer-focused energy business serving 2.47 million accounts across southeast Australia.

Financial and Operational Performance

Overview

The Australian market provided a sharp reminder of its volatile nature in 2019 with EnergyAustralia's business enduring one of its most challenging years since it began a programme of value restoration in 2014.

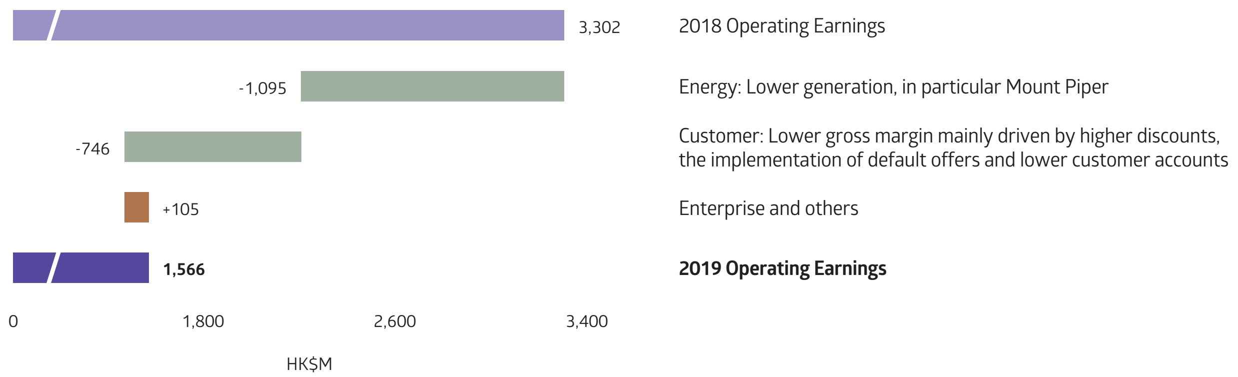
The introduction of regulated pricing in July represented the most significant change to energy retailing in years while retail competition remained intense. Wholesale market prices continued to track around historical highs, reflecting the energy supply-demand imbalance in Australia. Unfortunately, operational issues reduced output at its two largest plants, which meant EnergyAustralia was not able to fully participate in the wholesale market.

Consequently, EnergyAustralia's operating earnings declined 52.6% from a year earlier to HK$1,566 million. An anticipated reduction in future earnings from its retail business associated with the introduction of regulated retail prices led EnergyAustralia to record a one-off, non-cash impairment of goodwill of HK$6,381 million as part of the Group's 2019 interim results.

The erosion in its financial performance was disappointing. Nonetheless, EnergyAustralia's value-restoration programme has set a solid foundation for the business, allowing it to withstand some of the worst of the headwinds. It has already identified good opportunities to operate more efficiently and reduce costs so that it can better navigate the challenging market conditions ahead.

EnergyAustralia's performance in 2019 is summarised below:

Operating Earnings (HK$M)



Focusing on Customers

Prices for all existing EnergyAustralia customers were either unchanged or reduced in 2019, reflecting sustained and intense competition and a significant shift in retail electricity regulation.

The Default Market Offer (DMO) and the Victorian Default Offer (VDO) were both introduced on 1 July 2019, effectively capping retail electricity prices at lower levels.

EnergyAustralia approached the change as an opportunity to launch a new suite of products comprising simple, lower-cost services. Existing customers were proactively approached well ahead of the changes to seek to ensure they were on the best plan.

In November 2019, Victoria's independent regulator responsible for reviewing electricity supply costs announced an increase to the VDO for households and businesses of an average 7.8% in 2020. After reviewing the decision, EnergyAustralia increased tariffs for most customers in the state by a similar amount from 27 January 2020.

EnergyAustralia recorded an improved Net Promoter Score, showing an improved inclination of its retail customers to recommend the company to other people. Market churn has reduced across all states since the introduction of regulated pricing, and EnergyAustralia continued to perform better than the market average. However, customer accounts decreased by 84,000 or 3% over the course of the year.

In November 2019, the Australian Energy Regulator (AER) began proceedings against EnergyAustralia for alleged non-compliance with hardship disconnection rules in relation to eight customers. These proceedings were ongoing at the time this report went to print.

The AER also issued four infringement notices to EnergyAustralia for alleged breaches of the requirements to obtain explicit informed consent in relation to four customers, resulting in penalties totalling A$80,000. Another four infringement notices were issued for failures to promptly appoint a metering coordinator in response to metering installation malfunctions, leading to penalties totalling A$80,000.

EnergyAustralia meanwhile reported a number of incidents to the AER regarding registering life support needs for some of its customers.

It remains focused on improving its compliance across each of these areas and is fully cooperating with the regulators.

Managing the Challenges

EnergyAustralia's generation fleet dealt with a number of operational challenges in 2019. Output at Yallourn Power Station in Victoria was restricted by a combination of planned and forced outages, and the implementation of new safety measures following an investigation into a workplace fatality in late 2018. The new measures were implemented for all four power generation units by mid-November 2019 and availability is expected to progressively return to previous levels in 2020.

Mount Piper Power Station in New South Wales (NSW) produced substantially less energy in 2019 than in the previous year due to disruptions to the fuel supply from Springvale, the single coal mine supplying the plant. Improved levels of supply were eventually achieved in November 2019 after the underground mining operations at Springvale moved to a new seam and temporary facilities were opened to enable deliveries of coal by rail from a second mine source. EnergyAustralia is working to secure long-term improvements to fuel security for the power station. Meanwhile, work has started on a turbine upgrade which will increase Mount Piper's capacity by 60MW without the plant needing to burn additional coal. The work is scheduled for completion in 2021.

EnergyAustralia's gas-fired power facilities in NSW, Victoria, and South Australia operated with high reliability throughout the year, supporting its generation portfolio through periods of reduced baseload generation. Capacity at Hallett Power Station has increased 30MW in early 2020 following successful upgrade works.

Wholesale prices on average remained higher during 2019, largely due to market-wide baseload reliability issues, prolonged drought impacting hydro-electricity generation mainly in NSW, and delays to the integration of new renewable energy capacity.

The table below shows the performance of EnergyAustralia's renewable energy and thermal energy generation projects:

Renewable Energy and Thermal Energy Projects – Performance

	Installed Capacity Equity MW	Electricity Sent Out[1] GWh		Availability %		Utilisation %	
		2019	2018	**2019**	2018	**2019**	2018
Wind							
Cathedral Rocks	32	**85**	84	**90.4**	90.2	**31.0**	30.8
Gas	1,563	**2,758**	1,487	**82.1**	85.8	**21.0**	11.3
Newport	500	**1,176**	502	**89.8**	89.0	**29.0**	12.3
Jeeralang	440	**227**	107	**84.2**	95.3	**6.0**	2.8
Hallett	203	**33**	23	**84.6**	85.4	**1.9**	1.4
Tallawarra	420	**1,322**	855	**69.5**	72.4	**36.6**	23.8
Coal	2,880	**13,309**	17,565	**78.7**	81.2	**57.4**	75.0
Mount Piper	1,400	**4,355**	8,193	**83.1**	85.4	**38.4**	71.2
Yallourn	1,480	**8,954**	9,371	**74.6**	77.2	**75.3**	78.6

Any minor discrepancies in totals are due to rounding of figures

Note:

1 Indicates CLP equity sent out and capacity purchase.

Towards a Low-Carbon Future

EnergyAustralia continues to advocate and support development of a modern, cleaner energy system for the country – one that will benefit all customers no matter where they live or how much they earn.

It believes the components of such a system exist: wind and solar power, supported by storage, demand response, energy efficient technology, and flexible generation.

EnergyAustralia has committed to PPAs over the years representing over 820MW, underpinning new wind and solar power projects. These include Coleambally Solar Farm and Bodangora Wind Farm in NSW, which commenced operations in January and April 2019 respectively. The performance of these renewable energy projects is set out in the table below:

Renewable Energy Generating Capacity under Contract to EnergyAustralia

	Offtake for EnergyAustralia MW	Electricity Sent Out GWh	
		2019	2018
Wind			
Boco Rock	113	**365** [1]	367 [1]
Bodangora	68	**163** [1]	N/A
Gullen Range	165.5	**491** [1]	481
Mortons Lane	19.5	**66** [1]	66 [1]
Taralga	107	**312** [1]	299 [1]
Waterloo Stage 1	55.5	**153**	166
Solar			
Coleambally	105	**249**	N/A
Gannawarra	50	**88**	69
Manildra	46	**109**	2
Ross River	93	**216**	21

Note:

1 Publicly available data from the Australian Energy Market Operator.

To accelerate the integration of intermittent solar and wind power into the national grid, EnergyAustralia continued to assess potential investments in new, flexible generation and storage projects.

It is considering building a second gas-fired plant at the site of its existing gas-fired plant at Tallawarra in NSW to provide fast-start dispatchable generation that will support the integration of renewable energy and contribute to reliability and stability. The implications of the determination made by the Civil Aviation Safety Authority against the plan are being considered and EnergyAustralia is assessing options.

EnergyAustralia continues to evaluate other flexible capacity projects including pumped hydro projects at Cultana in South Australia and Kidston in Queensland.

EnergyAustralia's demand response contracted capacity now stands at 56MW. The programme, part of an Australian Government initiative, rewards residential and large commercial and industrial customers for curtailing demand at peak periods. The company has exceeded its initial 50MW commitment, with more than 20,000 residential and large commercial and industrial customers committing to the programme.

EnergyAustralia operates the largest battery trading portfolio of any retailer in the National Electricity Market, presenting 80MWh of storage. The assets are providing valuable insights into the role of large-scale, commercial storage in a modern energy system.

New Business

In July 2019, EnergyAustralia expanded its offer to commercial and industrial customers through the acquisition of a 49% interest in Echo Group, a rooftop solar and LED lighting company.

It also launched "On by EnergyAustralia" in October, a separate test-and-learn retail platform. "On by EnergyAustralia" allows for the rapid in-market trials of new products and the first market trial is of subscription-based electricity plans.

EnergyAustralia's partnership with the Startupbootcamp programme, which is aimed at fast-tracking new energy-related start-up businesses, entered its second year. After receiving more than 1,000 applications, 11 start-ups from around the world pitched their ideas to potential investors and members of the business community. EnergyAustralia continues to liaise with the participants and looks forward to their success stories.

Q **Given the ongoing reforms and challenges in the Australian energy market, what is CLP's strategic positioning there and how would CLP adapt its strategy to remain relevant?**

Ms Elaine Wu
Head of Asia ex Japan Power Utilities and Environmental Equity Research
J.P. Morgan

A After all the rapid changes to Australia's energy market, EnergyAustralia remains one of the biggest suppliers of power to the country's homes and businesses, backed by a 5,000MW asset portfolio. Just as the path to a cleaner energy future brings challenges, it provides opportunities for investment. We've already made commitments worth A$3 billion to buy wind and solar power and we have the largest battery trading portfolio of any retailer in Australia.

Australia gets a relatively high proportion of its power from renewable generation. The transition to a system underpinned by wind and solar has added volatility. That means dispatchable coal- and gas-fired capacity is needed in the medium-term for stability. So, we're investing in our existing coal-fired assets to make them as efficient as possible. At the same time, we're exploring investments in gas-fired power, renewables, microgrid technology, small-and-large-scale storage and pumped hydroelectricity.

Energy companies will have to win the trust of both household and business customers if they are to continue to prosper. Under our strategy we'll stand closer to our customers and become energy partners, not just energy suppliers. We're developing next generation services that will put EnergyAustralia at the heart of homes and businesses, selling smart energy management solutions as well as energy itself. We'll help control energy usage, which in turn will help balance supply and demand. Customers want cleaner, reliable and affordable energy, and EnergyAustralia is well-placed to be the retailer they turn to, and trust, for all their energy needs.

Catherine Tanna
Managing Director – Australia

Environmental Performance

Environmental Regulatory Compliance

EnergyAustralia was not subject to any fines or prosecutions arising from environment-related regulatory non-compliances in 2019.

There were two brief exceedances of NO_x emissions at Tallawarra in February 2019, neither of which resulted in action from the Environment Protection Authority (EPA). Corrective action was taken during a station outage in 2019 to prevent any future incidents. In addition, there were two oil spillage non-compliance incidents and one minor hydrocarbon exceedance to the Trade Waste Licence at Newport Power Station. The EPA was notified and no fines or penalties were imposed. Investigation and corrective actions have been taken to prevent a repeat of similar incidents.

Air Emissions

Overall CO_2 emissions from EnergyAustralia's power stations decreased in 2019 compared with 2018. Yallourn saw a 7% drop due to improved efficiency and a 4.5% reduction in output. Emissions from Mount Piper were 42.8% lower after output fell by 46.8% while those at Tallawarra were 48.1% higher as output rose 54.6%. Generation at Hallett was 43.5% higher, resulting in a 26% increase in emissions.

Social Performance

EnergyAustralia maintained its commitment to support the wellbeing of both its employees and the communities in which it operates, with volunteer activities increasing 47% in 2019 compared with the previous year.

In September 2019, the company published its inaugural report under the new Energy Charter, a world-first customer initiative aimed at uniting the energy industry to deliver better service for Australians. EnergyAustralia is a founding member of this initiative that asks energy companies from across the supply chain to commit to a set of principles to improve affordability and the customer experience and to better meet customer and community expectations in the transition to a modern energy system. The report provided a frank assessment of the service EnergyAustralia provides which will stand as a baseline for driving improvement.

EnergyAustralia's Workplace Giving programme, launched in 2018, raised more than A$364,000 in its first year with an employee participation rate of 61%. The programme was recognised at the Workplace Giving Excellence Awards as the best launch project in the business category.

The company's LGBTIQ+ (Lesbian, Gay, Bisexual, Transgender, Intersex and Queer) support network Prism marked its fourth year of operations in 2019. For the second consecutive year, it was awarded silver status by the Australian Workplace Equality Index. Prism continues to be widely supported with membership covering one third of the EnergyAustralia workforce.

EnergyAustralia is a partner of the Startupbootcamp programme which supports start-up companies that innovate and disrupt the energy sector.

Some of EnergyAustralia's major community initiatives are detailed below. Please also refer to the Social and Relationship Capital chapter on pages 91 to 94 for more information.

Community Wellbeing

- Provided and installed **27 air-conditioning units** in the Ozanam House, a landmark facility developed by VincentCare that provides holistic services to homeless Victorians. Also worked with VincentCare to install demand response technology to reduce energy costs and provide payments of **A$2,250** for participating in each demand response event.
- Launched a new "innovate" reconciliation action plan, which focused on developing and strengthening relationships with Aboriginal and Torres Strait Islander peoples, engaging employees and stakeholders in cultural awareness programmes and developing innovative strategies to empower Aboriginal and Torres Strait Islander peoples.
- Extended its partnership with the Sydney Opera House to support a series of events held in cooperation with Prism, the Aboriginal Academy and Women's Network.

Environment

- Installed **12 solar-powered light poles** in the Yarra Park precinct, which will save **1.3 tonnes of carbon emissions** a year, equal to the amount generated by powering an average Victorian home for four months.

Volunteering

- **1,277 volunteering opportunities** contributed more than **5,500 hours** of charity work.

Education and Development

- Delivered a Financial Counselling Development Programme in the second year of partnership with ICAN Learn to build and strengthen career development opportunities for financial counsellors in Australia. To date, **85 scholarships** have been awarded for people to gain certification to become financial counsellors.
- **8 students of the Women's Aboriginal AFL Academy** were invited to join selected employees and Sydney Opera House guests for a cultural immersion experience, followed by a visit to the annual Garma festival to learn about history, social and policy issues.

Ensuring a Safe Workplace

Safety is EnergyAustralia's leading priority. Following two workplace fatalities in 2018, it has finalised detailed investigations and implemented the key recommendations. In 2019 EnergyAustralia had its best ever safety performance. Currently it is prioritising new programmes on employee wellbeing and the development of centralised safety risk databases.

Outlook

Wholesale electricity prices in Australia are expected to decline in the coming year as additional renewable energy capacity is added to the system.

Operationally, EnergyAustralia's focus will remain the optimisation of its generation portfolio, enhancing asset reliability. It will continue to work to ensure it is able to secure adequate fuel supply for the Mount Piper Power Station in both the short and long term. It will also explore the integration of flexible capacity options, including pumped hydro and gas-fired generation. These are the types of projects with the potential to safeguard and enhance the reliability and affordability of power as the country moves towards a low-carbon future.

There is no sign the intense competition and acute focus on electricity pricing in retail markets will ease. EnergyAustralia will continue its work to improve the customer experience and ease pressure on household budgets, while managing costs.

EnergyAustralia will continue to press the case for a clear and stable national policy that supports the development of a modern, cleaner energy system for the good of Australia and at an acceptable and affordable cost to customers and taxpayers.

Capitals

To build a sustainable business, we take a connected view in the management of our Capitals, comprising our most critical resources and relationships, to create value for our stakeholders and maximise synergies.

Financial Capital

2019 was a turbulent year, as negative market sentiments caused by the Sino-US trade conflict, Brexit and social unrest in Hong Kong left most people in a sombre mood while combating the consequential headwinds of financial market turmoil. Even though most of these geopolitical events showed signs of moderating at the outset of 2020, their intermittent influences and the subsequent course of development would leave profound impacts on the economy.

The year started auspiciously as optimism on monetary easing by central banks drove equity market rallies through April, and 10-year US treasury yield declined after peaking at 2.8% in January 2019. However, the extension of rivalry between the US and China from trade to other frontiers soon undermined market confidence with the Dow Jones Industrial Index plunging 7% from April to June and again from July to August, and China A-shares indices falling about 16% from April to August, along with about 5% depreciation of the Renminbi (RMB) from 6.8 to 7.2 against the US dollar.

The domestic situation in Hong Kong from June onwards further fuelled market instability with Hong Kong dollar staying on the weak-side of the Convertibility Undertaking of HK$7.85 most of the time since mid-2019. One-month interbank rate spiked from 0.9% in February to 3% in July, and posed a serious challenge to certain Hong Kong-based corporations in presenting their business and credit profiles to overseas investors when they attempted to raise funds in the bond and equity markets.

These disruptions in the financial market have not affected CLP in any material way, as CLP continued to benefit from its prudent financial philosophy; cost-effective, diversified funding, and effective risk management.

Preserving financial strength and flexibility

The power sector is capital-intensive with long payback periods, and needs sizable liquidity to run the business. A resilient capital structure and stable supply of diversified, cost-effective debt funding is therefore crucial to support daily operations and business expansion.

CLP is committed to maintaining its strong financial profile and good investment grade credit ratings. Over the decades, the Group has consistently ploughed back a portion of its operating earnings to fund capital investments. In 2014, CLP Power Hong Kong issued an aggregate of US$750 million, non-call 5.5 years perpetual capital securities to partially fund the acquisition of an additional 30% equity stake in Castle Peak Power Company Limited (CAPCO) and the remaining 51% of interest in Hong Kong Pumped Storage Development Company, Limited. These perpetual capital securities were classified as equity in the Group financial statements and qualified for 50% equity credit under the Standard & Poor's and Moody's rating methodologies, strengthening CLP's capital structure and allowing the issuing entity to pay a reasonable premium compared with conventional bonds.

The first call day of the US$750 million perpetual capital securities, on which an issuer should observe market practice to redeem or replace such securities, fell on 7 November 2019, amid a very eventful period in Hong Kong. CLP fully recognised that a number of Hong Kong-based entities were pressured to withdraw from fund raising in the capital markets due to the unique market circumstances. However, we were determined to achieve a good outcome from the refinancing, after reviewing the situation with utmost precaution and diligence, taking into account CLP Power Hong Kong's commitment to contribute US$250 million of internal resources to reduce the replacement of perpetual securities to US$500 million, supported by higher-than-expected earnings since acquisition.

With meticulous planning, thoughtful strategies, and astute execution, the new perpetual capital securities were 6.4 times over-subscribed with an overwhelming US$3.2 billion orders from 151 global investors. The 3.55% coupon was 0.7% tighter than the original perpetual capital securities and represented a new lowest-ever coupon rate for a US dollar denominated Asian rating agency equity-targeted corporate hybrid transaction. This issuance helped to lay down a strong financial structure for CLP Power Hong Kong to meet the future funding requirements of the HK$52.9 billion five-year Development Plan.

In view of the fast reducing financial market certainty in both overseas and domestic contexts, CLP Management also applied a pragmatic strategy to promptly complete the 2019 funding exercise in early third quarter 2019 by issuing a total of HK$370 million 15-year and 25-year fixed rate private placement bonds for the Scheme of Control business at very appealing coupons of 2.74% and 2.8% to fund capital investment, and round up the rest of borrowing requirements for Hong Kong-based entities at very competitive terms from the bank market to mitigate financing risk. Also, CLP Power Hong Kong arranged HK$1.8 billion one- to two-year bank loan facilities at attractive interest rates.

Meanwhile, CLP's businesses outside Hong Kong maintained adequate liquidity, and arranged additional bank facilities to meet business requirements. CLP India, for example, procured Rs6.5 billion (HK$710 million) in bank facilities mainly to support new renewable and transmission projects. CLP Holdings received total consideration proceeds equivalent to HK$2.9 billion in December 2018 and June 2019 from Caisse de dépôt et placement du Québec (CDPQ) for the transfer of a 40% shareholding in CLP India Private Limited. CLP China arranged RMB736 million (HK$820 million) onshore and offshore bank loan facilities of between two- to 15-year tenors to expand its portfolio, and EnergyAustralia paid back A$406 million (HK$2.2 billion) to CLP Holdings in the form of dividend, shareholder's loan repayment, and interest payments.

Risk Management Plays a Discerning Role

CLP invests and operates in different geographical regions and regulatory regimes, facing multiple risk elements that need to be well-managed to guard against undue volatility in terms of business and financial performance.

CLP has a reputation for a high standard of financial discipline and well-established, regularly-reviewed policies. Our objective is straightforward and easy to understand. We identify, diligently manage and mitigate risk exposure to ensure a high degree of financial stability and certainty, which will help deliver a robust capital structure and good investment grade credit ratings. We apply natural hedge or use approved financial derivative instruments that can qualify for effective accounting hedge (i.e. no adverse profit-and-loss impact) to offset the underlying obligations and risks.

Such truthful, conscientious application of risk management is vital. Our businesses in Mainland China and India stay financially strong even though RMB and Indian Rupee have depreciated about 11% and 12% respectively since 2018, and our debt funding costs in various geographical locations remain lower than market benchmarks as we always maintain a high level of interest rate and foreign currency hedging to withstand financial market volatilities, cover economic obligations, and transact only with credible financial institutions and financially sound business counterparts.

Continuous Enhancement in Governance and Technology

In addition to CLP's own professional finance and treasury team, the ongoing enhancement of the Group Treasury Management System (GTMS) have also supported the Group's financial governance efforts.

The cloud-based Software-as-a-Service GTMS has since 2016 proven to be an innovative and reliable electronic platform to integrate treasury positions, and enable enhanced risk management and compliance. With a multilateral treasury portfolio and volatile, fast-changing financial markets, the treasury team is engaged in an enhancement project for the GTMS which will deliver a cohesive digital platform with stronger functionality, scalability, connectivity, and dynamism to further support timely analyses and sound business decisions. The target is to realise greater automation, analytical capability, regulatory compliance in the context of proficient, straight-through processes and achieve paperless work cycle. For instance, the GTMS enhancement project can perform automatic matching and consolidate end-to-end work flows, as well as use robotic process automation with analytical tools to generate patterns and trends in a highly efficient manner to support decision making.

Embracing Challenges and Seizing Opportunities

The diagram below gives an overview of CLP's actions to embrace challenges, manage uncertainties, create value, and seize opportunities in a timely manner.

External Environment

- Financial Market Volatility
- A Growing, More Complicated Portfolio
- Disruptive Technologies
- Demanding Regulations

Major challenges in 2019 and onwards include:

1. Spike up of floating interest rates
2. More volatile currencies movements
3. Lower market liquidity
4. Heightened geopolitical risks
5. Tougher control and compliance
6. Impact of Fintech

Principles and Measures from CLP

Key Principles:

- Well-test risk management
- Advanced technological and data support
- Full compliance and stringent corporate governance
- Well-diversified portfolio

Key Measures:

- Long-lasting Relationships with Lenders
- Prudent, Effective Policies and Frameworks
- Proactive Assessment and Swift Actions

Outcomes

- Well-mitigated Risk Profile
- Strong Financial Profile
- Value Creation

Key Results in 2019

Ample Liquidity and Diversification

- HK$27.2 billion of undrawn bank facilities plus bank balances
- Maintains long-term business relationships with 39 financial institutions in different locations (India 23%, Mainland China 20%, UK and Europe 20%, Australia 11%, Japan 8%, US 8%, others 10%)
- Spreads out loan maturities (beyond 5 years 38%, 2-5 years 20%, 1-2 years 16%, within 1 year 26%)
- Diversity of debt instruments and markets (bonds 58%, term loans 32%, money market lines 8%, export credit loan 2%)
- Multiple bond denomination currencies (USD 57%, HKD 26%, JPY 9%, INR 5%, AUD 3%)

Mitigation of Interest Rate Risk

- The Group's fixed rate debt as a proportion of total debt was 54% (57% if including perpetual capital securities)

Well-managed Foreign Exchange Positions

- Transactional Risk – CLP hedges a high proportion of committed and highly probable exposure. Residual risk is low and within tolerable levels
- Translational Risk – This carries no profit and loss nor cash flow effects. CLP does not hedge for regional equity investment but matches funding with local currency debt

Digital Treasury Transformation to New Heights

- Highly scalable software-as-a-service system supports extended functionalities
- Enables accurate and timely risk management further strengthens control, compliance and governance
- Improves efficiency through automation and information quality
- Environmentally-friendly operation
- Fosters innovation and continuous improvements
- Places focus on value creation

Debt Profile as at 31 December 2019

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Availability Facility [1]	5,700	36,784	12,613	16,106	71,203
Bank Loans and Other Borrowings	–	31,122	10,049	11,178	52,349
Undrawn Facility	5,700	5,662	2,564	4,928	18,854

Note:

1 For the Medium Term Note Programmes, only the amounts of the bonds issued as at 31 December 2019 were included in the total amount of Available Facility. The Availability Facility in EnergyAustralia excluded a facility set aside for guarantees.

Credit Ratings

CLP always strives to maintain strong investment grade credit ratings. This not only enables CLP to source financings with the best terms (amount, pricing, tenor, diversity) but also maintains high credibility when negotiating commercial contracts. With its robust financial structure and healthy cash flow, CLP can maintain broad access to global capital and bank markets to fund operations, growth opportunities and contingencies. Standard & Poor's (S&P) and Moody's affirmed their credit ratings with stable outlooks for CLP Holdings, CLP Power Hong Kong, and CAPCO between May and October 2019. S&P affirmed its credit rating with a stable outlook for EnergyAustralia in November 2019.

	S&P	Moody's
CLP Holdings CLP Power Hong Kong CAPCO EnergyAustralia	A / Stable A+ / Stable AA- / Stable BBB+ / Stable	A2 / Stable A1 / Stable A1 / Stable Not applicable
Positives	▪ Highly visible and stable operating cash flows of Scheme of Control (SoC) business ▪ More timely fuel-cost adjustment in Hong Kong ▪ Significant balance sheet capacity for EnergyAustralia to undertake growth-related investments	▪ CLP Holdings' strong financial profile, well-managed debt maturities and sound liquidity profile ▪ Stable regulatory environment in Hong Kong ▪ Predictable cash flow, low-risk business profile and good operating track record of SoC business
Negatives	▪ Profitability from Hong Kong business will be affected over the next two years due to lower permitted rate of return ▪ EnergyAustralia's operating challenges including coal quality issues at Mount Piper Power Station and the impact of default retail price regulations	▪ Overseas and unregulated business investments increase the overall business risk profile ▪ Reduction in the permitted regulatory return in Hong Kong

More information of our credit ratings can be found on our website.

More information about major financing activities in 2019 and our debt profile can be found on pages 35 and 36 of CLP Holdings 2019 Annual Results Analyst Briefing Presentation.

Analyses of loan balance by types and bond funding by currencies can be found on page 47 of Investor Presentation Introductory Pack.

Case Study

CLP's Sustainable Financing Trajectory

Although individual CLP entities started issuing green bonds from 2015, the Group took a step further in 2017 and extended its journey of sustainable financing for all business units with the launch of the CLP Climate Action Finance Framework (CAFF), after two years of refinement and communication with stakeholders.

The raising of debt through green or ESG financings is in line with good corporate governance, balancing the needs of various stakeholders. Processes and policies need to be implemented with high standard of accountability, addressing ESG requirements.

The CAFF sets out a holistic approach for CLP entities to undertake greater ESG responsibilities in the course of financing and makes available new funding options for the transition towards a low carbon energy future by tapping into a fast-expanding community of green and ESG investors. Under this framework, CLP can arrange financing through two types of Climate Action Bonds: New Energy Bonds, which are Green Bonds for renewable energy and energy-savings projects; and Energy Transition Bonds, similar to ESG Bonds, to fund projects that deliver valid, significant emission reductions. The CAFF aligns with most global requirements and standards, such as the Green Bond Principles issued by the International Capital Market Association, and has been independently verified.

As the first major sustainable financing initiative to support CLP in achieving its Climate Vision 2050, CAPCO successfully issued its first Energy Transition Bond under the CAFF in 2017. The US$500 million proceeds from the bond were used to finance the construction of a new combined cycle gas turbine (CCGT) unit at Black Point Power Station which has a lower carbon emission intensity than the generation units it replaces. The bond was more than 2.5 times over-subscribed with orders from over 100 global investors, many of them ESG-targeted asset managers and financial institutions. The bond also obtained a recognition of being the first benchmark US dollar Energy Transition Bond issued globally.

In 2019, CAPCO issued a HK$170 million, 25-year New Energy Bond to fund the construction of the West New Territories Landfill energy-from-waste project, which was an inaugural green bond for Scheme of Control-regulated business. This waste-to-energy project allows CAPCO to use landfill gas as energy source, offsetting emissions from some of its coal-fired power generation units and achieving significant environmental benefits.

CLP is continuously enhancing the CAFF so it can accommodate more forms and instruments of financing. The aim is to enrich the decarbonisation financing actions under the framework in support of the Climate Vision 2050 and its associated business strategy of expanding non-thermal or low-emission investment opportunities. Going forward, it is expected that the offshore LNG terminal and the second CCGT unit projects in Hong Kong will be able to meet ESG financing requirements, in addition to the sustainability-linked loans that CLP has included in its funding plan.

Manufactured Capital

CLP operates a diversified portfolio of power generation, transmission, and distribution assets that serves the energy needs of millions of households and businesses in Asia Pacific. As decarbonisation and digitalisation of the energy market gather pace, the Group is well-positioned to benefit from synergies created by its broad base of assets and technologies, encompassing specific expertise in each segment of the electricity supply chain. CLP is leveraging the wealth of capabilities in the Group's end-to-end operations to meet evolving customer demand for reliable, affordable and environmentally-responsible electricity amid the ongoing energy transition.

In 2019, the Group continued to invest in the latest technologies to improve the performance of its growing renewable energy operations in Asia Pacific, while upgrading existing thermal assets to optimise their operations in a lower-carbon and more digitalised electricity market.

Material Topics

Harnessing the Power of Technology
Responding to Climate Change
Reinforcing Cyber Resilience

New technologies are enabling power companies to increase operational efficiencies and capture new business opportunities emerging from the ongoing low-carbon transition of the energy market. This section discusses the strategies being deployed in our operations to manage the decarbonisation and digitalisation of the energy market, and our efforts to strengthen cyber security protection.

Leveraging Synergies to Seize Opportunity

The breadth of CLP's expertise gained in different Asia-Pacific markets and segments across the electricity supply chain gives it a competitive advantage to capture new growth opportunities and enhance operations. CLP India, capitalising on the Group's capabilities in managing power transmission assets in Hong Kong, including the cross-border overhead line circuits connected to southern China, agreed to acquire three transmission assets in 2019. It successfully took over operations of one of the assets – a 240-kilometre, 400kV intra-state transmission project in the central state of Madhya Pradesh – in November 2019. Engineers from Hong Kong provided support on the acquisition by reviewing the asset management, technical services, operation, and maintenance requirements of the project. Assets on the transmission line in Madhya Pradesh include 651 towers, approximately 3,000km of aluminium conductor steel-reinforced cable (ACSR) and 8,300 insulators. This project allowed CLP India to enter a new segment of the power sector and will support the integration of renewable energy capacity into the grid. CLP India is expected to complete the acquisitions of the other two transmission assets by the end of 2020.

Drawing on its experience from the use of aerial drones for plant inspection in Hong Kong, CLP rolled out the technology in renewable energy plants in Mainland China and India to improve operational performance and efficiency, as well as strengthening workplace safety.

Aerial drones with high resolution cameras have been trialled for wind turbine blade inspections in India.

In Mainland China, drones with thermal cameras were deployed for the inspection of photovoltaic panels at Sihong Solar Power Station in Jiangsu and Meizhou Solar Power Station in Guangdong. The technology enables faster and more accurate identification of damaged and underperforming solar panels. Further trials have been conducted to automate the drones' flight paths, further reducing the time required to carry out plant inspections.

Aerial drones with high resolution cameras have also been trialled for wind turbine blade inspections in India to achieve savings in time and labour requirements.

Transitioning to Lower-Carbon Energy

CLP continued to invest in low-carbon generation with the construction of Laiwu III Wind Farm in Shandong in Mainland China beginning in the second quarter of 2019. The 50MW project, with 20 wind turbines, will be connected to the existing Laiwu I and Laiwu II plants through a new 35kV transmission system comprising 65 towers, requiring the construction of 18km of roads. Laiwu III is due to be commissioned in 2020.

Construction of the first high-efficiency H Class CCGT generating unit at Black Point Power Station in Hong Kong is on schedule to be completed in 2020, supporting the shift to the increased use of more efficient gas-fired generation in the city's fuel mix to help reduce carbon emissions. A second new CCGT unit is expected to go into service by the end of 2023.

In South Australia, Hallett Power Station completed the installation of an additional new fast-start gas turbine to meet increased electricity demand in the Australian summer. The 30MW generator, based on Aeroderivative Open Cycle Gas Turbine technology, is a variation of a jet plane engine design and has the capacity to reach full load within minutes, improving the plant's response to supply volatility. The turbine is also more fuel-efficient, helping to reduce the carbon intensity of EnergyAustalia's operations.

In New South Wales, meanwhile, work began to upgrade the two 700MW turbines at Mount Piper Power Station. The upgrade will allow each unit to provide 30MW of additional power without having to burn more coal when it is completed over the next two years.

Digital technologies including data analytics and artificial intelligence are being used to optimise the performance of the Group's renewable energy generation portfolio. CLP began the rollout of a cloud-based analytics platform for renewable energy assets in Mainland China and India in 2019. Real-time operation data from solar and wind plants, including information monitored by aerial drones, will be collected and analysed through the platform, enabling improved performance tracking and automated reporting.

CLP's assets in Mainland China ranked well above the industry average in third-party performance benchmarking of more than 26,000 wind energy plants around the world conducted in 2019.

Strengthening Cyber Security

CLP continued to strengthen protection of its information systems against cyber-attacks in 2019, increasing its capacity to manage potential threats and mitigate risks. One of the company's internet portals was infected with malicious code in March 2019. Although the impact was negligible, the incident showed the importance of bolstering cyber security protection as new technologies such as the Internet of Things are deployed.

A Senior Director for Group Information Security was appointed in 2019 to oversee cyber security strategy and strengthen internal governance to protect systems and data across the region. The Group is implementing a centralised approach to the management of cyber security across its operations in Asia Pacific and will continue to increase the recruitment of information security experts to add to its capabilities.

CLP's cyber security strategy is underpinned by a high degree of technical assurance to maintain robust defences of its systems against prevalent cyber threats and scenarios, and to ensure the compliance of new standards and practices as they are implemented. Looking forward, the Group needs to integrate stringent cyber risk assessment on the potential information security impact of systems and technologies before they are deployed. It also needs to continue to identify and address system vulnerabilities to minimise risks.

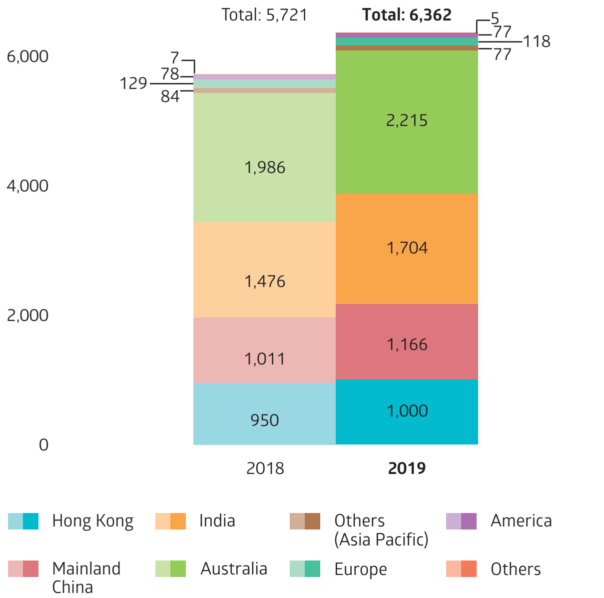
Effective cyber security is the result of a holistic approach that addresses people, processes, and technology. CLP conducts internal training programmes to improve cyber security awareness for employees, and devises clear processes to facilitate adoption across the Group. It is also investing in new digital technologies to strengthen monitoring of cyber threats, giving it improved visibility of potential threats.

Group Coordination on Procurement

CLP further enhanced its management of procurement in 2019, reinforcing coordination between businesses across the Group to increase commercial synergies. The Group formulates appropriate procurement strategies by evaluating the long-term needs of business units, as well as supply market opportunities and risks. This coordinated approach has increased CLP's ability to negotiate improved terms from suppliers and manage risks, resulting in tangible commercial benefits for the Group.

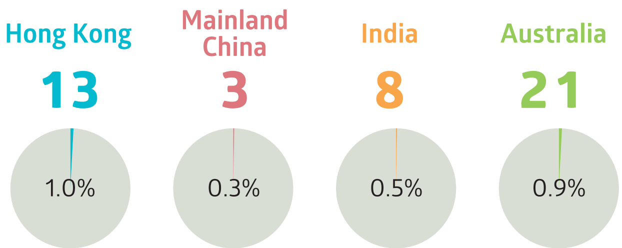
By following the Group Procurement Standard, businesses across the Group are implementing industry-leading practices in sourcing and supplier management, committing to responsible procurement to build a more sustainable supply chain.

Supplier Distribution by Geographical Region

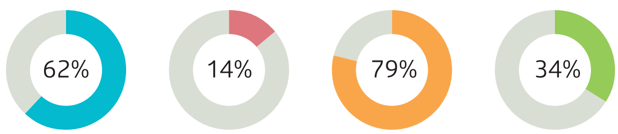


Overview of Strategic Suppliers by CLP Regional Subsidiary

Number of Strategic Suppliers and Percentage among Total Suppliers for Business



Percentage of Total Spend for Business



Enhancing Supplier Management

CLP conducts regular meetings with suppliers to review the Group's evolving procurement needs, and consider new technologies and innovations of suppliers. While supplier performance is assessed objectively, suppliers are also invited to give feedback to CLP, enhancing two-way communication and enabling continuous improvements. Businesses across the Group also implement processes to identify and mitigate potential risks with strategic suppliers, supported by quarterly management reviews consistent with the company's risk management practices.

A Commitment to Sustainable Procurement

CLP is committed to responsible procurement and proactively engages with suppliers to promote practices that are key to a sustainable supply chain including regulatory compliance, safe working conditions, ethical business conduct, and environmental protection.

Suppliers under consideration for critical project awards are assessed on their sustainability practices through various tools including self-declared questionnaires, proposal evaluations, site visits and audits. Subcontractors' capability to meet projects' requirements are assessed for services if subcontracting is involved.

The Group is committed to protecting intellectual property rights and safeguarding data privacy. This is reflected in our procurement practices where suppliers providing relevant services are required to comply with all applicable laws and regulations in relation to intellectual property rights and data protection.

The Company's overall assessment and monitoring mechanisms confirmed there were no significant risk findings in 2019 related to its Responsible Procurement Policy Statement. A roadmap of measures to enhance the sustainability risk assessment of suppliers for critical projects and purchasing categories has been developed, and CLP is exploring ways to work with suppliers to further improve their sustainability capability.

Extreme weather events, man-made hazards and other emergency situations can threaten the normal operation of CLP's power supply system. How does the Company ensure its power plants, substations, and transmission and distribution networks can withstand these potential risks?

Mr Mak Ka Nung
Shareholder

It is our utmost responsibility to ensure a reliable electricity supply to customers, and we take proactive steps to monitor and minimise potential risks to our power supply system. Recent events such as the bushfires in Australia, Super Typhoon Mangkhut in 2018 and cyber security incidents on electricity supply systems around the world are reminders that we need to be ever more vigilant against potential threats.

CLP employs multiple layers of protection on our infrastructure. For example, in Hong Kong, we have put structural reinforcements in place at the Black Point and Castle Peak power stations, while our transmission towers have been reinforced to withstand maximum wind gusts of 300km per hour. Floodgates and redundancy equipment such as transformers and switchgear are installed at substations situated in areas at high flood risks. To minimise the possible impacts of fallen trees on some of the critical overhead lines supplying remote villages more prone to typhoon disruption, we are carrying out a pilot to replace tall vegetation with shorter species.

To protect our systems against cyber security threats, we monitor potential risks to our information technology and operational systems. We also provide continuous training for staff to equip them with the skills required to identify and detect anomalies.

We maintain robust and regularly tested emergency response and crisis management procedures for our operations across the Group. To ensure efficiency and maximise readiness, emergency response drills are conducted at least annually at all our sites. Our goal is to make sure that we are prepared and equipped to respond to and recover from any emergency situations in a timely and effective manner, minimising disruption to our customers who rely upon us for electricity as a critical service.

David Smales
Chief Operating Officer

CLP continued to invest in capabilities and expertise that drive the development of technology-enabled and customer-centric solutions in order to meet the needs of an evolving energy market. Our commitment to ongoing innovation in products and services, as well as business models, supports our transformation into a Utility of the Future, and contributes to a more sustainable and digitalised economy.

Material Topics

Harnessing the Power of Technology
Responding to Climate Change

In the global effort to combat climate change, consumers and businesses need access to innovative technologies to improve energy efficiency and reduce emissions. This section discusses how new capabilities and partnerships are creating growth opportunities in a lower-carbon energy market.

Launching Innovative Business Models

CLP launched Smart Energy Connect (SEC) in 2019, a one-stop online shop that offers businesses and organisations access to a diverse selection of energy management applications powered by technologies including artificial intelligence, data analytics, and the Internet of Things. SEC represents a new business model for energy users, application developers, and utility companies to deploy innovative technologies that will optimise energy use in offices and buildings.

With a cloud-based platform, SEC provides a gateway for customers to find the latest solutions developed by CLP and its partners, including energy analytics and forecasting, performance monitoring of distributed energy systems, equipment fault diagnostics, and lighting and ambience control for offices and buildings.

Sales and engineering support for SEC customers in Hong Kong are provided by CLP*e* Solutions, the Group's wholly-owned subsidiary which was formerly named CLP Engineering. CLP*e* Solutions also offers a comprehensive range of power engineering and energy infrastructure services, drawing on its well-established technical and consultancy capabilities to meet growing demand for digitalised energy management services.

SEC has earned positive recognition since its launch, winning a prize in the Best Smart Energy Innovation category in the Future Digital Awards, an annual programme organised by consultancy Juniper Research to identify outstanding technologies globally. SEC also won the Hanson I&T Outstanding Award in the Energy Saving Championship Scheme organised by the Hong Kong Government's Electrical and Mechanical Services Department, as well as a silver award at the Firestarters 2019 awards, run by Invotech, an organisation promoting technology entrepreneurship.

Smart Energy Connect allows energy users, application developers, and utility companies to deploy technologies to optimise energy use.

Delivering User-Centric Innovations

Digital technologies are continuing to open new avenues for the Group to deliver data-enabled, user-centric services to customers. EnergyAustralia started a customer trial in New South Wales for new, simpler subscription-based electricity plans modelled on mobile phone services. In the trial, customers with smart meters are able to subscribe to annual plans based on different levels of electricity usage. The flat-rate pricing structure of the new plans offers customers better control over their energy expenses and peace of mind at a time of rising electricity costs in Australia, avoiding potential bill shocks and reducing the time needed to manage complex charges. Customers receive regular usage alerts on their mobile devices and can buy top-up quotas to meet additional energy needs. The subscription electricity services are part of a new platform allowing customers to try out innovative energy services.

EnergyAustralia also drew on demand response technologies to reward customers for reducing energy consumption during certain periods to ease strain on the electricity market. The Power Response programme was activated at a time of high temperatures in December 2019, alerting participating customers in Victoria to use less electricity to support grid reliability. Customers taking part in the programme are rewarded for achieving their personalised energy reduction targets, based on their previous usage patterns. Customers can track their usage on an online platform, which also offers advice on energy saving.

Technologies for Low-Carbon Economy

Technological innovation is increasing the capability of electricity utility companies to contribute to global efforts to limit greenhouse gas emissions and combat climate change. In addition to investments in renewable energy, CLP is examining non-generation opportunities emerging in the ongoing transition to a low-carbon economy in Asia Pacific, including microgrids, corporate power purchase agreements (CPPA), data centres, and electric transportation.

Microgrid systems are poised for strong growth in the Asia-Pacific region, supporting the rapid development of decentralised renewable energy and distributed energy resources such as batteries and electric vehicles, and providing new ways to serve the evolving energy needs of businesses. CLP's joint venture TUS-CLP Smart Energy Technology Co. Ltd. is part of a group of companies developing a new incremental distribution network (IDN) in Fangchenggang Hi-Tech Park in the Guangxi Zhuang Autonomous Region in southwest China to provide integrated energy and distribution services to businesses. CLP is continuing to explore other microgrid project opportunities in Mainland China and other markets.

China's State Council issued a blueprint for the Guangdong-Hong Kong-Macau Greater Bay Area in February 2019, including key strategic initiatives to create a cluster of world-class cities which has a combined population of about 70 million people. As policymakers focus on the development of a closely-connected network of smart cities, powered increasingly by cleaner energy sources and technologies, CLP will intensify efforts to develop innovative energy services including IDNs and electric transportation. CLP signed a memorandum of understanding with China Southern Power Grid Industrial Investment Group Co. Ltd. in September 2019 on electric vehicle charging infrastructure and platforms.

Meanwhile, Smart Charge (HK) Limited, CLP's joint venture with telecommunications company HKT Limited, is continuing to expand its network of electric vehicle charging sites in public and private car parks in Hong Kong. CLP is also upgrading its free charging facilities in response to growing demand.

CLP is strengthening its efforts to capture opportunities emerging from the rising needs of multinational companies to purchase low-carbon electricity in Asia Pacific, leveraging its rich experience in developing renewable energy throughout the region. The growth of RE100, a global initiative to increase renewable energy consumption supported by some of the world's biggest companies, underscores the potential opportunities in the CPPA market as corporations look to source more renewable energy to make their operations more sustainable.

Reliable, clean energy is critical to data centres, and CLP aims to become the partner of choice for developers of these centres which play a key role in the region's ongoing digital transformation. CLP is exploring opportunities in the data centre market in Asia Pacific, as the Group is well-positioned to serve infrastructure operators that need access to low-carbon energy across multiple markets in the region, as data demand from businesses and consumers continues to increase.

Seeking Out Creative Partnerships

CLP continued to pursue partnerships with start-up energy technology companies from around the world in 2019 as a member of the Free Electrons accelerator programme to fast-track the development of innovative products and services. Comprising a series of week-long modules in the US, Europe and Asia, Free Electrons is a platform for leading utility companies to develop new energy services with potential for commercialisation. CLP hosted one of the Free Electrons modules in Hong Kong in 2019, bringing the accelerator programme to the city for the first time. CLP also supported the growth of technology development in Hong Kong by participating in events including JUMPSTARTER organised by the Alibaba Entrepreneurs Fund, and the STARS programme organised by the Federation of Hong Kong Industries. In Mainland China, CLP is increasing cooperation with energy technology innovators such as CYZone, a leading platform promoting business and investment opportunities in new technologies.

EnergyAustralia organised its second accelerator programme for energy start-up companies from around the world in partnership with Startupbootcamp. The annual programme supports the development of energy technology companies focused in key strategic areas including grid transformation, electric mobility, and customer empowerment. The 12-week event in Melbourne saw selected start-ups companies develop and refine their product and service offerings with expert counsel from energy companies and investors. The programme has helped start-up companies raise over A$61 million of capital since its launch in 2018.

Strengthening Digital Technology Capabilities

CLP has deployed a variety of smart technologies to enhance the reliability of its supply and enable online condition monitoring. For example, Advanced Pattern Recognition technology is now being used in its power stations in Hong Kong to detect equipment failure based on measurements from different sensors. Online condition monitoring systems have been installed to allow real-time monitoring and detection of abnormal conditions for transmission switchgear and transformers. With the help of robotic process automation technology, CLP is now able to improve its customer service and free up employees from routine and lower-value tasks.

CLP also focused on enhancing its capabilities in artificial intelligence and machine learning to optimise operations and the performance of its assets. The company's growing data science team developed new software tools to predict potential faults in wind turbines, improving maintenance of our wind energy plants. The team also piloted new artificial intelligence software for load forecasting to enable improved grid management.

CLP continued to scan for, develop, and deploy new capabilities and emerging business models by investing in energy technology companies. A joint venture was set up with Other Sources Energy Group in March 2019 to explore investment opportunities in next-generation energy technologies including distributed energy, microgrids and energy storage in Israel. CLP made an additional investment of approximately HK$100 million in California-based energy management software developer AutoGrid Systems, Inc. in May 2019 following an initial US$5 million investment in 2018. It also made a US$2 million investment in R&B Technology Holding Co. Ltd., a company with operations in Mainland China and Hong Kong. R&B is focused on artificial intelligence and data analytics technologies for managing energy systems in buildings.

EnergyAustralia acquired a 49% stake in Melbourne solar and lighting company Echo Group in July 2019. The investment broadens EnergyAustralia's offerings for commercial and industrial customers as demand for distributed energy systems continues to grow in Australia.

Human Capital

Our over 18,000 employees and contractors contribute their energy, talent and shared values to our customers, investors and stakeholders every day. They power CLP's success.

CLP's leading priority is safety: providing a safe, healthy and productive work environment for its people, complemented with necessary training, equipment and support. With safety as the foundation, our people agenda is to build an agile, inclusive and sustainable workforce, addressing the significant opportunities and challenges presented by digitalisation and decarbonisation of the energy sector, as well as intensifying demographic and labour supply issues.

CLP is investing in attracting and retaining a diverse, multi-generational workforce, building digital, commercial and leadership capabilities for the future and creating an environment in which people feel empowered to work together to find safer, more innovative and efficient ways of serving customers. The Group is committed to supporting all of its people to thrive in change through a long-term focus on inclusion, wellbeing and resilience, and re-skilling. Core to the people agenda, and to delivering CLP's strategy, is being a responsible employer that demonstrates respect for all of CLP's workforce, together with values-based management in addressing broader social issues.

Material Topic

Building an Agile, Inclusive and Sustainable Workforce

Our people are key to CLP's transformation into a Utility of the Future. This section discusses our strategies to empower our workforce in an increasingly dynamic energy market reshaped by decarbonisation and digitalisation.

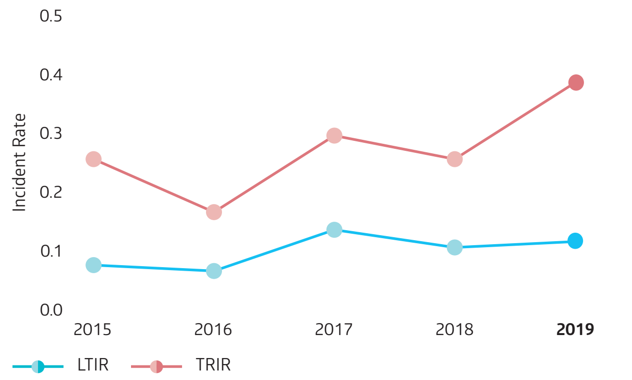
Keeping People Safe and Well

Worker safety has always been the leading priority of CLP, and the Group remains committed to ensuring the highest safety standards and to making continuing improvements in those standards across its entire operations.

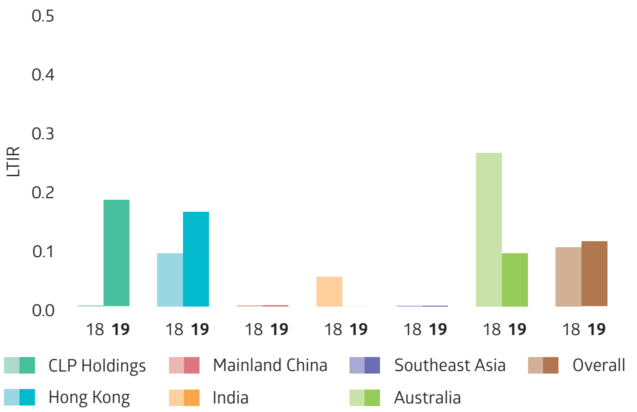
Tragically, a fatal accident resulted in the death of a subcontractor's worker in Hong Kong in early 2019. An internal panel conducted an investigation into the incident to determine the causes and allow for improvements in safety standards and procedures. Investigations were also carried out into other isolated incidents with the potential to cause serious injury.

The increase in the Group's injury rates in 2019 was driven primarily by the construction of an additional gas-fired generation unit in Hong Kong. The start of other planned capital projects will also affect the Group's safety risk profile over time. At the same time, there has been an increase in the quality, frequency, and consistency of incident reporting across the Group as a result of the Health, Safety and Environment (HSE) Improvement Strategy established in 2018.

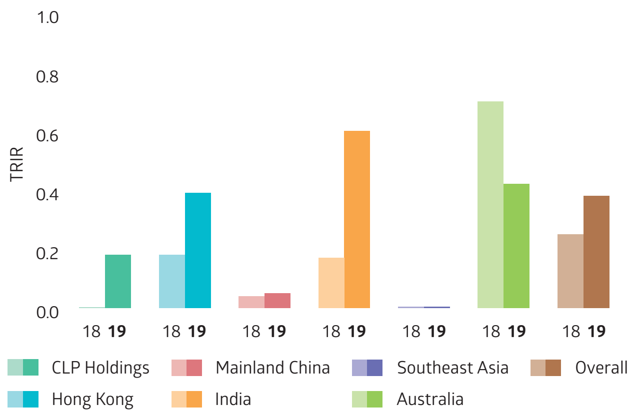
Group Lost Time Injury Rate and Total Recordable Injury Rate



Lost Time Injury Rate at Group and Regional Level



Total Recordable Injury Rate at Group and Regional Level



Notes:
1 The LTIR and the TRIR are the number of lost time injuries and recordable injuries respectively measured over 200,000 working hours, which is equivalent to around 100 persons working for one year.
2 To reflect the organisational restructuring of CLP*e* Solutions in 2019, its LTIR and TRIR are reported under CLP Holdings while the category of Overall represents the total LTI and total TRI divided by the total man-hour.

The HSE improvement strategy aims to raise the Group's safety culture across operating regions, promote more proactive risk management, and engage employees, contractors, and other key stakeholders to collectively implement changes to improve CLP's safety performance. CLP is committed to ongoing efforts to find better ways of working by learning from investigations into incidents and by adopting best practice. CLP has established Group-wide principles for safety behaviour which set expectations at all levels of the organisation and encourage behavioural safety observation programmes at key assets. CLP also continues to implement consistent standards for risk management.

Key Performance Summary

At the end of 2019, CLP had 7,960 full-time and part-time employees, compared with 7,843 [1] in 2018. A total of 4,305 employees were engaged in the Hong Kong electricity and related businesses and 3,294 by its businesses in Mainland China, India, Southeast Asia, Taiwan and Australia, with the remaining 361 employed by CLP Holdings. Total remuneration for the year ended 31 December 2019 was HK$6,054 million compared with HK$5,935 million in 2018, including retirement benefit costs of HK$593 million compared with HK$584 million in 2018.

	2019	2018
Total Workforce [2]	**18,979**	18,313
Total Employees [1]	**7,960**	7,843
Workforce fatalities	**1**	2
Lost Time Injury Rate [3] (Workforce)	**0.11**	0.10
Gender Diversity		
– Group Executive Committee [4,5]	**64% / 36%**	71% / 29%
– Employees [1, 4]	**74% / 26%**	74% / 26%
– Female percentage in leadership positions [6]	**24.2%**	22.9%
– Female percentage in engineering [7]	**11.4%**	10.9%
Voluntary Turnover [8]	**5.9%**	6.0%
New Hires	**857**	965
Percentage of employees on permanent contract [1]	**88%**	87%
Percentage of labour supply [9] and service contractors [10] in workforce	**59%**	57%
Percentage of employees who received training [1]	**94%**	95%
Average training hours per employee [1]	**40.1**	45.4

Notes:

1 Full-time and part-time employees. Previously-reported data for 2018 covered full-time employees only.

2 Includes full-time and part-time employees, labour supply and estimated service contractors on full-time equivalent (FTE) basis. FTE calculations were based on the number of man-hours incurred and country-specific average weekly working hours. Previously-reported data for 2018 includes full-time employees only and FTE calculations on weekly hours of 48.

3 See note 1 under Total Recordable Injury Rate at Group and Regional Level.

4 Male/female ratio.

5 Includes Executive Directors (Chief Executive Officer and Chief Financial Officer).

6 Leadership positions are defined as positions at Hay Reference Level 19 & above.

7 Employees with a bachelor degree or above qualification in Engineering.

8 Includes permanent employees only, except for Mainland China, which includes both permanent and fixed-term contract employees due to local employment legislation. Data for 2019 covers full-time and part-time employees, while data for 2018 data includes full-time employees only.

9 Labour supply refers to manpower supplied by contractor companies under labour supply agreements. Reporting based on quarterly averages.

10 Estimated service contractors FTE are calculated based on the number of man-hours incurred and country-specific average weekly working hours.

CLP continued to focus on increasing transparency over the broader workforce to ensure a responsible approach is taken to manage the associated costs and risks. CLP employed over 18,000 employees and contractors on a full-time equivalent basis as at end of 2019. The reporting methodology evolved after the first reporting year in 2018 to include part-time workers and to estimate the service contractor workforce in each region based on local weekly working norms.

Utilisation of contractors marginally increased in 2019, reflecting the ongoing work in the major construction projects in Hong Kong, and a refined calculation methodology commensurate with generally lower average local working hours in Australia.

Employees and Contractors by Region

	Employees[1]			Contractors			Total	
	Average FTE (a)	Permanent	Fixed Term Contract	Labour Supply[2] (b)	Service Contractor and Sub-contractor[3] (c)	Contractors Sub-total	Total Workforce (a)+(b)+(c)	Contractors in Total Workforce
Hong Kong	4,539.5	85%	15%	1,309.0	5,063.6	6,372.6	**10,912.1**	**58%**
Mainland China	603.7	72%	28%	13.0	350.2	363.2	**966.9**	**38%**
India	463.3	99%	1%	78.5	2,453.4	2,531.9	**2,995.2**	**85%**
Australia	2,248.9	95%	5%	172.5	1,683.7	1,856.2	**4,105.1**	**45%**
Group Total	**7,855.4**	**88%**	**12%**	**1,573.0**	**9,550.9**	**11,123.9**	**18,979.3**	**59%**

Notes:

1 Includes full-time and part-time employees on FTE basis.

2 See note 9 under Key Performance Summary Table.

3 See note 10 under Key Performance Summary Table.

Addressing Strategic Workforce Challenges

In coming years, industry, regional social and demographic drivers will bring unprecedented change to CLP and are redefining the Group's people agenda. There is no single solution to meeting these challenges – it requires a coordinated and integrated range of strategic initiatives to build an agile, inclusive and sustainable workforce.

While conventional energy needs will reduce in significance, the resourcing needs of renewable energy and new digital-based business and operating models will increase. CLP must find ways to attract and retain a more gender- and culturally-diverse, multi-generational workforce and share talent effectively across the portfolio of businesses in order to pursue regional growth and address the demographic and labour market challenges of an ageing workforce and increased competition for science, technology, engineering and mathematics (STEM)-qualified people.

The complexities of energy transition, digital evolution and increasing social and political uncertainties and expectations in CLP's markets drive the need for greater organisational agility: the ability to adapt and succeed in a rapidly changing environment. CLP's Value Framework provides the backbone, guiding how people are treated in change. With this as a constant, CLP is focusing on leveraging technology to speed up decision-making, strengthening the culture and practice of innovation, and empowering its people.

As the energy industry evolves, CLP is committed to supporting its people to thrive in change. This means helping them to embrace change, strengthening their wellbeing and resilience and developing more inclusive workplaces. CLP is investing in equipping its leaders to lead transformation under increasingly complex social and political influences, while providing opportunities for employees to gain exposure to new technologies and business models across the regional footprint.

CLP is mindful that it operates in a social context where there is increasing concern over inclusive growth, and the preservation of basic rights and freedoms in the workplace along with equality of income and opportunity. Consequently, employees and other stakeholders expect CLP to demonstrate values-based management in dealing with potentially divisive social issues. The Group is focused on providing competitive, fair and sustainable benefits and support to employees in need, and on implementing labour standards across the broader workforce.

Attracting and Retaining Tomorrow's Workforce

At the end of 2019, CLP employees collectively had a total of close to 100,000 years of service – a hugely valuable body of knowledge, experience, and skills of how value is delivered to customers and other stakeholders. Retaining this knowledge, together with transferring skills to a new generation of managers and team members is essential to CLP's long-term success, as is developing skills for a low-carbon, digitally-enabled future.

CLP employees received 40 hours of internal and external training and development on average in 2019, compared with 45 hours in 2018. The difference reflected lower training hours in the Paguthan plant in India, as well as in the Mainland China operations due to a lower turnover rate, and hence fewer hours in total of new hire training. A review of validity periods in Hong Kong resulted in longer validity periods being applied for some regular refresher training.

Employee Training

	Average Training Hours per Employee	% of Employees Trained
By Gender		
Male	44.8	95.5%
Female	26.8	91.4%
By Professional Category		
Managerial	26.0	87.5%
Professional	35.0	95.3%
General & Technical	47.1	94.6%
By Region		
Hong Kong	47.6	92.3%
Mainland China	66.1	100.0%
India	23.2	81.4%
Australia	22.1	100.0%
Group Total	40.1	94.5%

CLP continued the development of future executives and high-potential Group engineering leaders in 2019, in partnership with the International Institute for Management Development (IMD) and the École Polytechnique Fédérale de Lausanne (EPFL). More than 50 employees participated in leadership and pipeline development programmes, in line with 2018.

Investing in building pipelines of skilled engineers and technicians in preparation for the energy transition and to address future skills shortages is a key priority. CLP introduced new technician grade structures and technician trainee roles in Hong Kong in 2019 to enhance progression and retention. A group of 22 high-potential engineering leaders participated in a cross-business engineering development programme. Several Hong Kong-based Graduate Trainee programmes were integrated and redeveloped into a single programme focused on future leadership and technical capabilities which will be launched in 2020.

In Mainland China, CLP conducted assessments for young local engineers, providing individual development plans and feedback. High potential early- to mid-career engineers continued to be recruited to supplement internal development efforts and facilitate international development assignments. CLP also continued to strengthen the resourcing of innovation and energy transition-related activities and projects, recruiting 29 senior hires into critical roles.

To support the development of skills for a digitally-enabled future, CLP partnered with Decoded, a technology educator, to launch a one-year data analytics programme in Hong Kong in 2019. Over 30 employees across the Hong Kong business gained a rich understanding of data and mastered cutting-edge data analysis tools and techniques to leverage CLP's data in new and insightful ways. At the end of the programme, participants can complete industry qualifications and become accredited Data Science Associates.

A diverse workforce and an inclusive culture support high performance and CLP's ability to operate effectively in the many communities in which it operates. CLP has set several Group-wide gender diversity targets and continue to undertake initiatives to encourage more women into the workforce. These included mentoring programmes for more than 40 female engineering students to provide exposure to CLP's operations and help them become more work-ready, together with holding the annual Female Engineer Networking event for the first time in India, with over 20 female engineers participating from across the Group. In China, CLP continued to hire staff with ethnic-minority backgrounds.

CLP continued to enhance leave and flexible working policies across the Group, providing continuation of full medical and other benefits for employees working part-time or on unpaid leave. Recognising the diverse backgrounds and needs of employees, EnergyAustralia is piloting flexibility for employees to choose public holiday dates in 2020 to meet cultural and social obligations.

Following certification of our Hong Kong operations as a Fair Wage Employer in 2018, a follow-up assessment was conducted in 2019 and confirmed our extended recognition for another year. In Australia, gender pay differentials were addressed in 2018. Analysis conducted on a job grade basis in 2019 showed that the gender pay gap issue has been addressed, with no further direct action required.

Building Organisational Agility

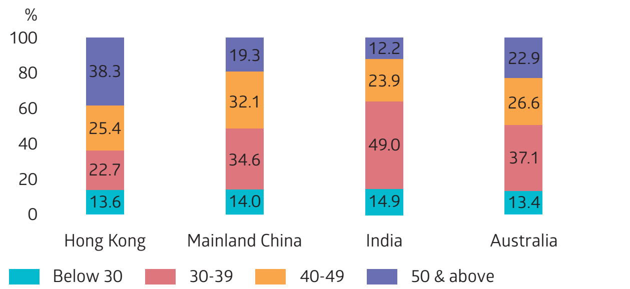
Energy transition, digital evolution, and changing social dynamics in CLP's markets will result in significant change for its people in coming years. The digital transformation of work and growth of automation will bring great benefits, together with disruption. The composition of CLP's workforce is changing too. In 2020, Millennials will make up around 43% of CLP's employees; this figure is expected to increase to 65% by 2025. This digital-native generation of employees bring different expectations of work and how the Group should engage and support them.

In response to these developments and trends, CLP is developing and implementing action plans across its business to simplify processes and ways of working to free people from non-value adding tasks so they can focus on key priorities. It is also accelerating the implementation of new agile ways of working. Across the Group, more agile team structures and working environments are being piloted to encourage collaboration and speed up decision-making. More than 900 Hong Kong employees have participated in Design Thinking training since its launch in early 2019. The programme is intended to nurture a people-centric innovation culture in our business, and to provide a practical problem-solving framework for product and service development with users' needs in mind. To date, employees have applied Design Thinking in projects spanning across digital transformation, productivity, safety and customer services.

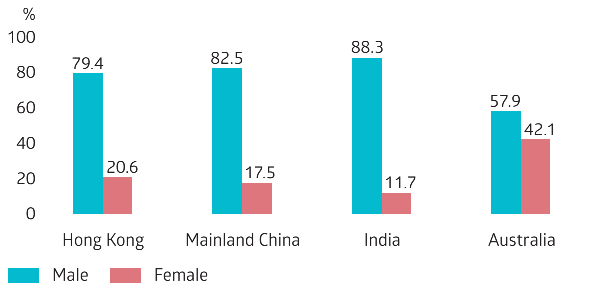
Supporting All Our People to Thrive in Change

As the energy industry evolves, CLP is committed to supporting all its people to thrive in change. This underpins our core value of Care for People as well as being good business practice in constrained labour markets. It means engaging and helping people to embrace change, strengthening their wellbeing and resilience, and developing more inclusive workplaces, supporting increased gender, age and cultural diversity.

Age Distribution by Region



Gender Distribution by Region



Voluntary Turnover Rate (%)

By gender	
Male	4.8%
Female	8.9%
By age group	
Below 30	10.3%
30 – 39	8.9%
40 – 49	4.7%
50 & above	2.5%
By region	
Hong Kong	2.4%
Mainland China	2.0%
India	6.6%
Australia	12.9%
Group total	5.9%

CLP was again voted Hong Kong's Most Attractive Employer in the Randstad Employer Awards in 2019, the first company to win the award three times since the programme's launch.

Two key programmes – the CLP Home Loan Scheme and the Boost Health and Wellbeing programme – were introduced in 2019 in Hong Kong. The CLP Home Loan Scheme provides financial support for employees seeking to buy a first home (See Case Study on page 92). The Boost Health and Wellbeing programme aims to support Hong Kong-based employees to look after their physical health, mental wellness, social health and financial wellbeing. An online survey was launched to learn more about employees' lifestyles and to seek their ideas for the programme, achieving a very encouraging response rate of over 80%. The survey results will drive major initiatives to improve the health and wellbeing of employees in 2020 and beyond.

Demonstrating Fair Work Practices

CLP's commitment to care for its people, as a leading responsible employer, has guided its operations for nearly 120 years. The Group's human resources policies and procedures are intended to ensure compliance with all local laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, non-discrimination, and those covering benefits and welfare in the markets in which it operates. CLP takes immediate action to investigate and address any suspected breaches or issues that are brought to its attention and carries out independent audits to proactively identify any risks of legal non-compliance and to take remedial action if any risks are identified.

In addition to local legal compliance, CLP respects internationally-proclaimed human rights across its value chain and recognise how that responsibility to respect human rights extends to its network of suppliers and contractors. CLP continued to focus on working practices across its extended workforce in 2019, including continuing to strengthen reporting of labour supply and service contractors and exercising more control and oversight over labour supply in Hong Kong.

CLP prohibits the employment of child labour or forced labour in any of its operations. The steps it takes to prevent such practices included stringent checking and control procedures in selection and on-boarding processes, and training for key contractors who provide manpower or services to operations. CLP did not identify any operation or supplier as having a significant risk of child labour, young workers exposed to hazardous work, or forced or compulsory labour in 2019. There was no breach of laws and regulations in relation to child and forced labour across CLP in 2019.

CLP employees have applied Design Thinking in projects spanning across digital transformation, productivity, safety and customer services.

CLP monitors pay carefully to ensure it is competitive and rewards employees for individual and company performance. It complies fully with any local legal requirements with respect to minimum wage, and in practice its remuneration and benefits often significantly exceed local legal requirements. Core benefits are also reviewed regularly to ensure they are fit for purpose and sustainable. In recognition of the high value placed on sustainable retirement benefits, CLP received a Good Mandatory Provident Fund (MPF) Employer award and e-Contribution awards from the MPF Schemes Authority in Hong Kong, as well as an award for the Best ORSO (Occupational Retirement) Scheme from the publication Asia Asset Management.

Q **How would CLP retain young talents who are increasingly interested in autonomous working environment (i.e. in start-ups) versus a traditional corporate environment?**

Julia Ju
Senior Associate – Group Internal Audit
CLP Holdings

A Start-up cultures typically involve taking responsibility and handling pressure early, working through uncertainty, wearing different "hats" and embracing change. Experimentation and different or out-of-the-box thinking are encouraged. Corporate environments may be different in some parts of their businesses – for example, in safety- and security-critical operations – but there are many opportunities within large companies that offer the qualities of start-ups.

CLP's Innovation team offers the opportunity to be at the cutting edge of smart energy solutions in Asia. CLP*e* Solutions in Hong Kong, and our regional businesses in Mainland China, India and Australia, run projects that develop and commercialise smart energy and renewables solutions. In Hong Kong, CLP has introduced a training programme for employees on Design Thinking, allowing them to collaborate with colleagues and external partners to deploy agile methodologies to develop solutions to customer and operational problems. The entrepreneurial skills of successful start-up leaders – being able to identify business opportunities, develop strategies, and explore the risks and rewards of new ventures – are being incorporated into CLP's development programmes and approaches to talent management and succession.

Arguably, CLP can offer entrepreneurial young talents the best of both worlds: the opportunity to develop and deploy their start-up skills and also to have large-scale impact on issues critical to society like decarbonisation.

Eileen Burnett-Kant
Chief Human Resources Officer

The sustainability of CLP's business goes hand in hand with the development of the communities it serves. To contribute to the positive development of these communities, we create long-term relationships with partners and cultivates opportunities to work with stakeholders to address evolving societal needs.

At a time when the world focuses on decarbonisation and digitalisation, we cannot thrive in isolation as we move towards becoming a Utility of the Future. We need to work closely with partners to devise creative and responsive strategies that align our business objectives with the aims of our diverse social programmes that serve different markets.

Material Topic

Reinforcing Data Protection

This section discusses how our efforts to build long-term stakeholder relationships help tackle key societal challenges and contribute to the long-term sustainability of our business. The section also discusses our efforts to protect the data of our customers.

Inspiring Hope

Hong Kong is going through immensely challenging times, leaving many young people doubtful about the city's future and uncertain about their role in society. CLP believes strongly in instilling hope and empowering young people through education and engagement, and recognises the importance of supporting their positive development and promoting their interests.

To develop more effective youth engagement strategies, CLP stepped up efforts to deepen its knowledge and understanding through focus groups, regular school outreach, and cooperation with partners. Millennials and members of Generation Z are more independent-minded than previous generations, and have a more developed sense of social responsibility. Our work with youths therefore needs to be empathetic and supportive of their needs and aspirations.

Since its inception in 2017, CLP Power Academy has been offering a range of accredited programmes designed for young people in Hong Kong with varying academic achievements and work experience, providing high-quality vocational and professional education to help them develop careers in power engineering.

From entry-level courses for secondary school leavers without relevant qualifications to advanced post-graduate degrees for more experienced industry practitioners, programmes at the Academy widen the career options of young people and promote access to opportunities for youngsters from different backgrounds including those from underprivileged homes and ethnic minorities. Students include individuals referred by CLP partners such as the Society for Community Organization and Youth Outreach, both of which support grassroots and disadvantaged young people.

The Academy continued to broaden its range of curriculums in 2019, offering new courses in mechanical engineering as well as programmes focused on electrical engineering.

In January 2019, the Academy celebrated the graduation of its first intake of students after they successfully completed the Professional Diploma in Power Engineering and the Certificate for Junior Electricians programmes. The Academy now has 500 students studying in programmes it runs in collaboration with four renowned education institutions in Hong Kong and abroad.

CLP Power Academy is a founding member of the Corporate Tech Academy Network (CTAN), an alliance formed by Hong Kong companies in May 2019 to promote vocational and professional education and training (VPET) for young people. Other members of CTAN are MTR Academy, Hong Kong Institute of Construction, Hong Kong International Aviation Academy, Towngas Engineering Academy, and the academy of the Hong Kong Productivity Council.

To encourage more young people to consider a career in engineering, CLP's Engineer in School programme organises presentations, workshops, and experience tours for schools. Since the programme began in 2016, it has reached more than 26,000 students from over 130 schools. CLP is also working with organisations including the Hong Kong Association of Career Masters and Guidance Masters to promote power engineering as a profession.

Case Study

Helping Employees onto the Housing Ladder

Housing costs in Hong Kong are among the most expensive in the world. A typical Hong Kong person may not be able to afford a property even with years of saved income and young people are particularly hard hit by this social issue.

To help employees get on the housing ladder, CLP launched a Home Loan Scheme in 2019 to provide those eligible with financial support for the purchase of their first home. The scheme is open to all employees below senior management level and successful applicants have as long as 25 years to repay interest-free loans.

The scheme provides a significant support to employees, particularly younger people for whom buying a home is the biggest investment of their lives as well as a major step towards independence. The programme also strengthens CLP's ability to attract and retain staff in an increasingly competitive talent market.

Feedback from staff has been extremely positive and 40 employees, including many junior members of staff, have received loans under the programme so far.

Promoting Positive Development of Young People

Supporting the healthy development of young people is a priority of CLP India's community work. In July 2019, it opened a centralised kitchen near Veltoor Solar Farm in partnership with The Akshaya Patra Foundation to provide daily lunches to nearby schools in an area of high poverty.

The initiative is part of the Indian Government's flagship Midday Meal Scheme which aims to serve 1.75 million children every day through 38 centralised kitchens in 12 states. By providing the meals, the programme seeks to improve enrolment, raise nutrition levels, and encourage children to stay in Government schools. The scheme dovetails with CLP India's approach to community initiatives, which focuses on education and development of children in rural communities near its operations. CLP India now supports two centralised kitchens in the country, including one near the Saundatti Wind Farm. Together, the kitchens meet the daily nutritional needs of more than 30,000 young people.

Sports and recreational pursuits are key components of CLP India's holistic strategy to encourage youth development. The company's new 1,500-seat mini sports stadium in Khanpur Kalan village near the Jhajjar Power Station provides sports facilities for local youngsters and helps set them up for success in life by instilling a commitment to individual and team sporting excellence as well as a greater sense of purpose.

The transformative power of sport is recognised by the Government which launched the Fit India Movement in 2019 to promote sports in a country which has one of the world's youngest populations. CLP India sponsored the purchase of sports equipment for hundreds of students and young people in 2019. Training courses in sports including wrestling, basketball, football, cricket, and hockey were also organised with the support of CLP India.

In Hong Kong, meanwhile, the CLP Energy for Brighter Tomorrows Award programme, organised in partnership with the Hong Kong Federation of Youth Groups, continued to recognise the achievements of young people who have overcome challenging circumstances, encouraging youngsters to embrace a positive outlook on life. Award winners were provided with scholarships and mentoring from CLP employees.

CLP also announced HK$10 million of funding for scholarships for disadvantaged Hong Kong students in vocational, professional education, and training institutions in December 2019 as part of a wide-ranging relief programme for residents amid the city's current social and economic challenges.

Thousands of students in Mainland China and India meanwhile benefitted from scholarships and financial assistance provided by CLP in 2019, providing them with critical support to continue their studies and broaden their career possibilities.

Attending to Community Wellbeing

CLP is committed to promoting social inclusion in the communities in which we operate, and to supporting people in need. In Hong Kong, the CLP Power Connect programme provided HK$20 million to relieve the electricity costs of underprivileged households. The programme, launched in 2019, also provides subsidies to landlords of subdivided units for rewiring work needed to install individual electricity meters for tenants. Customers are encouraged to join the programme through the offer of rewards in return for energy saving.

EnergyAustralia set up a cross-referral programme in partnership with water utility company Yarra Valley Water in 2019 to coordinate action to support customers with financial difficulties. The programme enables customer cases at one company to be referred to the other, avoiding the need for people to have to report financial difficulties for a second time.

EnergyAustralia provided A$500,000 of energy-efficient heating and cooling systems to the Ozanam House homeless hub and resource centre in North Melbourne to reduce their energy costs. It also continued its partnership with groups including ICAN Learn and the Thriving Communities Partnership to support people with financial difficulties.

CLP China started a three-year programme in 2019 to support impoverished students and villagers in two cities in Guangxi Zhuang Autonomous Region with large ethnic minority populations. In addition to financial aid, the programme also provides funding for projects to improve learning and living conditions in local schools and communities, in support of poverty alleviation efforts of the Government of Guangxi, home to Fangchenggang Power Station.

Across the markets where we operate, CLP employees devoted thousands of hours of their time and expertise in voluntary projects in their communities in 2019, when the CLP Volunteer Team celebrated its 25th anniversary. The selfless efforts of CLP employees had a positive impact on lives across the region and were recognised when CLP Power Hong Kong received the gold award in the volunteer team category of the 10th Hong Kong Outstanding Corporate Citizenship Awards in December 2019.

The CLP Power Connect programme in Hong Kong provides subsidies to landlords of subdivided units for rewiring work that enables installation of individual electricity meters.

Protecting customer data

Respect for people and their privacy is one of our key business principles, committing the Company to protect the data entrusted to us by customers. In our Hong Kong retail business in 2019, no customer privacy and data loss cases were reported or noted.

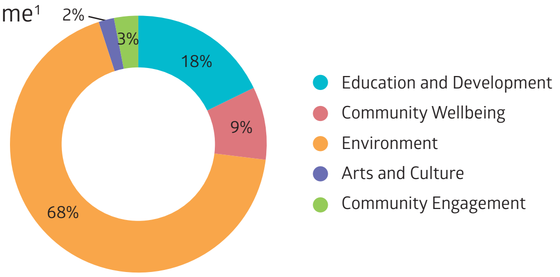
EnergyAustralia received notification from the Office of the Australian Information Commissioner (OAIC) in relation to four separate privacy complaints received during 2019. We have provided the required updates to the OAIC and to date three of the four have been formally closed by the OAIC with no further action required to be taken by EnergyAustralia.

In addition, EnergyAustralia voluntarily reported eight separate instances of customer privacy breaches to the OAIC during 2019. One of these reported breaches has been formally closed by the OAIC and we await further instructions from the OAIC in relation to any actions required to be taken for the other seven breaches reported.

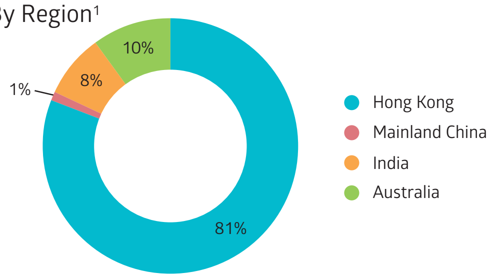
Community Initiatives and Volunteering

Our Community Spending

By Theme[1]



By Region[1]

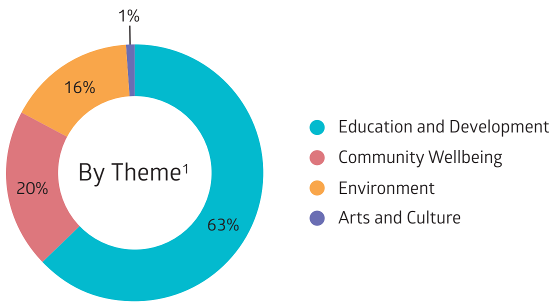


Our Beneficiaries

663 programmes were initiated or supported

401 organisations benefitted

615,803 direct beneficiaries



Contributing Our Time

20,015 volunteer hours by CLP staff and family members

Note:

1 Figures include rounding adjustments.

CLP is doubling its efforts to build a sustainable, low-carbon business at a time when the frequency and intensity of extreme weather events increase globally, highlighting the imminent dangers of climate change. These troubling events vividly demonstrate the urgent need to reduce emissions and manage natural resources in a sustainable way in the long-term interests of communities worldwide.

Material Topic

Responding to Climate Change

This section discusses CLP's strategies for decarbonising its business and minimising environmental impact as it joins global efforts to address the challenges of climate change.

Making Decarbonisation a Reality

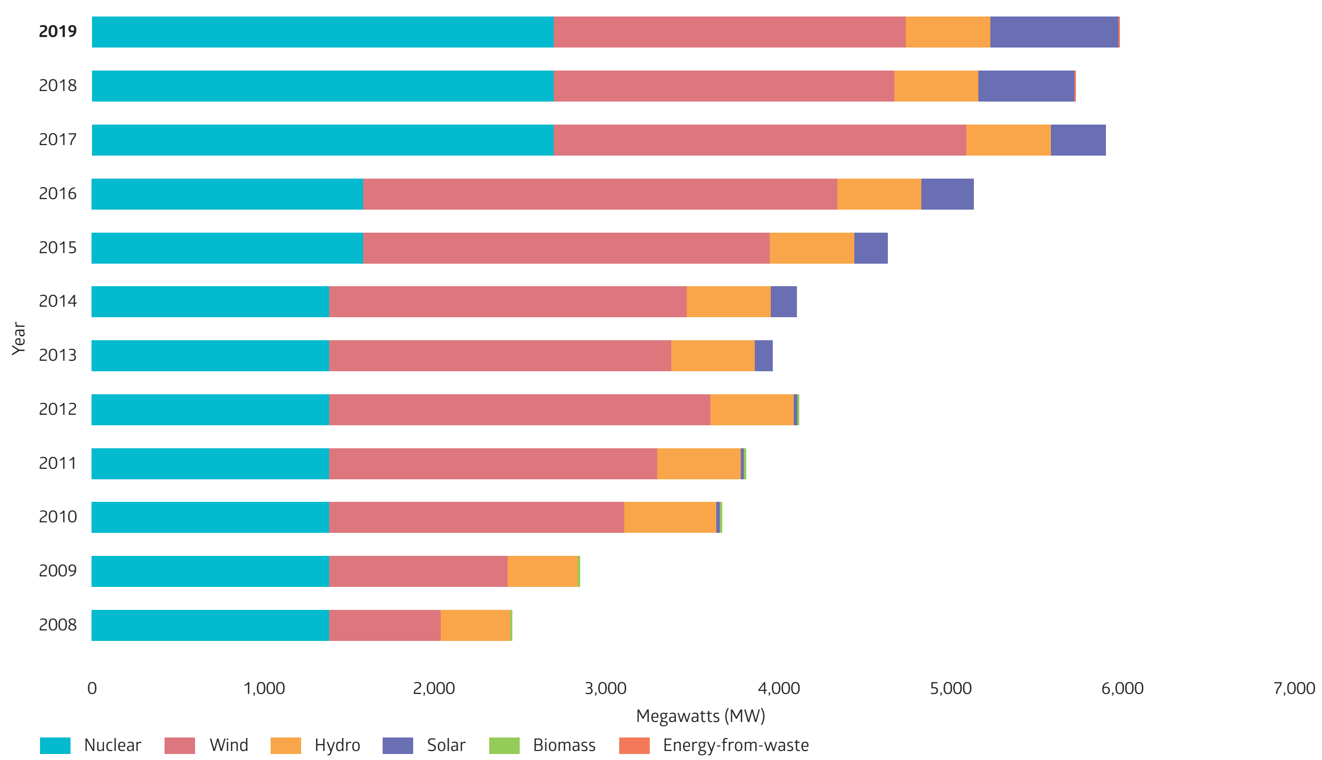
CLP is committed to making decarbonisation a reality, and is a long-term supporter of positive climate action. Under its updated Climate Vision 2050, the Group took the strategic decision not to invest in any additional coal-fired generation facilities and to progressively phase out all remaining coal-based assets by the middle of the century.

The Company started building its renewable energy portfolio in 2004, and in 2007 it became the first power company in the Asia-Pacific region to set voluntary carbon intensity reduction targets as part of the initial launch of Climate Vision 2050.

The Group undertook a comprehensive review of the strategy and its targets in 2017, committing to an 80% reduction in carbon intensity by 2050, compared with 2007 levels. In 2019, the Group's carbon intensity fell to 0.62 kg CO_2/kWh, based on equity and long-term energy and capacity purchase, moving closer to the 0.60 kg CO_2/kWh interim target set for 2020.

The United Nations Intergovernmental Panel on Climate Change published two special reports in 2019, both of which warned that the risks of severe climate change impacts will grow as global temperatures warm beyond the 2℃ targets set in the 2015 Paris Agreement. Climate Vision 2050 will continue to be regularly assessed to take into account the emergence of new climate science and technologies as well as evolving business needs.

CLP Group's Non-carbon Emitting Generation Capacity



Note: The capacity is on an equity plus long-term capacity and energy purchase basis as of the end of each year.

As part of the updated Climate Vision 2050, CLP committed to strengthening targets at least every five years. The Group will track its targets and progress towards them against the Science Based Targets initiative, a globally-recognised framework backed by the United Nations Global Compact and other international organisations. This transparent comparison will help CLP stay on course to accelerate its transition to a science-based target that is informed by independent climate science in line with the scale of reductions required to keep the global temperature increase at less than 2°C above pre-industrial temperatures.

Decarbonisation is ingrained into CLP's operations and strategies, including acquisitions and divestments, and Climate Vision 2050 guides the Group in managing climate-related opportunities and risks. As it gradually phases out coal-based generation, which currently contributes around 20% of operating earnings, the Group is focused on expanding business segments such as low- or non-carbon-based electricity generation, transmission, distribution, and new energy services enabled by digital technologies.

CLP is increasing the transparency of reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to allow stakeholders to track the ongoing impact of climate change on its business. It participated in the TCFD Electric Utilities Preparer Forum in 2019, an initiative of the World Business Council for Sustainable Development to bring together electricity companies from around the world to explore ways to enhance climate-related reporting. More information related to TCFD is available in CLP's 2019 Sustainability Report.

CLP became the first Hong Kong company to join EV100, a global initiative run by The Climate Group to expand the electrification of transport. As part of the initiative, CLP aims to convert more than 1,000 cars in its fleet to electric vehicles by 2030.

Expanding Low-Carbon Assets

CLP further expanded its low-carbon portfolio in 2019 through new investments in renewable energy and transmission infrastructure. At the end of 2019, the Group's renewable energy portfolio increased to 3,294MW in equity generation and long-term energy and capacity purchases, or 13.7% of the generation portfolio.

CLP India accelerated efforts to expand its low-carbon business in 2019 after introducing CDPQ as a strategic investor. It secured a long-term power purchase agreement for a 250MW wind farm in Sidhpur, Gujarat, following its successful tender to develop the project at an auction held by the Solar Energy Corporation of India in August. The greenfield project is a significant addition to the capabilities of CLP India which previously focused on acquiring operating wind energy assets from other developers. Construction of the wind farm is due to be completed in 2021.

To sustain the development of renewable energy and its integration into the grid in India, investments in transmission infrastructure are critical. CLP India announced agreements in July 2019 to acquire three transmission projects, diversifying its business beyond electricity generation for the first time. Two of these projects are interstate transmission lines spanning the states of Bihar, West Bengal, Manipur, Nagaland, and Assam in northeast India, expanding the geographical reach of CLP India's business. The other is an intrastate transmission line in the central state of Madhya Pradesh.

CLP India's renewable energy portfolio was also expanded in 2019 as the Veltoor and Gale solar farms became wholly-owned assets after the acquisitions of the equity interests previously held by Suzlon Energy Limited.

In Mainland China, construction of the 50MW Laiwu III Wind Farm in Shandong Province near two of CLP's existing wind assets began in 2019 while operations commenced at the 49.5MW CLP Laizhou II wind farm in the same province. CLP also acquired an operational 36MW solar plant in Meizhou, Guangdong Province.

Yangjiang Nuclear Power Station completed the commissioning of its sixth and final 1,086MW unit in July 2019, allowing for the increased dispatch of zero-carbon energy to customers.

In Hong Kong, a growing number of residential customers and businesses benefitted from CLP's Feed-in Tariff scheme in 2019 by installing renewable generation capacity in their premises. CLP also started commissioning the new West New Territories Landfill project, comprising five 2MW units fired by landfill gas. EnergyAustralia meanwhile explored the use of non-recyclable plastics, linen, and other waste materials to power turbines and produce an additional 30MW of electricity at Mount Piper Power Station.

Raising Environmental Standards

CLP is committed to ongoing improvements in its environmental performance in line with technological advances and the evolving expectations of our stakeholders. Under its Group Environmental Policy, it continued to strengthen reporting on environmental data. CLP's performance in key environmental categories is summarised in the table below.

Environmental Category	Aspect	Parameters	2019	2018
Emissions	Greenhouse gases	Total CO_2 emissions [1]	**50,412kt**	52,052kt [2]
		Carbon intensity	**0.70kg CO_2 per kWh / 0.62kg CO_2 per kWh [3]**	0.74kg CO_2 per kWh / 0.66kg CO_2 per kWh [3]
	Air pollutants	Total SO_2 emissions	**44.7kt**	76.1kt
		Total NO_x emissions	**47.0kt**	60.9kt
		Total particulate matter emissions	**7.7kt**	8.5kt
	Water discharged	Total water discharged	**5,337.1Mm³ [3]**	5,103Mm³ [3]
	Waste	Total solid waste produced	**14,206t**	12,906t
		Total liquid waste produced	**1,637kl**	1,737kl
Resource Use	Fuel	Total coal consumed [4]	**485,453TJ**	521,568TJ
		Total gas consumed [4]	**107,183TJ**	83,364TJ [2]
		Total oil consumed [4]	**2,620TJ**	3,807TJ [2]
		Non-carbon emitting generation capacity %	**21.1% / 24.9% [3]**	20.9% / 24.1% [3]
		Total renewable energy generation capacity %	**12.8% / 13.7% [3]**	12.5% / 12.8% [3]
	Water	Total water withdrawal	**5,377.4Mm³ [3]**	5,154Mm³ [3]

Notes:

1 Scope 1 and Scope 2 CO_2 emissions on an operational control basis (from power generation).

2 Total CO_2 emissions data in 2018 has been restated due to update in gas and oil consumption data for Hallett.

3 Equity basis / Equity basis and capacity purchase arrangements.

4 Consumption for power generation.

Power generation facilities under CLP's operational control are required to achieve third-party certified ISO14001 environmental management certification within two years of acquisition or the beginning of operations. All assets in this category have successfully certified their environmental management system to the ISO14001:2015 standard in 2019.

Air Emissions

CLP continued to implement new technologies and practices in 2019 to meet and exceed increasingly stringent regulatory requirements on air emissions in the markets in which it operates. The Group's total air emissions decreased to 99.4kt.

In India, Jhajjar Power Station achieved further improvements in its sulphur dioxide (SO_2) emission performance, as CLP India upgraded the continuous emission monitoring system (CEMS) to improve the accuracy of measurements. The power plant also made preparations to meet new nitrogen oxide (NO_x) emission limits.

In Mainland China, Fangchenggang Power Station continued to perform well after the upgrade of emission control equipment for SO_2 and NO_x. A pilot project was prepared to explore the use of microalgae to reduce carbon dioxide in flue gas.

All measurements taken at Castle Peak Power Station in Hong Kong were well below the mercury emissions limits introduced in April 2019. CLP was vigilant to prevent the leak of sulphur hexafluoride (SF_6), a greenhouse gas, throughout the life cycle of the electrical equipment in transmission line assets.

In Australia, Tallawarra Power Station completed an CEMS upgrade in 2019 to ensure the plant had the most accurate data for keeping emissions as low as possible. Mount Piper Power Station also installed a CEMS unit as part of a programme to improve emissions monitoring and performance.

Waste

Waste management programmes and initiatives were implemented across the Group in 2019. Jhajjar Power Station enhanced ash handling systems and actively pursued ash reuse and recycling opportunities, such as for highway construction, cement plants, and brick-making plants. Jhajjar in 2019 became one of the first power plants in India to achieve a 100% utilisation rate of ash generated and complete clearance of ash for recycling. Total solid and liquid waste generated rose, as non-hazardous solid waste increased at Castle Peak Power Station and Fangchenggang Power Station.

Fangchenggang Power Station in Mainland China carried out a pilot project in using white mud, a waste by-product from paper mill factories, to partially replace the use of limestone in the flue gas desulphurisation process. Around 5,300 tonnes of white mud was used in 2019 to reduce solid waste and material consumption. At solar power plants in Mainland China, the company continued to ask solar panel manufacturers to collect damaged panels to ensure proper waste handling. In Hong Kong, CLP replaced single-use polyfoam meal boxes with corn-based biodegradable products in its canteens, saving about 26,000 pieces of single-use plastic meal boxes a year.

Water

CLP is committed to using water resources responsibly and sustainably in all of its operations and to ensure its assets withdraw water according to their licence entitlements.

Thermal plants use very large quantities of sea water for cooling and when the water is returned to the sea, it results in a slight temperature increase. As in previous years, the total water withdrawal and discharge from freshwater and municipal sources by CLP was determined by the electricity generation of its operating assets.

To conserve water, three of the five coal-fired power stations across the Group adopted a zero-liquid discharge approach while other generation assets continued to implement further water-saving initiatives. In Hong Kong, for instance, work began on a new station water pipework at Castle Park Power Station to replace the old one and reduce water leakage.

CLP continued to participate in the international CDP Water Survey in 2019, working with industry peers to benchmark and share best practices related to water resource management.

Environmental Regulatory Compliance

There were no environmental regulatory non-compliance incidents in 2019 resulting in fines or prosecutions at any of CLP's operating sites.

There were five incidents of licence limits for SO_2 emissions being exceeded at Jhajjar in India, and two incidents of licence limits being exceeded for NO_x emissions at Tallawarra in Australia. These incidents were all considered minor and did not result in any penalties.

There were also two oil spillage non-compliance incidents and one minor hydrocarbon exceedance to the Trade Waste Licence at Newport Power Station in Australia. The Environment Protection Authority Victoria was notified and no fines or penalties were imposed. Investigations have been conducted and corrective action taken to prevent a repeat of these incidents.

In India, the National Green Tribunal (NGT) in November 2018 passed an order directing all thermal power plants, including Jhajjar, that did not meet requirements to dispose of all fly ash up to 31 December 2017, to deposit damages based on the capacity of the plant. A stay on the enforcement of the order was passed by the Supreme Court. A joint committee set up by the NGT to determine the penalty mechanism for non-compliance in relation to the order submitted its report in December 2019. While Jhajjar successfully disposed of all the ash it had generated since commissioning to 31 July 2019, the implications of the report are currently being reviewed.

Environmental Regulatory Non-Compliances and Licence Limit Incidents

	2019	2018	2017	2016	2015
Environmental regulatory non-compliances resulting in fines or prosecutions	**0**	0	0	0	1
Environmental licence limit incidents and other non-compliances	**10**	2	13	2	13

Rising to the Challenge of New Regulations

CLP concluded discussions with the Hong Kong Government in 2019 over a new set of emissions caps for the power stations starting from 2024. Under the Technical

Memorandum, the allowances for air emissions of SO_2, NO_x, and respirable suspended particulates (RSP) in 2024 and beyond will be reduced by 90%, 66%, and 65% respectively compared with 2010 levels. Upgrades of all existing CCGT units by 2023 and the planned addition of two new CCGT units along with other improvements in generation efficiency will further reduce emissions.

The Council for Sustainable Development launched a public engagement exercise on a long-term decarbonisation strategy in 2019. CLP submitted a response and is committed to working with the Hong Kong Government and the community on decarbonisation once the policy direction is set. Meanwhile, the Government conducted a public consultation exercise during the year on plans to tighten Air Quality Objectives. A revision of the objectives will potentially affect the air quality impact assessment of new projects.

In Australia, the Yallourn, Newport and Jeeralang plants are implementing measures to ensure compliance with new state environmental legislation in Victoria due to take effect from 1 July 2020. Detailed site investigations of per- and polyfluoroalkyl substances (PFAS) in soil and groundwater at Jeeralang and Newport are under way and will be completed in early 2020. The findings will help identify appropriate management action required under the new environmental legislation. EnergyAustralia is also monitoring the State Government's plans to bring in new legislation on greenhouse gas emissions reduction targets.

Q

With over 10,000 experts on flooding, coastal change, drought and managing the natural environment around the world, the Chartered Institution of Water and Environmental Management (CIWEM) plays a key role in water supply, sanitation and treatment, public health and environmental challenges. What are CLP's strategies to manage water resources in its operations in Asia Pacific, as water scarcity emerges as a growing challenge for water-intensive businesses in parts of the region?

Ir C.F. Leung
Chairman
Chartered Institution of Water and Environmental Management Hong Kong

A

CLP is committed to using water resources responsibly and sustainably in all our operations. We recognise that some of our plants are in water-stressed areas and we are actively seeking opportunities to enhance future water efficiency and resilience.

Three of our coal-fired power stations, Fangchenggang in Mainland China, Jhajjar in India and Mount Piper in Australia, operate on a zero-liquid discharge basis. The water is treated internally and reused for other parts of the power generation process from dust control to horticulture. To lower water usage, Jhajjar has installed drift eliminators in cooling towers to improve water efficiency, and is exploring the possibility of building an additional reservoir to improve its future water resilience. At Mount Piper, water had been sourced from the nearby Springvale Mine to augment cooling water supplies to the plant since commissioning. In 2019, we completed the construction of a new 14km water transfer pipeline and water facility. Consequently, operation of the station will no longer require water from local catchments for its cooling system and at the same time there will be no discharge from the mine into the local river systems.

Our solar farms require water, although in relatively small quantity, for cleaning purpose. We are currently exploring innovative technologies to reduce water consumption during dust removal on solar panels. In 2019, we completed a pilot project to use robotic cleaning on our solar panels in our Sihong and Veltoor solar farms in China and India, respectively. These projects not only achieve zero use of water for cleaning, but also potentially increase our electricity production efficiency.

Vanessa Forbes
Senior Director
Health, Safety and Environment

Governance

We are committed to a high standard of corporate governance, reflecting a company culture that values transparency and celebrates excellence in all facets.

Board of Directors

Non-executive Directors

The Honourable Sir Michael Kadoorie ▪ Chairman [N]

Aged 78 ▪ Appointed on 19 January 1967* ▪ Father of Philip Lawrence Kadoorie

Expertise

- Board / board committees leadership ▪ CLP market experience
- Global market experience ▪ Other industries ▪ Other listed board roles
- Related industry experience (Infrastructure / Power / Property / Retail)

Titles, qualifications and education

Gold Bauhinia Star
Commandeur de la Légion d'Honneur
Commandeur de l'Ordre des Arts et des Lettres
Commandeur de l'Ordre de la Couronne
Commandeur de l'Ordre de Leopold II
Honorary Doctor of Laws
Honorary Doctor of Science

Other major offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Chairman, and Chairman of Nomination Committee and Executive Committee)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)
Heliservices (Hong Kong) Ltd. (Chairman)
CK Hutchison Holdings Ltd.# (Independent Non-executive Director and member of Nomination Committee)

William Elkin Mocatta ▪ Vice Chairman [F] (Chairman) [P] (Chairman) [H]

Aged 66 ▪ Appointed on 16 January 1993*

Expertise

- Board / board committees leadership ▪ CLP market experience ▪ Global market experience
- Other industries ▪ Other listed board roles ▪ Professional (Accounting)
- Related industry experience (Infrastructure / Power / Property / Retail) ▪ Risk & compliance

Titles, qualifications and education

Fellow of The Institute of Chartered Accountants in England and Wales

Major positions held with the Group

CLP Power Hong Kong Ltd. (Chairman)
Castle Peak Power Company Ltd. (Chairman)
CLP Properties Ltd. (Chairman)
CLP Property Investment Ltd. (Chairman)
Hong Kong Pumped Storage Development Company, Ltd. (Chairman)

Other major offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Director)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)
CK Hutchison Holdings Ltd.# (Alternate Director)

John Andrew Harry Leigh

Aged 66 ▪ Appointed on 10 February 1997*

Expertise

- CLP market experience ▪ Company executive ▪ Global market experience
- Other industries ▪ Other listed board roles ▪ Professional (Legal)
- Related industry experience (Power / Property) ▪ Risk & compliance

Other major offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Director, and member of Executive Committee and Finance Committee)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)

Past experience

Prior to joining the CLP Group in 1986, Mr Leigh was in private practice as a solicitor in Hong Kong and the UK. He was the Senior Legal Advisor, Company Secretary and General Manager – Corporate Affairs in the CLP Group between 1986 and 1996.

[A] Audit & Risk Committee [F] Finance & General Committee [H] Human Resources & Remuneration Committee
[N] Nomination Committee [P] Provident & Retirement Fund Committee [S] Sustainability Committee

* The date given is that of appointment to the Board of China Light & Power Company, Ltd., the holding company of the CLP Group prior to the Group Reorganisation in 1998. All of these Directors were appointed to the Board of CLP Holdings on 31 October 1997.

Andrew Clifford Winawer Brandler F S

Aged 63 ▪ Appointed on 6 May 2000

Expertise

▪ Board / board committees leadership ▪ CLP market experience ▪ Company executive
▪ Global market experience ▪ Other industries ▪ Other listed board roles ▪ Professional (Accounting)
▪ Related industry experience (Infrastructure / Power / Property / Retail) ▪ Risk & compliance

Titles, qualifications and education

Member of The Institute of Chartered Accountants in England and Wales
Master of Arts, the University of Cambridge
Master in Business Administration, Harvard Business School

Major positions held with the Group

CLP Holdings Ltd. (Alternate Director – Alternate to Mr William Mocatta)
EnergyAustralia Holdings Ltd. (Director)

Other major offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Deputy Chairman, Chairman of Finance Committee, and member of Audit Committee, Remuneration Committee and Executive Committee)
Sir Elly Kadoorie & Sons Ltd.▲ (Chairman)
Tai Ping Carpets International Ltd.# (Non-executive Director)
MTR Corporation Ltd.# (Independent Non-executive Director, Chairman of Risk Committee, and member of Audit Committee)

Public service

Hong Kong Golf Association Ltd. (Alternate Director)
The Chinese International School Foundation (Chairman of the Board of Governors)

Past experience

Mr Brandler was the Group Managing Director and Chief Executive Officer of CLP Holdings from 6 May 2000 to 30 September 2013. He continued to serve on the Board of CLP Holdings as an Executive Director until his redesignation as a Non-executive Director on 1 April 2014.

Philip Lawrence Kadoorie S

Aged 28 ▪ Appointed on 7 August 2018 ▪ Son of The Honourable Sir Michael Kadoorie

Expertise

▪ CLP market experience ▪ Global market experience
▪ Other industries ▪ Other listed board roles
▪ Related industry experience (Property)

Titles, qualifications and education

Bachelor of Science in Communication, Boston University
FAA Commercial Pilot's Licence (Helicopter)
Intensive Putonghua course, Tsinghua University (Beijing)

Other major offices

The Hongkong and Shanghai Hotels, Ltd.# (Non-executive Director)
Sir Elly Kadoorie & Sons Ltd.▲ (Director)
Heliservices (Hong Kong) Ltd. (Director)
Metrojet Ltd. (Director)

Past experience

Prior to his appointment to the Board of The Hongkong and Shanghai Hotels, Ltd. in 2017, Mr Kadoorie completed various internships in commercial property companies, Schroders Bank in London and at CLP Group in Hong Kong.

▲ Sir Elly Kadoorie & Sons Ltd. oversees a number of Kadoorie Family interests in Hong Kong and overseas and, as such, is associated with the substantial shareholders of CLP Holdings as disclosed in the Directors' Report.

The securities of these companies are currently listed on the Hong Kong Stock Exchange or overseas stock exchange(s).

Full particulars of Directors, including their directorships in the subsidiary companies of CLP Holdings, other directorships held in the last three years in public listed companies and other major appointments are available on our website.

Independent Non-executive Directors

Vernon Francis Moore A (Chairman) F H

Aged 73 ▪ Appointed on 7 March 1997*

Expertise

- Board / board committees leadership ▪ CLP market experience ▪ Company executive
- Global market experience ▪ Other industries ▪ Other listed board roles ▪ Professional (Accounting)
- Related industry experience (Infrastructure / Power / Property / Retail) ▪ Risk & compliance

Titles, qualifications and education

Bronze Bauhinia Star
Fellow of The Institute of Chartered Accountants in England and Wales
Fellow of The Hong Kong Institute of Certified Public Accountants

Other major offices

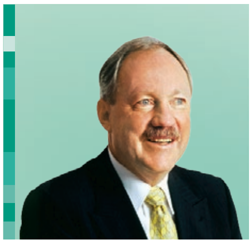
CITIC Ltd.# (Personal advisor to the Chairman)
CITIC Mining International Ltd. (Executive Director)
CITIC Pacific Ltd. (Executive Director)
Western Harbour Tunnel Company Ltd. (Non-executive Chairman)
Pacific Infrastructure Ltd. (operator of the Eastern Harbour Crossing) (Non-executive Chairman)
Pacific Infrastructure Management Ltd. (operator of the Tate's Cairn Tunnel) (Non-executive Chairman)

Public service

The Community Chest (Deputy Chairman of the Executive Committee)
Asia Society Hong Kong Center (Trustee)

Past experience

Mr Moore was an executive director of CITIC Ltd. from 1990 to 2014 and chief financial officer from 1990 to 2005 and 2008 to 2014. He was also a non-executive director of Cathay Pacific Airways Ltd.# from 1992 until 2009 (except June to September 1996).



Sir Roderick Ian Eddington F

Aged 70 ▪ Appointed on 1 January 2006

Expertise

- Board / board committees leadership ▪ CLP market experience ▪ Company executive
- Global market experience ▪ Other industries ▪ Other listed board roles ▪ Professional (Engineering)
- Related industry experience (Infrastructure / Property / Retail) ▪ Risk & compliance

Titles, qualifications and education

Officer of the Order of Australia
1974 Rhodes Scholar, the University of Western Australia
Doctor of Philosophy in the Department of Engineering Science, the University of Oxford

Other major offices

John Swire & Sons (Australia) Pty Ltd. (Non-executive Director)
JP Morgan Chase Bank N.A. (Non-executive Chairman (Asia Pacific Advisory Council))
Lion Pty Ltd. (Non-executive Chairman)

Past experience

Sir Rod Eddington was the Chief Executive of British Airways plc from 2000 until he retired on 30 September 2005. He has maintained a connection with Hong Kong from his previous directorships with Cathay Pacific Airways Ltd.#, Swire Pacific Ltd.# and Hong Kong Aircraft Engineering Company Ltd. during the period from 1988 to 1996.

Nicholas Charles Allen N (Chairman) A F H S

Aged 64 ▪ Appointed on 12 May 2009

Expertise

- Board / board committees leadership ▪ CLP market experience
- Global market experience ▪ Other listed board roles ▪ Professional (Accounting)
- Related industry experience (Property / Retail) ▪ Risk & compliance ▪ Technology

Titles, qualifications and education

Fellow of The Institute of Chartered Accountants in England and Wales
Member of The Hong Kong Institute of Certified Public Accountants
Bachelor of Arts in Economics / Social Studies, the University of Manchester (UK)

Other major offices

Link Asset Management Ltd.# (as manager of The Link Real Estate Investment Trust) (Independent Non-executive Chairman, and Chairman of Nomination Committee and Finance and Investment Committee)
Lenovo Group Ltd.# (Independent Non-executive Director and Chairman of Audit Committee)

Public service

Vision 2047 Foundation (Chairman)

Past experience

Mr Allen joined Coopers & Lybrand (C&L) in London in 1977 and was transferred to C&L Hong Kong in 1983. He was admitted to partnership in C&L Hong Kong in 1988, which was subsequently merged with Price Waterhouse into PricewaterhouseCoopers (PwC) in 1998. Mr Allen retired from PwC in 2007.

Cheng Hoi Chuen Vincent H (Chairman) F N

Aged 71 ▪ Appointed on 17 August 2011

Expertise

▪ Board / board committees leadership ▪ CLP market experience ▪ Company executive
▪ Global market experience ▪ Other industries ▪ Other listed board roles
▪ Related industry experience (Infrastructure / Power / Property / Retail) ▪ Risk & compliance ▪ Technology

Titles, qualifications and education

Gold Bauhinia Star
Order of the British Empire
Justice of the Peace
Bachelor of Social Science in Economics, the Chinese University of Hong Kong
Master of Philosophy in Economics, the University of Auckland
Doctor of Social Science (honoris causa), the Chinese University of Hong Kong
Doctor of Business Administration (honoris causa), the Open University of Hong Kong

Other major offices

Airstar Bank Limited (Independent Non-executive Director)
CK Hutchison Holdings Ltd.# (Independent Non-executive Director, and member of Audit Committee, Remuneration Committee and Nomination Committee)
Great Eagle Holdings Ltd.# (Independent Non-executive Director, Chairman of Audit Committee, and member of Remuneration Committee and Nomination Committee)
Hui Xian Asset Management Ltd.# (as manager of Hui Xian Real Estate Investment Trust) (Independent Non-executive Director and Chairman of Audit Committee)
Shanghai Industrial Holdings Ltd.# (Independent Non-executive Director, Chairman of Audit Committee, and member of Remuneration Committee and Nomination Committee)
Wing Tai Properties Ltd.# (Independent Non-executive Director and Chairman of Nomination Committee)

Past experience

Mr Cheng was the Adviser to the Group Chief Executive of HSBC Holdings plc# (June 2011 to May 2012), Chairman of The Hongkong and Shanghai Banking Corporation Ltd., HSBC Bank (China) Company Ltd. and HSBC Bank (Taiwan) Ltd. between May 2005 and May 2011, an Executive Director of HSBC Holdings plc (February 2008 to May 2011), and a Non-executive Director of HSBC Bank (Vietnam) Ltd. (November 2008 to November 2010).

Law Fan Chiu Fun Fanny A H S

Aged 67 ▪ Appointed on 17 August 2011 and re-appointed on 1 August 2012

Expertise

▪ Board / board committees leadership ▪ CLP market experience ▪ Global market experience
▪ Other industries ▪ Other listed board roles ▪ Public administration
▪ Related industry experience (Infrastructure / Power / Property / Retail) ▪ Risk & compliance ▪ Technology

Titles, qualifications and education

Grand Bauhinia Medal
Gold Bauhinia Star
Justice of the Peace
Bachelor of Science (Hon.), the University of Hong Kong (outstanding alumnus of the Science Faculty)
Master in Public Administration, Harvard University (Littauer Fellow)
Master in Education, the Chinese University of Hong Kong

Other major offices

China Resources (Holdings) Co., Ltd.# (as the unlisted holding company for a number of China Resources listed group entities) (External Director, Chairman of Audit Committee, member of Remuneration Committee and Strategy Committee)
China Unicom (Hong Kong) Ltd.# (Independent Non-executive Director, and member of Audit Committee and Nomination Committee)
Minmetals Land Ltd.# (Independent Non-executive Director, Chairman of Remuneration Committee, and member of Audit Committee and Nomination Committee)
Nameson Holdings Ltd.# (Independent Non-executive Director)

Public service

China-US Exchange Foundation (Special Advisor)
The Government of Hong Kong SAR (Member of the Executive Council)
Our Hong Kong Foundation (Member of the Research Council)

Past experience

Prior to her retirement from the civil service in 2007, Mrs Law was the Commissioner of the Hong Kong Independent Commission Against Corruption. During her 30 years in the civil service, Mrs Law has worked in many fields, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport and education.

Independent Non-executive Directors

Zia Mody H

Aged 63 ▪ Appointed on 2 July 2015

Expertise

▪ CLP market experience ▪ Global market experience ▪ Other industries
▪ Other listed board roles ▪ Professional (Legal) ▪ Related industry experience (Property)
▪ Risk & compliance ▪ Technology

Titles, qualifications and education

Member of the New York State Bar by examination
Advocate with the Bar Council of Maharashtra and Goa
Bachelor of Laws, the University of Cambridge
Master of Laws, Harvard Law School

Other major offices

AZB & Partners (AZB) (Senior Partner)
Ascendas Property Fund Trustee Pte. Ltd.# (as trustee-manager of Ascendas India Trust) (listed on Singapore Exchange Ltd.) (Independent Director, and member of Audit and Risk Committee and Investment Committee)
The Hongkong and Shanghai Banking Corporation Ltd. (Independent Non-executive Director, Deputy Chairman, and member of Risk Committee and Nomination Committee)

Public service

Cambridge India Research Foundation (Non-executive Director)
ICCA Foundation, Inc. (the International Council for Commercial Arbitration) (Non-executive member of the Governing Board)
J. B. Petit High School for Girls (Trustee)
Observer Research Foundation (Non-executive trustee)

Past experience

Mrs Mody worked as a corporate associate at Baker & McKenzie in New York for five years before establishing the Chambers of Zia Mody in India in 1984, which then became AZB in 2004.

May Siew Boi Tan A F H N S

Aged 64 ▪ Appointed on 7 August 2018

Expertise

▪ CLP market experience ▪ Company executive ▪ Global market experience
▪ Other industries ▪ Other listed board roles ▪ Professional (Accounting)
▪ Related industry experience (Property / Retail) ▪ Risk & compliance

Titles, qualifications and education

Fellow of The Institute of Chartered Accountants in England and Wales
Fellow of The Hong Kong Institute of Certified Public Accountants
Graduated from the University of Sheffield (UK)

Other major offices

Link Asset Management Ltd.# (as manager of The Link Real Estate Investment Trust) (Independent Non-executive Director, and member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee)
HSBC Insurance (Asia) Ltd. (Independent Non-executive Director)
HSBC Life (International) Ltd. (Independent Non-executive Director)
MSIG Insurance (Hong Kong) Ltd. (Director)

Public service

Hong Kong Youth Arts Foundation (Executive Committee member)
Standing Committee on Judicial Salaries and Conditions of Service (Member)

Past experience

Ms Tan was an Executive Director of Standard Chartered Bank (Hong Kong) Ltd. and its Chief Executive Officer from July 2014 to February 2017. She joined Standard Chartered Bank in 2009 as Global Head, Equity Corporate Finance.

In public service, Ms Tan was the Chairman of The Hong Kong Association of Banks, the ex-officio member of Hong Kong Trade Development Council and a member of the Currency Board Sub-Committee of The Exchange Fund Advisory Committee of Hong Kong Monetary Authority. She was a member of the Listing Committee of The Stock Exchange of Hong Kong Ltd.# (from 2012 to 2015) and a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission (from 2001 to 2013). Ms Tan was also a Council Member (from 2008 to 2017) and the Vice Chairman (from 2012 to 2017) of Oxfam Hong Kong.

Executive Directors

Richard Kendall Lancaster ▪ Chief Executive Officer (CEO) S (Chairman) F

Aged 58 ▪ Appointed on 3 June 2013

Expertise

▪ CLP market experience ▪ Company executive
▪ Global market experience ▪ Professional (Engineering)
▪ Related industry experience (Power) ▪ Risk & compliance

Titles, qualifications and education

Bachelor of Engineering in electrical engineering, the University of New South Wales

Public service

Business Environment Council (Chairman)
World Business Council for Sustainable Development (Council Member) (member of the Climate and Energy Cluster Board)
Hong Kong Management Association (Fellow)
The Australian Chamber of Commerce Hong Kong & Macau (Founding member of the Advisory Council)
UNSW Hong Kong Foundation (Board Member)
World Energy Council (Hong Kong Member Committee) (Chairman)

Past experience

Prior to assuming his role of CEO in September 2013, Mr Lancaster was the Managing Director of CLP Power Hong Kong for three years, responsible for its electricity generation, transmission and distribution business and service to its customers in Hong Kong. He began his career with the Electricity Commission of New South Wales in Australia and has more than 30 years of experience in the power industry and in other industrial operations in Australia, UK and Hong Kong. Mr Lancaster joined CLP in 1992 and has held a variety of managerial positions in CLP. His experience covers project management, power plant operations, commercial, finance, legal and corporate functions.

Geert Herman August Peeters ▪ Chief Financial Officer (CFO) F P

Aged 56 ▪ Appointed on 1 January 2016

Expertise

▪ CLP market experience ▪ Company executive ▪ Global market experience
▪ Other listed board roles ▪ Professional (Accounting / Engineering)
▪ Related industry experience (Power) ▪ Risk & compliance

Titles, qualifications and education

Knight in the Order of King Leopold
Chartered Engineer (Belgium)
International Certified Professional Accountant
Executive business training, INSEAD Paris, France
Master of Science in electro mechanical engineering (hons. RUG Gent, Belgium)
Postgraduate degree in business and IT administration (HEC Brussels, Belgium)

Public service

CNBC Global CFO Council (Member)
Hong Kong Belgium-Luxembourg Chamber of Commerce (Member of Executive Committee)

Past experience

Prior to Mr Peeters' appointment as an Executive Director and CFO of CLP Holdings in January 2016, he was the Group Director & CFO (since 1 April 2014).

He has over 25 years of experience in the energy industry. Prior to joining CLP, he was the Deputy CFO of GDF SUEZ (now known as ENGIE) Group based in Paris and Executive Director and CFO of International Power plc, a ENGIE subsidiary formerly listed on the London Stock Exchange and part of the FTSE 100. Mr Peeters was with GDF SUEZ from 1997 to 2013, gaining extensive experience in senior financial and operational roles in Europe, Latin America, the Middle East and North America.

Senior Management

Eileen Burnett-Kant Chong Wai Yan Quince David John Simmonds David Christopher Smales Yuen So Siu Mai Betty Geert Herman August Peeters Executive Director & Chief Financial Officer (Biography is on page 107)

Richard Kendall Lancaster Chief Executive Officer (Biography is on page 107) Chiang Tung Keung Chan Siu Hung Catherine Leigh Tanna Rajiv Ranjan Mishra

Eileen Burnett-Kant

Chief Human Resources Officer, aged 51

Titles, qualifications and education

Master of Business Administration, the University of Melbourne

Master of Engineering, the University of Strathclyde

Major responsibilities held with the Group

Ms Burnett-Kant joined CLP Holdings and was appointed as Chief Human Resources Officer in September 2019. She is responsible for all human resources related matters across the Group.

David John Simmonds

Group General Counsel & Chief Administrative Officer Company Secretary, aged 49

Titles, qualifications and education

Mr Simmonds holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

Mr Simmonds is a Fellow of The Institute of Chartered Secretaries & Administrators in England, a Fellow of The Hong Kong Institute of Chartered Secretaries.

Major responsibilities held with the Group

Mr Simmonds is responsible for the provision of legal and insurance services across the CLP Group, the Group's property development and management activities, special projects of the CEO, and a range of commercial and administrative matters of significance to the Group.

Mr Simmonds was appointed as the Company Secretary of CLP Holdings on 1 January 2016 and he is responsible for the corporate secretarial affairs of CLP Holdings and its subsidiaries.

Chong Wai Yan Quince S

Chief Corporate Development Officer, aged 56

Titles, qualifications and education

JP, BSSc

Major responsibilities held with the Group

Ms Chong joined CLP Power Hong Kong on 1 September 2012 as Chief Corporate Development Officer and is a Director of CLP Power Hong Kong Ltd. She is also a director of Smart Charge (HK) Ltd., an affiliated company of the CLP Group. At CLP Power Hong Kong, she leads the functions of customer and business development, public affairs and community relations. Her role helps drive customer service excellence and strengthen ties with customers and the community as a whole. She is also responsible for all public affairs and sustainability development matters of the CLP Group.

David Christopher Smales

Chief Operating Officer, aged 52

Titles, qualifications and education

Graduate Member of the Australian Institute of Company Directors

Fellow of the Institution of Engineers Australia

Master of Business Administration, the University of Warwick, UK

Bachelor of Engineering (Honours) in Mechanical and Manufacturing Engineering, Sheffield Hallam University, UK

Major responsibilities held with the Group

Mr Smales joined CLP as the Group's Chief Operating Officer in 2019 and is responsible for leading the Group's technical and commercial operations. His portfolio of strategic and operational responsibilities includes leading the Group's health, safety and environment, security, fleet asset management, procurement, and project management, development, engineering and construction functions.

F Finance & General Committee S Sustainability Committee

Full particulars of Senior Management, including their directorships in the subsidiary companies of CLP Holdings, other major appointments and past experience are available on our website.

Yuen So Siu Mai Betty F

Group Director & Vice Chairman – CLP Power Hong Kong, aged 62

Titles, qualifications and education

JP, B.Comm., CPA

Major responsibilities held with the Group

Mrs Yuen was appointed as the Vice Chairman of CLP Power Hong Kong in 2010, with a primary focus on the strategic direction of the Group's electricity business in Hong Kong and China. She is also responsible for CLP's investments in Guangdong Daya Bay and Yangjiang nuclear projects as well as further development of CLP's nuclear business on the Mainland.

Chan Siu Hung

Managing Director – China, aged 61

Titles, qualifications and education

JP, BSc(Eng.), MSc, CEng, HonFEI, MIET, MHKIE

Major responsibilities held with the Group

Mr Chan is responsible for CLP's China business with projects encompassing a wide range of energy technologies from nuclear, coal-fired, hydro, wind and solar power.

Rajiv Ranjan Mishra

Managing Director – India, aged 54

Titles, qualifications and education

Mr Mishra holds a Bachelor degree in Chemical Engineering (first class distinction) from BIT, Sindri and an MBA degree from the Indian Institute of Management, Lucknow, and is an Advanced Management Program Graduate from the Harvard Business School, Boston.

Major responsibilities held with the Group

Mr Mishra is responsible for running CLP's business in India. He joined the CLP Group in 2002 and has over 20 years of experience in the power industry, both in India and internationally, mostly involved in project financing, investment appraisal, finance and accounting and general management.

Chiang Tung Keung

Managing Director – CLP Power Hong Kong, aged 53

Titles, qualifications and education

BSc(Eng.), MSc, MBA, FHKIE, CEng, MIET

Major responsibilities held with the Group

Mr Chiang is the Managing Director of CLP Power Hong Kong and holds overall responsibility for the operations of CLP's Hong Kong regulated business, which includes a vertically integrated electricity utility serving 2.64 million customers in Kowloon, the New Territories and Lantau Island.

Catherine Leigh Tanna

Managing Director – EnergyAustralia, aged 58

Titles, qualifications and education

Ms Tanna studied at the University of Queensland and holds a Bachelor of Laws degree and Doctor of Business honoris causa.

Major responsibilities held with the Group

Appointed as Managing Director of EnergyAustralia on 1 July 2014, Ms Tanna holds overall responsibility for the asset management and business development of CLP's investments in Australia. EnergyAustralia is a customer-focused energy business serving 2.47 million accounts across southeast Australia supported by a generation portfolio comprising coal, gas, wind and solar assets.

Message from the Company Secretary

CLP, in common with most businesses, is facing a number of strategic challenges created by climate change, a rapidly evolving competitive landscape and changing societal expectations regarding the role of business. In response to these global challenges we have seen a significant increase in interest in environment, social and governance issues, particularly from investors. We welcome this interest. At CLP, we believe that our long-standing commitment to high corporate governance standards and sustainable business practices serves us well in addressing these issues.

CLP has long recognised climate change as a key risk and opportunity for the business. In 2019, the Board and Sustainability Committee devoted considerable attention to the challenge of climate change ranging from general developments in this area to the specific impacts on the power sector and CLP. This culminated in the publication of our updated Climate Vision 2050 in which we have strengthened our climate commitments and provided further details of our transition plans. Under the guidance of the Sustainability Committee, we have also continued work on implementing the recommendations of the Task Force on Climate-related Financial Disclosures.

Following the enhancement of our Board Diversity Policy in early 2019, the gradual refreshment of the Board is underway. We have commenced an external search process to assist us identify potential successors with the objective of ensuring that we continue to have the best Board for the Company in the years ahead. The refreshment process has also been extended to the membership of the Board Committees. The Board has made a number of new appointments to the Human Resources & Remuneration Committee, Sustainability Committee and Nomination Committee, all effective 1 January 2020, as well as the appointment of a new Chair for the Audit & Risk Committee and Human Resources & Remuneration Committee, effective immediately after the 2020 Annual General Meeting (AGM). Details of these changes can be found on page 122.

In 2019, we continued to take a forward-looking approach in enhancing our corporate governance practices. The external Board Review undertaken this year recognised a number of signature strengths of the Board and identified opportunities to further enhance the Board's contribution. An overriding theme of the review was how the Board could give even greater focus and attention to anticipating and shaping the long-term strategic agenda for CLP to ensure the Company is well placed to meet the challenges ahead.

This is a snapshot of CLP's key corporate governance initiatives in 2019. We will continue to evolve our corporate governance policies and practices to assist, anticipate and manage the challenges ahead.

David Simmonds
Company Secretary

Signature Strengths of the CLP Holdings Board*

"A Board culture which reflects the Chairman's Values – integrity, a commitment to do what is right for shareholders and communities that CLP serves, respectful and cordial..."

"CLP does an effective job in delegating key work to Board Committees."

"The Board and Committees are run in a highly efficient manner."

"Partnership between Board and Management - highly transparent and collaborative."

"The CLP Board is best-in-class in its corporate governance role..."

*as identified by the independent consultant in the 2019 external Board Review

1 Board Refresh

- **Board Membership changes in 2019** – under our retirement age guideline in our Board Diversity Policy, Dr Y. B. Lee retired at the 2019 AGM and Ms May Tan and Mr Philip Kadoorie were elected at the AGM as Independent Non-executive Director and Non-executive Director, respectively.
- **Retirements in 2020** – Mr Vernon Moore and Mr Vincent Cheng will be stepping down from the Board at the 2020 AGM, Mr Moore who has reached the age of 72, and as Mr Cheng will turn 72 shortly after the 2020 AGM, they will retire from the CLP Holdings Board.
- **Ongoing refresh and search** – a search for new Non-executive Director will be undertaken with a view to refresh the Board and add value on emerging strategic issues.

2 Board Committees Changes

- **Board refresh and focus of the Board Committees** – the Nomination Committee endorsed changes to the composition of the Board Committees following the Committee's review of the Board Committees composition having regard to the retirement of Board Members and the evolving demands of the Board Committees. These changes were subsequently approved by the Board.
- **New appointments** – new appointments were made to the following Board Committees (effective 1 January 2020):

  Human Resources & Remuneration Committee –
  Mrs Fanny Law and Ms May Tan;

  Nomination Committee – Ms May Tan; and

  Sustainability Committee – Mr Philip Kadoorie.
- **New Committee Chair** – Mr Nicholas C. Allen will become the Chair of the Audit & Risk Committee and the Human Resources & Remuneration Committee at the conclusion of the 2020 AGM as Mr Vernon Moore and Mr Vincent Cheng will retire as a Board Member and the Chair of the respective Committees.

3 External Board Review

- **Continuous commitment on Board Review** – in 2018, an internal Board Review was conducted and one of the recommendations was for the external Board Review to expand to the Board Committee level; in 2019, a broadened external Board Review was undertaken.
- **A "Board Progression" approach was adopted** – the external Board Review was not an evaluation or audit of previous year's Board performance but a forward-looking analysis of how the Board could anticipate and shape the future of the Company and add value on key strategic issues. Practicable, actionable recommendations were made to shape CLP's future success.

4 Climate Change Governance

- **Climate Vision 2050** – the Board and Sustainability Committee spent considerable time in the consideration of the impact of climate change on CLP and the commitments set out in this publication; the Climate Vision 2050 has made a number of commitments including a pledge not to invest in any additional coal-fired generation capacity, to progressively phase out all remaining coal assets by 2050 and to strengthen the Climate Vision targets at least every five years – the Board and the Sustainability Committee will play an increasingly important role in the oversight of these commitments.
- **Task Force on Climate-related Financial Disclosures (TCFD)** – the Audit & Risk Committee and the Sustainability Committee have provided the governance support and oversight over the preparation of the TCFD; CLP recognises the importance of these voluntary disclosures and the expectations of CLP's stakeholders and has further expanded disclosures in line with the TCFD recommendations.

The CLP Code: Compliance and more

The CLP Code on Corporate Governance (CLP Code) is our own unique code on corporate governance (available on our website or from the Company Secretary on request). It is a practical demonstration of our objective to take forward a corporate governance structure which builds on CLP's own standards and experience, whilst respecting the benchmarks set by The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange).

Our Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations in The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) issued by the Hong Kong Stock Exchange. The only exception to this however, concerns quarterly reporting, details of which are explained on page 114.

Our Code enables us to continue to monitor and develop our practices, ensuring that these are consistent with the practices and standards which our shareholders would expect of us. We have made **further enhancements to our corporate governance practices in 2019** and some of these are highlighted in **"2019 at a Glance"**.

Areas in which our Code exceeds the Stock Exchange Code

Our Board

- The composition of the Board and the Audit & Risk Committee exceed the independence requirements under the Listing Rules.
- We conduct a regular evaluation of the Board and its Committees and a summary of the conclusions is published on the CLP website.
- We issue a formal letter of appointment for Non-executive Directors. The model letter is on our website and deals with a range of matters regarding a Director's appointment and responsibilities.
- We have a set of bespoke CLP Onboarding Guidelines for Directors with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. The Guidelines are available on the CLP website.
- With the objective of minimising succession risk, the retirement age guideline in our Board Diversity Policy provides that where a Non-executive Director has reached the age of 72 at the time of the relevant AGM, the Director will not be considered for re-election. This applies to all Non-executive Directors other than the Chairman.
- The number of Board meetings exceed the requirements under the Listing Rules. Each year, we hold five Board meetings and in addition, the Chairman holds a separate meeting with the Non-executive Directors only and another meeting with the Independent Non-executive Directors only.

Our disclosure

- Our Fair Disclosure Policy sets out the principles for the broad and non-exclusionary distribution of information to the public.
- Our Continuous Disclosure Obligation Procedures guide the organisation in monitoring and disclosing potential inside information.
- The Continuous Disclosure Committee conducts regular assessment of potential inside information.
- Our Risk Management Report sets out CLP's risk management framework and how CLP manages the Group's material risks.
- We disclose our Senior Management's CLP shareholding interests and their confirmation of compliance with the Model Code and CLP Code for Securities Transactions, in addition to similar disclosures by our Directors.
- Our disclosure of financial information on the CLP Group's joint ventures and associates are enhanced in various ways such as the inclusion of off-balance sheet contingent liabilities.
- We issue individual reports for the Audit & Risk Committee, Sustainability Committee, Nomination Committee and Human Resources & Remuneration Committee.

- We announce our financial results within two months after the end of the financial year. We publish our full Annual Report and our Sustainability Report on our website within the following fortnight; the Annual Report will also be sent to shareholders about two weeks after that.

Our unique policies and practices

- CLP has established its own Corporate Governance Framework, the Value Framework and its own Code for Securities Transactions.
- We have formulated our own Anti-Fraud Policy (updated in June 2019) which stipulates our commitment to preventing, detecting and reporting fraud, bribery and extortion.
- General Representation Letters are issued by our CEO and CFO to the Audit & Risk Committee as verification of compliance.
- Shareholders' visits to CLP's facilities in Hong Kong are held throughout the year with an annual attendance of over 3,000 shareholders and their guests. This gives shareholders the unique opportunity to have a face-to-face engagement with management and to exchange views and feedback with members of our CLP Holdings Board and management.
- At our 2019 AGM, to broaden participation from shareholders unable to attend the physical meeting venue we opened an electronic platform for our shareholders to attend and participate in our AGM. Registered shareholders can view the proceedings in real time through a live broadcast and can pose questions and vote online.
- We conduct a group-wide Business Practice Review for our staff on a periodic basis to foster employees' understanding of our Code of Conduct under CLP's Value Framework. An important aspect of this is ensuring that our employees maintain a good understanding of CLP's culture and values.
- Under our Value Framework, we also have a Responsible Procurement Policy Statement. This sets out our expectations of the suppliers and of their suppliers and subcontractors and we encourage them to follow the same standards of integrity and transparency in doing business with us.
- Our Audit & Risk Committee will regularly examine the audit activity reviews conducted by the Internal Auditors. The Internal Auditors will highlight the significant events and findings which require the Committee's attention and further examination, where appropriate.
- Members of our Audit & Risk Committee will conduct a meeting as between Members only prior to the full Committee meeting attended by management and the auditors. The Committee meetings commenced with this meeting between Members only for the Committee meetings in June and July 2019 and in January and February 2020. This is in addition to the two meetings that the Committee holds with the independent auditor.

Compliance with the Stock Exchange Code and the Environmental, Social and Governance (ESG) Reporting Guide

Throughout the year, the Company has met the Code Provisions and applied all the principles in the Stock Exchange Code. CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results.

Our Considered Reasons for not Issuing Quarterly Financial Results

While CLP does issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities, we do not issue quarterly financial results for the following considered reasons:

- they do not bring significant benefits to our shareholders;
- they encourage a short-term view of the Company's business performance;
- CLP's activities do not run and need not be disclosed and judged on a three-month cycle; and
- preparation of quarterly reports is costly, including the opportunity cost of Board and management time spent on quarterly reporting.

Shareholders are invited to let us know if their views differ and we will review our position if there is a clear and justifiable demand from shareholders for quarterly financial reporting.

CLP's Approach to ESG Reporting

Governance Structure

- The CLP Board has overall responsibility for CLP's ESG strategy and reporting. This year, we have included in the Directors' Report a statement from the CLP Board on the governance of ESG issues and how CLP approaches and manages our material ESG issues (page 185).
- The governance of sustainability is integrated into our corporate governance structure throughout the Group. Set out below is CLP's Sustainability Governance Structure.

- Our highest governance body is the CLP Board, which plays a critical role in ensuring that our corporate governance best serves the Company's interest in building a sustainable business. Amongst the six Board Committees, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues and is supported by the Sustainability Executive Committee. The Audit & Risk Committee retains oversight and responsibility for short-term business risks and for the assurance of sustainability data.
- Further information about CLP's ESG management approach and strategy and how progress on ESG-related goals and targets are reviewed can be found in this Corporate Governance Report, the Risk Management Report, the Sustainability Committee Report and the Directors' Report of this Annual Report as well as in the Sustainability Report published at the same time as this Annual Report.

Reporting Principles & Boundaries

- Materiality – the materiality assessment process has been enhanced in 2018 to prioritise the material topics, which supported the development of a more focused Sustainability Report and the same key material topics identified last year remain relevant and are maintained in 2019. Fuller details on the materiality assessment is provided in the statement from the CLP Board on ESG in the Directors' Report.
- Quantitative and Consistency – our ESG disclosures follow the Hong Kong Stock Exchange's ESG Reporting Guide (ESG Reporting Guide) and take an integrated approach under the <IR> guidelines published by the International Integrated Reporting Council (IIRC). This year, we advanced our disclosure in accordance with the recommendations by the TCFD. ESG KPIs are provided over a period of five years in the Five-year Summaries to facilitate comparison.
- Boundaries – as our business needs evolve, scenarios may arise where our previously defined reporting scope was not able to fully capture the material impact of our overall portfolio, and to better reflect the material impacts of our portfolio, selected reporting scopes will be adjusted in different aspects and these are explained fully in our Sustainability Report.

ESG Information Disclosure in the 2019 Annual Report and Sustainability Report

- With the amendments to the ESG Reporting Guide and related Listing Rules that have yet to become effective for our 2019 Annual Report, CLP has adopted these, in particular, the "comply or explain" provisions set out in Part C of the ESG Reporting Guide. Details on how we report on these ESG issues in accordance with this new ESG reporting framework are set out below.
- In line with the Hong Kong Stock Exchange Reporting Principles for this new ESG reporting framework, we regard materiality as fundamental to our ESG reporting. Hence, as explained on page 115, our materiality assessment process enabled management to determine those material ESG topics to CLP.
- The following is a list of CLP's material ESG topics by reference to the aspects in the ESG Reporting Guide and the corresponding disclosures can be found in the following sections of this Annual Report:

Environmental	
A1. Emissions A3. The Environment and Natural Resources	A4. Climate Change
▪ A Snapshot of CLP in 2019 (page 4) ▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70) ▪ Financials (page 204)	▪ A Snapshot of CLP in 2019 (page 4) ▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70) ▪ Governance (page 100) ▪ Financials (page 204)
Social	
B1. Employment B3. Development and Training	B2. Health and Safety
▪ A Snapshot of CLP in 2019 (page 4) ▪ Capitals (page 70) ▪ Financials (page 204)	▪ A Snapshot of CLP in 2019 (page 4) ▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70) ▪ Financials (page 204)

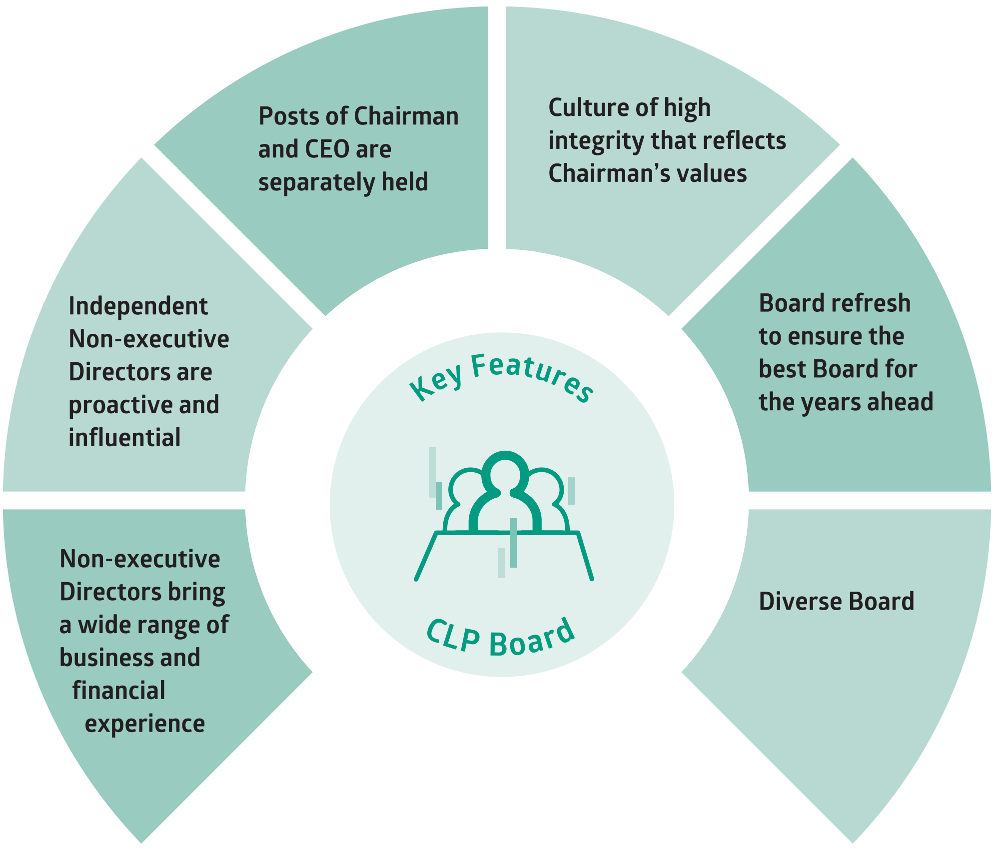
- From our materiality assessment process, there are various aspects that we regard as less material and we have not reported on to the fullest extent as provided in the ESG Reporting Guide. We appreciate that these aspects may be relevant to some of our stakeholders and our discussion on these topics can be found in the following sections of this Annual Report:

Environmental		
A2. Use of Resources		
▪ A Snapshot of CLP in 2019 (page 4)	▪ Capitals (page 70)	▪ Financials (page 204)

Social	
B4. Labour Standards B5. Supply Chain Management	B7. Anti-corruption
▪ Capitals (page 70)	▪ Governance (page 100) ▪ Financials (page 204)
B6. Product Responsibility	B8. Community Investment
▪ A Snapshot of CLP in 2019 (page 4) ▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38) ▪ Financials (page 204)	▪ A Snapshot of CLP in 2019 (page 4) ▪ Chairman's Statement (page 14) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70) ▪ Financials (page 204)

- Our 2019 Sustainability Report, which is published at the same time, captures in detail our delivery of social and environmental value in a rapidly changing environment and reports all aspects of our activities, prepared in accordance with the Core option of the Global Reporting Initiative's Sustainability Reporting Standards.
- PricewaterhouseCoopers (PwC) have conducted limited assurance on selected ESG KPIs as set out in the Five-year Summaries on pages 300 and 301 of this Annual Report, in accordance with International Standard on Assurance Engagement 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagement 3410, Assurance Engagement on Greenhouse Gas Statements, issued by the International Auditing an Assurance Standards Board. The Sustainability Report also includes an independent assurance report from PwC.

Our Board



The Board's Roles and Responsibilities

Our Board plays a critical role in ensuring that our corporate governance best serves the Company's interest in building a sustainable business. Under the leadership of our Chairman, the Board cultivates good governance as the cornerstone of our corporate culture. To achieve this, the Board actively promotes the success of the Group by directing and supervising its affairs in a responsible and effective manner.

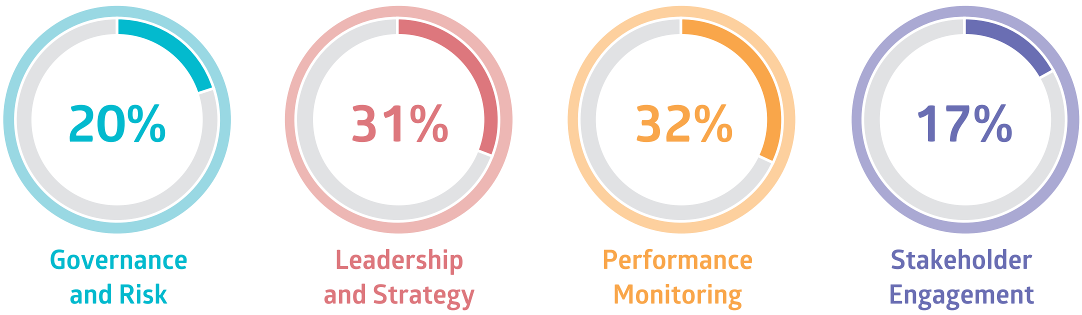
Some of the key responsibilities of the Board include:

- setting the Group's values and standards;
- establishing and maintaining the strategic direction and objectives of the Group;
- overseeing the management of CLP's relationships with stakeholders, such as Government, customers, communities and others who have a legitimate interest in the responsible conduct of the Group's business;
- monitoring the performance of management;
- ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed; and
- ensuring the financial statements are prepared to give a true and fair view of the Group.

How the Board Spent its Time in 2019

The Board recognises that effective oversight and leadership over the affairs of the Company are critical to promoting the success of the Company. This requires the Board to devote its attention to a well balanced mix of business performance monitoring as well as other important focus areas, such as, governance, strategy and engagement.

The following illustrates how the Board spent its time in 2019*:



* In determining the estimated time spent by the Board, we considered the number of agenda items related to the four key categories, time spent on discussing the relevant agenda items and the volume of supporting Board papers.

To provide further insights into these, the following is a highlight of the key matters covered under each category during 2019:

Governance and Risk (including compliance, risk management and internal controls)	
Board Committee composition	The Board is committed to refreshing the Board and recognises that this extends to the Board Committee level. The Board considered and reviewed the recommendations from the Nomination Committee on the proposed changes to the composition of the Board Committees. The Board then made several new appointments to the Human Resources & Remuneration Committee, Sustainability Committee and Nomination Committee, and the Board also appointed a new Chair for the Audit & Risk Committee and Human Resources & Remuneration Committee, all effective in 2020. Details of these changes can be found on page 122.

Risk management and internal controls	The Group is operating in an increasingly complex and challenging environment. Against this background, the Board considered a broad range of selected topics from the perspectives of risks and controls for the Group, some of which were requested by Directors. Through the briefings, the Board gained a deeper understanding of these topics and the Board had the opportunity to impress upon management the importance of the relevant issues. The Board considered and analysed the following topics: ▪ CLP Holdings Crisis Management System – Directors analysed the Board's involvement in the event of a crisis; ▪ Hong Kong political landscape – Directors openly discussed the potentially wide-ranging implications for the Hong Kong business; ▪ cyber security – the Board gave their support and endorsement to the new group-wide strategic approach to the governance of cyber security; ▪ health and safety – the Board inquired into the D1 CCGT Project safety performance and provided feedback to management and endorsed the progress of the CLP Health, Safety and Environment Improvement Strategy; and ▪ super typhoon emergency management – the Board reviewed CLP Power Hong Kong's capabilities to effectively manage, prepare and respond to a super typhoon such as Mangkhut and delved into the initiatives for further enhancements.
Audit & Risk Committee activities	The Board delegates the review of financial statements and oversight of risk management and internal control systems to the Audit & Risk Committee. To ensure that these duties are discharged effectively, the Board received the important overview from the Chairman of the Audit & Risk Committee ahead of management's presentation of the full year and half year financial statements.
Leadership and Strategy (including matters relevant to the Group's values, standards, strategic direction and objectives)	
External Board Review	As part of the external Board Review exercise, each of the Directors participated in an interactive one-on-one session with the consultants who we have partnered on this exercise. The Directors provided candid feedback and shared invaluable insights with the consultants and based on these, the consultants formulated their findings and recommendations. The full Board openly discussed the findings and considered each of the recommendations.
Climate change-related	The Board plays a leading role in the governance of climate change. CLP published the updated Climate Vision 2050 with a clear pledge to decarbonise CLP portfolio over time and the Board took great care in considering the publication, in particular, with respect to position statements, pledges and commitments. In the lead up to this publication, the Board analysed the Group's strategy with respect to its portfolio in light of the positions and commitments set out in Climate Vision 2050 and Directors also attended a series of expert briefings covering different aspects of climate change.

Digitalisation and innovation	Directors attended an expert briefing on how an established organisation such as CLP should approach digitalisation and innovation. The Directors were joined by members of the Senior Management and from the briefing, there was an open discussion on a number of key themes on this topic. These included determining and communicating the desired outcomes of the digital transformation, investing in people and developing a culture of continuous learning and adapting.
Chairman's sessions	The Chairman has been holding an annual Non-executive Directors only meeting for a number of years. An additional Chairman's meeting with the Independent Non-executive Directors only was also held this year. These sessions are a unique forum for an open agenda discussion on matters of concern to the Group that the Non-executive Directors and Independent Non-executive Directors can raise with the Chairman. The discussions cover a wide range of topics that are pertinent to the Group including on issues of Board and management level leadership and Group strategy.
Performance Monitoring (including consideration of projects and investments)	
Specific matters	The Board actively monitored the latest developments for the Group's key markets and had detailed discussions with management on the challenges and opportunities for the different markets. The Board received and considered the following specific project presentations from management during 2019: Hong Kong – the Lantau Tomorrow Vision Project, Offshore LNG project and update on Hong Kong renewable energy development; Vietnam – status of the development of the Vietnam projects; and India – potential investment opportunities in renewable projects. The above topics are in addition to the specific briefing topics referred to in the "Risk management and internal controls" part.
Regular updates	The CEO's Report is a key regular briefing to the Board. The Board is provided with a comprehensive report on the Group as pre-read. At the Board meeting, the CEO would highlight the key issues on safety and business updates for each of the Group's markets and in addition, issues to look out for would also be brought to the Board's attention. The Board inquired into a broad range of issues and on occasions, the Board requested further detailed briefings to be presented to the Board.
Stakeholder Engagement (including reporting and disclosure)	
CLP Power Hong Kong engagement initiatives	The Board recognised the significance of the recent developments in Hong Kong and Directors provided insightful contributions to management. The Board and management had an open exchange of views in the context of CLP Power Hong Kong's business engagement efforts and initiatives.
Public engagement	The Board received progress updates on the Hong Kong long-term decarbonisation public engagement. Directors provided feedback and recommendations to management on this process.
Annual Reports and Interim Report	The Board reviewed and approved the 2018 and 2019 Annual Reports and the 2019 Interim Report.
Quarterly statements	The Board acknowledged the publication of quarterly statements is one of the key channels to communicate and engage stakeholders to demonstrate our transparency in disclosure.

Attendance at our Board meetings and the interaction between Senior Management and our Directors

The partnership between our Board and Senior Management is highly transparent and collaborative. Our Board meetings are typically attended by the following members of our Senior Management:

- Group Director & Vice Chairman – CLP Power Hong Kong – Mrs Betty Yuen;
- Managing Director – CLP Power Hong Kong – Mr Chiang Tung Keung;
- Managing Director – China – Mr Chan Siu Hung;
- Managing Director – India – Mr Rajiv Mishra;
- Managing Director – EnergyAustralia – Ms Catherine Tanna or in her absence, Mr Alastair McKeown, Chief Financial Officer – EnergyAustralia;
- Chief Operating Officer – Mr David Smales, who was appointed in October 2019 following the retirement of Mr Derek Parkin in September 2019;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant, who was appointed in September 2019.

Our Board meetings are generally followed by or preceded by a luncheon hosted by the Chairman. This is typically attended by the Directors and members of the Senior Management who join the Board meetings and provides a good opportunity for Directors and Senior Management to interact with each other in an informal setting and to discuss a wide range of issues including those concerning the Group.

Board Committees

The Board discharges some of its responsibilities through delegation, with appropriate oversight, to the respective Board Committees. The following section sets out and refers to the responsibilities and the work that each Board Committee undertook during 2019 and in 2020 up to the date of this Report (the Period).

Audit & Risk Committee
Full committee report on the work carried out is on page 152 and a notable focus for 2019 includes the **EnergyAustralia impairment assessment and review into various key risk factors**
Sustainability Committee
Full committee report on the work carried out is on page 160 and a notable focus for 2019 includes the **climate change-related developments**
Nomination Committee
Full committee report on the work carried out is on page 165 and a notable focus for 2019 includes the **external Board Review**
Human Resources & Remuneration Committee
Full committee report on the work carried out is on page 168 and a notable focus for 2019 includes the **executive remuneration governance and disclosure**
Finance & General Committee
See page 123
Provident & Retirement Fund Committee
See page 123

Board Committees Refresh

The Board, with the support of the Nomination Committee, undertook a comprehensive review of the composition of the Board Committees. The review was approached with regard to the following factors: (a) the refresh of the Board composition; (b) the composition of the Committees has been stable in the past couple of years other than through Directors stepping off the Board; (c) the demands on the Committees evolving as regulation and business needs change over time; and (d) the impending retirement of Directors at the coming 2020 AGM.

The Nomination Committee recommended to the Board and the Board appointed new Members and Chairman in the manner set out below.

The following Directors joined the respective Committees with effect from 1 January 2020:

- Human Resources & Remuneration Committee – Mrs Fanny Law and Ms May Tan;
- Nomination Committee – Ms May Tan; and
- Sustainability Committee – Mr Philip Kadoorie.

In addition, Mr Nicholas C. Allen was appointed as the Chair of the Audit & Risk Committee and the Human Resources & Remuneration Committee. This appointment will take effect from the conclusion of the 2020 AGM as the current Chairs of the Audit & Risk Committee and Human Resources & Remuneration Committee, Mr Vernon Moore and Mr Vincent Cheng, respectively, will be retiring as Directors of the Company at the 2020 AGM.

Under the CLP corporate governance eco-system, the Board Committees play an important role on different aspects of corporate governance and these include:

(a) developing and reviewing the Company's policies and practices on corporate governance (Audit & Risk Committee);

(b) considering the nomination of qualified individuals for Director appointments and succession planning for Directors as well as reviewing the confirmations required from Directors as to whether they are spending sufficient time performing their responsibilities to the Company (Nomination Committee);

(c) reviewing and monitoring the training and continuous professional development of Directors (Nomination Committee) and Senior Management (Human Resources & Remuneration Committee);

(d) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements (Audit & Risk Committee);

(e) reviewing and monitoring the Code of Conduct applicable to employees (Audit & Risk Committee);

(f) reviewing the Company's compliance with the CLP Code and disclosure in the Corporate Governance Report (Audit & Risk Committee); and

(g) overseeing the Company's ESG strategy and reporting (Sustainability Committee and Audit & Risk Committee).

Full details of the Committees' work are disclosed in the relevant sections for each of the Board Committees.

Terms of reference and membership of all Board Committees are disclosed in full on the websites of CLP and the Hong Kong Stock Exchange. They are also available upon request from the Company Secretary.

Membership of Finance & General Committee

Mr William Mocatta (Chairman), Mr Vernon Moore, Sir Rod Eddington, Mr Nicholas C. Allen, Mr Vincent Cheng, Ms May Siew Boi Tan, Mr Andrew Brandler, Mr Richard Lancaster, Mr Geert Peeters and Mrs Betty Yuen.

Responsibilities and Work Done

This Committee reviews the financial operations of the Company which include group-wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets and business performance. The Committee also reviews major acquisitions or investments and their funding requirements. In addition, the Committee reviews the implementation of the Company's strategy approved by the Board and the performance and business environment of the Company; and the Committee will also identify any matters that should be referred to the Board for review and further consideration.

The work performed by the Committee during the Period included the review and the consideration of the following matters:

- the Company's interim and annual results and the dividends payable to shareholders for the financial years ended 31 December 2018 and 2019;
- the CLP Group Business Plan and Budget 2020-2024;
- the 2020 tariff strategy for the Hong Kong business;
- potential investment in specific projects in China;
- the investment strategy of CLP India and the potential investment in specific projects in India;
- the progress and strategy of the Vietnam projects;
- the business update on the Group's SmartCharge joint venture;
- the business and strategic plan for CLP*e* Solutions;
- the CLP Group funding requirements and cost of capital study; and
- CLP's foreign exchange translation risk and counterparty exposures.

The nature of the work of the Committee includes the consideration of transactional items which may arise from time to time and require the review and approval by the Committee via circulation of papers on a time sensitive basis.

Membership of Provident & Retirement Fund Committee

Mr William Mocatta (Chairman), Mr Geert Peeters and a Trustee.

Responsibilities and Work Done

This Committee advises the Trustee on investment policy and objectives for the Group's retirement funds, namely the CLP Group Provident Fund Scheme and CLP Group Top-Up Scheme.

During the Period, the Committee monitored the performance of the overall portfolio, the investment managers and operational efficiency. Education and communication are arranged for schemes members for better retirement planning.

Directors' Attendance and Development

Our Directors attend to the affairs of the Group through their participation at the AGM, Board and Board Committee meetings and perusal of Board papers.

In 2019, seven Board meetings were held and the overall attendance rate of Directors at Board meetings was 94.51% (2018: 96.30%). Details of Directors' attendance at the AGM, Board and Board Committee meetings and development programmes in the year 2019 are set out in the following table.

	Board [1]	Audit & Risk Committee [2]	Finance & General Committee	Human Resources & Remuneration Committee	Nomination Committee	Sustainability Committee	Provident & Retirement Fund Committee	AGM [2, 3]	Directors Development Programme*
Non-executive Directors									
The Hon Sir Michael Kadoorie	6/7 (C)				2/2			1	A, B, C
Mr William Mocatta	6/6 (VC)		6/6 (C)	3/3			2/2 (C)	1	A, B, C
Mr J. A. H. Leigh	6/6							1	A, C
Mr Andrew Brandler	6/6		4/6			3/3		1	A, B, C
Mr Philip Kadoorie	6/6							1	A, B
Dr Y. B. Lee [5]	1/1							1	N/A
Independent Non-executive Directors									
Mr Vernon Moore	7/7	6/6 (C)	5/6	2/3				1	A, B, C
Sir Rod Eddington	7/7		6/6					1	A, B
Mr Nicholas C. Allen	7/7	5/6	5/6	2/3	2/2 (C)	3/3		1	A, B, C
Mr Vincent Cheng	7/7		6/6	2/3 (C)	2/2			1	A, B
Mrs Fanny Law	7/7	6/6				3/3		1	A, B, C
Mrs Zia Mody [6]	5/7			2/3				0	A
Ms May Siew Boi Tan	7/7	6/6	4/6			3/3		1	A, B, C
Executive Directors									
Mr Richard Lancaster	5/5		6/6			3/3 (C)		1	A, B, C
Mr Geert Peeters [7]	3/5		4/6				1/2	0	A, B, C

Notes:

1 Included (a) an annual meeting where the Chairman met Independent and other Non-executive Directors in the absence of the Executive Directors and management; and (b) an annual meeting where the Chairman met with the Independent Non-executive Directors only.

2 Representatives of the independent auditor participated in every Audit & Risk Committee meeting and the AGM.

3 Independent Non-executive Directors were available to take shareholders' questions specifically addressed to them during the AGM (of which there were none).

4 Chairmen of the Board and Board Committees and the Vice Chairman of the Board are indicated by (C) and (VC) respectively.

5 Dr Y. B. Lee retired as a Non-executive Director with effect from the conclusion of the 2019 AGM held on 6 May 2019.

6 Mrs Zia Mody was unable to attend the 2019 AGM due to overseas commitments.

7 Mr Geert Peeters took a period of sick leave between April and September in 2019.

*** Directors Development Programme**

All Directors participate, at the Company's expense, in continuous professional development and training, with appropriate emphasis to develop and refresh their knowledge on industry-related updates. Our Directors Development Programme includes:

A – reading regulatory and industry-related updates, with one of the focus in 2019 being ESG Governance and Reporting;

B – meeting with local management and stakeholders, including hosting shareholders' visits (2019 Shareholders' Visit Programme) and visiting CLP's facilities and special projects with CLP's involvement, with further details as set out in the section of "Visits" on page 125; and

C – attending expert briefings / seminars / conferences relevant to the business or director's duties. In 2019, our Directors attended a series of briefings on climate change. In addition, they have access to Chatham House (a leading independent policy institute based in London) publications and the opportunity to attend Chatham House events on topics relevant to our business.

Onboarding for new Directors

The Company has in place a set of Onboarding Guidelines with the key objective of assisting new Directors in their understanding of CLP's business, governance and Board and Committee dynamics. This sets out a structured onboarding process that would serve as a roadmap for new Directors to gain a better understanding of CLP and our business environment.

Our Onboarding Programme for the newly appointed Directors is individually designed with the specific Director in mind having regard to the Director's unique background, skills, experience and perspective. Components of our Onboarding Programme include:

- an introduction session;
- face-to-face and one-on-one meetings with the Chairman of the Board, Chairmen of the Board Committees and the Senior Management who work closely with the Board and Board Committees;
- access to information that provides a broad overview of the CLP Group;
- invitation to attend Board Committee meetings to assist with the understanding of the work carried out by various Board Committees; and
- visits to the major facilities of CLP and / or special projects with CLP's involvement.

Mr Philip Kadoorie continued with his bespoke Onboarding Programme by attending one-on-one meetings with Chairmen of Board Committees and the Senior Management and visiting various CLP facilities. Those visits provided a good opportunity to exchange and interact with the frontline management in understanding the different aspects of the Group's developments.

Visits

The Chairman of the Board, The Hon Sir Michael Kadoorie along with Mr Philip Kadoorie held a number of engagement sessions with the younger generation of the Hong Kong based staff. These sessions were in an open dialogue forum and there was an interactive exchange of views on a range of issues. The Chairman and Mr Kadoorie greatly valued the candid discussions with colleagues from different background and profession and from these dialogues, they developed a deeper understanding of the next generation, their culture and their aspirations.

The Vice Chairman of the Board, Mr William Mocatta along with Mr Philip Kadoorie visited the Hong Kong-Zhuhai-Macao Bridge Substation in May 2019. The officiating of the substation civil completion marked an important milestone for CLP's support to the development of Hong Kong boundary crossing facilities and the Tuen Mun-Chek Lap Kok Link Tunnel. Mr Mocatta also visited CLP Power Learning Institute Shatin Campus to experience the latest learning solutions and digital learning technologies.

In 2019, Mr Richard Lancaster, as a member of the Innovation Governance Committee, paid a visit to the Smart Energy Connect team at the CLP Innovation Hub in Hong Kong Science Park. The visit provided insights into three areas of potential growth for the business: Decarbonisation, Decentralisation and Digitalisation.

In addition, Mr Andrew Brandler, Mr Nicholas C. Allen, Mrs Fanny Law, Ms May Tan, along with Mr Richard Lancaster as members of the Sustainability Committee visited the CLP Innovation Hub for a comprehensive briefing and showcase of the Innovation Team's initiatives, ventures and Smart Energy Connect platform.

Sir Rod Eddington visited the Black Point Power Station and exchanged views with the senior management at the operational level on the major projects of CLP Power Hong Kong. He also visited the CLP Power landfill gas power generation project in West New Territories (WENT) as well as SmartHub@CLP in Hong Kong.

Mr Vernon Moore, Mr Nicholas C. Allen and Ms May Tan visited the Yangjiang nuclear plant and met with the senior local management team of the power plant. They were briefed on a number of aspects of the plant including safety, power sales market for nuclear generation, emergency drill and the ongoing construction of unit 6.

Mr Nicholas C. Allen, Mrs Fanny Law and Ms May Tan, all of whom are Independent Non-executive Directors, attended a three-day visit to EnergyAustralia. Such offsite visits enable Directors to obtain first-hand information of the local operations.

Monthly Management Reports

The Board is regularly kept up-to-date on key events, outlook, safety and environmental matters of the Group through the CLP Group Monthly Management Reports. The Management Report gives a balanced and updated assessment of the Company's performance, position and prospects in sufficient detail and includes year-to-date financials as well.

Directors' Time and Directorship Commitments

With the growing complexity of the business of the CLP Group and heightened regulatory and compliance requirements, our Directors, Non-executive Directors in particular, are well aware that they are expected to have a sufficient time commitment to the Board. Directors have given certain confirmations and made disclosures about their other commitments.

- **Sufficient time and attention** – Directors have confirmed that they have given sufficient time and attention to the affairs of the Company for the year.
- **Other offices and commitments** – Directors disclose to the Company twice a year the number, identity and nature of offices held in Hong Kong or overseas listed public companies and organisations and other significant commitments, together with an indication of the time involved.
- **Other directorships** – None of our Directors, individually, held directorships in more than six public companies (including the Company) as at 31 December 2019.

Our Executive Directors do not hold directorship in other public companies; however, they are encouraged to participate in professional, public and community organisations.

In respect of those Directors who stand for re-election at the 2020 AGM, all their directorships and board committees membership held in listed public companies in the past three years are set out in the Notice of AGM. Other details of the Directors' biographies are set out under "Board of Directors" on pages 102 to 107 of this Annual Report and on CLP's website.

Board Evaluation – External Board Review

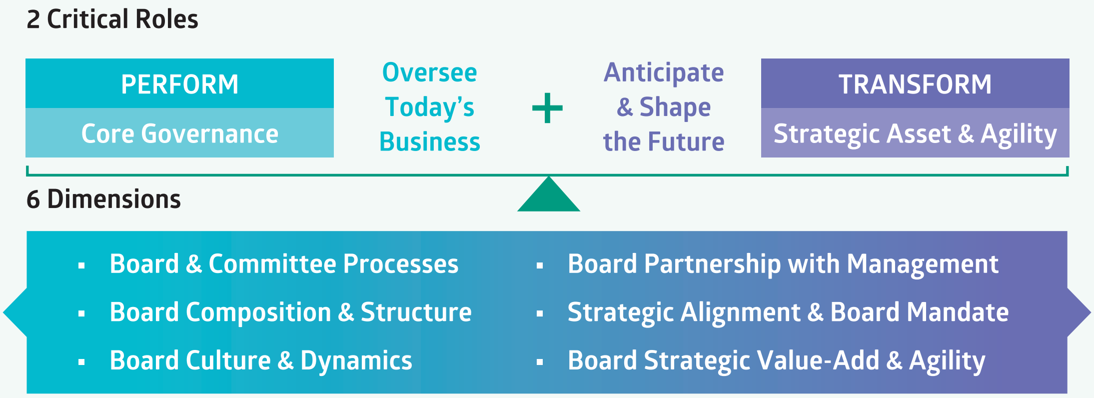
CLP is committed to undertake a performance evaluation of the Board on an ongoing basis. This year, the evaluation took the form of an external Board Review and we partnered with Korn Ferry for this exercise.

Selection process – Korn Ferry

A rigorous selection process was put in place for the appointment to ensure that the consultant would be independent and most suited for the exercise. A tender selection process was conducted by our procurement team and a panel including the Chair of the Nomination Committee, our CEO and our Company Secretary was formed to assess the candidates. From a shortlist of three internationally leading consultants, Korn Ferry was appointed as our independent partner to conduct this year's external Board Review.

Approach to the external Board Review exercise

Building from the Board's experience with prior externally facilitated reviews, this year's exercise was designed to be forward-looking. As illustrated in the below diagram, Korn Ferry adopted a board progression framework which focused on two critical roles of the Board; and the impact of the Board was reviewed against the six dimensions set out below. Taking on the feedback from the last internal Board survey, this year's exercise was expanded to cover the role of the Board Committees.



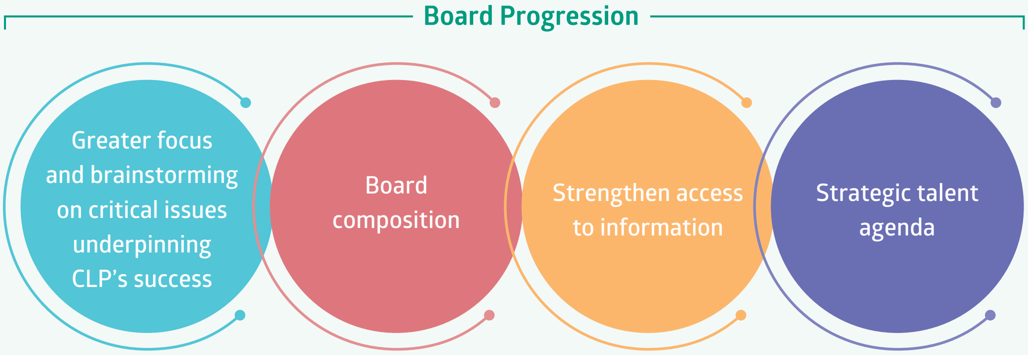
Review process

The dedicated one-on-one dialogue between Korn Ferry and each of our Directors and Senior Management was a fundamental part of the review exercise. In preparation for this, Korn Ferry was provided with access to past Board papers and Board evaluation findings and the Nomination Committee Chair, our CEO and Company Secretary held meetings with Korn Ferry to discuss the preparation for the one-on-one sessions with the Directors. For the one-on-one sessions, Directors and Senior Management who participated in this exercise were provided with a questionnaire in advance to guide the discussions.

Based on the insights and feedback, Korn Ferry formulated their findings and recommendations. These were discussed with the Company Secretary in the first instance and subsequently, a set of interim findings and recommendations were then formally presented to the Nomination Committee where the Committee Members shared their observations with Korn Ferry on their recommendations. This was an important process to ensure that the final recommendations would be practical and actionable by the Board and at the same time, without affecting the independence or the integrity of the final findings and recommendations. Korn Ferry's final report with the findings and recommendations were then presented to the Board. After deliberating on the issues covered, the Board received and adopted the report. Korn Ferry's summary report of the external Board Review can be found on CLP's website.

The findings and recommendations

The signature strengths of our Board identified by Korn Ferry are highlighted in the "2019 at a Glance" section of this Report. In addition, the 2019 Board Review identified the following opportunities for the Board to enhance its contribution:



The Board has accepted the recommendations and will adopt a number of initiatives to implement these. They include the format for the Board Strategy review session that will be held later in 2020 and strengthening the Sustainability Committee's role on overseeing the impact on the Group's strategy of longer-term emerging sustainability issues. Access to Board Committee papers will be granted on a Director request basis, a Non-executive Director search will be undertaken with a focus on candidates who can add value on emerging strategic issues and a preliminary plan to review the approach to the strategic talent agenda was underway.

Looking ahead, in light of the pace of change in the external environment, the Board recognised that there should be a greater focus and dialogue on anticipating and shaping the future. With the recommendations gained from the 2019 Board Review, our Board will continue with the progression journey and drive the implementation.

Nomination and Appointment of Directors

For the appointment of new Directors, CLP assesses the needs and follows a formal, considered and transparent procedure. CLP's Nomination Policy is disclosed in the Nomination Committee Report on page 165.

CLP's process for appointing a Director

The diagram below presents the approach used by CLP to appoint our Directors. Recently, the process has been fine-tuned with the use of search consultants for Non-executive Directors and this is highlighted below.

Possible New Appointments

- Independent consultants have been engaged to undertake a search for potential new Independent Director candidate(s) having regard to the strategic needs of the Company and the Board. Currently, the search remains ongoing.
- From the external Board Review exercise, it was recommended that the Independent Director candidates would, ideally, have the relevant experience and background to contribute on CLP's emerging strategic issues.
- The exercise would be conducted in consultation with the Nomination Committee Chairman before being formally put forward to the Nomination Committee for consideration.

Nomination Committee

- Considers the candidates and existing Directors based on merit having regard to the experience, skills and expertise as well as the overall board diversity.
- Makes recommendations to the Board as appropriate.

Board

- Makes the appointment.

Newly appointed Directors are:

- subject to election by shareholders at the first general meeting following the appointment.

Existing Directors are:

- subject to rotation; and
- one-third of which are required to retire at the AGM but, subject to the retirement age guideline in our Board Diversity Policy, are eligible for re-election.

Non-executive Directors

- Appointment made through a formal letter.
- On a term of not more than four years.
- At end of term, subject to the Board Diversity Policy, eligible for re-election.

Shareholders

- Approve the election or re-election of Directors at the Company's general meeting.

Proposed Director

- Appointment is considered as an individual resolution at the general meeting.

Why Board Diversity is Important to CLP

We recognise that Board diversity is an essential element contributing to the sustainable development of CLP.

The CLP Board Diversity Policy was adopted by the Board in 2013 and incorporated Code Provisions of the Stock Exchange Code. Our revised Policy was approved by the Board in February 2019. Among the changes introduced are the retirement age guideline (at age 72) for our Non-executive Directors (other than the Chairman) designed with the specific needs of CLP in mind, and the CLP Group Diversity and Inclusion Policy for Senior Management and Staff.

Our concept of diversity incorporates a number of different aspects, such as independence, professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

Our Board Diversity Policy also recognises that board diversity can be achieved without increasing the size of the Board and that a reduction in board size due to retirements without replacement can also be a way to further diversity.

The CLP Board Diversity Policy is available on the CLP website.

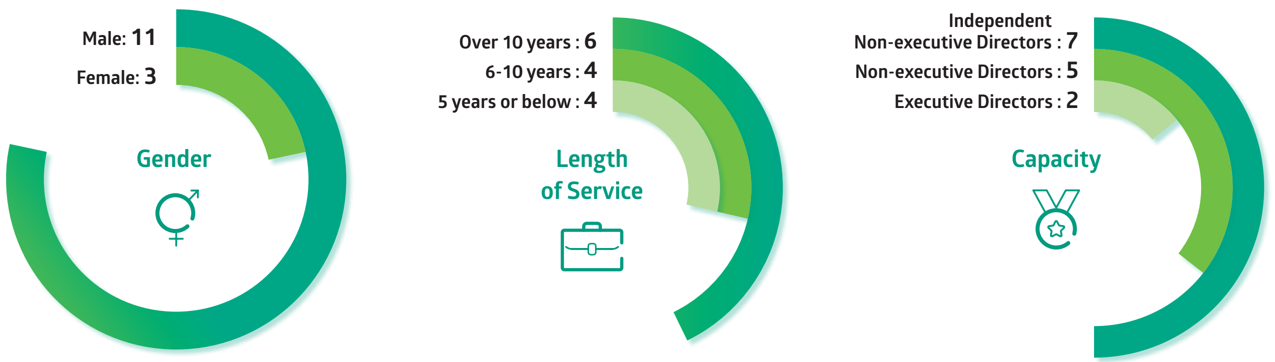
The Values in Board Diversity

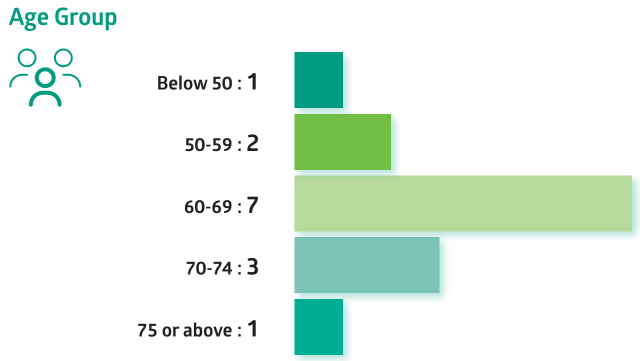
- Enhances decision-making capacity
- Improves effectiveness in dealing with organisational changes
- Reduces likelihood of group thinking
- Contributes to sustainable development

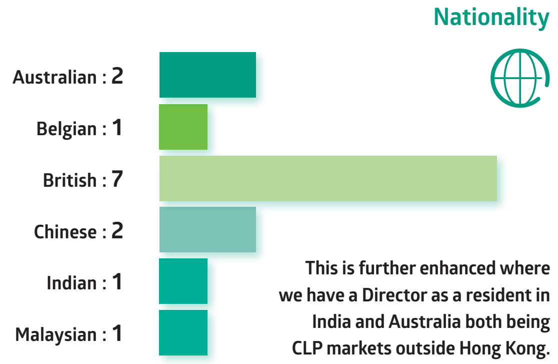
How is this Relevant to our Shareholders

- The Nomination Committee reviews the Board Diversity Policy periodically
- Shareholders approve the election and re-election of Directors
- Directors and the Board are responsible for promoting the shareholders' interests
- Shareholders need to be satisfied with the level of board diversity
- We are committed to providing shareholders with sufficient information to assess our board diversity

Board Composition & Diversity







Board Expertise

To ensure the Board continues to possess a balance of skills appropriate for the requirements of the business of the Group, an analysis of the skill set mix was considered by the Nomination Committee.

The table below highlights the breakdown of the skill set mix of our Directors and demonstrates the broad and diverse mix of experience and background relevant to CLP that the Directors bring to the Board and its Committees.

Expertise	Relevance to CLP	No. of Directors (Full Board of 14)
CLP market experience (Hong Kong / Mainland China / India / SEA & Taiwan / Australia)	Facilitates the review of CLP's business and financial operations and investments in the respective region	14
Related industry experience (Infrastructure / Power / Property / Retail)	Facilitates the review of CLP's business operations and investment opportunities in the related industries	14
Technology	Provides insights into the technological developments and the governance of cyber risks	4
Global market experience	Provides insights into the global economic trends and opportunities that CLP can explore	14
Other industries	Brings in other expertise that are applicable across different industries	11
Other listed board roles	Brings in good practices as a board and / or board committee member of listed companies	13
Board / board committees leadership	Board and governance leadership experience are regarded as a strategic asset to the Board and Board Committees	8
Risk & compliance	Risk and compliance are key governance responsibilities of the Board	12
Company executive	Provides insights into executive leadership and the management of CLP's business and operations	8
Public administration	Brings in experience in the areas of governance and stakeholder engagement	1
Professional	Brings in oversight, advisory and operational experience in the respective field of profession	10
▪ Engineering		3
▪ Legal		2
▪ Accounting		6

Note: Multiple professional background and experience may apply to a Director.

Assessment Results of Diversity

The Board is characterised by its strong independence and diversity.

42% The percentage of Directors having served on the Board for over 10 years has reduced to 42% from 47%

21% Gender diversity (female representation) maintained at a high level amongst Hong Kong listed companies

21% The percentage of Directors aged 70 or above is on a downward trend

14% Representation of Executive Directors in the Board remained at a relatively low level

The Board is reasonably diverse in terms of nationality, with resident Directors in countries where CLP has major business and operations

50% Representation of Independent Non-executive Directors maintained at a high level

Disclosure of Conflict of Interest and Independence of Directors

Conflicts

Directors are requested to declare their and their connected entities' direct or indirect interests, if any, in proposals or transactions to be considered by the Board at Board meetings and withdraw from the meetings as appropriate. In 2019, none of the Directors were required to withdraw from meeting in these circumstances.

The Company follows guidelines at each financial reporting period to obtain confirmations from Directors in respect of any transactions of the Company or its subsidiaries which are related to Directors or their connected entities.

In addition, identified significant related party transactions are disclosed in Note 32 to the Financial Statements.

Independence

As required under the Listing Rules, the Company received written confirmations from all of the Independent Non-executive Directors regarding the independence of each of them and their immediate family members.

Among the Independent Non-executive Directors of the Company, three of them hold cross-directorships with other Directors:

- both Mr Vincent Cheng and The Hon Sir Michael Kadoorie serve on the boards of the Company and CK Hutchison Holdings Ltd.; and
- both Mr Nicholas C. Allen and Ms May Tan serve on the boards of the Company and Link Asset Management Ltd.

Given that each of Mr Vincent Cheng, Mr Nicholas C. Allen and Ms May Tan plays a non-executive role and holds less than 1% of the number of issued shares in each of the relevant companies, the Company considers that such cross-directorship would not undermine their independence with respect to their directorships at CLP Holdings.

Our view on independence

The Company is of the view that a Director's independence is a question of fact and this is formally recognised in the Board Diversity Policy. The Board is committed to assessing this on an ongoing basis with regard to all relevant factors concerned. Some of these factors include: the ability to continually provide constructive challenge for management and other Directors and to express one's own views independent of management or other fellow Directors and the gravitas inside and outside the boardroom context. The Company has seen these attributes and behaviour having been demonstrated by our Independent Non-executive Directors as circumstances require.

Taking into account all of the circumstances described in this section, the Company considers all of the Independent Non-executive Directors to be independent.

Details of all Directors and their biographies including, if any, relationship between the members are disclosed on pages 102 to 107 and on our website.

Directors' Shareholding Interests

Directors' interests in CLP's securities as at 31 December 2019 are disclosed in the Directors' Report on page 184. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2019 they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions. CLP's own Code for Securities Transactions is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code.

Management and Staff

CLP recognises the importance of diversity not just at the Board level but throughout the CLP Group. Our respect for people and diversity are embedded in CLP's Value Framework and our Board Diversity Policy has also incorporated the CLP Group Diversity and Inclusion Policy for Senior Management and Staff.

One of the key tasks of CLP's management and staff is the successful implementation of strategy and direction as determined by the Board under the leadership of our Chairman. This includes promoting and "living" the good corporate culture set by our Board over the years. In doing so, they must apply business principles and ethics which are consistent with those expected by the Board, CLP's shareholders and other stakeholders, and these have been documented in our Code of Conduct.

Role of Management and Staff in Promoting Good Corporate Governance Practices

The positions of Chairman and CEO are separate, our CEO has the overall responsibility for carrying out the strategy and direction set by the Board and for managing the Group's business. The delegation of authority by the Board to the Committees, Senior Management and management are prescribed in the form of a "Company Management Authority Manual".

Management and staff adhere to various Group policies that reflect the values and corporate culture of CLP.

Our Management and Staff are subject to CLP Securities Dealing Restrictions.

- We appreciate that some of our staff may in their day-to-day work have access to potentially inside information.
- Our Senior Management and selected members of staff, "Specified Individuals", are subject to securities dealing restrictions in our CLP Code for Securities Transactions.
- Securities Transactions: All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2019 they have complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.
- Shareholding in CLP shares: Save for the interest disclosed by the CEO in the Directors' Report on page 200 and the interest in 600 shares disclosed by the Managing Director – China, the other members of the Senior Management did not have any interests in CLP Holdings' securities as at 31 December 2019.

Senior Management Training and Development

We have a formal procedure in place for reporting the training and continuous professional development of Senior Management. Members of Senior Management have access to a variety of training activities. These include access to online learning and information sources, formal executive development programmes at leading business schools and attendance at executive briefings on matters of topical interest provided through our strategic partnerships with organisations such as Chatham House, École Polytechnique Fédérale de Lausanne, IMD and LUX Research. We also make selective use of systematic and independent executive assessment and coaching processes to assist with identifying individual development needs and provide input to our succession planning decisions.

Participation in Training and Continuous Professional Development of Senior Management in 2019

Senior Management	Attending formal executive development / training programme	Attending expert briefings / seminars / workshops / conferences relevant to the business or their duties	Participating as speakers at events	Access to web based learning resources
Mr Richard Lancaster		O	O	O
Mr Geert Peeters		O	O	O
Mr David Smales [1]		O		O
Mr David Simmonds [2]	O	O	O	O
Ms Quince Chong		O	O	O
Ms Eileen Burnett-Kant [3]		O		O
Mrs Betty Yuen		O	O	O
Mr Chiang Tung Keung	O	O	O	O
Mr Chan Siu Hung		O	O	O
Mr Rajiv Mishra				O
Ms Catherine Tanna		O	O	O

Notes:

1 Mr David Smales joined CLP and was appointed a member of Senior Management on 1 October 2019.

2 During 2019, Mr David Simmonds, the Company Secretary, served as the Vice President, the Vice-Chairman of the Membership Committee, the Chairman of the Company Secretaries Panel, a member of the Technical Consultation Panel and leads the Competition Law Interest Group of The Hong Kong Institute of Chartered Secretaries. He was also a frequent speaker at seminars and has fulfilled the relevant professional training requirements under the Listing Rules.

3 Ms Eileen Burnett-Kant joined CLP and was appointed a member of Senior Management on 3 September 2019.

Shareholders

Shareholders are one of our key stakeholders and from a corporate governance perspective, the importance of the key elements of the relationship can be illustrated as follows:

Shareholders' Rights

- Shareholders have a set of rights including to receive declared dividends and to vote and attend general meetings.
- Shareholders also have the right to convene general meetings and to put forward proposals – details of which can be found in our explanatory notes to the 2020 Notice of AGM and on our website or on request.
- Shareholders can make enquiries with the Board through the Company Secretary via our shareholders' hotline (852) 2678 8228, email at cosec@clp.com.hk or by posing questions at our general meetings.

Our Responsibilities to Shareholders

- The Board and Senior Management recognise their responsibilities to represent the interests of our shareholders as a whole.
- Our goal is to create long-term sustainable value for shareholders; for further details, please refer to the "Shareholder Value" section of this Annual Report.

Other key shareholder information:

- by type and aggregate shareholding – see page 23
- year-end CLP shares public float – see page 23
- coming important dates – see page 27

Our AGM – an important event for our shareholders

- is attended by our Directors, Senior Management and our independent auditor;
- includes a keynote address by our Chairman;
- since 2004, allows resolutions to be voted on by poll (instead of show of hands), the results of which are announced on the same day;
- since 2019, is broadcast live online for our shareholders, providing them with the option of attending or joining our AGM online in addition to the traditional physical attendance at our AGM;
- introduces electronic voting system in 2019 for enhancing efficiency in vote counting process;
- provides an opportunity for our shareholders to raise questions in a dedicated interactive Q&A session; and
- minutes including the Q&A session are published after the meeting.

At our 2019 AGM held on 6 May 2019 at the Grand Ballroom, Level 2, Kerry Hotel, Hong Kong, 38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong, this was well supported by our shareholders with:

- an attendance of about 1,900 shareholders participating in person or online; and
- a high level of votes approving the following major items:
  - the election and re-election of Directors ranging from about 96% to over 99%;
  - the revised levels of remuneration payable to the Non-executive Directors (over 99%); and
  - the general mandate to issue new shares of up to 5% of shares in issue only, at a price not being at a discount of more than 10% to a benchmarked price and to repurchase shares of not more than 10% shares in issue (over 99%).

Communication with Shareholders

At CLP, the importance of an effective dialogue with shareholders and investors has been recognised with the implementation by the Board of a Shareholders' Communication Policy, which is published on our website. This Policy forms the basis for extensive and ongoing engagement with our shareholders and the investment community.

Multiple channels of communication and engagement

Our approach to shareholders communication and engagement:

Channels	2019 Highlights
Annual General Meeting (Led by Chairman and attended by CLP Holdings Board, Senior Management and management team)	▪ Chairman keynote speech ▪ **A hybrid AGM – a first for Hong Kong listed company** ▪ Average attendance in the past five years: **over 1,700 shareholders** ▪ **about 1,900 shareholders** attended in 2019 ▪ High voting approval rate on resolutions considered
2019 Investor Meetings (Led by CEO, CFO and Director – Investor Relations)	▪ Over **200 investor meetings** ▪ **Non-deal roadshows** in Asia, Europe and North America ▪ **One of our Independent Non-executive Directors joined an investor meeting as requested by the investor shareholder organisation**
2019 Shareholders' Visits (Hosted by representatives of CLP Holdings Board, Senior Management and management team)	▪ **86 tours** ▪ **3,077 shareholders** and guests ▪ 6 Family Day Tours ▪ 6 Saturday Half-day Tours ▪ 7 Saturday Tours ▪ 71 Board and management lunch hosts
2019 Analyst Briefings (Led by CEO, CFO and Director – Investor Relations and attended by investment community)	▪ Covering the Company's **interim and annual results** ▪ **A dedicated analyst briefing call** was conducted immediately following the release of a CLP Holdings profit warning announcement
Reports and Announcements	▪ Annual Reports, Interim Reports and Sustainability Reports ▪ Quarterly statements ▪ Announcements and media releases
CLP Website	▪ AGM videos and minutes ▪ Policies and codes ▪ Updates of recent financial information and latest investor information ▪ Analyst briefings materials

These channels allow us to receive feedback from our shareholders and investment community. In addition, we have the shareholders' hotline as well as dedicated investor relations and company secretary email accounts for taking enquiries and for receiving information requests from shareholders.

Reviewing and enhancing shareholders communication

The Audit & Risk Committee is responsible for regularly reviewing the effectiveness of the Shareholders' Communication Policy. The most recent review was undertaken in October 2019 and the effectiveness of the Policy was confirmed.

We strive to further enhance the effectiveness of our communication with our shareholders, by undertaking a number of key measures in this area:

- Conducting our 2019 AGM as a hybrid AGM

  To encourage shareholders' participation at our AGM, we have provided shareholders with the option of attending or joining our AGM online. Our registered shareholders attended our 2019 AGM online with the right to vote and submit questions online. Our non-registered shareholders joined our 2019 AGM online as observers and were invited to submit questions online.

- Broadening our Shareholders' Visit Programme

  The theme of our 2020 programme is "Building a Utility of the Future". To cater for a larger number of younger visitors, we will continue with the "Family Day Tour" during the summer holidays and "Saturday Half Day Tour". Meanwhile, we launched a "Shareholder Referral Scheme" in late 2019 to broaden the shareholder visitor base so that more of our stakeholders can participate in this unique and meaningful programme catered specifically for our shareholders.

- Strengthening our engagement with institutional investors

  We communicate with institutional investors on CLP's performance and corporate governance practices on an ongoing basis:

  - a series of meetings were held where our CEO and / or CFO met with equity analysts and institutional investors;
  - investor briefings for our 2018 Annual Results and 2019 Interim Results were well attended in person and through the webcast;
  - engagement with proxy advisors and institutional investors were conducted after the publication of our 2018 Annual Report and before the 2019 AGM;
  - a call with an institutional investor was conducted with the attendance and participation by one of our Independent Non-executive Directors;
  - an analysts call was conducted immediately following the release of a CLP Holdings profit warning announcement on 20 June 2019; and
  - in Hong Kong, we also conducted meetings with private banking client advisors to improve their ability to reach out to high net worth investors.

- Engaging with targeted stakeholders on ESG directly

Group Internal Audit

CLP's Group Internal Audit (GIA) department plays a major role in monitoring the internal governance of the CLP Group. The head of the department, Senior Director – GIA, leads a well-resourced department of 28 highly qualified professional staff. For detailed tasks of the department, please see the CLP Code on the CLP website.

The Senior Director – GIA is a member of the Group Executive Committee, who reports directly to the Audit & Risk Committee and the CEO and has direct access to the Board through the Chairman of the Audit & Risk Committee. The Senior Director – GIA has the right to consult the Audit & Risk Committee without reference to management.

Independent Auditor

The Group engages PwC (Certified Public Accountants and Registered Public Interest Entity (PIE) Auditor) as our external independent auditor and we regard their independence as a fundamental governance principle.

How the Group ensures the independence of the external auditor:

- The lead audit partner of PwC is subject to rotation every seven years (as per The Independent Federation of Accountants rules on independence of external auditors).
- As part of the rotation, the current lead audit partner was first appointed for the 2014 financial year-end audit and he did not have any involvement in CLP Group for 10 years prior to the appointment in 2014.
- PwC is required to give an annual confirmation on their independence.
- The Audit & Risk Committee will assess PwC's independence in considering their re-appointment.

In addition, PwC will not be engaged to perform non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit & Risk Committee or its delegates. There must be clear efficiencies and value-added benefits to CLP from the work being undertaken by PwC, with no adverse effect on the independence of their audit work, or the perception of such independence.

During the year, PwC provided the following audit and permissible audit related and non-audit services to the Group:

	2019 HK$M	2018 HK$M
Audit	**39**	39
Permissible audit related and non-audit services		
Audit related services (including Sustainability Report assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, assurance and agreed-upon procedures related to debt offerings, audits of CLP's provident funds and auditor's attestation)	**7**	8
Non-audit services (including tax advisory and other services)	**2**	1
Total	**48**	48

(For these purposes, **permissible audit related and non-audit services** include any entity under common control, ownership or management with PwC or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.)

The fees of PwC and other non-principal external auditor are shown in Note 5 to the Financial Statements.

For the year ended 31 December 2019, the fees for permissible audit related and non-audit services accounted for 15% and 4% of the total fees respectively.

Other Stakeholders

Good governance requires due regard to the impact of business decisions (including environmental impact), both on shareholders and on other key stakeholders. This Annual Report and our Sustainability Report, available on the CLP website, explain how we discharge our responsibilities to employees, customers, lenders, the environment and the communities in which we operate.

Risk Management and Internal Control Systems

Effective risk management and internal control systems help the organisation anticipate its risk exposure, put controls in place to counter threats, and effectively pursue the set objectives. They are therefore an essential part of an organisation's operation and governance processes. This section explains (and contains cross references) the key features of our risk management and internal control systems.

Risk Management Framework

CLP's overall risk management framework is overseen by, and is the responsibility of, the Board, through its Audit & Risk Committee, and comprises four key elements.

Risk Management Philosophy	Risk Governance Structure	Risk Management Process	Risk Appetite
CLP recognises that risk management is the responsibility of everyone within CLP and thus it is integrated into the business and decision-making process.	Clear roles and responsibilities are assigned to multiple layers within the organisation. This structure facilitates risk identification and escalation.	Through an integrated top-down and bottom-up risk review process, which enables risks identification and prioritisation throughout the Group, management maintains an open and effective communication channel to enable the timely escalation of material risk and adequate supervision of risk mitigation.	The nature and extent of the risks that the Group is willing to undertake in pursuit of its strategic and business objectives.

The way we manage risk is set out in the Risk Management Report on page 141.

Internal Control Framework

CLP structure of internal control is based on the internationally recognised COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 integrated framework. Our internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement. CLP Corporate Governance Structure is consistent with our Risk Governance Structure – see page 142.

The **Board of Directors**, through the **Audit & Risk Committee**'s review, is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The reviews cover management's assessment on the key business operations, changes in material risks, internal controls, audit and compliance issues.

GIA provides independent assurance to the Board on the adequacy and effectiveness of internal controls for CLP. They adopt a risk-based approach, concentrating on areas with significant risks or where significant changes have been made. GIA is equipped with well qualified and capable staff with access to all the data and operations of the Group.

The **CEO** and the **Group Executive Committee** have primary accountability to the Board in ensuring that robust risk management and internal control systems are established and functioning effectively. Such responsibility is discharged by exercising structured and continuous monitoring and oversight across the Group.

Group Functions establish relevant group-wide policies and procedures, oversee the risk and control activities of Business Units relevant to their respective functions.

Control Owners (Business Units, Functional Units and individuals) are primarily responsible for the design, implementation, and maintenance of risk management and internal control systems within his/her own area of responsibility. These systems are supported by well-defined policies and procedures, properly established and communicated, which reflect the values and corporate culture of the Group.

Management Assurance on Internal Control Systems

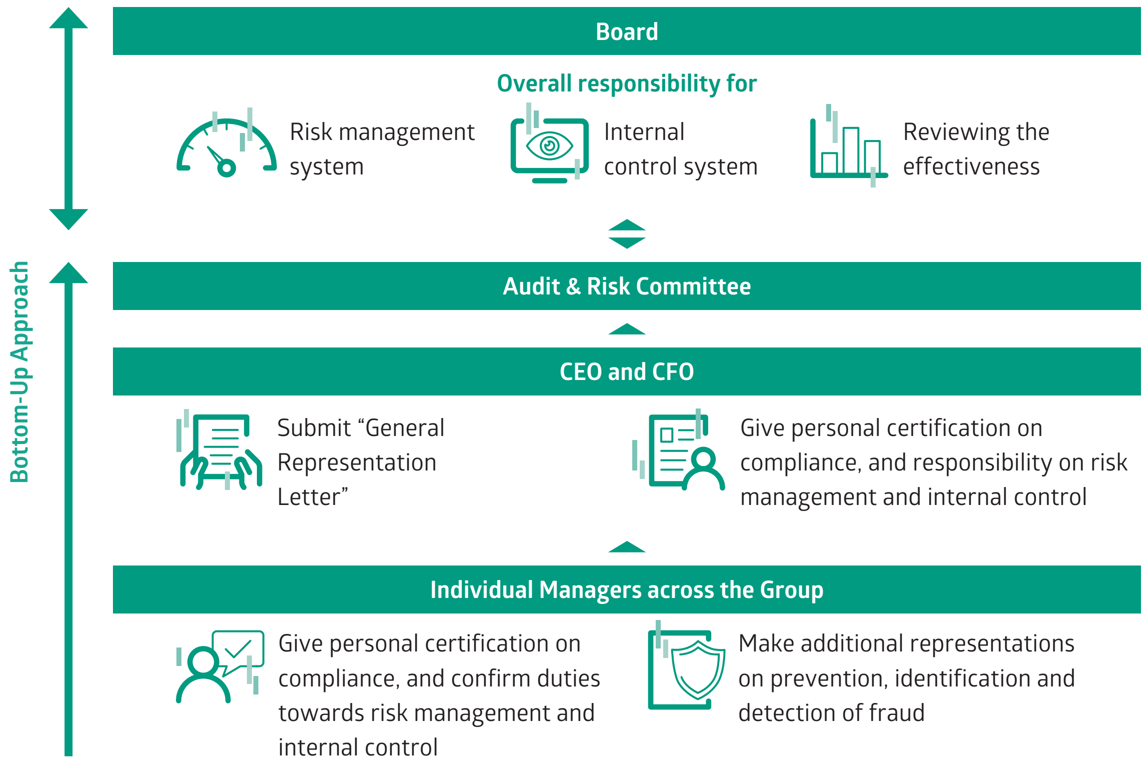
Management and designated staffs evaluate the control environment and conduct risk assessments on business and processes. Material risks and associated controls, including mitigation when needed, are continually reviewed and updated. The Board is regularly informed of significant risks that may have an impact on CLP's performance. Regular management briefings and "deep dive" presentations are presented to the Audit & Risk Committee, as set out in the Audit & Risk Committee Report on page 152.

Our internal control review process continues to follow the substance of the requirements under the Sarbanes-Oxley Act on internal controls over financial statements. Three times a year, management provides internal control review updates to the Audit & Risk Committee which cover the scoping of significant processes and controls, assessment on controls design and operating effectiveness. High risks key controls are required to be tested annually by management while lower risk key controls are tested on rotational basis. Control owners are then able to represent to Senior Management that their internal controls are working as intended, or that necessary corrections have been made where control weaknesses are identified. The independent auditor also tests the key controls to the extent that they will be relied on for the audit.

Internal audit issues identified and associated remedial actions are followed up for proper implementation, and the progress is reported to the Audit & Risk Committee periodically.

Management is also requested to deliver a personal representation on compliance to major policies and procedures, and areas of concern, to confirm duties towards risk management and internal controls, and to make additional representations on prevention, identification and detection of frauds, among others. This General Representation Letter Process provides assurance to the CEO and CFO when preparing their personal representation statement, to be submitted to the Board, through the Audit & Risk Committee.

CLP's General Representation Letter Process



Effectiveness of Risk Management and Internal Control Systems

Through the Audit & Risk Committee's review, the Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness.

The review process

Five times a year, the Audit & Risk Committee reviews management's findings and the opinion of GIA on the effectiveness of the Company's risk management and internal control systems. The reviews cover management's assessment of the internal controls of key business operations, changes in material risks, internal control and compliance issues (both financial and non-financial) and significant issues arising from internal and the external audit reports.

For the year ended 31 December 2019, the Board considered the risk management and internal control systems of the Group to be effective and adequate. No significant areas of concern that might affect shareholders were identified.

Inside Information

We have our own Continuous Disclosure Obligation Procedures which set out the procedures and controls for handling and dissemination of inside information. The Procedures are on the CLP website. Our Continuous Disclosure Committee (established in 2016) conducted regular assessment of potential inside information. The members of the committee include the CEO, CFO, the Company Secretary and the Director – Investor Relations. Please also see "Our disclosure" on page 113.

CLP Holdings issued a regulatory profit warning announcement informing the market of a possible goodwill impairment. This Committee spent a considerable amount of time in assessing and preparing this announcement. The Committee convened additional meetings and as a Committee, this was a useful platform for the Members to discuss and consider the timing and the contents of the regulatory disclosure announcement. Members of the Committee also briefed the Audit & Risk Committee on the announcement, in particular, the timing of the release of the announcement.

Corporate Governance – Continuing Evolution and Disclosure

Our own corporate governance practices evolve, not only in line with local requirements, but through our own experience and by reference to international developments. Through this Corporate Governance Report, the CLP Code and the Corporate Governance section of our website, we offer a comprehensive view of our practices and policies and how these are developing. Our objective is that, at all times, our corporate governance meets our shareholders' expectations and serves their interests.

We will continue to review and, where appropriate, improve on our corporate governance practices in light of our experience, regulatory requirements and international developments.

By Order of the Board

David Simmonds

Company Secretary

Hong Kong, 24 February 2020

Risk Management Report

Effective risk management that takes into account the need to balance risks and opportunities is critical to the long-term growth and sustainability of CLP's business.

CLP's Risk Management Framework

Risk is inherent in CLP's business and the markets in which it operates. CLP aims to identify risks early so they can be understood, managed, mitigated, transferred, or avoided. This demands a proactive approach and an effective group-wide risk management framework. The risk management framework at CLP comprises four key elements:

1. Risk management philosophy
2. Risk appetite
3. Risk governance structure
4. Risk management process

CLP's Risk Management Philosophy

CLP recognises that risk management is the responsibility of everyone within the Group. Risk management is therefore integrated into all business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.

CLP has clear risk management objectives:

- At a **strategic level**, CLP focuses on the identification and management of material risks inherently associated with the pursuit of the Group's strategic and business objectives. In pursuing growth opportunities, CLP aims to optimise risk and return decisions as defined and quantified through diligent and independent review and challenge processes.
- At an **operational level**, CLP aims to identify, analyse, evaluate, and mitigate all operational hazards and risks. It does this in order to create a safe, healthy, efficient, and environmentally-friendly workplace for employees and contractors while ensuring public safety and health, minimising environmental impact, and securing asset integrity and adequate insurance.

CLP's Risk Appetite

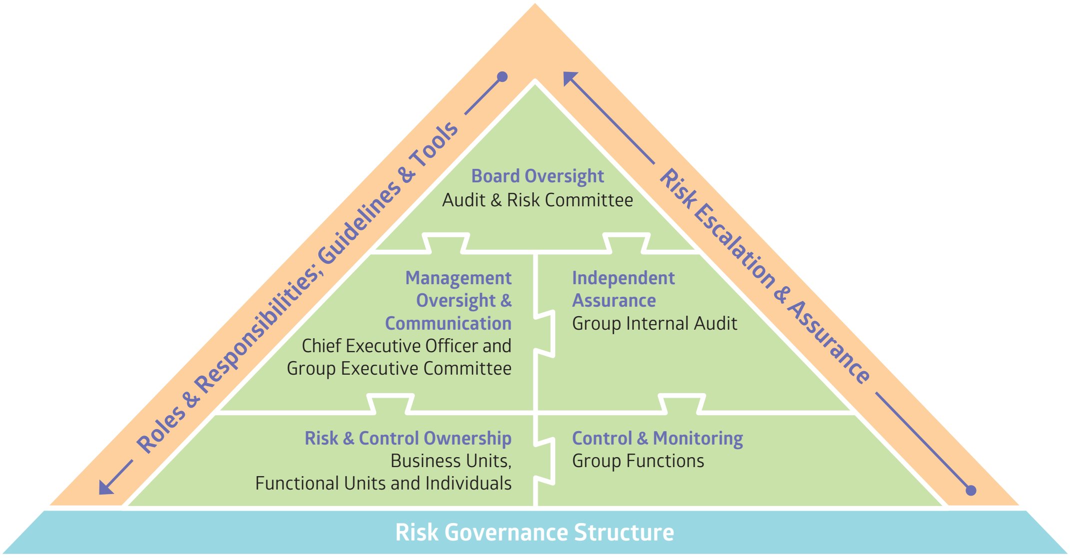
CLP's risk appetite represents the nature and extent of the risks the Group is willing to undertake in pursuit of strategic and business objectives. In line with CLP's Value Framework and the expectations of stakeholders, CLP only takes reasonable risks that fit its strategy and capability, can be understood and managed, and do not expose the Group to:

- Hazardous conditions affecting safety and health of employees, contractors, and/or the general public;
- Material financial loss impacting the financial viability and strategy execution of the Group;
- Material breach of external regulations leading to loss of critical operational and business licences, and/or substantial fines;
- Material damage to the Group's reputation and brand name;
- Business or supply interruptions leading to severe impact on the community;
- Severe environmental incidents.

CLP's Risk Governance Structure

CLP's risk governance structure:

- Facilitates risk identification and escalation while providing assurance to the Board.
- Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.
- Adopts the **Five Lines of Assurance** approach as explained below:



Board Oversight

The Audit & Risk Committee, acting on behalf of the Board:

- Evaluates and determines the nature and extent of the risks the Board is ready to endorse in pursuit of the Group's strategic objectives;
- Ensures an appropriate and effective risk management framework is established and maintained;
- Oversees management of risk identification, reporting, and mitigation efforts.

Independent Assurance

The Group Internal Audit:

- Carries out independent appraisal of the effectiveness of the risk management framework.

Management Oversight and Communication

The Chief Executive Officer and the Group Executive Committee:

- Provide leadership and guidance for the balance of risks and opportunities;
- Review and report to the Board through the Audit and Risk Committee on the material risks affecting the Group as well as their potential impact, their evolution, and mitigating measures;
- Ensure that a review of the effectiveness of the risk management framework has been conducted at least annually and provide confirmation of this to the Board through the Audit and Risk Committee.

Control and Monitoring

Group Functions: Finance, Risk Management, Internal Control, Tax, Operations, Information Technology, Legal, Human Resource, Sustainability

- Establish relevant group-wide policies, standards, procedures, and guidelines;
- Oversee the risk and control activities of business units relevant to their respective functions.

Risk and Control Ownership

Business Units, Functional Units, and Individuals:

- Are responsible for identifying and assessing key risks in their areas of responsibility, making effective risk management decisions, establishing risk mitigation strategies, and promoting a risk-aware culture;
- Carry out risk management activities and reporting in their day-to-day operations and ensure risk management processes and mitigation plans follow good practices and guidelines established by the Group;
- Appoint risk managers or coordinators to facilitate communication, experience sharing, and risk reporting.

Group Risk Management

Our Group Risk Management function is tasked with:

- Implementing the Group's Risk Management Framework, and assisting business units in implementing their own frameworks;
- Managing regular risk review and risk reporting processes of the Group;
- Facilitating independent risk appraisal for projects seeking endorsement by the CLP Holdings Investment Committee;
- Facilitating risk communication, experience sharing, and risk reporting.

CLP's Risk Management Process

- **Integration is the key.** The process is integrated into business and decision-making processes, including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control, and day-to-day operations.
- **Starts with understanding the external environment and megatrends** which may have significant implications to CLP's business and markets.
- **The core process involves:**
  - ✓ Establishing scope, context, and risk criteria;
  - ✓ Identifying risks based on relevant, appropriate and up-to-date information;
  - ✓ Analysing risks with detailed consideration of risk sources, consequences, likelihood, events, scenarios, and existing controls and their effectiveness;
  - ✓ Evaluating risks against the established risk criteria to rank them and prioritise management efforts;
  - ✓ Developing control and mitigation plans.

- **Communication and Consultation:** It is a continuous and interactive process involving communication and consultation with stakeholders.
- **Monitoring and review:** It is subject to regular monitoring and review according to the established risk governance structure and process.
- **Recording and Reporting:** The process and its outcomes are documented and reported to facilitate communication and provide information for decision-making.

Megatrends

CLP recognises that certain external global trends could have a significant impact on its operating environment. These megatrends encompass significant political, economic, social, environmental and technological changes, and could rapidly evolve, changing the context in which the company operates. This is why they are important in the process of identifying risks that could affect CLP's strategy execution and operational performance.

Based on the megatrends analysis, the below are the most relevant for the company. Specific risks identified under each topic are assessed in the integrated risk management process.

- Climate change mitigation and adaption
- Technology as an enabler and a disruptor
- Risks to cyber security and data privacy
- Ever-changing operating environments require an agile, inclusive, and sustainable workforce

Detailed discussions on CLP's responses to these topics and future outlook are set out in the 2019 Sustainability Report.

Risk Management as an integral part of CLP's business and decision-making processes – Examples

Quarterly Risk Review Process at Group Level

An integrated top-down and bottom-up risk review process

CLP adopts an integrated top-down and bottom-up risk review process to enable:

(1) Comprehensive identification and prioritisation of all material risks throughout the Group;

(2) Containment of material risks at the right managerial level;

(3) Effective risk dialogue among the management team;

(4) Proper governing of risk mitigation efforts.

Top-down Process

- At the Group Risk Management quarterly meetings, members of the Group Executive Committee discuss the top-tier risks and examine any other risk issues they consider important. This dialogue offers an opportunity for management to identify and respond to emerging risks early on, voice risk concerns, share risk insights, and seek risk management guidance.
- Group Risk Management facilitates the review of emerging risks by compiling relevant information from both internal and external sources.
- Emerging risks that are identified and considered material are further assessed and monitored by relevant business units or group functions.

Bottom-up Process

- CLP's business units and group functions are required to submit their lists of material risks identified through their risk management process to Group Risk Management on a quarterly basis.
- Through a diligent process of aggregation, filtering, prioritising, and consultation, Group Risk Management compiles a Quarterly Group Risk Management Report for review and discussion by the Group Executive Committee.
- Upon approval, the report is submitted to the Audit & Risk Committee on a quarterly basis. 'Deep dive' presentations on selected risks are presented to the Audit & Risk Committee for more detailed review.

Risk Review Process for Investment Decisions

- CLP adopts a multi-gated system of periodic project appraisals during development and investment cycles.
- CLP requires independent, multi-disciplinary review of any investment proposal. Independent risk appraisal by Group Risk Management is part of the investment review process.
- Group Risk Management ensures a detailed project risk assessment is carried out for each investment project. Detailed checklists and worksheets are used to identify risks and mitigations and to assess risk levels. Material risks and associated mitigations are highlighted and discussed at the Investment Committee, chaired by the CEO.

Risk Management Integrated with Internal Control Systems

- Risk management is closely linked to CLP's Integrated Framework of Internal Control. Key controls are subject to testing in order to assess their effectiveness. Details on Internal Control are set out in the Corporate Governance Report on pages 138 to 139.

Risk Management in the Business Planning Process

- As part of the annual business planning process, business units are required to identify all material risks that may impact the delivery of their business strategy and objectives. Overarching strategic risks to the Group are also reviewed. Identified risks are evaluated based on the same set of risk criteria as the quarterly risk review process and plans to mitigate the identified risks are developed. The material risks listed on pages 145 to 150 have been laid out in CLP's 2019 business planning process.

Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP categorises its risk profile into five key risk areas: Regulatory, Financial, Market, Commercial, and Industrial and Operational. CLP's 2019 business planning process has identified the following areas as material risks to the Group:

Climate Change Risks

Climate change risks are embedded in CLP's risk management process and risk register. CLP identifies, assesses, and manages climate change risks alongside all other types of risk as part of its Risk Management Framework. It has established risk profiling criteria to help assess and prioritise each identified risk according to its consequence and its likelihood. In assessing the consequence of a risk, CLP considers both financial and non-financial types of consequences including: Safety and Health, Environment, Regulatory and Governance, Reputation, Financial and Operations and Systems.

According to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), climate change risks can be classified into two major categories:

- **Transition risks** – Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, and may pose varying levels of financial impacts as well as reputational risk to the Group.
- **Physical Risks** – Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns, causing direct damage to assets and indirect impacts from supply chain disruption.

The Group Top-Tier Risk tables on pages 146 – 150 indicate the risks with either **Transition** or **Physical** risk drivers, or both.

Additional References: pages 21 – 22 in CEO's Strategic Review, 95 – 96 in Natural Capital.

Regulatory Risk

In Hong Kong, CLP's capability to achieve more stringent performance targets and new incentives under the new Scheme of Control Agreement presents a short-term regulatory risk exposure while the risk of adverse regulatory changes in the medium to longer term remains possible.

The Group's Australian business continues to face regulatory challenges on numerous fronts which may restrict the margin recovery and increase the complexity as well as the cost of market operations. The implementation of regulated default market offers on 1 July 2019, which mandates lower, regulated "safety net" retail tariffs, led EnergyAustralia to record a one-off, non-cash goodwill impairment.

In Mainland China, the implementation of power sector reforms gathered pace in 2019. Authorities released the Renewable Portfolio Standard which sets provincial renewable energy targets from 2020. The trial operations of the electricity spot market have also started in eight provinces.

CLP manages by:

a) Close monitoring of regulatory development and market/public sentiment;

b) Working constructively with governments to advocate our position on regulatory changes;

c) Implementing comprehensive stakeholder engagement plans to facilitate sensible and informed discussion on regulatory matters;

d) Mobilising internal resources to ensure timely responses to regulatory changes and maintaining regulatory compliance and oversight;

e) Communicating and highlighting the importance of a balance between a reliable and safe supply, care for the environment, and reasonable tariffs;

f) Reinforcing CLP's efforts in caring for the community and promoting energy efficiency.

Group Top Tier Risk – Regulatory	Changes in 2019	Additional References
Uncertain regulatory changes impacting EnergyAustralia (Transition Risk)	↑	Pages 21, 63 – 64
Regulatory and political risk of Hong Kong business (Transition Risk)	⟷	Pages 41 – 46
Uncertain impact of Mainland China power sector reforms (Transition Risk)	⟷	Page 53
Challenge of future tariff adjustments for Hong Kong business (Transition Risk)	↑	Page 41

↑ Risk level increased

↓ Risk level decreased

⟷ Risk level remains broadly the same

Transition Risk

Physical Risk

Financial Risk

CLP's investments and operations, which are long-term in nature, are exposed to financial risks in the areas of cash flow and liquidity, credit and counterparty risks, interest rate risks, and foreign currency risks.

Group-level earnings may also be impacted by marked-to-market fair value movements as some of CLP's economic hedges do not qualify for hedge accounting according to the Hong Kong Financial Reporting Standards.

Volatile foreign exchange and equity markets have further increased the cost of securing financing for CLP's operating and development projects.

In 2019, credit ratings of CLPH and CAPCO remained unchanged with stable outlooks.

CLP manages by:

a) Maintaining strong investment grade credit ratings and preserving a healthy capital structure;

b) Soliciting adequate and cost-effective funding;

c) Securing debt funding diversity and maintaining an appropriate mix of committed credit facilities;

d) Maximising the use of local funding options;

e) Hedging most transactional foreign currency exposures in line with CLP's Treasury Policy;

f) Pursuing "natural hedge" by matching the currency of revenue, cost, and debt as well as ensuring project level debt financing is denominated in and/or swapped into a functional currency;

g) Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on bank's credit standing, and ensuring non-recourse to CLPH for counterparties of CLPH's subsidiaries and affiliates;

h) Maintaining good, trustworthy relationships with lenders (banks and bondholders);

i) Ensuring transparency in financial communications and disclosures.

Group Top Tier Risk – Financial	Changes in 2019	Additional References
Foreign currency risk associated with the Group's investments	⇦ ⇨	Pages 72 – 76, 282 – 283, 288 – 290
Group's liquidity risk of adequate funding	⇦ ⇨	Pages 72 – 76, 285 – 287
Default of Group's financial counterparties	⇦ ⇨	Pages 72 – 76, 285

Market Risk

In Australia, the retail market remains intensely competitive while the continuation of high and volatile wholesale prices has raised the costs of procuring energy, impacting CLP's supply costs.

In Mainland China, changes in the structure of the economy, tighter environmental rules, oversupply and increasing market sales through competitive bidding have led to lower tariffs, mostly affecting earnings of the thermal power plants.

CLP manages by:

a) Managing market offers (e.g. pricing) and other service differentiators for customer acquisition and retention;

b) Actively managing CLP's wholesale energy portfolio and implementing hedging strategies to align wholesale and retail positions;

c) Following approved energy risk policy, with energy market transactions subject to approved limits and controls;

d) Exploring different revenue streams and value-added services for customers; continuing business innovations to meet evolving customer needs;

e) Improving current operations, fuel procurement, and development strategy while closely monitoring operating cash flow in view of market volatility;

f) Investing in plant reliability and upgrades and delivering good plant performance;

g) Specific to Mainland China:

- Proactively engaging with governments to advocate our position on coal supply issues, tariff adjustments, and dispatch;
- Pricing market sales at an optimal margin to secure more generation and maintain higher dispatch priority;
- Pursue steam sales to increase plant usage.

Group Top Tier Risk – Market	Changes in 2019	Additional References
Energy market volatilities impacting EnergyAustralia	⬅ ➡	Pages 63 – 64, 69, 284
Volume risk, tariff risk and coal supply issues affecting Fangchenggang power station	⬇	Pages 49 – 51

Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. It is important to ensure that CLP's trading partners or counterparties are reliable, financially healthy, and willing to abide by the contracts.

Currently, commercial disputes with offtakers over the implementation of power purchase agreements (PPAs), counterparties' financial health, value chain interruption such as fuel supply and ash disposal, reduced energy margins, and price volatility are key commercial risks impacting CLP. Cash flow from renewable energy projects also suffers from payment delays in Mainland China and India.

CLP manages by:

a) Diligently pursuing resolution of payment delays and disputes with offtakers;

b) Monitoring the financial health of our counterparties including offtakers, fuel suppliers, equipment suppliers, engineering, procurement, construction (EPC) companies, and operation and maintenance contractors;

c) Liaising with fuel suppliers to mitigate ongoing sources of environmental, economic, operational, delivery and credit risks affecting fuel supply security; pre-establishing contingency planning for potential supply disruptions;

d) Diversifying fuel sources and fuel procurement strategy in order to secure a stable supply of fuel at competitive cost;

e) Reviewing the merit order of plants and ensuring their competitiveness in the long run.

Group Top Tier Risk – Commercial	Changes in 2019	Additional References
EnergyAustralia's Mount Piper coal supply risk	⇐ ⇒	Pages 21, 64
Major commercial disputes with offtakers over PPAs in India	⇐ ⇒	A provision was made in the financial statements. See contingent liability disclosure on pages 276 – 277
Hong Kong gas supply security	⇐ ⇒	Pages 20, 42 – 43
Counterparty risk of Indian EPC and O&M contractors	⇐ ⇒	Page 277
Delay of tariff payments in India and renewable energy subsidies in China	⇐ ⇒	Pages 49, 59
Litigation related to EnergyAustralia's Iona gas plant disposal	⇐ ⇒	Page 277

Industrial & Operational Risk

CLP's operations are exposed to a variety of industrial and operational risks relating to Health, Safety, Security and Environment (HSSE) incidents, plant performance, human capital, data privacy, cyber security, and extreme weather events as a result of climate change.

Social turmoil in Hong Kong could pose potential security threats to Hong Kong facilities, impacting employee safety and supply reliability.

CLP manages by:

a) Implementing a HSSE improvement plan, involving all stakeholders, to rethink risks, and build and promote a sound safety culture across the Group and with contractors and sub-contractors. A group-wide initiative targets the elimination of exposure to serious injuries and fatalities through specific interventions;

b) Planning and implementing operations and system reinforcements where necessary in order to maintain high operational and emissions performance;

c) Maintaining emergency response and crisis management plans with regular drills;

d) Implementing a group-wide Project Management Governance System to facilitate a consistently safe, timely and cost-effective delivery of high-quality projects;

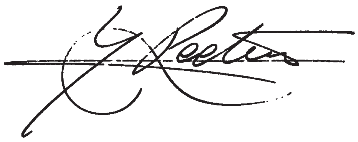
e) Implementing appropriate controls, technologies and practices at all levels to mitigate cyber security risks so as to (i) avoid disruption to energy supply systems (ii) protect confidentiality, integrity and availability of information assets (iii) protect customer data privacy and prevent leakage of sensitive data, and (iv) comply with the necessary regulatory requirements.

Group Top Tier Risk – Industrial & Operational	Changes in 2019	Additional References
Major HSSE incidents at construction or operating plants	⬅➡	Pages 16, 22, 45, 51, 57, 67, 84 – 85, 97 – 99
Cyber security – Breach of integrity or availability of operational technology systems	⬅➡	Pages 78, 156
Cyber security – Breach of information technology systems	⬅➡	Pages 78, 156
Hong Kong social turmoil affecting CLP Power	*New*	Page 44
Performance risk of wind power projects	⬅➡	Pages 49 – 50, 55– 56
Extreme weather events	⬅➡	Pages 21 – 22, 80
Delays in Hong Kong major projects delivery	⬆	Page 42
EnergyAustralia's commercial loss due to plant unavailability	⬅➡	Page 64

Effectiveness Review of Risk Management and Internal Control Systems

CLP adopts the Five Lines of Assurance approach to coordinate and optimise its risk and assurance efforts as described on pages 142 to 143 of this Report. Combined assurance includes Board oversight by the Audit & Risk Committee, management oversight by the CEO and the Group Executive Committee, independent assurance by internal audit, control and monitoring by group functions, and risk and control ownership by business units. It should be acknowledged that CLP's risk management and internal control systems are designed to manage rather than eliminate the risk of failure in achieving our strategic and business objectives, and can only provide reasonable, but not absolute, assurance against material loss or misstatement.

The Audit & Risk Committee, on behalf of the Board, has reviewed the effectiveness of the Group's risk management and internal control systems during the period covered by this Annual Report. The details of the effectiveness review are described in the Corporate Governance Report on page 140 and the Audit & Risk Committee Report on page 155.



Geert Peeters
Executive Director & Chief Financial Officer
Hong Kong, 24 February 2020

Audit & Risk Committee Report

Members

The Members of the Audit & Risk Committee are appointed from the Independent Non-executive Directors by CLP Holdings' Board of Directors. The Independent Non-executive Directors who served on the Committee during the reported period (full year 2019 and in 2020 up to the date of this Report) (the Period) were:

- Mr Vernon Moore (the Chairman);
- Mr Nicholas C. Allen;
- Mrs Fanny Law; and
- Ms May Siew Boi Tan.

Biographies of the Members are set out on pages 102 to 107 and on the CLP website.

In the course of performing its role and function, the Committee must work closely with the auditors and management-level group functions. As such, in addition to the Members, regular attendees at the Committee's meetings were:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Financial Officer – Mr Geert Peeters;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Senior Director & Group Controller – Mr Pablo Arellano, who was appointed to this position on 1 October 2019 following the retirement of Mr Benjamin Lau, Senior Director – Group Financial Control on 30 September 2019;
- Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu; and
- Independent Auditor – Mr Sean Tuckfield, the Engagement Partner, and others from PwC.

Other members of management attended the Committee meetings from time to time to make presentation and discuss matters of interest to the Committee.

Meetings and Attendance

During the Period, the Committee held six meetings in 2019 and another two meetings were held in 2020 up to the date of this Report. The Chairman met regularly and individually with each of PwC, the Senior Director – GIA and the CFO. The Committee introduced a new practice of commencing the Committee meeting with scheduled sessions in the absence of management for the Committee Members and PwC as well as sessions for Committee Members only. Two private meetings between Committee Members and PwC were held and four sessions for Committee Members only were held during the Period.

Individual attendance of Members for the 2019 meetings is set out in the Corporate Governance Report on page 124.

Highlights of the Committee's Work

The primary task of the Committee is to ensure the integrity of CLP's financial reports so a great deal of time was spent upon examining the assumptions upon which they are built, and the control systems, procedures and audits that give assurance to the Committee and the Board that all is well. This can be seen in the key matters considered by the Committee set out in the table below.

One of the most significant judgements considered in the year was the need for, and size of, the impairment of the goodwill paid for the retail business of EnergyAustralia. The fact that this might become an issue was referred to the Committee as soon as it became apparent, as a result the Committee was able to follow the situation as it developed. In the final stages of our deliberations as to the acceptability of the proposed impairment we had available the detailed work not only of management, but also the attention to the issue by the EnergyAustralia Audit and Risk Committee (ARC) described below and the advice of the independent auditor.

CLP has a sophisticated and thorough system to identify and classify risks to the business. The result is scrutinised carefully by the Committee so many questions are asked for clarification to fully understand the implications and mitigants. Today the range of potential risks is widening in sometimes unexpected directions. One example is the legislative changes that were an important contributor to the need for the EnergyAustralia retail impairment; also in Australia, the Committee asked for a briefing on the effect of bushfires on our business in Australia; in Hong Kong, we were briefed on the effect of social unrest in the second half of the year, and in 2020, the impact of the coronavirus situation.

The Committee has continued a strong interest in safety (being the top risk), and cyber security. We monitored the performance of these areas closely and received regular briefings. One matter of concern is the safety record of the major project in Hong Kong called "D1" on which the Committee has called for a number of briefings. It is excellent that the CLP Board has taken a keen interest in these topics and has requested reports on health and safety and cyber security, so all Directors are informed.

The Committee does not believe we can be effective by just receiving reports and sitting in a boardroom. To be effective, Members need to see and understand the business on-the-ground and meet its management.

In this spirit, the Committee Members visited in 2019 the Yangjiang nuclear plant in Mainland China when Unit 6 was then close to commissioning; and later in the year to the Yallourn power plant in Victoria Australia, and at the same time met the EnergyAustralia management team and its local audit team.

The following table shows the key topics the Committee considered at its meetings held during the Period:

	2019						**2020**	
	Jan	Feb	Apr	Jun	Jul	Oct	**Jan**	**Feb**
Risk Management, Internal Control and Compliance								
Quarterly risk management report		○	○		○	○		○
In depth briefing on high risks and processes								
▪ health and safety	○						○	
▪ cyber security				○		○		
▪ CLP India land acquisition process					○			
▪ EnergyAustralia payroll function and system						○		
Internal control review update		○		○		○		○
Management's general representation letter		○			○			○
Outstanding internal audit issues		○	○	○	○	○		○
Legal and regulatory compliance		○			○			○

	2019						2020	
	Jan	Feb	Apr	Jun	Jul	Oct	**Jan**	**Feb**
Interim and Annual Financial Reports								
Annual and interim financial statements and reports		○			○			○
Assessment of critical accounting and judgemental issues	○	○		○	○		○	○
Sustainability Report data assurance review		○				○		○
Internal and External Auditing								
Internal audit results and audit issues		○	○	○	○	○		○
Internal audit administered policies and practices				○				
Ethical and controls commitment surveys			○					
PwC's audit report, audit plan and audit progress	○	○	○	○	○	○	○	○
Audit fees and non-audit engagements by auditors		○			○			○
Corporate Governance								
Corporate governance trends, developments and related policies						○		
Code of Conduct and whistleblowing cases		○	○	○	○	○		○
Continuing connected transactions		○						○

EnergyAustralia

CLP's subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors, distinct from CLP's Independent Non-executive Directors.

The EnergyAustralia board has established an ARC that carries out the functions of an audit and risk committee for EnergyAustralia's business. It is led by a very experienced chairman and its members are EnergyAustralia's non-executive directors independent of EnergyAustralia's management.

The Committee's work with respect to the operations of EnergyAustralia is strengthened and supplemented by this highly experienced EnergyAustralia ARC. There is an open invitation between this Committee and the EnergyAustralia ARC for members to attend the other committee's meetings.

During the Period, the Chairman of the Committee participated in three EnergyAustralia ARC meetings and the Chairman of EnergyAustralia ARC participated in one meeting of the Committee. The Committee Members also had the opportunity of meeting with members of the EnergyAustralia ARC informally.

In the Committee's assessment of the goodwill impairment of EnergyAustralia's retail business unit – the key factor in the impairment of its associated goodwill in the interim accounts, the briefing session was presented by EnergyAustralia's management and was joined by the EnergyAustralia ARC Chairman as well as EnergyAustralia's auditor representative. As the value of the retail business had been considered in depth by the EnergyAustralia ARC, the EnergyAustralia ARC Chairman's insights into how the possible ways the business might develop in the future and the complexity of the judgements being made were invaluable to this Committee.

Summary of Work Done

The Committee's key areas of focus for the Period are set out below. This also illustrates the manner in which the Committee discharges its responsibilities.

Areas of focus	
Risk Management, Internal Control and Compliance	
Risk management and internal control	The Committee received and reviewed management's periodic internal control review updates and the Group's quarterly risk management reports. To provide further assurance to the Committee regarding the effectiveness of the risk management and internal control systems, the CEO and CFO provided to the Committee General Representation Letters describing the state of internal control and other matters prior to the publication of the interim and annual financial statements (see page 139 for further details regarding the General Representation Letters). The Committee's monitoring of the risk management and internal control systems were greatly assisted by GIA and by the independent auditor's report of their testing of the control environment of the Group. During the Period, no internal control issue that would be material to the integrity of the financial statements was identified. The Committee was satisfied that the Group's risk management and internal control systems were effective and adequate for the Period. *Deep Dive Briefings* During the Period, the Committee requested deep dive briefings from management on the following topics: ▪ EnergyAustralia's retail pricing regulation; ▪ CLP Power Hong Kong major infrastructure projects management; ▪ CLP India land acquisition process; ▪ EnergyAustralia payroll function and system; ▪ cyber security – presented by the new Senior Director – Group Information Security, the Committee had participated in the review of cyber security governance that led to creation of this new position; ▪ Health, Safety and Environment; ▪ Australian bushfires impact assessment – requested contemporaneously given the seriousness of the situation and the proximity of the fires to EnergyAustralia's facilities and the infrastructure upon which EnergyAustralia's business is reliant; and ▪ the situation concerning the coronavirus. The Committee also considered and discussed the potential implications and the associated mitigations of the risk items set out in the risk management reports.

Areas of focus	
Risk Management, Internal Control and Compliance	
Compliance	The Committee reviewed the Group's compliance with applicable legal and regulatory requirements including the CLP Code, the Stock Exchange Code, the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance. The Committee acknowledged that the only exception to compliance with all the mandatory and recommended requirements of the Stock Exchange Code is that CLP does not publish quarterly financial results (as a recommended requirement). The Committee continued to agree with the considered reasons for this exception; please refer to page 114.
Cyber security	Briefing on cyber security has been a regular feature on the Committee's meeting agenda for a number of years. Following a comprehensive review of cyber security governance in 2018, the Group created a new position of Group Information Security. The newly joined Senior Director – Group Information Security (Mr David Gracey) provided an initial assessment of the Group's cyber security. This was greatly valued by the Committee as Mr Gracey was able to provide a fresh perspective as an external specialist. Following the initial briefing, he was invited back and he presented a more detailed analysis and a road map for the enhancement of the Group's mitigation measures against the potential threats. From the briefing, the Committee made a number of recommendations and suggestions and these included greater collaboration between GIA and the Group Information Security and the development of a regular statistical cyber security report for the Committee.
Climate change scenario analysis	The Committee was briefed on the preparatory work that CLP was doing in the area of the TCFD and the proposed engagement of a consultant to assist CLP in developing the relevant scenarios which would form the basis of the disclosures. The Committee was satisfied that the engagement was made based on the consultant's preeminent expertise and experience in this new and developing area of work.
Interim and Annual Financial Reports	
Annual Reports and Interim Report	The Committee reviewed the 2018 and 2019 Annual Reports and the 2019 Interim Report and on the recommendations from the Committee, these were approved by the Board.
Critical accounting judgement on EnergyAustralia's retail goodwill impairment (2019 Interim Report)	The most significant judgemental issue for the interim financial statements was EnergyAustralia's proposed retail goodwill impairment for the retail cash generating unit. The Committee had requested to be briefed on this relatively early on in the process. Committee Members participated in the EnergyAustralia ARC meeting at which the impairment assessment was considered and discussed. At the Committee meeting, EnergyAustralia management along with EnergyAustralia's auditor and EnergyAustralia ARC Chairman were invited to present on the goodwill impairment assessment. The Committee took the opportunity to pose probing questions for the EnergyAustralia management on the implications and the different scenarios used in the impairment assessment.

Areas of focus	
2019 Financial Statements – accounting judgements	Management and PwC presented to the Committee the key judgements with material accounting impact. These included the review of the carrying values of the Group's generation assets and EnergyAustralia's goodwill for retail business unit, the accounts receivables for the renewables projects in Mainland China and CLP India and the disclosures and accounting treatments of material litigations and disputes. The Committee critically assessed these and found the judgements put forward to be acceptable for each of the issues presented.
Sustainability Report data assurance	The Committee considered and acknowledged PwC's report on the sustainability assurance in respect of the 2018 and 2019 Sustainability Reports. The Committee was pleased to note that the process of gathering sustainability statistics (and other non-financial data) had been strengthened and the metrics being assured had been expanded. SR
Internal and External Auditing	
Internal audit	The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports. Opinion audit reports provide independent appraisal of the audit unit's compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls. Special review reports focus on new business areas and emerging risks, where control advisory is provided. For the year 2019, a total of 29 opinion audit and 11 special review were completed. Two of the opinion audit reports carried an unsatisfactory audit opinion; these were inadequate control over the payroll processes and the Credit and Collection function's management of regulatory compliance obligations in EnergyAustralia. The Committee and management had detailed discussions on the matters covered by all the reports. Some of the audit opinion reports received special attention, and often, relevant business unit management attended Committee meetings to discuss with the Committee the issues, context, measures taken and being taken, and business implications. This included the briefings on EnergyAustralia payroll function and system and CLP India land acquisition process. None of the control weaknesses identified had a material impact on the financial statements.
Internal audit function	The Committee also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the GIA function as well as the accounting and financial reporting functions of the Group. The Committee was strongly supportive of the proposed peer review to be conducted by a leading overseas industry peer rather than a professional firm as with the case previously. The review would cover GIA as an audit function and how the function evaluates the emerging risks of the organisation and whether GIA could learn from others in applying industry's best practices. Due to the social unrest in Hong Kong, the review was rescheduled to 2020.
Financial Statements – auditor's opinion	For both the 2018 and 2019 financial statements, PwC presented the auditor's opinion on the financial statements, with emphasis on the Key Audit Matters that had material impacts to the financial results and position of the Group. The Key Audit Matters identified were carefully considered and reviewed by the Committee.

Areas of focus

Internal and External Auditing	
Fees to independent auditor and its re-appointment	The Committee reviewed the following fees payable to PwC: ▪ audit fees for 2018 and 2019 for approval by the Board; and ▪ permissible audit related and non-audit services provided by PwC for 2018 and 2019. At the 2019 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2019. Having considered PwC's performance and independence as independent auditor through 2019, the Committee recommended to the Board that PwC be re-appointed as independent auditor and this will be considered by shareholders at the forthcoming AGM. PwC issued a letter of independence to the Committee. The Committee considers that regular change to the lead audit partner is a better assurance of independence than changing the audit firm. The current lead audit partner has served for six years and will serve no more than seven years in total in accordance with The Independent Federation of Accountants rules. The current lead audit partner will leave the CLP engagement next year upon the completion of the 2020 financial year-end audit. The Committee supports this approach for it believes that changing the lead audit partner regularly ensures the independence, objectivity and fresh perspectives the Committee requires in CLP's independent auditor. Further details of the fees payable to PwC and the assessment of their independence can be found on page 137.
Corporate Governance	
Corporate governance practices	The Committee received a report of Corporate Governance Policies and Practices Review covering shareholders' communication policy, Code of Conduct, whistleblowing policy, policy and guidelines on the provision of gifts and entertainment, anti-fraud policy and policy on making political contributions. The Committee was also updated with the enhancements made to the CLP corporate governance practices, such as Board refreshment and Board review as well as the hybrid AGM and e-voting. The Committee considered that CLP was well in compliance with modern corporate governance standards.
Continuing connected transactions	The Committee considered the work by PwC on the annual reporting and the confirmation of continuing connected transactions required by the Listing Rules for which PwC had undertaken additional agreed-upon procedures to facilitate the review by the Independent Non-executive Directors.
Culture-related	The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 31 breaches in 2019 were material to the Group's financial statements or overall operations. The breaches were mainly related to issues of work place behaviour and individuals' ethics and integrity. One of the reported Code of Conduct violations involved an employee at the grade level of senior manager and above. The Committee examined the 2018 findings on ethics and controls commitment survey. In comparison with previous year's findings, there was a slight increase in a very small number of staff doubting management's commitment in this area, the Committee asked management to look into the reasons behind these responses and to address these accordingly.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- satisfying itself that good accounting, audit principles, risk management, internal controls and ethical practices are applied on a consistent basis throughout the CLP Group (without limiting the primary responsibilities of all the business unit managers throughout the Group);
- assuring adequate risk management and internal control systems are in place and followed and where deficiencies are found, appropriate remedial actions are taken in a timely manner;
- assuring appropriate accounting principles and reporting practices are followed;
- performing the corporate governance duties described further in this Report and fulfilling the functions conferred on the Committee by the CLP Code;
- satisfying itself that the scope and direction of external and internal auditing are adequate; and
- reviewing and making sure the assurance of the sustainability data in the Sustainability Report is appropriate.

Accountability

The Committee is accountable to the Board. The Chairman makes a regular report to the Board on the Committee's review of significant internal control and risk management issues and the Company's annual / interim results. In addition, the Chairman reports to the Board annually on the Committee's activities and this is a practice that is greatly appreciated by fellow Directors who do not sit on this Committee as being able to get a better understanding of the work done by the Committee.

Terms of Reference

The Committee's terms of reference follow international best practice and they also comply with the HKICPA's "A Guide for Effective Audit Committees" and the Stock Exchange Code. Full terms of reference can be found on CLP's and the Hong Kong Stock Exchange's websites.

Audit & Risk Committee Effectiveness

The Company Secretary evaluated the performance and effectiveness of the Committee during 2019 and the Committee was pleased to note that the Company Secretary concluded that the Committee was performing its responsibilities in an effective manner in accordance with its terms of reference.

The evaluation was reviewed and the conclusion was confirmed by internal and independent auditors. The CLP Holdings Board also endorsed the Company Secretary's evaluation.

In accordance with CLP's recently adopted policy limiting the length of service of directors, I will retire from the CLP Board and the Committee at the conclusion of the forthcoming AGM. I take this opportunity to thank my fellow Committee Members, management who have assisted the Committee, and the independent and internal auditors for their support to the Committee over so many years.

Vernon Moore
Chairman, Audit & Risk Committee
Hong Kong, 24 February 2020

Sustainability Committee Report

Members

The Sustainability Committee is appointed by CLP Holdings' Board of Directors to oversee CLP's positions and practices on sustainability issues; and the Members who served on the Committee during the reported period (full year 2019 and in 2020 up to the date of this Report) (the Period) were:

- Mr Richard Lancaster (Chief Executive Officer) as the Chairman;
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director);
- Ms May Siew Boi Tan (Independent Non-executive Director);
- Mr Andrew Brandler (Non-executive Director);
- Mr Philip Kadoorie (Non-executive Director), appointed in January 2020; and
- Ms Quince Chong (Chief Corporate Development Officer).

Biographies of the Members are set out on pages 102 to 109 and on the CLP website.

Sustainability governance is integrated into corporate governance structures throughout the Group – from board-level committees to management-level group functions and business units (please refer to page 115 of the Corporate Governance Report on CLP's Sustainability Governance Structure). In supporting the Committee, the Sustainability Executive Committee and Group Sustainability Department have the strategic and operational responsibility to assess and manage sustainability issues.

Regular attendees at the Committee's meetings include the following members of the Sustainability Executive Committee and the Director – Group Sustainability (Mr Hendrik Rosenthal):

- Chief Financial Officer – Mr Geert Peeters;
- Chief Operating Officer – Mr David Smales, who was appointed in October 2019 following the retirement of Mr Derek Parkin in September 2019;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant, who was appointed in September 2019 following the retirement of Mr Roy Massey in June 2019.

Highlights of the Committee's Work

The Committee welcomed Mr Philip Kadoorie as a new Member of the Committee, effective 1 January 2020. Mr Kadoorie represents the leadership of the next generation at the Board level and he will bring with him a fresh and forward-looking perspective to the Committee.

During the Period, the Committee's focus remained on the longer term sustainability issues facing the Group. Some of these are highlighted here.

The Committee spent a considerable amount of time on discussing and deliberating on climate change and related issues. This included the consideration of how CLP should be managing its portfolio and projects in light of the risks and opportunities brought by climate change. In reviewing the revised Climate Vision 2050 publication, the Committee not only considered the drafting of the documentation itself, but also the implications, both short term and long term, for the Group's underlying portfolio and projects. Another important climate-related work was the TCFD and scenario analysis, where the Committee studied and examined the ongoing work in this area. The Committee recognised that this remained a developing area and supported management's work with other electric utilities and consultants to formulate accurate and meaningful climate-related financial disclosures.

Other than climate change, the Committee also looked at the impact of digitalisation as a long-term driver of change and the emerging opportunities that the Group's Innovation Team are working on. The Committee visited the Innovation Team for a presentation on the innovation strategy.

Meetings and Attendance

The Committee meets as frequently as required and any Committee Member may call a meeting. During the Period, the Committee met four times (including three times in 2019 and once in 2020). The following table provides an overview of how the Committee spent its time during the Period:

	2019 Feb	2019 Sep	2019 Nov	**2020 Feb**
Sustainability Matters – risks, opportunities and emerging issues	○	○	○	○
Sustainability Reporting / Indices performance	○	○	○	○
Health, Safety, Security and Environment		○		
Community investment activities	○			○

Summary of Work Done

The Committee's key areas of focus during the Period are set out below.

Areas of focus	
Sustainability Matters	
Climate Vision 2050 Review	The Committee endorsed the updated Climate Vision 2050 publication for consideration by the CLP Holdings Board. In giving its endorsement, the Committee had undertaken considerable work in analysing and deliberating on the positions outlined in the Climate Vision 2050 document. As part of the assessment, the Committee Members exchanged views on how CLP should be managing its portfolio and projects in light of the risks and opportunities brought by climate change.
Climate change-related developments and risks	The Committee considered and discussed the climate change landscape in a number of different aspects from the international and regional context of the markets relevant to CLP; the continuing pressure for corporate actions (also see "Investor interest" below) and CLP's response including the publication of Climate Vision 2050 (also see above). The briefing and discussions provided an important frame of reference in the review of the Climate Vision 2050.
TCFD	The Committee was briefed on the ongoing work in the preparation for implementing the TCFD recommendations. The Committee appreciated that this was a new and developing area and that CLP had the opportunity to help shape and formulate the climate-related disclosures for the electric utilities. The Committee supported management on this work and for them to work with other utilities and consultants in this area.
Investor interest	The Committee discussed the changing approach of investors, which was now driven by risk management concerns, regulatory trends and pressure from the general community. There was a growing interest from investors seeking to understand how companies were addressing the risks of physical impact and transitional impact associated with climate change.
Operational Health, Safety, Security & Environment Standards	The Committee learned about the Group's Health Safety Environment Improvement Plan 2019-2021 which included an implementation plan for the initiatives under the four key areas of wellbeing, namely, physical, mental health, financial and social wellbeing. The Committee commended and encouraged management on this important and meaningful initiative.
Digitalisation and innovation strategy	The Innovation Team delivered a comprehensive briefing on CLP's Innovation Strategy and Focus and the impact of digitalisation as a long-term driver of change. The Committee had the opportunity to understand the different opportunities that the Innovation Team had been working on. The Committee Members had a good exchange with members of the Innovation Team on the applications of Smart Energy Connect platform as well as other initiatives in the areas of next generation renewables and storage, distributed energy and data centres and investments and partnerships.

Areas of focus

Sustainability Performance

Performance on external sustainability indices

The Committee reviewed CLP's performance on external sustainability indices with the objective of improving CLP's sustainability performance.

The Committee analysed the results of the key sustainability issues including the Dow Jones Sustainability Index (DJSI) and Hang Seng Corporate Sustainability Index Series. The Committee enquired about the underlying business performance that may be relevant to CLP's performance on certain ratings and indices. The Committee acknowledged and supported management's approach in identifying focus areas and internal performance improvements where it made business sense and to optimise disclosures in those areas where such improvements could be made.

Further details of selected 2019 sustainability ratings for CLP's 2018 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2019 Score	2018 Score	2017 Score
DJSI	73	69 *	70
CDP – Climate Change	B	B *	B *
Hang Seng Corporate Sustainability Index	AA-	AA-	A+
FTSE4Good	3.7	4.0	3.3
MSCI ESG Leaders Indexes	AA	AA	A

* CDP and DJSI revised their questionnaire and/or the scoring methodology in 2017 and 2018, hence year-on-year performance cannot be compared directly.

Sustainability Reporting

Sustainability Reporting Standards

The Committee reviewed the 2019 materiality identification exercise for the 2019 Sustainability Report, with the same key material topics to be maintained last year. The Committee considered management's presentation and explanation on maintaining the key material topics and the Committee acknowledged this approach.

The Committee also considered and endorsed the presentation of the contents of the 2019 Sustainability Report and how it meets the updated Hong Kong Stock Exchange's ESG Reporting Guide "comply or explain" requirements, the Global Reporting Initiative's Sustainability Reporting Standards as well as the TCFD recommendations.

Sustainability data assurance

The continuing practice of commissioning independent assurance of selected KPIs was reported to and acknowledged by the Committee, including the expanded scope of metrics being assured.

Community, Charitable and Environmental Partnerships and Initiatives

Community initiatives

The Committee reviewed management's report on the community initiatives undertaken by CLP in 2019 and supported the proposed overall strategy for 2020 as well as the specific initiatives in terms of the following:

- spending by country, theme and programme;
- volunteering contributions; and
- the number of programmes and beneficiaries.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- reviewing, endorsing and reporting to the Board on CLP's sustainability frameworks, standards, priorities and goals and overseeing CLP group-level strategies, policies and practices on sustainability matters to attain those standards and goals;
- reviewing and reporting to relevant Board Committees on key international sustainability trends, benchmarking against peers, sustainability risks and opportunities and other emerging issues;
- overseeing, reviewing and evaluating CLP Group's sustainability performance in terms of internationally-recognised metrics relevant to the industry, as well as the requirements of sustainability stock indices and the desirability of CLP's inclusion in those indices;
- reviewing and advising the Board on CLP's public reporting with regard to its performance on sustainability matters; and
- overseeing CLP's community, charitable and environmental partnerships, strategies and related group-level policies and making recommendations to the Board on any changes to those partnerships, strategies and policies.

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference.

The objectives of the Committee are to oversee management and advise the Board on matters required to enable:

a the CLP Group to operate on a sustainable basis for the benefit of current and future generations;

b sustainable growth by maintaining and enhancing CLP Group's economic, environmental, human, technological and social capital in the long term; and

c the effective management of CLP Group's sustainability risks.

Terms of Reference

The current terms of reference were adopted in February 2015 and are set out on the CLP's and the Hong Kong Stock Exchange's websites.

Looking Ahead

The Committee will continue its role of supporting the Board and overseeing management in the development, implementation, measurement and reporting of the Group's social, environmental and ethical performance. In addition, the Committee will strengthen its role and place a stronger emphasis on overseeing the impact on the Group's strategy of longer-term emerging sustainability issues. This will ultimately support the CLP Group's objective to operate on a sustainable basis for the benefit of current and future generations.

Richard Lancaster

Chairman, Sustainability Committee

Hong Kong, 24 February 2020

Nomination Committee Report

Members

The Nomination Committee is appointed by CLP Holdings' Board of Directors and the Members of the Committee are:

- Mr Nicholas C. Allen (Independent Non-executive Director), as the Chairman;
- The Hon Sir Michael Kadoorie (Non-executive Director);
- Mr Vincent Cheng (Independent Non-executive Director); and
- Ms May Siew Boi Tan (Independent Non-executive Director), appointed in January 2020.

Biographies of the Members are set out on pages 102 to 107 and on the CLP website.

In addition to the Members, the regular attendees at the Committee's meetings include:

- Chief Executive Officer – Mr Richard Lancaster; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

Meetings and Attendance

The Committee meets as frequently as required and between 1 January 2019 and the date of this Report (the Period), the Committee met twice.

Highlights of the Committee's Work

The Committee welcomed the appointment of Ms May Tan as a new Member of the Committee. Ms May Tan had developed a solid understanding of the Group's business and strategy since joining the CLP Board in August 2018 and with her experience of working with boards as a board member and a chief executive officer, the Committee is confident that she will bring this experience to this Committee. The appointment of Ms May Tan was made to refresh the composition of this Committee and it coincided with Mr Vincent Cheng's decision to retire as a Director of CLP Holdings at the coming 2020 AGM.

During the Period, the Committee focused on the work in future proofing the Board and Board Committees. This involved taking a progressive approach in refreshing the Board and Board Committees and in setting forward-looking objectives for the external Board Review.

As we reported in the 2018 Annual Report, the Committee endorsed, with the Board's subsequent approval, the retirement age guideline for Non-executive Directors in early 2019. Following this, the Committee continued its work in connection with the planning for the succession and refreshment of the Board and Board Committees. On the Board refreshment, with the impending retirement of Mr Vernon Moore and Mr Vincent Cheng at the coming 2020 AGM, specialist consultants have been engaged for the Non-executive Director search. The Committee also recommended a number of Board Committee membership appointments to refresh the composition for the Sustainability Committee, Human Resources & Remuneration Committee and this Committee.

CLP undertakes a Board review on an ongoing basis with an independent facilitator every three years. Following the 2018 internal Board review, an external Board Review was undertaken in 2019. After a competitive tendering process, Korn Ferry (a global organisational consulting firm) was selected as our independent partner in conducting this exercise. With the objective of shaping CLP's future success, the Chairman of the Committee played a leading role in briefing Korn Ferry to ensure that they would be able to get the best feedback and input from the one-on-one interviews. The Committee, through its oversight of the review and Korn Ferry's interim briefing, was able to contribute and provide the important context to Korn Ferry before their findings and recommendations were finalised for the Board's consideration.

In addition, the work performed by the Committee during the Period included:

- reviewing the Board Diversity Policy;
- assessing the independence of all Independent Non-executive Directors;
- reviewing the training and continuous professional development of Directors; and
- evaluating Directors' time commitment and the contribution required from Directors to discharge their responsibilities.

Summary of Work Done

The work performed by the Committee during the Period is summarised below.

Areas of focus	
Board refresh	Having regard to the business and strategic needs of the Company, the Committee reviewed the Board composition changes that have taken place and will take place to refresh the Board, these include the following: ▪ Dr Y. B. Lee stepped down from the Board at the conclusion of the 2019 AGM; ▪ Mr Vernon Moore will be retiring at the coming 2020 AGM pursuant to the retirement age guideline; and ▪ Mr Vincent Cheng will be retiring at the coming 2020 AGM in view of the retirement age guideline as he would have reached the stipulated retirement age of 72 shortly after the AGM. Under the leadership and direction of the Chairman of the Committee, an external Non-executive Director search process has commenced with the key objective of bringing in expertise and experience that align with CLP's strategy and can contribute to CLP's future success.
Board Committees refresh	The Committee considered the evolving demands of the Board Committees and the anticipated Board composition changes in light of the retirement age guideline. The Committee reviewed the Board Committees composition and endorsed the following new appointments, all of which were approved by the Board and became effective on 1 January 2020: ▪ Mrs Fanny Law and Ms May Tan as Members of the Human Resources & Remuneration Committee; ▪ Mr Philip Kadoorie as a Member of the Sustainability Committee; and ▪ Ms May Tan as a Member of this Committee. With the impending retirement of Mr Vernon Moore and Mr Vincent Cheng, who are the respective Chair of the Audit & Risk Committee and the Human Resources & Remuneration Committee, the Committee endorsed, and the Board approved, that Mr Nicholas C. Allen be appointed the Chairman of these two committees at the conclusion of the 2020 AGM. In endorsing the above changes, the Committee considered various factors, including: ▪ the role and the growing workload of the Board Committees; ▪ the expertise and experience of each of the relevant Directors; ▪ the existing composition and structure of the Board Committees; and ▪ the relevant regulatory requirements under the Listing Rules.
External Board Review	The Chairman of the Committee was involved in the review and approval of the scope of work and methodology for the review. The Committee was briefed on the interim and preliminary findings and recommendations from the review and the Committee had the opportunity to contribute and provide feedback to Korn Ferry to ensure that the findings and recommendations would not be made out of context for the Board and the Directors. The Committee considered the findings and recommendations from the review exercise and endorsed them for the Board's consideration. For further details on the external Board Review findings and recommendations, please see pages 126 and 127.

Responsibilities

Primary Responsibilities

The Committee's primary responsibilities include:

- reviewing the Board structure and composition and Board Diversity Policy on an annual basis;
- making recommendations to the Board on Directors appointment and re-appointment and succession planning;
- assessing the independence of the Independent Non-executive Directors and whether Directors are spending sufficient time performing their duties; and
- reviewing and monitoring the training and continuous professional development of Directors.

Accountability

The Committee is accountable to the Board. The Committee is authorised by the Board to investigate all matters that fall within its terms of reference. The objectives of the Committee are to recommend to the Board on the structure, size and composition of the Board and on the nomination of Directors, having regard to the independence and quality of the nominees and ensuring that the nominations are fair and transparent.

Terms of Reference

The current terms of reference were adopted in January 2018 and are set out on the CLP's and the Hong Kong Stock Exchange's websites.

Nomination Policy

Embedded in the Committee's Terms of Reference is the Nomination Policy for Directors. The Policy (set out below) stipulates the key nomination criteria and principles of the Company for the nomination of Directors and provides what the Committee should do in order to give effect to this Policy:

1. review and monitor the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the CLP Code on Corporate Governance in particular those described in paragraphs II.B.35 and 36 of the Code;
3. make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer; and
4. make recommendations to the Board with particular regard to ensuring a substantial majority of the Directors on the Board being independent of Management.

Looking Ahead

The Committee will play an active role in the process for the Non-executive Director search. At the same time, the Committee will continue to support the Board on the areas of Board succession and Board refreshment to ensure that the Board composition would be best suited to oversee the future development of CLP.

Nicholas C. Allen
Chairman, Nomination Committee
Hong Kong, 24 February 2020

Human Resources & Remuneration Committee Report

Introduction

On behalf of the Board, the Human Resources & Remuneration Committee (HR&RC) scrutinises the remuneration policies applied within the CLP Group, including the remuneration of Non-executive and Executive Directors and of Senior Management. Our objective is to ensure that CLP applies properly structured and fair remuneration policies which align the interests of Directors and Senior Management with those of the Company and its shareholders. This Report explains the policies applied to determining remuneration levels and sets out the remuneration paid to Non-executive Directors, Executive Directors and Senior Management. This Report has been reviewed and approved by the HR&RC.

As stated in Note 32(C) to the Financial Statements on page 275, the following sections in the highlighted boxes below form part of the Financial Statements and have been audited by the Company's independent auditor:

- "Non-executive Directors – Remuneration in 2019";
- "Change of Remuneration – Executive Directors and Senior Management";
- "Executive Directors – Remuneration in 2019";
- "Total Directors' Remuneration in 2019";
- "Senior Management – Remuneration in 2019"; and
- "The Five Highest Paid Individuals in 2019".

Membership

The HR&RC is appointed by CLP Holdings' Board of Directors. There are no Executive Directors on the HR&RC and a majority of the HR&RC Members are Independent Non-executive Directors. The Members are:

- Mr Vincent Cheng (Independent Non-executive Director) as the Chairman;
- Mr William Mocatta (Non-executive Vice Chairman);
- Mr Vernon Moore (Independent Non-executive Director);
- Mr Nicholas C. Allen (Independent Non-executive Director);
- Mrs Zia Mody (Independent Non-executive Director);
- Mrs Fanny Law (Independent Non-executive Director), appointed in January 2020; and
- Ms May Siew Boi Tan (Independent Non-executive Director), appointed in January 2020.

Biographies of the Members are set out on pages 102 to 107 and on our website.

Responsibilities and Work Done

The HR&RC considers major human resources and pay issues. It also provides forward guidance on EnergyAustralia's remuneration policy through interactions between the HR&RC and the EnergyAustralia Nomination and Remuneration Committee.

The HR&RC held three meetings during 2019 and one meeting in 2020 up to 24 February 2020 (the date of this Report). Between 1 January 2019 and the date of this Report, the HR&RC approved the 2018 and 2019 HR&RC Reports, and reviewed the following:

Performance and Remuneration Review

- Group performance for 2018 and 2019 and Group targets for 2019 and 2020;
- 2018 and 2019 organisation performance for CLP Power Hong Kong, CLP India and China, and targets for 2019 and 2020;
- Base pay for 2019 and 2020 for Hong Kong payroll staff, CLP India and China;
- Non-executive Directors' fees;
- CEO's remuneration;
- Remuneration of direct reports to the CEO, including annual incentive payments for 2018 and 2019 and pay review for 2019 and 2020;

Training and Benefits Review

- CLP Home Loan Scheme;
- Training and continuous professional development of Senior Management;

Succession Planning and Organisational Evolution

- Senior Management succession plan review 2019 and update on talent development initiatives;

Human Resources Trends and Development

- Update on remuneration disclosure trends and developments in relevant markets; and
- Trends in executive remuneration governance and disclosure in relevant markets.

Remuneration Policies

The main elements of CLP's remuneration policies have been in place for a number of years and are incorporated in the CLP Code:

- No individual or any of his or her close associates should determine his or her own remuneration;
- Remuneration should be broadly aligned with companies with whom CLP competes for human resources; and
- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performing individuals and promoting the enhancement of the value of the Company to its shareholders.

Non-executive Directors – Principles of Remuneration

The above policies apply to the remuneration of the Non-executive Directors, with appropriate adjustments to reflect good corporate governance practices, the particular nature of their duties and that they are not employees of the Company.

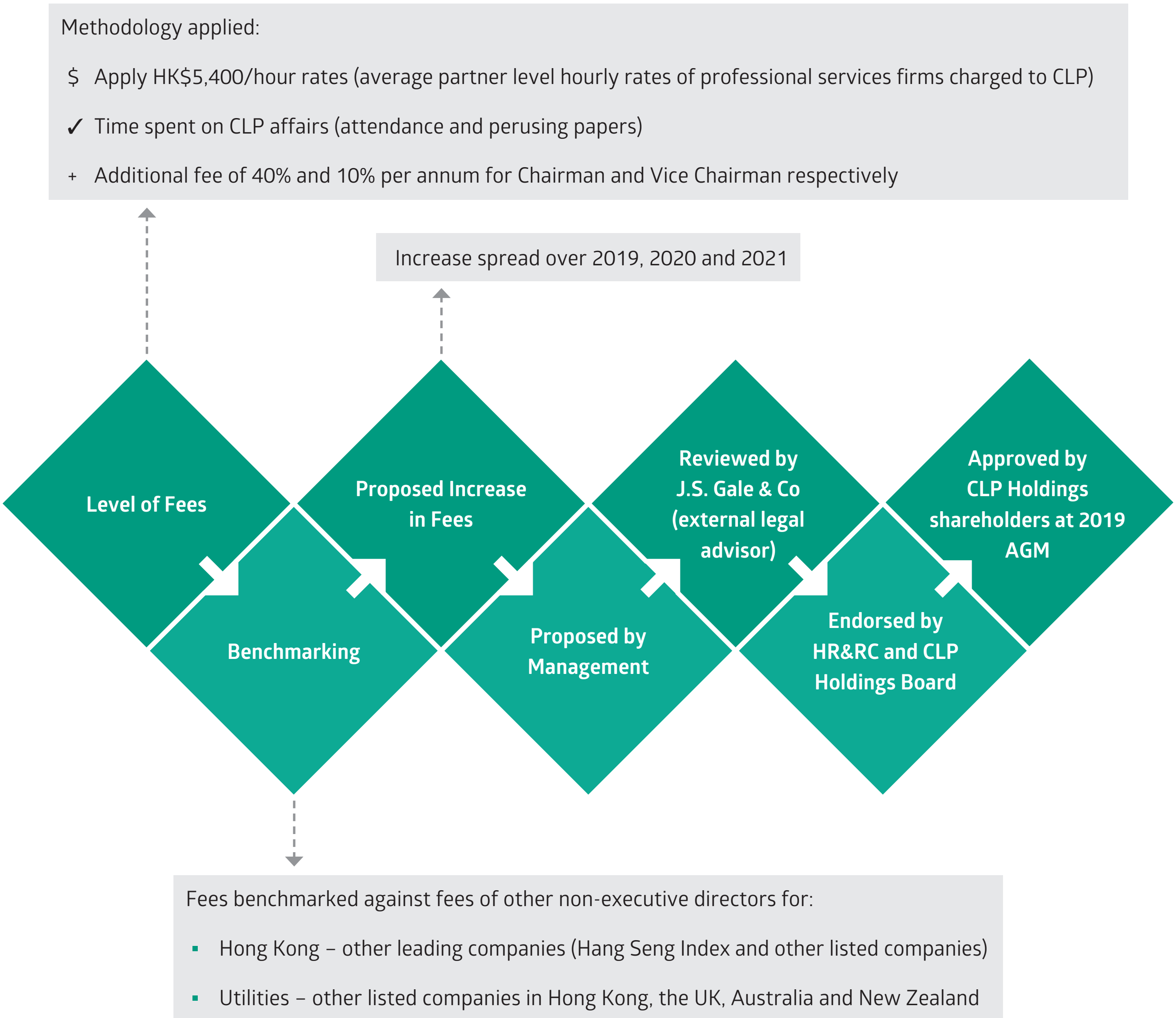
In considering the level of remuneration payable to Non-executive Directors, we have referred to:

- Report of the Committee on the Financial Aspects of Corporate Governance of December 1992;
- "Review of the Role and Effectiveness of Non-executive Directors" of January 2003;
- The Financial Reporting Council's "The UK Corporate Governance Code" last published in July 2018; and
- The Stock Exchange Code and associated Listing Rules.

CLP's Non-executive Directors are remunerated in line with market practice such that CLP is able to attract and retain high-calibre candidates needed to run a company successfully, but no more than is necessary for this purpose. The fees are subject to a formal independent review undertaken no less frequently than every three years. Those fees were most recently reviewed at the beginning of 2019 (the 2019 Review). The methodology adopted in the 2019 Review is the same as that used in the previous reviews and as explained to shareholders in the CLP Code, save for (i) maintaining the fees for the Finance & General Committee unchanged although the indicative fees under the methodology showed slight reduction in fees; and (ii) applying our standard review methodology for determining the fees for the Nomination Committee instead of a nominal fee which resulted in a modest increase in absolute dollar value.

CLP's approach goes beyond that required by law or regulation in Hong Kong or the provisions of the Stock Exchange Code. Further to CLP's commitment to the adoption of a transparent methodology for determining Non-executive Directors' remuneration, the 2019 Review and the opinion of J.S. Gale & Co on that 2019 Review are placed on CLP's website.

The 2019 Review and methodology applied are summarised as follows:



Fees for Non-executive Directors

	Fees per annum (before 7 May 2019) HK$	Fees per annum (w.e.f. 7 May 2019) HK$	Fees per annum (w.e.f. 7 May 2020) HK$	Fees per annum (w.e.f. 7 May 2021) HK$
Board				
Chairman	765,600	804,300	845,000	887,700
Vice Chairman	601,500	631,900	663,900	697,500
Non-executive Director	546,900	574,500	603,600	634,100
Audit & Risk Committee				
Chairman	477,100	535,100	600,100	673,100
Member	339,100	381,200	428,600	481,900
Finance & General Committee				
Chairman	449,900	449,900	449,900	449,900
Member	319,400	319,400	319,400	319,400
Human Resources & Remuneration Committee				
Chairman	86,800	101,900	119,800	140,700
Member	63,100	73,500	85,600	99,800
Sustainability Committee				
Chairman	112,500	121,400	131,000	141,500
Member	79,000	85,900	93,600	101,900
Nomination Committee				
Chairman	14,000 *	19,800	28,200	40,200
Member	10,000 *	14,200	20,100	28,700
Provident & Retirement Fund Committee **				
Chairman	14,000	14,000	14,000	14,000
Member	10,000	10,000	10,000	10,000

* A nominal fee was previously maintained for the Chairman and Members of the Nomination Committee.

** A nominal fee has been maintained for the Chairman and Members of the Provident & Retirement Fund Committee.

Note: Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

Non-executive Directors – Remuneration in 2019 (Audited)

The fees paid to each of our Non-executive Directors in 2019 for their service on the CLP Holdings' Board and, where applicable, on its Board Committees are set out below. Higher level of fees was paid to Chairmen of the Board and Board Committees and the Vice Chairman of the Board as indicated by (C) and (VC) respectively. Executive Directors and management serving on the Board and Board Committees are not entitled to any Directors' fees.

There was an increase in total Directors' fees compared to 2018, primarily due to an increase in the level of Non-executive Directors' fees which took effect on 7 May 2019.

In HK$	Board	Audit & Risk Committee	Nomination Committee	Finance & General Committee	HR&RC	Provident & Retirement Fund Committee	Sustainability Committee	Total 2019	Total 2018
Non-executive Directors									
The Hon Sir Michael Kadoorie	790,941 (C)	-	12,750	-	-	-	-	803,691	765,474
Mr William Mocatta [1]	621,406 (VC)	-	-	449,900 (C)	69,910	14,000 (C)	-	1,155,216	1,112,507
Mr J. A. H. Leigh	564,972	-	-	-	-	-	-	564,972	538,475
Mr Andrew Brandler	564,972	-	-	319,400	-	-	83,518	967,890	933,040
Mr Philip Kadoorie	564,972	-	-	-	-	-	-	564,972	220,258
Dr Y. B. Lee [2]	188,793	-	-	-	-	-	-	188,793	538,475
Independent Non-executive Directors									
Mr Vernon Moore	564,972	515,078 (C)	-	319,400	69,910	-	-	1,469,360	1,392,253
Sir Rod Eddington	564,972	-	-	319,400	-	-	-	884,372	854,108
Mr Nicholas C. Allen	564,972	366,667	17,798 (C)	319,400	69,910	-	83,518	1,422,265	1,346,558
Mr Vincent Cheng	564,972	-	12,750	319,400	96,687 (C)	-	-	993,809	950,737
Mrs Fanny Law	564,972	366,667	-	-	-	-	83,518	1,015,157	955,993
Mrs Zia Mody	564,972	-	-	-	69,910	-	-	634,882	601,062
Ms May Siew Boi Tan	564,972	366,667	-	319,400	-	-	83,518	1,334,557	517,279
Ms Irene Lee [3]	-	-	-	-	-	-	-	-	423,672
							Total	11,999,936	11,149,891

Notes:

1 Mr William Mocatta received HK$300,000 as fee for his service on the board of CLP Power Hong Kong Limited for each of 2018 and 2019.

2 Dr Y. B. Lee retired as a Non-executive Director with effect from the conclusion of the 2019 AGM held on 6 May 2019. The fee paid to Dr Lee was made on a pro rata basis in respect of his service up to 6 May 2019.

3 The fee paid to Ms Irene Lee (a former Director) is included in the table, solely for the purpose of comparing the total fees paid to Non-executive Directors in 2018 with those in 2019.

Change of Remuneration – Executive Directors and Senior Management (Audited)

Details of the remuneration of Executive Directors and Senior Management prepared in accordance with the Hong Kong Financial Reporting Standards for the 12 months ended 31 December 2019 are set out in the tables on page 174 (Executive Directors) and pages 181 to 182 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2019 and, for the annual and long-term incentives, service and performance in previous years.

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

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

In the tables on page 174 and pages 181 to 182 the "Total Remuneration" column for 2019 includes the following recurring items:

(i) base compensation, allowances & benefits paid;

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

(iii) the 2016 long-term incentive award paid in January 2019 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2015 paid in 2018). Approximately 51% of the increase in the value of the phantom shares portion of 2016 long-term incentive payments resulted from the change in CLP Holdings' share price between 2016 and 2018, with dividends reinvested; and

(iv) provident fund contribution made.

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

(i) transition allowances for newly hired Senior Management;

(ii) relocation payments for newly hired Senior Management; and

(iii) approved acceleration of long-term incentive payments and any contractual termination payments for departed Senior Management.

In 2018, no other payments were made.

Executive Directors – Remuneration in 2019 (Audited)

The remuneration paid to the Executive Directors of the Company in 2019 was as follows:

	Recurring Remuneration Items					Non-recurring Remuneration Item	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2019							
CEO (Mr Richard Lancaster)	9.7	8.6	7.7	2.5	28.5	–	28.5
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.5	6.6	5.4	1.4	20.9	–	20.9
	17.2	15.2	13.1	3.9	49.4	–	49.4

		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2018							
CEO (Mr Richard Lancaster)	9.4	8.0	6.2	2.4	26.0	–	26.0
Executive Director & Chief Financial Officer (Mr Geert Peeters)	7.2	6.1	4.6	1.3	19.2	–	19.2
	16.6	14.1	10.8	3.7	45.2	–	45.2

Notes:

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

2 Performance Bonus consists of (a) annual incentive (2019 accrual and 2018 adjustment) and (b) long-term incentive (payment for 2016 award). The annual incentive payments and long-term incentive awards were approved by the HR&RC.

Payment of the annual incentive and granting of the long-term incentive awards relating to 2019 performance will be made in March 2020. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2019. Details of these will be published on the CLP website at the time that the 2019 Annual Report is published.

The Group does not have, and has never had, a share option scheme. No Executive Director has a service contract with the Company or any of its subsidiaries with a notice period in excess of six months or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

Total Directors' Remuneration in 2019 (Audited)

The total remuneration of Non-executive and Executive Directors in 2019 was:

	2019 HK$M	2018 HK$M
Fees	**12.0**	11.1
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits [1]	**17.2**	16.6
Performance Bonus [2]		
– Annual Incentive	**15.2**	14.1
– Long-term Incentive	**13.1**	10.8
Provident Fund Contribution	**3.9**	3.7
Non-recurring Remuneration Item		
Other Payments	**–**	–
	61.4	56.3

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 174 for Executive Directors.

2 Refer to Note 2 on Performance Bonus on page 174 for Executive Directors.

Of the total remuneration paid to Directors, HK$11.5 million (2018: HK$12.3 million) has been charged to the SoC operation.

Linking Senior Management Pay with CLP's Purpose and Strategy

For the purposes of this section, Senior Management means the managers whose details are set out on pages 108 and 109.

CLP's Senior Management Remuneration Policy is an important element of the Group's strategy and an expression of our culture. Our Policy is designed to be **sustainable, aligned with shareholders and simple**. Delivery of a highly-reliable supply of electricity today together with transforming our business into a Utility of the Future, is a commitment that requires long-term stewardship and a sustainable approach to remuneration. Ensuring fairness and internal equity; encouraging and rewarding appropriate behaviour while discouraging inappropriate behaviour; and balanced judgement of short- and long-term performance, aligned with shareholder outcomes, underpin this approach.

Fairness and internal equity are key elements of our approach. Depending on individual roles, Senior Management is responsible for a mix of businesses: a vertically-integrated regulated business in Hong Kong, a customer-focused energy business in Australia, and an independent power producer in Mainland China, India, Southeast Asia and Taiwan. We seek to fairly recognise the extent of Senior Management's assigned job responsibilities and capabilities demonstrated, and to ensure that our remuneration attracts, retains and motivates a diverse, high-performing executive team. The structure of our executive remuneration packages is assessed in terms of appropriateness to the role, and with reference to both local and international markets. We emphasise strong management development, succession planning and job mobility to fill vacancies for executive positions as we believe that a long-term career with the Group is an important asset to CLP. Consequently, external competitiveness of remuneration must be balanced with internal equity. While Senior Management pay reflects the scale and scope of their responsibilities, our policy is designed to ensure that remuneration structure and outcomes are aligned with our wider workforce, whose skills, values and commitment are essential to our success, and HR&RC decisions on executive pay outcomes are taken in the context of wider workforce considerations.

Senior Management pay is structured to seek to avoid excessive risk-taking in the achievement of performance targets and is governed by and compliant with relevant regulatory frameworks. In determining incentive payments and Total Remuneration, the HR&RC considers and balances a broad range of performance indicators including financial (e.g., long-term growth in the share price and dividends), operational, safety, environmental, social, business sustainability (including responding to climate change), governance and compliance-related factors linked to CLP's strategy. Decisions on pay reflect considerations of both **what** was achieved and **how** it was achieved. The determination of performance outcomes is not formulaic, as the HR&RC believes that their overriding responsibility to exercise judgement and responsibility, ensuring alignment between shareholders and management.

CLP is committed to being simple and transparent in the way we do business. The HR&RC strives to keep remuneration arrangements simple, clear and consistent to enable effective stakeholder scrutiny. We have maintained our Remuneration Policy in line with prior years in part on the belief that the current arrangements remain fit for purpose, are embedded into our business and are well-understood both internally and externally. Mindful of continuing external interest and debate on executive pay, we have reshaped the structure of our reporting on Remuneration Policy in order that the links between policy, strategy and performance are more clearly and simply articulated.

Remuneration Policy

Executive Directors and Senior Management (excluding Managing Director – EnergyAustralia)

The illustration below summarises policy design and operation for members of Senior Management. The policy is set out in full on pages 176 to 180. The pay structure of Managing Director – EnergyAustralia is aligned with Australian market practice and is addressed on pages 179 to 180.

Remuneration Component	Fixed Pay	Annual Incentive Plan (AIP)	Long-Term Incentive (LTI)	Retirement Arrangements
Purpose	Attract and retain the capabilities needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.	Drive performance aligned to short- and long-term value creation considering both **what** was achieved and **how** it was achieved, while avoiding excessive risk-taking.	Drive long-term value creation, support retention of Senior Management and encourage an owner's mindset.	Provide market-competitive and sustainable retirement benefits.
Delivery	Base salary. Accounted for 34% of potential total remuneration in 2019.	Annual cash payment. Accounted for 34% of potential total remuneration in 2019.	A minimum of 75% of the award is delivered in Phantom shares subject to a three-year vesting period. Up to 25% can be allocated to a notional cash deposit or to phantom shares. Accounted for 23% of potential total remuneration in 2019.	Employer and employee contributions to the Group Provident Fund Scheme (a Defined Contribution Scheme). A 17.5% contribution accounted for 9% of potential total remuneration in 2019.

<table>
<tr><th>Remuneration Component</th><th>Fixed Pay</th><th>Annual Incentive Plan (AIP)</th><th>Long-Term Incentive (LTI)</th><th>Retirement Arrangements</th></tr>
<tr><td>Approach</td><td>Set with reference to local and international comparators, role scope and experience, and wider workforce considerations.

Intent to align target Total Remuneration to between median and upper quartile of the reference market.</td><td colspan="2">Balanced consideration by the HR&RC of a range of quantitative and qualitative performance measures including:

WHAT was achieved
– Financial and Operational performance

HOW it was achieved
– Safety, Environmental and Internal Control performance

Additional objectives reflecting strategic priorities and long-term sustainability of CLP's business model, people, environmental impact and community acceptance.</td><td>Set with reference to local and international comparators, wider workforce considerations and the cost to Company. Employer contribution rates for Senior Management are the same as for all employees.</td></tr>
</table>

Base Salary	
Purpose and link to strategy	To attract, motivate and retain capable Executives needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.
Operation	Base salaries are reviewed annually considering market data (including base pay and total remuneration opportunity for both local and international peer-group comparators, supplemented where necessary by peer data from published remuneration surveys) and the scope and responsibility of the role, including any changes in responsibility, individual skills and experience. Changes are usually effective from 1 April each year.
Maximum opportunity and alignment with wider workforce	Ordinarily, base salary increases in percentage terms will be in line with, or less than, increases awarded to other CLP employees. Increases may be made above this level for circumstances such as a significant change in responsibility or progression due to recent appointment. The HR&RC's intention is to align total remuneration between the median and upper quartile of the reference market.
Performance measures	Not applicable.
Annual Incentive	
Purpose and link to strategy	To drive performance aligned to short- and long-term value creation considering both what was achieved and how it was achieved, while seeking to avoid excessive risk-taking in the achievement of performance targets.
Operation	AIP awards are determined by the HR&RC's assessment of organisational performance over each financial year. Awards are paid in cash in March following the relevant performance year. AIP awards for the CEO and Hong Kong based members of Senior Management are based on the performance of the CLP Group. For the Managing Director – India awards are based on India performance.

Annual Incentive	
Maximum opportunity and alignment with wider workforce	Each member of Senior Management has a maximum annual incentive opportunity of 100% of base salary. Half of the maximum is payable for target performance. The maximum annual incentive opportunity may be exceeded in exceptional cases where a discretionary additional annual incentive is awarded by the HR&RC. All employees are eligible to participate in the AIP with target AIP percentage calculated as a percentage of base salary.
Performance measures	In assessing organisational performance, the HR&RC considers a balanced scorecard of measures. Given the scale and complexity of our business operations, there are many such measures, including both quantitative and qualitative factors. There is not a formulaic mathematical determination of performance, rather it is a balanced judgement by the HR&RC taking all relevant factors into account. In reaching their decision, the HR&RC considers: WHAT was achieved – Financial and Operational performance: Operating EPS, Operating Earnings, Return on Equity, Asset Performance and Customer Minutes Lost HOW it was achieved – Safety performance: Fatalities, Lost Time Injury and Total Recordable Injury Rates – Environmental Performance: Regulatory non-compliance cases, CO_2 intensity, Emissions and Renewable Energy capacity as a percentage of new generation portfolio – Internal Control: number of Not Satisfactory Audits and Code of Conduct cases ADDITIONAL OBJECTIVES reflecting strategic priorities and long-term sustainability of the organisation in relation to four dimensions: business model, people and organisational capability, environmental impact and community acceptance.
Long-Term Incentive	
Purpose and link to strategy	To drive long-term business value creation, aligning Senior Management incentives to key strategic objectives, support Senior Management retention and to encourage an owner's mindset.
Operation	LTI awards are based on the target LTI opportunity (50% of the maximum opportunity) set at the beginning of the year, multiplied by the organisational performance score for the preceding year. A minimum of 75% of the award is allocated to CLP Holdings phantom shares based on the average closing share price for the December prior to the making of the LTI award. At the individual's choice, up to 25% of the award can be allocated to either a notional cash deposit or to CLP Holdings phantom shares. Payment is subject to a three-year vesting period.
Maximum opportunity and alignment with wider workforce	Each member of Senior Management has a maximum LTI opportunity of 66.6% of base salary. The final value of the award at the vesting date is determined based on initial allocation choices made and the subsequent impact of changes in share price, dividend reinvestment, exchange rate movements and interest earned over the three-year vesting period. Participation in the LTI Plan applies to Senior Management and other senior roles.
Performance measures	As per the AIP.

Retirement Benefits	
Purpose and link to strategy	To provide market-competitive and sustainable retirement benefits, supporting attraction and retention.
Operation	The Group Provident Fund Scheme is a Defined Contribution scheme which all members of Senior Management and Hong Kong based employees are eligible to join. Employer contributions to the retirement fund range from 10-17.5% of Base Salary plus target annual incentive.
Maximum opportunity and alignment with wider workforce	To receive the maximum 17.5% employer contribution, employees must have completed 10 or more years of service and are required to contribute 10% of their Base Salary. Employer contribution rates are the same for all employees.
Performance measures	Not applicable.

Managing Director – EnergyAustralia

Base Salary	
Purpose and link to strategy	To reflect responsibility and complexity of the role, the skills and experience of the individual and to support the attraction and retention of Executives to develop and deliver our strategy.
Operation	Fixed Annual Remuneration (FAR) includes base salary and employer contribution to the Australian statutory superannuation scheme. FAR is reviewed annually taking into consideration the competitive market position compared to peer companies, a range of listed companies with market capitalisation of 50% to 200% of EnergyAustralia's notional market capitalisation, market practice and individual performance. FAR accounted for 29% of Ms Tanna's potential total remuneration in 2019.
Maximum opportunity and alignment with wider workforce	Ordinarily, FAR increases in percentage terms will be in line with or less than increases awarded to other EnergyAustralia employees.
Performance measures	Not applicable.

Managing Director – EnergyAustralia

Short-Term Incentive	
Purpose and link to strategy	To reward individuals' performance based upon achievement of annual financial and operational targets which are linked to EnergyAustralia's strategy. This ensures that total remuneration received is consistent with organisation performance for which management can be held to account. Deferral of incentives facilitates clawback.
Operation	The EnergyAustralia Board determines the level of incentive at its absolute discretion considering key financial, operational and strategic performance indicators. Performance is assessed over a financial year. The actual payout of Ms Tanna's annual incentive is approved by the Board of EnergyAustralia. 70% of the short-term Incentive (STI) award is paid in cash annually, with 30% deferred for two years.
Maximum opportunity and alignment with wider workforce	Maximum annual incentive opportunity is 150% of FAR which accounted for 43% of Ms Tanna's potential total remuneration in 2019. 100% of FAR is payable for on-target performance. All salaried employees are eligible to participate in the STI with target percentage calculated as a percentage of FAR.
Performance measures	STI awards are based on a mix of the corporate scorecard and specific Managing Director-level objectives related to the strategic performance of business. 60% of the STI is based on corporate performance and 40% on priorities set for the business.
Long-Term Incentive	
Purpose and link to strategy	To drive long-term business performance aligning Senior Management incentives to key strategic objectives and to achieve long-term value creation for shareholders.
Operation	LTI awards are based on performance over a three-year performance period. The EnergyAustralia Board determines the final value of LTI awards depending on the achievement of the LTI Performance Conditions. Upon determination of the Final Award Value, 100% of that value (subject to the discretion of the Nomination and Remuneration Committee of EnergyAustralia) will be paid on the vesting date in the fourth year. A minimum of 50% of the Award must be taken in Notional Securities, with the balance taken as deferred cash. Notional Securities entitles the holder to receive a cash payment based on the value of CLP Holdings fully-paid ordinary shares at the time of vesting, ensuring linkage between EnergyAustralia and CLP performance. At the absolute discretion of the EnergyAustralia Board, subject to applicable laws, the Board may require Ms Tanna to repay a sum equal to the cash amount paid to her.
Maximum opportunity and alignment with wider workforce	Maximum LTI opportunity is equal to 100% of FAR which accounted for 28% of Ms Tanna's potential total remuneration in 2019. 50% of FAR is payable for on-target performance. The final value of the award at the vesting date is based on the subsequent impact of changes in share price. Participation in the LTI Plan applies to senior and selected other roles.
Performance measures	The LTI award is decided by the EnergyAustralia Board, depending on the achievement of LTI Performance Conditions.

Senior Management – Remuneration in 2019 (Audited)

Details of the remuneration of the Senior Management are set out below (except for the Executive Directors, that are set out in "Executive Directors – Remuneration in 2019").

	Recurring Remuneration Items					Non-recurring Remuneration Items	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2019							
Chief Operating Officer (Mr Derek Parkin)[3]	4.2	3.7	3.9	0.7	12.5	–	12.5
Chief Operating Officer (Mr David Smales)[4]	1.3	1.2	–	0.2	2.7	0.5	3.2
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.6	4.1	3.6	1.2	13.5	–	13.5
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.4	4.7	2.7	1.4	14.2	–	14.2
Managing Director – EnergyAustralia (Ms Catherine Tanna)[5]	10.7	12.2	12.4	0.1	35.4	–	35.4
Managing Director – India (Mr Rajiv Mishra)[6]	4.2	3.4	2.4	1.1	11.1	–	11.1
Managing Director – China (Mr Chan Siu Hung)	4.4	3.9	3.3	1.2	12.8	–	12.8
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.3	4.6	4.2	1.3	15.4	–	15.4
Chief Corporate Development Officer (Ms Quince Chong)	5.2	4.6	4.2	1.2	15.2	–	15.2
Chief Human Resources Officer (Mr Roy Massey)[7]	2.2	2.0	2.7	0.5	7.4	8.2	15.6
Chief Human Resources Officer (Ms Eileen Burnett-Kant)[8]	1.5	1.3	–	0.2	3.0	0.8	3.8
Total	49.0	45.7	39.4	9.1	143.2	9.5	152.7

Notes 1 to 8 are set out on page 182.

Of the total remuneration paid to Senior Management, HK$43.8 million (2018: HK$40.4 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2019 (Audited) (continued)

	Recurring Remuneration Items					Non-recurring Remuneration Item	
		Performance Bonus[2]					
	Base Compensation, Allowances & Benefits[1] HK$M	Annual Incentive HK$M	Long-term Incentive HK$M	Provident Fund Contribution HK$M	Total Remuneration HK$M	Other Payments HK$M	Total HK$M
2018							
Chief Operating Officer (Mr Derek Parkin)	5.3	4.5	0.6	1.0	11.4	–	11.4
Group Director & Vice Chairman – CLP Power Hong Kong	4.4	3.8	3.0	1.1	12.3	–	12.3
Managing Director – CLP Power	5.2	5.2	1.8	1.3	13.5	–	13.5
Managing Director – EnergyAustralia[5]	11.4	13.3	9.1	0.1	33.9	–	33.9
Managing Director – India[6]	4.2	3.5	2.1	1.0	10.8	–	10.8
Managing Director – China	4.3	3.7	2.7	1.1	11.8	–	11.8
Group General Counsel & Chief Administrative Officer	5.2	4.3	3.3	1.3	14.1	–	14.1
Chief Corporate Development Officer	5.1	4.3	3.3	1.1	13.8	–	13.8
Chief Human Resources Officer (Mr Roy Massey)	4.2	3.4	2.2	1.1	10.9	–	10.9
Total	49.3	46.0	28.1	9.1	132.5	–	132.5

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 174.

2 Refer to Note 2 on Performance Bonus on page 174. For Ms Catherine Tanna, the annual incentive payment was approved by the Board of EnergyAustralia following consultation between the CEO, the Chairman of the EnergyAustralia Nomination and Remuneration Committee and Members of the HR&RC.

3 Mr Derek Parkin stepped down as Chief Operating Officer with effect from 1 October 2019 and his remuneration covered the period from 1 January to 30 September 2019.

4 Mr David Smales joined the Company on 1 October 2019. The Other Payments of HK$0.5 million included (a) transition allowance (HK$0.2 million) and (b) relocation expenses (HK$0.3 million) which were directly settled by CLP for Mr David Smales to the service providers.

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

6 The remuneration of Mr Rajiv Mishra is denominated in Indian Rupees. There is a temporary currency relief arrangement for Mr Rajiv Mishra where 50% of his base salary and annual incentive payment in Rupees were converted to pay in Hong Kong dollars at an exchange rate of 1 HKD = 8.3 Rupees from 1 October 2015 to 30 September 2019. The arrangement has been extended for two years from 1 October 2019 to 30 September 2021 at an exchange rate of 1 HKD = 8.9 Rupees. For the remaining payments in Rupees, the month end exchange rates prevailing at the month of payment were adopted for conversion to Hong Kong dollars.

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

8 Ms Eileen Burnett-Kant joined the Company on 3 September 2019. The Other Payments of HK$0.8 million included (a) transition allowance (HK$0.6 million) and (b) relocation payments (HK$0.2 million) paid in 2019 of which relocation expenses of HK$0.15 million were directly settled by CLP for Ms Eileen Burnett-Kant to the service providers.

The Five Highest Paid Individuals in 2019 (Audited)

The five highest paid individuals in the Group included two Directors (2018: two Directors) and three members of Senior Management (2018: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2019 HK$M	2018 HK$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits [1]	**35.3**	38.3
Performance Bonus [2]		
– Annual Incentive	**34.0**	36.0
– Long-term Incentive	**32.4**	26.6
Provident Fund Contribution	**5.9**	6.2
Non-recurring Remuneration Items		
Other Payments	**8.2**	–
	115.8	107.1

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 174.

2 Refer to Note 2 on Performance Bonus on page 174.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals	
	2019	2018
HK$13,500,001 – HK$14,000,000	**–**	1
HK$14,000,001 – HK$14,500,000	**–**	1
HK$15,000,001 – HK$15,500,000	**1**	–
HK$15,500,001 – HK$16,000,000	**1**	–
HK$19,000,001 – HK$19,500,000	**–**	1
HK$20,500,001 – HK$21,000,000	**1**	–
HK$26,000,001 – HK$26,500,000	**–**	1
HK$28,500,001 – HK$29,000,000	**1**	–
HK$33,500,001 – HK$34,000,000	**–**	1
HK$35,000,001 – HK$35,500,000	**1**	–

Continued Scrutiny and Disclosure

The HR&RC remains committed to the careful oversight of remuneration policies and levels in the interests of the Company and its shareholders, and to honest and open disclosure on these matters.

Vincent Cheng

Chairman, Human Resources & Remuneration Committee

Hong Kong, 24 February 2020

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holding and those of its subsidiaries are the generation and supply of electricity. The Company's principal subsidiary companies are listed under Note 35 to the Financial Statements.

Consolidated Financial Statements

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries (collectively referred to as the Group) together with the Group's interests in joint ventures and associates. Details of the joint ventures and associates are provided under Notes 14 and 15 to the Financial Statements.

Earnings and Dividends

The earnings of the Group for the year are set out under the consolidated statement of profit or loss.

The Directors have declared and paid the first to third interim dividends of HK$1.89 (2018: HK$1.83) per share totalling HK$4,775 million (2018: HK$4,623 million) during the year.

On 24 February 2020, the Directors declared the fourth interim dividend of HK$1.19 (2018: HK$1.19) per share totalling HK$3,007 million (2018: HK$3,007 million).

This fourth interim dividend will be paid on 19 March 2020.

Business Review and Performance

Summary of the Review

Discussions on the Group's businesses and performance can be found throughout this Annual Report and the cross references are set out below. These discussions form part of this Directors' Report.

Topics	Sections
1 A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, including analysis using financial key performance indicators	▪ Financial Highlights (page 9) ▪ CEO's Strategic Review (page 18) ▪ Financial Review (page 30) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70)
2 Description of the principal risks and uncertainties facing the Group	▪ Risk Management Report (page 141) ▪ Financial Risk Management (page 282)
3 Particulars of important events affecting the Group that have occurred since the end of financial year 2019	▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70) ▪ Risk Management Report (page 141)
4 Outlook of the Group's business	▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38)
5 An account of the Group's relationships with its key stakeholders	▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Shareholder Value (page 23) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70)
6 Details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group	▪ Chairman's Statement (page 14) ▪ CEO's Strategic Review (page 18) ▪ Business Performance and Outlook (page 38) ▪ Capitals (page 70) ▪ Governance (page 100) ▪ Five-year Summary: CLP Group Statistics – Environmental and Social (pages 300 and 301)

Board's Statement on ESG

The following is a statement from the Board of Directors explaining the Board's oversight of Environmental, Social and Governance (ESG) issues and how CLP approaches the management of ESG issues.

Governance structure

The CLP Board has overall responsibility for CLP's ESG strategy and reporting. The governance of sustainability is integrated into our corporate governance structure throughout the Group. As one of the Board Committees, the Sustainability Committee has a primary role in overseeing the management of the Group's sustainability issues and is supported by the Sustainability Executive Committee. The Audit & Risk Committee retains oversight and responsibility for short-term business risks and for the assurance of sustainability data.

How does CLP approach and manage material ESG issues?

In 2018, we undertook a new approach towards ESG materiality and our reporting gave a greater focus to the most important ESG issues facing the Company; those that are strategic to our business in the medium- to long-term. This materiality assessment process prioritised the key material topics in 2018, and these remain applicable in 2019.

The 2018 materiality assessment process involved extensive desk-based research, review of internal strategy papers, a close examination of CLP company policies, and interviews with internal subject matter experts across CLP. In 2019, we conducted additional external stakeholder interviews to gauge feedback on the key material topics and to identify areas of improvement in our ESG reporting. These inputs were considered by the Sustainability Executive Committee and the Sustainability Committee, and the following material ESG topics were prioritised: Responding to climate change, harnessing the power of technology, reinforcing cyber resilience and data privacy, and building an agile, inclusive and sustainable workforce.

The agenda of work for the Sustainability Executive Committee and the Sustainability Committee of the Board is concentrated on these material ESG topics.

Climate Vision 2050

With climate change being one of the material topics, CLP published the updated Climate Vision 2050 in late 2019. This summarises CLP's latest decarbonisation actions, which include pledging not to invest in any additional coal-fired generation capacity and to progressively phase out all remaining coal assets by 2050.

Climate Vision 2050 is integrated into CLP's strategies on asset portfolio management, including acquisitions and divestments, guiding the Group in managing climate-related opportunities and risks. It also includes the updated targets of committing to an 80% reduction in the Group's carbon intensity by 2050, compared with 2007 levels along with a new renewable energy capacity target of 30% and a new non-carbon emitting capacity target of 40% by 2030.

In addition, CLP is committed to strengthening the Climate Vision 2050 targets at least every five years. The Group will also track its targets and progress towards them against the Science Based Targets initiative*. This transparent comparison will help CLP stay on course to accelerate its transition to a science-based target.

Moving forward, CLP will also use scenario analysis in line with the recommendations of the TCFD to assess the ongoing impact of climate change on the Group.

* A globally-recognised framework backed by the United Nations Global Compact and other international organisations. Please also refer to Glossary regarding "science-based target".

Share Capital

There was no movement in the share capital of the Company during the year. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

Reserves

Distributable reserves of the Company amounted to HK$25,328 million as at 31 December 2019 (2018: HK$27,133 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2019 amounted to HK$52,349 million (2018: HK$55,298 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 72 to 76 of the Financial Capital.

Financial Assistance and Guarantees to Affiliated Companies

The financial assistance given to affiliated companies and the guarantees given for facilities granted to affiliated companies aggregated to 0.9% of the Group's total assets as at 31 December 2019.

Equity-linked Agreements

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK$20,975,000 (2018: HK$18,311,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2019 and for the previous four financial years are on page 298. A ten-year summary is on the CLP website.

Senior Management

The biographical details of the Senior Management as at the date of this Report are set out on pages 108 and 109. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 168.

Major Customers and Suppliers

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year. Purchases from the Group's five largest suppliers, in aggregate, accounted for 52.75% of the Group's total purchases during the year and a breakdown of the purchases (as a percentage of the Group's total purchases) from each of the five largest suppliers are set out below in descending order:

1. 19.53% from Australian Energy Market Operator (AEMO) in which the Group has no economic interest. AEMO is the administrator and operator of the Australian energy market, from whom electricity is bought to supply EnergyAustralia group customers and to whom electricity is sold from EnergyAustralia group generators (as market participants, EnergyAustralia group entities are members of AEMO but do not hold any economic interest in AEMO).

2. 11.34% from Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) which is 25% owned by the Group. GNPJVC owns Guangdong Daya Bay Nuclear Power Station (GNPS), and CLP Power Hong Kong, a wholly-owned subsidiary of the Company and the largest electricity supplier in Hong Kong, purchases 80% of GNPS's output for supply of electricity to its customers in Hong Kong.

3. 10.75% from PetroChina International Guangdong Co., Ltd. (PCIGD) in which the Group has no interest. CAPCO purchases natural gas from PCIGD for its electricity generation.

4. 7.04% from Ausgrid Operator Partnership (Ausgrid) in which the Group has no interest. EnergyAustralia pays the distribution charges to Ausgrid which owns and operates the electricity distribution network that provides services to customers located in Sydney, the Central Coast and Hunter regions of NSW.

5. 4.09% from Coal India Limited (CIL) in which the Group has no interest. CIL is the single largest coal producer in the world and is an Indian state-owned coal mining corporate which supplies coal to our Jhajjar Power Station.

As at 31 December 2019, none of the Directors, their close associates or substantial shareholders of the Company had any interest in those suppliers other than their indirect interests in GNPJVC, which interests arose from the Group's interest in GNPJVC and the Group's approximate 0.28% shareholding interest in CGN Power Co., Ltd. (the listed entity of which GNPJVC is a subsidiary).

Directors

The Directors of the Company as at the date of this Report, whose names appear on pages 102 to 107, were Directors for the whole year ended 31 December 2019. Their biographical details as at the date of this Report are set out on the same pages. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 168.

Dr Y. B. Lee, pursuant to the retirement age guideline of the CLP Board Diversity Policy, did not seek re-election at the 2019 AGM and retired as a Non-executive Director of the Company at the conclusion of the 2019 AGM held on 6 May 2019. Dr Lee confirmed that he had no disagreement with the Board and that he was not aware of any matter in relation to his retirement that should be brought to the attention of the shareholders of the Company.

Under the Company's Articles of Association, all the Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 119 of the Company's Articles of Association, Sir Rod Eddington, Mr William Mocatta, Mr Vernon Moore, Mr Vincent Cheng and The Hon Sir Michael Kadoorie will retire by rotation at the 2020 AGM.

In accordance with the Company's retirement age guideline under the Board Diversity Policy, as Mr Vernon Moore has reached the age of 72 prior to the 2020 AGM, he will not stand for re-election as a Director at the 2020 AGM. Accordingly, at the conclusion of the AGM he will retire from the CLP Holdings Board and the Board Committees on which he serves.

Having regard to the Company's retirement age guideline under the Board Diversity Policy, as Mr Vincent Cheng will turn 72 shortly after the 2020 AGM, he will not stand for re-election as a Director at the 2020 AGM. Accordingly, at the conclusion of the AGM he will retire from the CLP Holdings Board and the Board Committees on which he serves.

All the other retiring Directors, being eligible, offer themselves for re-election. None of the Directors offering themselves for re-election at the 2020 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

Directors' Interests in Transactions, Arrangements or Contracts

During the year ended 31 December 2019, none of the Directors or his / her connected entity had directly or indirectly any material interest in transactions, arrangements or contracts of significance entered into by the Group.

Alternate Director

During the year ended 31 December 2019 and up to the date of this Report, Mr Andrew Brandler is alternate to Mr William Mocatta.

Directors of Subsidiaries

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2019 or during the period from 1 January 2020 to the date of this Report are available on the CLP website.

Permitted Indemnity Provisions

During the financial year and up to the date of this Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the group-wide directors and officers liability insurance maintained by the Company in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors of the Company.

Continuing Connected Transactions

China Southern Power Grid International (HK) Co., Limited (CSG HK) (effectively China Southern Power Grid Co., Ltd. (CSG) and its subsidiaries (collectively the CSG Group)) is a connected person of CLP Holdings (at the subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of CLP Holdings. Accordingly, ongoing transactions entered into between members of the CSG Group and members of the CLP Group constitute continuing connected transactions (CCTs) for CLP Holdings under Chapter 14A of the Listing Rules.

Under the Listing Rules, the Group's CCTs relating to the power purchase arrangements with the CSG Group are required to be subject to an annual aggregate cap determined by the Company, and for 2019, this was HK$3,400 million. The annual aggregate cap was approved by the Board of Directors in January 2019 and subsequently disclosed in the announcement dated 31 January 2019. The project level caps of the CCTs for 2019 set out in the table on pages 188 to 199 are for reference only and were used to derive the annual aggregate cap of HK$3,400 million.

Other details of the CCTs, which are required to be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules, are also set out in the same table. The considerations for 2019, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2019.

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK$M
1	**CLP Power Hong Kong electricity sales to Mainland China**					
1.1	Power Sales Contract Original arrangement entered into on 10 February 2012 and extended by way of supplemental agreements. The last supplemental agreement was entered into on 28 December 2018 for the term from 1 January to 31 December 2019. The contract expired on 31 December 2019 without renewal.	CLP Power Hong Kong	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (CSG-GPG) Guangdong Power Grid Materials Company Limited, as payment agent of CSG-GPG	CLP Power Hong Kong sells electricity to CSG-GPG.	Payment is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account available market information and the relevant cost.	–
1.2	Energy Economy Interchange Agreement Original agreement entered into on 25 December 2015 and extended by way of further agreements. On 5 November 2018, a supplemental agreement was entered into to further extend the term to 24 December 2021. On 20 December 2019, a supplemental agreement was entered into under which the expiry date remains unchanged.	CLP Power Hong Kong	CSG-GPG	Economic interchange of electricity from, on the one side, CLP Power Hong Kong to CSG-GPG and, on the other, from CSG-GPG to CLP Power Hong Kong, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers.	Where the consideration is settled by cash payment, it is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account the available market information and the relevant cost. The consideration will, under circumstances prescribed in the agreement, be settled by either cash payment or by CSG-GPG's supply of such volume of water to Guangzhou Pumped Storage Power Station (for which the CLP Group has contractual rights to use 50% of Phase 1 of the power station (600MW)) for the generation of electricity equivalent to the volume supplied by CLP Power Hong Kong.	–
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China *(Project level cap for 2019 was HK$288.00 million)*					–
2	**Huaiji hydro project**					
2.1	Zelian Hydro Station Power Purchase Agreement (PPA) Agreement entered into on 24 September 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 23 September 2020.	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHX)	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-ZPB)	CLP-GHX sells electricity to CSG-ZPB which delegated the role of settlement to Zhaoqing Huaiji Power Bureau, another subsidiary of CSG.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangdong Provincial Development and Reform Commission (Guangdong PDRC). This tariff is published at the Guangdong PDRC Document YueJia [2013] No. 177 and is updated from time to time. The above pricing also applies to items 2.3-2.8.	6.12
2.2	Supplemental Agreement to Zelian Hydro Station PPA New agreement entered into on 16 August 2019 for a one-year period from 19 April 2019 to 18 April 2020.	CLP-GHX	CSG-ZPB	This is for the temporary arrangement for CSG-ZPB to supply electricity to CLP-GHX during the technical retrofit of Zelian Hydro Station and the upgrade of the local grid company.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2019] No. 138 and is updated from time to time.	0.42
2.3	Longzhongtan Hydro Station PPA Agreement entered into on 25 December 2018 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 24 December 2020.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	3.17

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK$M
2.4	Jiaoping Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	2.16
2.5	Xiazhu Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	7.67
2.6	Shuixia Hydro Station PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company (CLP-GHW)	CSG-ZPB	CLP-GHW sells electricity to CSG-ZPB.	As in item 2.1 above	39.62
2.7	Baishuihe Four Hydro Stations PPA Agreement entered into on 28 September 2015 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 27 September 2020.	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (CLP-GHC) Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (CLP-GHG) CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above	169.26
2.8	Niuqi Hydro Station PPA Agreement entered into on 26 July 2016 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 25 July 2020.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	26.12
	Aggregated total consideration for Huaiji hydro project *(Project level cap for 2019 was HK$348.00 million)*					254.54

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK$M
3	**Meizhou solar project (acquired by the CLP Group in January 2019)**					
3.1	Meizhou Solar Project PPA New agreement entered into on 1 March 2019 for the term from 1 February 2019 to 1 February 2020.	Pingyuan Litian New Energy Power Company Limited, a wholly-owned subsidiary of the Company (CLP Meizhou)	Meizhou Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPB)	CLP Meizhou sells electricity to CSG-MPB.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2017] No. 3084 and is updated from time to time.	50.90
3.2	Meizhou Solar Project High Voltage Electricity Supply Contract New agreement entered into on 10 July 2019 for a one-year period to 9 July 2020.	CLP Meizhou	Meizhou Pingyuan Power Bureau of CSG-GPG, a subsidiary of CSG (CSG-MPPB)	CSG-MPPB supplies electricity to CLP Meizhou for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by a tariff pre-determined by the Guangdong PDRC. This tariff is published at the Guangdong PDRC Document YueFaGaiJiaGe [2018] No. 213 and is updated from time to time.	0.29
	Aggregated total consideration for Meizhou solar project *(Project level cap for prospective projects in 2019 was HK$82.00 million)*					51.19
4	**Yang_er hydro project**					
4.1	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewal for another one-year period to 9 May 2020.	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (Dali Yang_er)	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (CSG Yangbi)	CSG Yangbi supplies electricity to Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan Provincial Development and Reform Commission (Yunnan PDRC). This tariff is updated from time to time.	0.01
4.2	Yang_er Hydro Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 10 May 2016 to 9 May 2019 with automatic renewal for another one-year period to 9 May 2020.	Dali Yang_er	CSG Yangbi	CSG Yangbi supplies electricity via a 10kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	–
4.3	Yang_er Hydro Project High Voltage Electricity Supply Contract Original agreement entered into on 4 November 2009 and continuingly valid since then. On 23 March 2019, a new agreement with automatic renewal provision was entered into for a three-year period to 22 March 2022.	Dali Yang_er	Dali Power Bureau of Yunnan Power Grid Company Limited (CSG Yunnan), a subsidiary of CSG (CSG-DPB)	CSG-DPB supplies electricity via a 110kV line to Dali Yang_er during overhaul related outages.	As in item 4.1 above	0.01
4.4	Power Exchange Sales Transactions entered into via Kunming Power Exchange Center Limited (Kunming PEC) on various dates in 2019 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan, a subsidiary of CSG, and Kunming PEC which is 50% owned by CSG Yunnan	Dali Yang_er sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	Payment is based on the number of GWh sold multiplied by the tariff determined through competitive bidding processes conducted on Kunming PEC, an arm's length tariff agreed between the parties for market sales (as applicable), or set by Kunming PEC for interprovincial electricity sales (together with a transaction fee charged by Kunming PEC).	23.22
	Aggregated total consideration for Yang_er hydro project *(Project level cap for 2019 was HK$19.00 million)*					23.24

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK$M
5	**Xicun solar project (Phases I and II)**					
5.1	Xicun Solar Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2020.	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company (CLP Xicun)	CSG Yunnan	CLP Xicun sells electricity to CSG Yunnan.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2019 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	63.27
5.2	Xicun Solar Project Electricity Supply Contract (10kV) Agreement entered into on 11 December 2014 for a three-year period to 10 December 2017 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 10 December 2020.	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG (CSG Binchuan)	CSG Binchuan supplies electricity to CLP Xicun for power consumption at the project site.	As in item 4.1 above	0.03
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 23 June 2016 for a three-year period from 25 January 2016 to 24 January 2019 with automatic renewal for successive three-year periods. On 23 December 2019, a new agreement with automatic renewal provision was entered into for a three-year period to 22 December 2022.	CLP Xicun	CSG-DPB	CSG-DPB supplies electricity (110kV) to CLP Xicun for power consumption at the project site for equipment when the plant is not in generation status.	As in item 4.1 above	0.40
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) Agreement entered into on 31 July 2015 for a three-year period to 30 July 2018 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 30 July 2021.	CLP Xicun	CSG Binchuan	CSG Binchuan supplies electricity (10kV) to CLP Xicun for use by the watering facilities.	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.	0.03
5.5	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2019 for electricity sales for various durations.	CLP Xicun	CSG Yunnan and Kunming PEC	CLP Xicun sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	74.89
	Aggregated total consideration for Xicun solar project (Phases I and II) *(Project level cap for 2019 was HK$90.00 million)*					138.62

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK$M
6	**Xundian wind project**					
6.1	Xundian Wind Project PPA Agreement entered into on 14 October 2016 for a one-year period from 1 January to 31 December 2016 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 31 December 2020.	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company (CLP Xundian)	CSG Yunnan	CLP Xundian sells electricity to CSG Yunnan.	As in item 5.1 above	20.55
6.2	Xundian Wind Project Electricity Supply Contract Agreement entered into on 30 November 2015 for a three-year period to 29 November 2018 with automatic renewals for successive three-year periods. The latest renewal was for another three-year period to 29 November 2021.	CLP Xundian	Kunming Power Bureau of CSG Yunnan, a subsidiary of CSG (CSG-KPB)	CSG-KPB supplies electricity via a 110kV line to CLP Xundian for start up purposes.	As in item 4.1 above	0.04
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 19 September 2017 for a three-year period to 18 September 2020. On 8 July 2019, a new agreement with automatic renewal provision was signed to extend the term for a three-year period to 7 July 2022.	CLP Xundian	Kunming Xundian Power Supply Company Limited of CSG Yunnan, a subsidiary of CSG (CSG-KXPSC, formerly known as Xundian Power Supply Company Limited)	CSG-KXPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	Payment is based on the number of kWh sold multiplied by the non-residential tariff determined by the Yunnan PDRC. This tariff is updated from time to time.	–
6.4	Power Exchange Sales Transactions entered into via Kunming PEC on various dates in 2019 for electricity sales for various durations.	CLP Xundian	CSG Yunnan and Kunming PEC	CLP Xundian sold electricity through Kunming PEC from time to time where (i) CSG Yunnan acts as settlement agent and assumes settlement risks for these transactions as defined under the Kunming PEC settlement rules or (ii) CSG Yunnan acts as the purchaser for interprovincial electricity sales.	As in item 4.4 above	49.97
	Aggregated total consideration for Xundian wind project *(Project level cap for 2019 was HK$43.00 million)*					70.56
7	**Sandu wind project**					
7.1	Sandu Wind Project PPA Agreement entered into on 29 December 2017 for a two-year period from 1 January 2018 to 31 December 2019. On 31 December 2019, a new agreement with automatic renewal provision was entered into for another two-year period to 31 December 2021.	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company (CLP Sandu)	Guizhou Power Grid Company Limited, a subsidiary of CSG (CSG Guizhou)	CLP Sandu sells electricity to CSG Guizhou.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the NDRC. The tariff is published at the NDRC Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.	119.46
7.2	Sandu Wind Project Electricity Supply Contract (220kV) Agreement entered into on 21 March 2018 for a one-year period from 18 August 2018 to 17 August 2019 with automatic renewal for another one-year period to 17 August 2020.	CLP Sandu	Duyun Sandu Power Bureau of CSG Guizhou, a subsidiary of CSG (CSG-DSPB)	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.	0.31
7.3	Sandu Wind Project Electricity Supply Contract (10kV) Agreement entered into on 23 March 2018 for a three-year period to 22 March 2021.	CLP Sandu	CSG-DSPB	CSG-DSPB supplies electricity to CLP Sandu for power consumption at the project site.	As in item 7.2 above	–
	Aggregated total consideration for Sandu wind project *(Project level cap for 2019 was HK$152.00 million)*					119.77

	Name, date and term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Nature and description of the transaction	Basis for determining the consideration	Consideration for 2019 HK$M
8	**Fangchenggang coal-fired project (Phases I and II)**					
8.1	Fangchenggang Coal-fired Project PPA Agreement entered into on 12 February 2018 for a one-year period from 1 January to 31 December 2018 with automatic renewals by continued performance. The immediate preceding term was from 1 January to 31 December 2019.	CLP Guangxi Fangchenggang Power Company Limited, a majority-owned joint venture of the Company (CLP-FCG)	Guangxi Power Grid Company Limited, a subsidiary of CSG (CSG Guangxi)	CLP-FCG sells electricity to CSG Guangxi.	Payment is based on the number of GWh sold multiplied by a tariff pre-determined by the Guangxi Price Bureau. This tariff is published at Guangxi Price Bureau Document GuiJiaGe [2017] No. 34 and is updated from time to time.	8.92
8.2	Fangchenggang High Voltage Electricity Supply Contract Agreement entered into on 27 September 2015 for a two-year period with automatic renewals for successive two-year periods. The immediate preceding term was from 27 September 2017 to 26 September 2019.	CLP-FCG	Fangchenggang Power Bureau of CSG Guangxi, a subsidiary of CSG (CSG-FPB)	CSG-FPB supplies standby electricity to CLP-FCG.	As in item 8.1 above	0.01
8.3	Fangchenggang High Voltage Electricity Supply Contract Continuingly valid since 1 June 2009 (being the date of the agreement).	CLP-FCG	CSG-FPB	CSG-FPB supplies standby electricity to the water pumping facilities of CLP-FCG.	As in item 8.1 above	–
8.4	Power Exchange Sales Transactions entered into via Guangxi Power Exchange Center Limited (Guangxi PEC) on various dates in 2019 for electricity sales for various durations.	CLP-FCG	CSG-GPG and CSG Guangxi	CLP-FCG sold electricity through Guangxi PEC from time to time where (i) CSG Guangxi acts as settlement agent and assumes settlement risks for these transactions as defined under the Guangxi PEC settlement rules or (ii) CLP-FCG sold electricity to CSG-GPG for interprovincial electricity sales.	Payment is based on the number of GWh sold multiplied by the tariff determined through competitive bidding processes conducted on Guangxi PEC and an arm's length tariff agreed between the parties for market sales (as applicable).	370.52
	Aggregated total consideration for Fangchenggang coal-fired project (Phases I and II) *(see Note)* *(Project level cap for 2019 was HK$2,378.00 million)*					379.45
Total Consideration for 2019						**1,037.37**

Note:

Since 1 February 2019, as a result of the amendments to the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, CLP-FCG is no longer treated as a subsidiary of the CLP Group for Listing Rules purposes, therefore, from then on, transactions between CLP-FCG and the CSG Group are no longer CCTs. Accordingly, the historical transaction values of CCTs entered into between CLP-FCG and the CSG Group disclosed in the table above were for the one month ended 31 January in 2019 only.

Pursuant to Rule 14A.55 of the Listing Rules, all the Independent Non-executive Directors of the Company have reviewed the CCTs and confirmed that the CCTs have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better to CLP; and

(iii) according to the relevant agreement governing each of the CCTs on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's independent auditor, PwC, was engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

PwC has reviewed these transactions and, pursuant to Rule 14A.56 of the Listing Rules, confirmed to the Board of the Company that nothing has come to their attention that causes them to believe that:

(i) the transactions have not been approved by the Board of the Company;

(ii) the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) the transactions have exceeded the annual aggregate cap.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the Financial Statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

Interests of Directors and Chief Executive Officer

The interests / short positions of each of the Directors and the CEO in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2019, as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

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

The interests of Directors and the CEO in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds) as at 31 December 2019 were as follows:

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Each of the other Directors, namely Mr Vernon Moore, Sir Rod Eddington, Mr Vincent Cheng, Mrs Zia Mody and Mr Geert Peeters have confirmed that they had no interests in the shares of the Company or any of its associated corporations as at 31 December 2019.

None of the Directors or the CEO had interests in debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2019.

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

None of the Directors or the CEO had short positions in respect of shares, debentures or under equity derivatives, interests in underlying shares of the Company or its associated corporations as at 31 December 2019.

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

Interests of Substantial Shareholders

The interests / short positions of substantial shareholders in the shares and underlying shares of the Company as at 31 December 2019, as recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, are set out in the table below and the corresponding explanatory notes:

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

The Company had been notified of the following substantial shareholders' interests in the shares of the Company as at 31 December 2019:

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

Notes:

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

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

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

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

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

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

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

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

As at 31 December 2019, the Company had not been notified of any long positions being held by any substantial shareholder in the underlying shares of the Company through equity derivatives such as share options, warrants to subscribe or convertible bonds.

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

As at 31 December 2019, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Interests of Any Other Persons

As at 31 December 2019, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on page 110 of this Annual Report, while our Sustainability Report available online describes the Company's actions and initiatives with particular emphasis on the social and environmental aspects of our activities.

Auditor

The Financial Statements for the year have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment, at the AGM of the Company.

On behalf of the Board

William Mocatta
Vice Chairman
Hong Kong, 24 February 2020

Financials

We aim to provide our stakeholders with a comprehensive, clear and concise view of our financial position and performance.

Contents

Approaching Our Financial Statements

The objective of financial statements is to communicate the Group's financial information to our stakeholders, especially shareholders, investors and lenders, for making economic decisions. To achieve this objective, it is always our aim to present the financial information of CLP as clearly and concisely as possible. This overview helps you understand how information is organised and presented in our financial statements. Hopefully, this will bring you a more insightful reading experience.

01 Accounting Mini-series

We believe that understanding financial statements is a right, not a privilege. To help those unfamiliar with accounting terms read our financial statements, we have developed an Accounting Mini-series to **explain topical and difficult accounting concepts in a way that is easier to understand.** A number of topics have been discussed since 2007, the content of which can be found in our website.

Read our previous accounting mini-series

02 Essential Financial Statements

Financial statements start with summaries of the financial position, performance and changes in resources of the Group. **These summaries are presented in three essential financial statements with different objectives as shown in the diagram.** The relationships between these statements and the interactions with the Group's stakeholders are set out in our website.

Statement of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	Statement of Cash Flows
A snapshot taken at a point in time, of all the assets the company owns and all the claims against those assets	Financial performance measured by recording the flow of resources over a period of time	Where the company gets its cash and how it spends it
Assets / Liabilities + Equity	Income / Expenses	Cash Inflow / Cash Outflow

03 Significant Accounting Policies

Financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). You do not need to be familiar with all the requirements of HKFRS because **the accounting policies which are significant and relevant to the Group are disclosed in the financial statements.** The disclosures include specific principles and procedures selected and applied by management in preparing the financial statements, as well as the methods, measurement basis and procedures to account for the transactions.

Look for flipping boxes

04 Critical Accounting Estimates and Judgements

Management makes judgements and estimates in preparing the financial statements, some of which will have a significant effect on the reported results and financial position. HKAS 1 specifies that an entity shall disclose (1) the key judgements that have the most significant effect on amounts recognised; and (2) the assumptions and other sources of estimation uncertainty at period end that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next financial year. You should pay attention to **our disclosures under "critical accounting estimates and judgements" which help you assess CLP's financial position and performance and understand the sensitivities to changes in assumptions.**

Look for light blue boxes

05 Tips & Hints

Tips & Hints are our initiatives to **facilitate you to understand the content of a particular disclosure or complicated accounting concepts or terms.**

Look for arrow boxes

New Lease Accounting

Have you noticed something new on our balance sheet? A new item named **right-of-use assets** joined our financial statements for the first time. This is a product of the new lease accounting standard, HKFRS 16, which introduces a new lease definition, resulting in significant changes in the way lessees recognise both the leased assets and the associated liabilities on the financial statements. For lessors, accounting largely remains the same. Let's dive into the details to understand the main impact of this new standard.

> *"Effective on 1 January 2019, the old lease accounting standard HKAS 17 has been replaced by the new standard HKFRS 16 which brings a new era to lease accounting, including a new lease definition and changes to the lessee accounting model."*

Lessor or lessee?

Before going into the detail of the new lease accounting standard, let's refresh the meaning of lessor and lessee. A lessor is the party who owns the asset and rents it out. A lessee is the party who rents the asset from the lessor. It is important to understand the identity of each party as the new lease accounting standard brings an unequal impact to lessors and lessees. While it makes radical changes to the current lessee accounting model, it retains the operating and finance lease models for lessors.

The new standard also includes an updated definition of lease. Under the new definition, contracts previously identified as leases may be scoped out and vice versa for both lessors and lessees.

Impact on lessors and lessees

	Lessors	Lessees
New lease definition	• Contracts may change their existing lease classifications under the new definition	
Lease accounting model	• No impact • Retain the current operating and finance lessor accounting models	• Fundamental changes • Adopt a single lessee accounting model • All lessees are required to reflect a right-of-use asset and a lease liability on their balance sheets

When is CLP a lessor or a lessee?

Usually, people may think of a lessee as a tenant or renter, while the lessor is the landlord or owner. Obviously, CLP is a lessee when renting land and buildings for its daily operations, however, could CLP be a lessor in its electricity generation business?

With the capital-intensive nature of the power industry, CLP usually enters into Power Purchase Agreements (PPA) to ensure offtakers purchase substantially all the output produced by power plants. According to the new lease definition, for these PPAs, CLP may act as a lessor that owns the power plants and "rent" them out to the offtakers. Jhajjar's PPA is one example of CLP acting as an operating lessor.

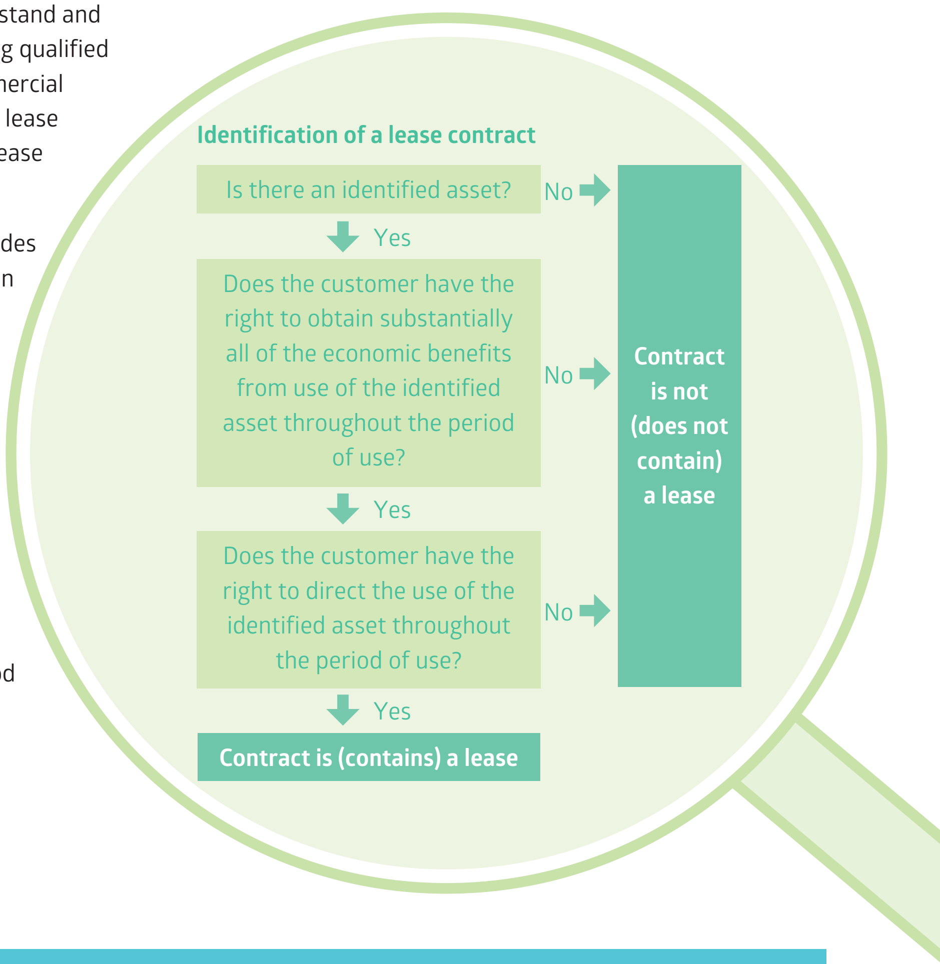
New lease definition

In the past, the process to identify a lease contract (HK(IFRIC) - Interpretation 4) was hard to understand and complicated to apply, resulting in contracts being qualified as leases without properly reflecting their commercial substance. The new standard presents a clearer lease definition, which plays a key role in identifying lease contracts.

A lease is now defined as a contract which provides a customer with the right to control the use of an asset. This definition is further substantiated if:

- there is an identified asset; and
- the contract conveys the right to control the use of the identified asset for a period of time in exchange for a consideration.

When assessing whether the customer has the right to direct the use of the identified asset, the party (the customer or the supplier) who has the right to direct how and for what purpose the identified asset will be used throughout the period of use, is the key to reach a conclusion.



New lease definition – impact on CLP

It is usual for CLP to enter into offtake contracts whereby the customer purchases substantially all the output produced by a power plant ('economic' element). Under the old guidance, if the price per unit of output was neither fixed nor equal to the market price ('price' element), the contract would be classified as a lease.

The lease definition has now changed to focus on who can control the use of the underlying asset during the period of use. The customer must also have the right to direct the use of the asset ('power' element), that is the right to change what type, when, where and how much of the output is produced.

Following the change in definition, when assessing whether an offtake contract is a lease we now put greater focus on the power element, to assess who (CLP or the customer) has the right to decide the amount (how much) of power supply, and the timing (when) of generation and dispatch of that supply.

Elements to consider in lease identification		Old definition	New definition
Economic element	Does the customer obtain substantially all the benefits from the use of the asset	Consider	Consider
Price element	Whether the price per unit of output is neither fixed nor equal to the current market price	Consider	Removed
Power element	Who has the right to direct how and for what purpose the identified asset is used	Not consider	Consider

This year, CLP adopted the new definition for the first time. We have assessed the existing offtake contracts based on the economic and power elements mentioned above with no change of lease classification noted. Details about the first-time adoption of the HKFRS 16 are set out in Note 3 to the Significant Accounting Policies of the Financial Statements.

New lessee accounting model

Other than presenting a new lease definition, another change is the introduction of a single accounting model for the lessees.

Why the need for a change?

In the past, lessees distinguished between finance leases (on balance sheet) and operating leases (off balance sheet) based on the extent that risks and rewards were transferred to the lessee. A finance lease was like buying an asset financed by debt. Over the lease term, the lessee would recognise depreciation on the asset and interest expenses on the liability. In contrast, operating leases were effectively rental agreements, where no asset or liability were recognised on the balance sheet of the lessee, and periodic lease payments were booked as rental expenses.

Before the introduction of HKFRS 16, credit rating agencies used to adjust financial statements in order to "recognise" operating leases on the balance sheet of the lessee, simulating the purchase of the asset via debt issuance. The balance sheet was adjusted to increase debt and fixed assets in line with the value of the lease commitment. With the intention to increase transparency and comparability, and provide a more accurate view of a company's contractual liabilities, this new single lessee accounting model is now introduced to supersede the old operating and finance lessee models.

What are the changes?

In essence, a lease is an acquisition of a right to use an underlying asset (right-of-use asset) with the purchase price to be paid in instalments (lease liability). Therefore, under the new accounting model, a lessee is required to record these right-of-use asset and lease liability on its balance sheet. How are these new balance sheet items measured?

> *"Previously unrecorded leased assets and liabilities are now recognised."*

Right-of-use asset

The right-of-use asset is valued by reference to the consideration to be paid by the lessee. At initial recognition, the value of the right to use an underlying asset equals the lease liability, adjusted for any prepayments, lease incentives or other direct costs for the lease. If there are no such prepayments, incentives or other costs, the right-of-use asset and lease liability are equal.

Lease liability

At the commencement day, the value of the lease liability is the present value of the future lease payments. The discount rate is either an implicit rate given in the lease, or the lessee's incremental borrowing rate, if no rate is included in the lease. Payments that vary according to future indices or rates are calculated at the current index or rate. Payments depending on other factors, such as those linked with lessee's performance, are not included in the lease liability.

What are the impacts?

The overall effects to balance sheet, profit and loss and cash flows brought by the new lessee accounting are illustrated in the diagram below.

Lessee Accounting

Balance Sheet	Right-of-use asset	Lease liability
Income Statement	Depreciation expense on straight line basis	Interest expense at effective interest rate
Cash Flow Statement	N/A	Cash paid for principal and interest

The capitalisation of right-of-use assets and lease liabilities may have a significant impact on the financial ratios of a lessee. Total assets and total liabilities, net income, and key financial ratios, such as debt to equity, debt to assets, return on asset, and return on equity will be affected.

Lessee accounting model – impact on CLP

Lease contracts where CLP is the lessee are mainly on land and buildings. In the past, outstanding lease payments were not recognised on the balance sheet but disclosed as operating lease commitment. On the adoption of the new single lessee accounting model, CLP recognised its previous operating leases on the balance sheet as right-of-use assets together with an equal amount of lease liabilities. However, due to the nature of CLP's business, the amount involved is relatively insignificant. Accordingly, impacts on the financial ratios of CLP are also immaterial. Detailed information can be found in Note 3 to the Financial Statements.

pwc

To the Members of CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CLP Holdings Limited (the "Company") and its subsidiaries (the "Group") ("the Group Financial Statements") set out on pages 220 to 294, which comprise:

- the Consolidated Statement of Financial Position as at 31 December 2019;
- the Consolidated Statement of Profit or Loss for the year then ended;
- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Significant Accounting Policies, Notes to the Financial Statements and Financial Risk Management.

Our opinion

In our opinion, the Group Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group Financial Statements of the current period. These matters were addressed in the context of our audit of the Group Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Unbilled retail revenue;
- Valuation of EnergyAustralia's energy retail business;
- Fixed asset accounting and the calculation of the Scheme of Control permitted return;
- Recoverability of trade receivables;
- Asset retirement obligations (AROs); and
- Legal matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Unbilled retail revenue Refer to note 3 to the Group Financial Statements Retail electricity and gas revenues are recognised when electricity and gas are supplied to and consumed by the customers. Revenues are measured on the basis of periodic cycle meter readings and include an estimated accrual for the value of electricity and gas consumed from the meter reading date to the end of the reporting period (unbilled revenue). Unbilled retail revenue of the Group totalled HK$3,459 million at 31 December 2019. In CLP Power Hong Kong Limited (CLP Power Hong Kong), unbilled retail revenue is calculated using estimates including consumption quantity based on the electricity sent-out adjusted by a loss factor, pattern of residential and non-residential consumption, weather and certain other factors. In EnergyAustralia Holdings Limited (EnergyAustralia) the amount is calculated based on the electricity purchased and applicable tariffs for the mass market customer segment, as well as actual meter readings and contracted rates for commercial and industrial customers. The amount is adjusted for physical energy loss and other measurable factors. This is a Key Audit Matter because the calculation of unbilled retail revenue involves a high degree of estimation.	Our procedures in relation to unbilled retail revenue included: ▪ Obtaining an understanding of and testing the key controls in place to determine the estimate of unbilled retail revenue for both CLP Power Hong Kong and EnergyAustralia; ▪ Testing the volume of electricity sent-out by CLP Power Hong Kong to supporting information; ▪ Testing the volume of electricity purchased by EnergyAustralia from the wholesale electricity market to the underlying Australian Energy Market Operator invoices on a sample basis and reconciling the total purchase volumes to revenue volumes; and ▪ Understanding the estimates made relating to volumes, loss factors and tariffs used in determining the level of unbilled retail revenue for both CLP Power Hong Kong and EnergyAustralia and where relevant assessing their reasonableness by comparing them against historical trends and against the weighted average tariff for prices. Based on the work performed, we found that the Group's unbilled retail revenue amount is supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Valuation of EnergyAustralia's energy retail business Refer to notes 4 and 13 to the Group Financial Statements During the first half of 2019, the Default Market Offer and the Victorian Default Offer (collectively, the "default offers") were released in Australia which took effect from 1 July 2019. The default offers serve as a price cap for electricity for those previously paying the highest prices on contracts known as "standing offers". The default offers impact EnergyAustralia's gross margin by stipulating a new, lower standing offer. At 30 June 2019 EnergyAustralia performed an assessment of the recoverable amount of its energy retail business. The recoverable amount did not support the carrying value of the energy retail business as at 30 June 2019. As a result the Group has recognised an impairment on the energy retail goodwill of HK$6,381 million (A$1,176 million). The recoverable amount of the energy retail business was reassessed at 31 December 2019 and was determined to be HK$10,930 million (A$2,006 million), using the same value in use methodology as 30 June 2019 with updated assumptions. There was minimal headroom above the carrying value at 31 December 2019. This is a Key Audit Matter because inputs to the value in use models require significant management judgement in particular in determining the assumptions for annual retail tariffs, customer account growth rate and discount rate. Changes in these key assumptions would have a direct impact on the valuation.	Our procedures in relation to management's assessment of the carrying value of EnergyAustralia's retail business at 30 June 2019 and 31 December 2019 and the impairment charge recorded during the year included: ▪ Assessing the appropriateness of the valuation methodology in the calculation of the recoverable amount of the energy retail business; ▪ Reconciling input data to supporting evidence, such as approved business plans; ▪ Considering the accuracy of the prior year forecasts against past results; ▪ Challenging the reasonableness of the key assumptions based on our knowledge of the business and the industry; ▪ Assessing the discount rates used with the involvement of our in-house valuation experts; ▪ Verifying the integrity of formulae and mathematical accuracy of management's valuation models; ▪ Testing the mathematical accuracy of the calculation of the impairment charge recognised in the profit and loss; ▪ Assessing the potential impact of reasonably possible downside changes in the key assumptions including possible future regulatory policy changes; and ▪ Reviewing the appropriateness of the Group's disclosures. Based on the work performed, we found the impairment charge recorded during the year and the 31 December 2019 carrying value of the EnergyAustralia energy retail business are supported by the available evidence and the key assumptions have been appropriately disclosed in note 13 to the Group Financial Statements.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Fixed asset accounting and the calculation of the Scheme of Control permitted return Refer to notes 10 and 11 to the Group Financial Statements Consolidated fixed assets and right-of-use assets were HK$150 billion at 31 December 2019. This includes fixed assets and leasehold land relating to CLP Power Hong Kong and Castle Peak Power Company Limited (CAPCO) (together the SoC Companies) (SoC fixed assets) which are the base used in the calculation of the permitted return under the Scheme of Control (SoC) Agreement. The annual permitted return is 8% of the SoC Companies' average net fixed assets. If the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund (TSF). In any period, the amount of deduction from or addition to the TSF is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss. This is a Key Audit Matter because of the significance of the balance and its importance to the SoC Companies. The accuracy of SoC fixed asset additions, disposals and depreciation charges is important to ensure the SoC fixed asset balance is appropriate and the permitted return is calculated correctly.	Our procedures in relation to the Group's SoC fixed assets and the calculation of the SoC permitted return included: ▪ Assessing the control environment and testing controls over additions, disposals and depreciation charges; ▪ Testing the fixed asset additions in the year to supporting evidence on a sample basis and assessing whether the items have been appropriately capitalised; ▪ Assessing the estimated useful lives of the SoC fixed assets for compliance with the SoC; ▪ Testing depreciation charges by performing depreciation reasonableness tests for individual assets, on a sample basis; ▪ Obtaining management's reconciliation of fixed assets from the opening balance at the beginning of the year to the closing balance at the end of the year and reconciling this to the general ledger and supporting records; ▪ Recalculating the SoC permitted return for the year; and ▪ Recalculating the SoC adjustment to revenue for the year. Based on the work performed, we found that the Group's SoC fixed asset accounting and the SoC permitted return calculation are supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Recoverability of trade receivables Refer to note 19 to the Group Financial Statements CLP Power Hong Kong and EnergyAustralia have significant retail businesses with many individual customers. The offtakers for the Group's other generation businesses are mainly a small number of state grid operators. Provisions are made for expected credit losses when the Group will not collect all amounts due. Expected credit losses in CLP Power Hong Kong are close to zero as the trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default. EnergyAustralia has trade receivables of HK$6,126 million at 31 December 2019 against which provisions for expected credit losses of HK$715 million are held. Management estimated the level of expected losses, by assessing future cash flows for each group of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on twelve month rolling historical credit loss experience by customer segment, geographical region, tenure and type of customer and applying them to the receivables held at year end. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers. CLP India Private Limited's (CLP India) renewable projects have trade receivables of HK$805 million of which HK$704 million are past due at 31 December 2019. Management has assessed the recoverability of past due amounts and concluded no credit loss provision is required as there is no recent history of default and continuous payments are received. As at 31 December 2019, the Group had total receivables of HK$1,268 million relating to unpaid Renewable National Subsidies in its Mainland China business. These amounts were considered fully recoverable as continuous settlements have been noted with no history of default and the subsidy is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance. This is a Key Audit Matter because of the magnitude of the trade receivables balance and the significant judgement applied in assessing the allowance for expected credit losses.	Our procedures in relation to trade receivables included: ▪ Testing controls over the billing and collection cycles in CLP Power Hong Kong and EnergyAustralia; ▪ Testing the system calculated trade receivables ageing analysis used to assess the recoverability of receivables in CLP Power Hong Kong and EnergyAustralia; ▪ Assessing the appropriateness of the credit loss provisioning methodology used by the Group; ▪ Assessing the estimates used to determine the expected credit losses by considering cash collection performance against historical trends; ▪ Reviewing the accuracy of management's judgements by comparing historical provisions against actual write-offs; ▪ Reviewing minutes of the boards of directors' meetings relating to the recoverability of trade receivables; ▪ Discussing with management to understand the nature and the judgement involved in estimating the expected credit loss provision on trade receivables from the state grid operators of CLP India's renewable projects and corroborating with correspondence with the customers; and ▪ Discussing with management to understand the nature and the judgement involved in their determination that there is no expected credit loss on unpaid Renewable National Subsidies, assessing the regulatory eligibility for the Group's projects, reviewing the correspondence for projects qualifying under the Renewable Energy Development Fund during the year and considering subsidies collected to-date. Based on the work performed, we found that management's assessments of the recoverability of trade receivables are supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Asset retirement obligations (AROs) Refer to note 26 to the Group Financial Statements Provisions are held for estimated remediation costs, discounted to present value, where the Group has a legal or constructive obligation for remediation and the likelihood of an economic outflow is probable. Estimating the amount and timing of the obligation requires significant judgement. Management has assessed the Group's obligations for each asset based on the local regulatory environment and expected closure dates. Management's key ARO judgements are as follows: ▪ The Group's provision of HK$2,411 million mainly relates to land remediation of generation assets in Australia. The provisions are largely based on estimates by external and internal experts that are discounted using internally determined end of plant lives. ▪ CLP Power Hong Kong expects that its transmission and distribution network will continue to be used for the distribution of electricity supply to its customers and considers it remote that the network will be removed from the existing land sites. Therefore, AROs have not been recognised for transmission and distribution assets. ▪ CAPCO will retire the coal-fired generation units at Castle Peak A Station (CPA) between 2022 to 2025. Management considers that the dismantling obligation for the CPA units is covered by the asset decommissioning liability accrued under the SoC as at 31 December 2019. ▪ While no provision for ARO for the other generation units of CAPCO has been recognised, it is expected that should such obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC. This is a Key Audit Matter because significant judgement is required in determining whether an ARO exists, and estimating the amount and timing of the obligation.	Our procedures in relation to AROs included: ▪ Assessing the appropriateness of the Group's accounting policy; ▪ Evaluating management's judgement that it is remote that the Hong Kong transmission and distribution network would be removed from the existing land sites; it is probable that the CPA units will be removed; and it is possible but not probable that CAPCO's other fossil-fuel generation units may be removed at some point in time in the future; ▪ Assessing management's judgements as to whether a contractual or constructive obligation exists based on the respective power purchase agreements, lease agreements, local laws and regulations, past practice; ▪ Assessing the independence, objectivity and competence of management's experts involved in respect of the future cost estimates for those assets where a provision has been recognised; and ▪ Testing the appropriateness of management's estimates of future costs, the timing and the discount rates where management has concluded that a legal or constructive obligation exists. Based on the work performed, we found that the ARO provisions are supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Legal matters Refer to note 33 to the Group Financial Statements The Group is exposed to the risk of litigation, regulatory judgements and contractual disputes in the course of its normal operations. Provisions are recognised when management considers the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where management considers it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. EnergyAustralia disposed of its entire interest in the Iona Gas Plant for a total consideration of A$1,780 million (HK$9,991 million) in December 2015. On 19 May 2017, EnergyAustralia received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd (Lochard Energy), the purchaser of the Iona Gas Plant, and certain related entities (together "the plaintiff"), commencing formal legal proceedings seeking A$967 million (approximately HK$5,269 million) or alternatively A$780 million (approximately HK$4,250 million) in damages. The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the plaintiff claims to have relied to make its offer, were incomplete or misleading. On 6 May 2019, an amended Statement of Claim was issued by the plaintiff which introduced (as a third alternative method of quantifying its damages) a damages claim based on the cost to fix the alleged issues with the plant as well as alleged associated losses and costs. EnergyAustralia has rejected the claims and is defending the legal proceedings. On the basis of currently available information, the Directors' view is that a material outflow of economic benefits is unlikely and no provision has been made in the Group Financial Statements. This is a Key Audit Matter because significant management judgement based on legal advice, where appropriate, is required to assess whether the probability of a material outflow of economic resources will occur and whether a provision should be recognised.	Our procedures on management's assessment of legal matters included: ▪ Assessing the processes and entity level controls over identifying and monitoring legal matters; ▪ Reviewing the Group's significant legal matters and other contractual claims; ▪ Discussing with management any material developments and the latest status of the legal matters; ▪ Reviewing the minutes of boards of directors' meetings in respect of discussions relating to legal matters; ▪ Obtaining written confirmation from external legal counsel on the status of the Lochard Energy legal claim; ▪ Reviewing written correspondence from both external and internal legal counsel documenting the status of the legal claims (where relevant); ▪ Considering management's assessment of those matters that are not provided and / or disclosed as the probability of material outflow is considered to be not probable for provisioning or remote for disclosure; ▪ Testing whether provisions held against legal claims are appropriate; and ▪ Reviewing the appropriateness of the Group's disclosures. Based on the work performed, we found the provisions recorded and disclosures made are supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the Group Financial Statements and our auditor's report thereon.

Our opinion on the Group Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit & Risk Committee for the Group Financial Statements

The directors of the Company are responsible for the preparation of the Group Financial Statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group Financial Statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit & Risk Committee is responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group Financial Statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group Financial Statements, including the disclosures, and whether the Group Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the Group Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sean William Tuckfield.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 February 2020

Consolidated Statement of Profit or Loss

for the year ended 31 December 2019

	Note	2019 HK$M	2018 HK$M
Revenue	3	**85,689**	91,425
Expenses			
Purchases of electricity, gas and distribution services		**(32,967)**	(34,214)
Staff expenses		**(4,535)**	(4,449)
Fuel and other operating expenses		**(26,039)**	(26,595)
Depreciation and amortisation		**(8,118)**	(8,005)
		(71,659)	(73,263)
Other charge	4	**(6,381)**	–
Operating profit	5	**7,649**	18,162
Finance costs	6	**(1,983)**	(2,049)
Finance income	6	**162**	192
Share of results, net of income tax			
Joint ventures	14	**885**	518
Associates	15	**1,828**	1,818
Profit before income tax		**8,541**	18,641
Income tax expense	7	**(2,787)**	(4,014)
Profit for the year		**5,754**	14,627
Earnings attributable to:			
Shareholders		**4,657**	13,550
Perpetual capital securities holders		**212**	250
Other non-controlling interests		**885**	827
		5,754	14,627
Earnings per share, basic and diluted	9	**HK$1.84**	HK$5.36

The notes and disclosures on pages 226 to 294 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	2019 HK$M	2018 HK$M
Profit for the year	**5,754**	14,627
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(936)**	(5,177)
Cash flow hedges	**423**	(284)
Costs of hedging	**10**	29
Share of other comprehensive income of joint ventures	**1**	1
	(502)	(5,431)
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**31**	(37)
Remeasurement losses on defined benefit plans	**(4)**	(8)
Share of other comprehensive income of an associate	**–**	4
	27	(41)
Other comprehensive income for the year, net of tax	**(475)**	(5,472)
Total comprehensive income for the year	**5,279**	9,155
Total comprehensive income attributable to:		
Shareholders	**4,263**	8,035
Perpetual capital securities holders	**212**	250
Other non-controlling interests	**804**	870
	5,279	9,155

This statement of profit or loss and other comprehensive income includes not only conventional profit for the year, but also "other comprehensive income". Further details of other comprehensive income attributable to shareholders are presented in Note 28.

The notes and disclosures on pages 226 to 294 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 HK$M	2018 HK$M
Non-current assets			
Fixed assets	*10*	**143,615**	141,309
Leasehold land and land use rights under operating leases	*10*	**–**	5,432
Right-of-use assets	*11*	**6,050**	–
Investment property	*12*	**1,121**	1,204
Goodwill and other intangible assets	*13*	**20,111**	26,910
Interests in and loans to joint ventures	*14*	**9,999**	9,674
Interests in associates	*15*	**8,708**	7,746
Deferred tax assets	*24*	**524**	835
Derivative financial instruments	*16*	**1,389**	1,000
Other non-current assets	*17*	**1,280**	904
		192,797	195,014
Current assets			
Inventories – stores and fuel		**2,510**	2,840
Renewable energy certificates		**996**	847
Property under development	*18*	**2,973**	2,971
Trade and other receivables	*19*	**12,986**	15,917
Derivative financial instruments	*16*	**1,035**	799
Short-term deposits and restricted cash	*20*	**445**	4,761
Cash and cash equivalents	*20*	**7,881**	7,365
		28,826	35,500
Current liabilities			
Customers' deposits	*19(a)*	**(5,679)**	(5,476)
Fuel clause account	*21*	**(1,131)**	(901)
Trade payables and other liabilities	*22*	**(17,586)**	(19,061)
Income tax payable		**(1,522)**	(1,399)
Bank loans and other borrowings	*23*	**(13,551)**	(13,535)
Derivative financial instruments	*16*	**(993)**	(1,262)
		(40,462)	(41,634)
Net current liabilities		**(11,636)**	(6,134)
Total assets less current liabilities		**181,161**	188,880

	Note	2019 HK$M	2018 HK$M
Financed by:			
Equity			
Share capital	*27*	**23,243**	23,243
Reserves	*28*	**82,212**	85,810
Shareholders' funds		**105,455**	109,053
Perpetual capital securities	*29*	**3,887**	5,791
Other non-controlling interests	*29*	**9,987**	10,088
		119,329	124,932
Non-current liabilities			
Bank loans and other borrowings	*23*	**38,798**	41,763
Deferred tax liabilities	*24*	**15,117**	14,650
Derivative financial instruments	*16*	**1,305**	1,547
Scheme of Control (SoC) reserve accounts	*25*	**1,500**	998
Asset decommissioning liabilities and retirement obligations	*26*	**3,513**	3,558
Other non-current liabilities		**1,599**	1,432
		61,832	63,948
Equity and non-current liabilities		**181,161**	188,880

The Company's statement of financial position is presented in Note 34.

William Mocatta
Vice Chairman
Hong Kong, 24 February 2020

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

The notes and disclosures on pages 226 to 294 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Attributable to Shareholders			Perpetual Capital Securities	Other Non-controlling Interests	Total Equity
	Share Capital HK$M	Reserves HK$M	Total HK$M	HK$M	HK$M	HK$M
Balance at 1 January 2018	23,243	85,627	108,870	5,791	7,019	121,680
Profit for the year	–	13,550	13,550	250	827	14,627
Other comprehensive income for the year	–	(5,515)	(5,515)	–	43	(5,472)
Transfer to fixed assets	–	(45)	(45)	–	(19)	(64)
Dividends paid						
2017 fourth interim	–	(2,880)	(2,880)	–	–	(2,880)
2018 first to third interim	–	(4,623)	(4,623)	–	–	(4,623)
Distributions to perpetual capital securities holders	–	–	–	(250)	–	(250)
Dividends paid to other non-controlling interests	–	–	–	–	(970)	(970)
Change in ownership interests in a subsidiary	–	(304)	(304)	–	3,188	2,884
Balance at 31 December 2018	23,243	85,810	109,053	5,791	10,088	124,932
Balance at 1 January 2019	23,243	85,810	109,053	5,791	10,088	124,932
Profit for the year	–	4,657	4,657	212	885	5,754
Other comprehensive income for the year	–	(394)	(394)	–	(81)	(475)
Transfer to fixed assets	–	1	1	–	–	1
Dividends paid						
2018 fourth interim	–	(3,007)	(3,007)	–	–	(3,007)
2019 first to third interim	–	(4,775)	(4,775)	–	–	(4,775)
Acquisition of non-controlling interests	–	10	10	–	(96)	(86)
Distributions to perpetual capital securities holders	–	–	–	(212)	–	(212)
Dividends paid to other non-controlling interests	–	–	–	–	(809)	(809)
Reclassification to other borrowings (Note 29)	–	(90)	(90)	(5,791)	–	(5,881)
Issue of perpetual capital securities (Note 29)	–	–	–	3,887	–	3,887
Balance at 31 December 2019	**23,243**	**82,212**	**105,455**	**3,887**	**9,987**	**119,329**

The notes and disclosures on pages 226 to 294 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 HK$M	2019 HK$M	2018 HK$M	2018 HK$M
Operating activities					
Net cash inflow from operations	*30(A)*	**23,502**		26,584	
Interest received		**165**		186	
Income tax paid		**(2,322)**		(2,819)	
Net cash inflow from operating activities			**21,345**		23,951
Investing activities					
Capital expenditure		**(10,448)**		(10,327)	
Capitalised interest and other finance costs paid		**(307)**		(262)	
Proceeds from disposal of fixed assets		**45**		97	
Additions of other intangible assets		**(775)**		(565)	
Acquisitions of subsidiaries		**(130)**		(1,203)	
Proceeds from disposal of an equity investment		**–**		958	
Increase in other financial assets		**(121)**		(85)	
(Investments in and advances to) / repayment of advances from joint ventures		**(70)**		59	
Proceeds from partial disposal of interest in a joint venture		**44**		–	
Investment in an associate		**(352)**		(9)	
Dividends received from					
Joint ventures		**453**		524	
Associates		**1,653**		930	
Equity investments		**13**		13	
Decrease / (increase) in bank deposits with maturities of more than three months		**4,171**		(1,389)	
Net cash outflow from investing activities			**(5,824)**		(11,259)
Net cash inflow before financing activities			**15,521**		12,692
Financing activities	*30(B)*				
Proceeds from long-term borrowings		**6,410**		3,906	
Repayment of long-term borrowings		**(8,796)**		(6,660)	
Redemption of perpetual capital securities		**(5,874)**		–	
(Decrease) / increase in short-term borrowings		**(968)**		300	
Interest and other finance costs paid		**(1,771)**		(1,890)	
Settlement of derivative financial instruments		**(50)**		130	
Payment of principal portion of lease liabilities		**(126)**		–	
Decrease in advances from other non-controlling interests		**(178)**		(1)	
Issue of perpetual capital securities		**3,887**		–	
Distributions paid to perpetual capital securities holders		**(250)**		(250)	
Dividends paid to shareholders		**(7,782)**		(7,503)	
Dividends paid to other non-controlling interests		**(809)**		(970)	
Payment for acquisition of non-controlling interests		**(86)**		–	
Proceeds from disposal of interest in a subsidiary without loss of control		**1,449**		1,433	
Net cash outflow from financing activities			**(14,944)**		(11,505)
Net increase in cash and cash equivalents			**577**		1,187
Cash and cash equivalents at beginning of year			**7,365**		6,529
Effect of exchange rate changes			**(61)**		(351)
Cash and cash equivalents at end of year	*20*		**7,881**		7,365

The notes and disclosures on pages 226 to 294 are an integral part of these consolidated financial statements.

Significant Accounting Policies

The significant accounting policies are included in the corresponding notes to the financial statements or set out below.

1. Basis of Preparation

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) and investment property which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements, are disclosed in relevant notes to the financial statements.

2. Changes in Accounting Policies

(A) New HKFRS effective from 1 January 2019

The following new standard, interpretation, amendments and improvements to standards, which are relevant to the Group, are first effective from 1 January 2019.

- Annual Improvements to HKFRSs 2015 - 2017 Cycle
- Amendments to HKFRS 9 Prepayment Features with Negative Compensation
- Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures
- HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatments
- HKFRS 16 Leases

Except for HKFRS 16 described in Note 3 below, the adoption of these interpretation and amendments to standards does not have any significant impact on the results and the financial position of the Group.

(B) New HKFRS effective after 2019

The Group early adopted the amendments to HKFRS 3 Definition of a business as at 1 January 2019. The amendments to HKFRS 3 clarify the definition of a business, with the objective of assisting entities to determine whether an acquisition is of a business or of a group of assets. This distinction is important because an acquirer recognises goodwill only when acquiring a business. A business must include, a minimum, an input and a substantive process that together have the ability to contribute to the creation of outputs. To facilitate the assessment of whether an acquired set of activities and assets does not satisfy the definition of a business, an optional concentration test is added. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (or a group of similar identifiable assets), the concentration test is met and the set of activities and assets is determined not to be a business and no further assessment is needed. The amendment is effective for acquisitions that occur on or after the first annual reporting period beginning on 1 January 2020 with earlier application permitted.

The amendment is particularly relevant to acquisitions carried out by the Group as the fair value of the gross assets acquired often concentrate in a single group of similar identifiable assets. Therefore, the Group early adopted the amendment on 1 January 2019. Transactions satisfying the concentration test are accounted for as asset acquisitions rather than business combinations. As a result, acquisition costs are capitalised as part of the assets acquired, rather than being expensed as in the case with a business combination, and no goodwill is recognised.

2. Changes in Accounting Policies (continued)

(B) New HKFRS effective after 2019 (continued)

Except for the amendment to HKFRS 3 as described above, the Group has not adopted the following amendments to standards for the year ended 31 December 2019, which may be relevant to the Group, have been issued and are effective after 2019.

- The Conceptual Framework for Financial Reporting 2018
- Amendments to HKAS 1 and HKAS 8 Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Adoption of The Conceptual Framework for Financial Reporting 2018 and other amendments are not expected to have significant impact on the results and the financial position of the Group. The Group decided not to early adopt them in 2019.

3. Adoption of HKFRS 16

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

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

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

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

There were no contracts that were not classified as a lease under HKAS 17 which satisfy the definition of a lease under HKFRS 16. The Group identified that an existing water treatment service contract in Australia meets the definition of a lease. This asset is currently under construction and will be accounted for in accordance with HKFRS 16 upon its commercial operation in 2020.

3. Adoption of HKFRS 16 (continued)

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

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

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

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

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

* The weighted average incremental borrowing rate was 3.1%.

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

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

	For the year ended 31 December 2019 HK$M
Decrease in fuel and other operating expenses	(78)
Increase in depreciation and amortisation	97
Increase in finance costs	8
Decrease in income tax expense	(7)
Decrease in earnings attributable to shareholders	(20)
	HK$
Decrease in earnings per share, basic and diluted	(0.01)

4. Consolidation and Equity Accounting

(A) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiaries made up to 31 December and include the Group's interests in joint ventures and associates on the basis set out in (B) below.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, to ensure consistency with the policies adopted by the Group, adjustments are made to the financial statements of subsidiaries, joint ventures and associates.

(B) Joint ventures and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence but not control nor joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures / associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of post-acquisition profit or loss and other comprehensive income, until the date on which joint control or significant influence ceases. Distributions received from an investee reduce the carrying amounts of the investments.

(C) Joint operations

A joint operation is an arrangement in which the Group has joint control (as explained in (B) above), whereby the Group has rights to the assets and obligations for the liabilities, relating to the arrangement. When the Group undertakes its activities under a joint operation, the Group as a joint operator recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of the joint operation. They are incorporated in the financial statements under appropriate headings.

4. Consolidation and Equity Accounting (continued)

(D) Change in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received, and the reattribution of other comprehensive income to non-controlling interests are recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequent accounting for the retained interest as a joint venture, associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss. Gains or losses on disposals are recognised in profit or loss.

If the ownership interest in a joint venture or associate is reduced, it is possible that joint control or significant influence is retained or a joint venture becomes an associate. As the Group continues to apply the equity method under both cases, the retained interest is not remeasured. However, a proportionate share of the amounts previously recognised in other comprehensive income of the investment is reclassified to profit or loss where appropriate.

A quick guide to the classification of equity investments:

Control → Subsidiary
Joint Control → Joint Venture / Joint Operation
Significant Influence → Associate
Less than Significant Influence → Equity Investment

5. Impairment of Non-Financial Assets

Non-financial assets that have indefinite useful lives are not subject to amortisation. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and, in any case, at least annually. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGUs)). Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination. An impairment loss is recognised for the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset or a CGU less costs of disposal and its value in use.

An impairment loss recognised in prior years for an asset other than goodwill is reversed when there is a favourable change in the estimates used to determine the recoverable amount of an asset. A reversal of the impairment loss is limited to the asset's carrying amount (net of accumulated amortisation or depreciation) that would have been determined had no impairment loss been recognised in prior years.

6. Inventory

Inventory comprises stores and fuel and is stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

7. Renewable Energy Products

Renewable energy and energy efficiency schemes operate through the creation, trade and surrender of energy products. Renewable energy certificates are recognised upon the risks and rewards being transferred to the Group and are measured at the lower of cost or net realisable value. Cost is calculated on a weighted average basis.

8. Employee Benefits

(A) Defined contribution obligations

The Group operates and / or participates in a number of defined contribution plans. The assets of these plans are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by participating companies of the Group, and provide benefits linked to contributions and investment returns on the plans. The Group has no further legal or constructive payment obligations if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods, once the contributions have been paid.

Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) are not used to offset existing contributions but are credited to a reserve account of that provident fund, and are available for distribution at the discretion of the relevant employers.

Contributions to the defined contribution plans are recognised as expenses in the year to which the contributions relate, except to the extent that they are capitalised as part of the cost of qualifying assets.

(B) Defined benefit obligations

The Group operates defined benefit pension plans in Australia and India. Under the plans, the employees are entitled to lump sum benefits on retirement, death, disablement and withdrawal. The level of benefits provided depends on employees' years of service and final average salary. Plan assets held in trusts are governed by local regulations and practice in each country.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Past service costs are recognised immediately in profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

(C) Incentive bonus and employee leave entitlement

Provisions are made for the estimated liability for incentive bonus and employee leave entitlement as a result of services rendered by employees up to the end of the reporting period, where there is a contractual obligation or past practice has created a constructive obligation.

9. Foreign Currency Translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollar, which is the Group's presentation currency.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies by using the exchange rates at the end of the reporting period are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

9. Foreign Currency Translation (continued)

For subsidiaries, joint ventures and associates that have a functional currency different from the Group's presentation currency for the purpose of consolidation, assets and liabilities for each statement of financial position presented are translated using the closing rates at the end of the reporting period; and income and expenses for each statement of profit or loss and other comprehensive income presented are translated at the average exchange rates for the reporting period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity. Reclassifications of gains or losses previously recognised in other comprehensive income to profit or loss are translated by using the exchange rate at the date of reclassification. The remaining reserve balances are translated using the closing rates at the end of the reporting period. Any exchange differences arising from these are taken to retained profits directly.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rates at the end of the reporting period.

Upon disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary / loss of joint control over a joint venture / loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in a joint venture or associate that do not result in the Group losing joint control or significant influence) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Monetary assets and liabilities are assets to be received and liabilities to be paid in fixed amounts. For example, a trade receivable is a monetary asset (the amount to be received is fixed) but a fixed asset is not a monetary asset because it is uncertain how much you will receive if the fixed asset is sold.

An entity can have both functional currency and presentation currency, however, a consolidation group can only have presentation currency but not functional currency. This is because presentation currency is a matter of choice but functional currency is based on the different primary economic environment in which each group entity operates.

10. Leases

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

For the Group as a lessor, leases in which the Group does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset to the customer, are classified as operating lease arrangements. The respective lease assets are included in the financial statements according to their nature. Operating lease payments which vary with operation parameters are recognised as other revenue in the period in which they are earned.

For the Group as a lessee, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, which are recognised as expenses on a straight-line basis over the lease terms. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Readers can refer to the Accounting mini-series for our expanded discussion on new lease accounting.

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries are generation and supply of electricity in Hong Kong, Mainland China, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and Castle Peak Power Company Limited (CAPCO) (collectively referred as SoC Companies), are governed by a SoC entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the SoC Agreements are summarised on pages 295 and 296, which are unaudited.

These financial statements have been approved for issue by the Board of Directors on 24 February 2020.

2. Segment Information

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is the chief operating decision-maker of the Group. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions.

Segment revenue is based on the geographical region in which the electricity is generated and / or services are rendered. Segment capital additions represent the total costs incurred during the year to acquire fixed assets and other segment assets that are expected to be used for more than one year. Unallocated items comprise mainly corporate expenses, corporate assets, and the Company's liquid funds and borrowings.

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

2. Segment Information (continued)

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

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2019							
Revenue from contracts with customers	40,457	1,629	1,217	11	38,686	–	82,000
Other revenue	131	45	3,434	–	66	13	3,689
Revenue	40,588	1,674	4,651	11	38,752	13	85,689
EBITDAF	15,743	1,405	1,657	6	(2,166)	(702)	15,943
Share of results, net of income tax							
Joint ventures	(18)	558	–	329	16	–	885
Associates	–	1,828	–	–	–	–	1,828
Consolidated EBITDAF	15,725	3,791	1,657	335	(2,150)	(702)	18,656
Depreciation and amortisation	(4,821)	(735)	(626)	–	(1,900)	(36)	(8,118)
Fair value adjustments	(5)	–	–	–	(171)	–	(176)
Finance costs	(1,014)	(276)	(520)	–	(109)	(64)	(1,983)
Finance income	1	28	62	–	49	22	162
Profit / (loss) before income tax	9,886	2,808	573	335	(4,281)	(780)	8,541
Income tax expense	(1,798)	(305)	(150)	–	(534)	–	(2,787)
Profit / (loss) for the year	8,088	2,503	423	335	(4,815)	(780)	5,754
Earnings attributable to							
Perpetual capital securities holders	(212)	–	–	–	–	–	(212)
Other non-controlling interests	(710)	(15)	(160)	–	–	–	(885)
Earnings / (loss) attributable to shareholders	7,166	2,488	263	335	(4,815)	(780)	4,657
Excluding: Items affecting comparability	83	–	–	–	6,381	–	6,464
Operating earnings	7,249	2,488	263	335	1,566	(780)	11,121
Capital additions	9,046	345	52	–	1,894	53	11,390
Impairment provisions							
Fixed assets	–	–	–	–	7	–	7
Goodwill	–	–	–	–	6,381	–	6,381
Receivables and others	4	–	36	–	354	–	394
At 31 December 2019							
Fixed assets, right-of-use assets and investment property	119,272	9,021	10,454	–	11,873	166	150,786
Goodwill and other intangible assets	5,545	4,199	27	–	10,340	–	20,111
Interests in and loans to joint ventures	162	7,767	–	1,958	112	–	9,999
Interests in associates	–	8,708	–	–	–	–	8,708
Deferred tax assets	–	92	39	–	393	–	524
Other assets	8,099	3,252	3,951	41	12,163	3,989	31,495
Total assets	133,078	33,039	14,471	1,999	34,881	4,155	221,623
Bank loans and other borrowings	41,171	5,777	5,401	–	–	–	52,349
Current and deferred tax liabilities	15,150	1,214	267	–	8	–	16,639
Other liabilities	21,801	1,090	490	2	9,477	446	33,306
Total liabilities	78,122	8,081	6,158	2	9,485	446	102,294

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

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

2. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2018							
Revenue from contracts with customers	41,487	1,441	1,146	16	42,969	–	87,059
Other revenue	136	54	4,123	–	44	9	4,366
Revenue	41,623	1,495	5,269	16	43,013	9	91,425
EBITDAF	17,580	1,346	1,543	(9)	6,596	(821)	26,235
Share of results, net of income tax							
Joint ventures	(21)	354	–	170	15	–	518
Associates	–	1,863	–	–	(45)	–	1,818
Consolidated EBITDAF	17,559	3,563	1,543	161	6,566	(821)	28,571
Depreciation and amortisation	(4,985)	(696)	(608)	–	(1,681)	(35)	(8,005)
Fair value adjustments	(18)	–	–	–	(50)	–	(68)
Finance costs	(1,011)	(269)	(582)	–	(97)	(90)	(2,049)
Finance income	–	34	48	1	73	36	192
Profit / (loss) before income tax	11,545	2,632	401	162	4,811	(910)	18,641
Income tax expense	(1,971)	(267)	(267)	–	(1,509)	–	(4,014)
Profit / (loss) for the year	9,574	2,365	134	162	3,302	(910)	14,627
Earnings attributable to							
Perpetual capital securities holders	(250)	–	–	–	–	–	(250)
Other non-controlling interests	(805)	(10)	(12)	–	–	–	(827)
Earnings / (loss) attributable to shareholders	8,519	2,355	122	162	3,302	(910)	13,550
Excluding: Items affecting comparability	(18)	–	450	–	–	–	432
Operating earnings	8,501	2,355	572	162	3,302	(910)	13,982
Capital additions	8,872	525	48	–	2,221	32	11,698
Impairment provisions							
Fixed assets	–	13	–	–	1	–	14
Receivables and others	3	–	496	–	399	–	898
At 31 December 2018							
Fixed assets, leasehold land and land use rights and investment property	115,631	8,997	11,287	–	11,922	108	147,945
Goodwill and other intangible assets	5,545	4,453	27	–	16,885	–	26,910
Interests in and loan to joint ventures	42	7,689	–	1,866	77	–	9,674
Interests in associates	–	7,746	–	–	–	–	7,746
Deferred tax assets	–	94	130	–	611	–	835
Other assets	10,206	4,128	6,698	67	14,354	1,951	37,404
Total assets	131,424	33,107	18,142	1,933	43,849	2,059	230,514
Bank loans and other borrowings	38,636	6,080	6,182	–	–	4,400	55,298
Current and deferred tax liabilities	13,641	1,282	307	–	819	–	16,049
Other liabilities	21,088	1,494	552	18	10,643	440	34,235
Total liabilities	73,365	8,856	7,041	18	11,462	4,840	105,582

Items affecting comparability refer to significant unusual events such as acquisition / disposal, impairment of non-current assets, property valuation gain / loss, provision for legal disputes and change in law or natural catastrophe. They have no impact in assessing the underlying operating performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results. Details of the items affecting comparability can be found on page 33.

3. Revenue

Accounting Policy

(A) Revenue from contracts with customers

Revenue from contracts with customers primarily represents sales of electricity and gas.

Revenues from sales of electricity and gas are recognised when electricity and gas are supplied to and consumed by the customers. Revenues are measured at the amounts billed to the customers based on the periodic cycle meter readings and the estimated accruals for the value of electricity and gas consumed from the meter reading date to the end of the reporting period ("unbilled revenue").

(B) Other revenue

Operating lease income represents lease payments which vary with operation parameters and are recognised as revenue when they are earned. Lease service income comprises mainly operating and maintenance servicing income received from lessees with respect to the leased assets. Finance lease income represents the interest element of the lease receivables and is recognised over the lease period using the effective interest method.

Critical Accounting Estimates and Judgements: Unbilled Retail Revenue

The Group records revenues from retail and wholesale energy sales using the accrual accounting method. In Hong Kong, the unbilled retail revenue is calculated using estimates including consumption quantity based on electricity sent-out adjusted by loss factor, pattern of residential and non-residential consumption, weather and certain other factors. In Australia, the unbilled retail revenue is calculated based on the electricity purchased and applicable tariffs for the mass market customers, as well as actual meter readings and contracted rates for commercial and industrial customers. The amount is adjusted for physical energy loss and other measurable factors. Unbilled retail revenue of the Group (included in trade and other receivables) totalled HK$3,459 million at 31 December 2019 (2018: HK$3,877 million).

3. Revenue (continued)

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

	2019 HK$M	2018 HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**40,473**	40,982
Transfer for SoC from revenue (Note 25(A))	**(714)**	(322)
SoC sales of electricity	**39,759**	40,660
Sales of electricity outside Hong Kong	**35,801**	39,121
Sales of gas in Australia	**5,445**	6,146
Others	**995**	1,132
	82,000	87,059
Other revenue		
Operating lease income under Power Purchase Agreement (PPA) (note)		
Fixed payments	**748**	774
Variable payments	**2,445**	2,540
Lease service income under PPA	**182**	652
Finance lease income under PPA	**–**	100
Others	**314**	300
	3,689	4,366
	85,689	91,425

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

The following table sets out a maturity analysis of lease payments, showing the total undiscounted minimum lease payments to be received by Jhajjar's PPA after the reporting date:

	2019 HK$M	2018 HK$M
Within one year	**633**	753
Between one and two years	**615**	649
Between two and three years	**439**	631
Between three and four years	**435**	450
Between four and five years	**428**	446
Over five years	**4,661**	5,219
	7,211	8,148

4. Other Charge

During the first half of 2019, the Default Market Offer and the Victorian Default Offer (collectively, the "default offers") were released in Australia which took effect from 1 July 2019. The default offers serve as a price cap for electricity for those previously paying the highest prices on contracts known as "standing offers". The default offers impact gross margin by stipulating a new, lower standing offer. This resets the market baseline for future market offers, providing an indicator that the value of the energy retail goodwill, which is included in energy retail cash generating unit (CGU) of EnergyAustralia Holdings Limited (EnergyAustralia) could be impaired.

Given these regulatory changes and the expected resulting change to the market, an assessment of the value in use of the energy retail CGU was performed at 30 June 2019 to determine the recoverable amount. The recoverable amount did not support the carrying value of the energy retail CGU as at 30 June 2019. As a result, the Group has recognised an impairment on the energy retail goodwill of HK$6,381 million (A$1,176 million) in the profit or loss. The recoverable amount of the energy retail CGU was reassessed at year end with further information disclosed in Note 13.

5. Operating Profit

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

	2019 HK$M	2018 HK$M
Charging		
Retirement benefits costs [a]	**451**	437
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**39**	39
Other auditor [b]	**2**	2
Permissible audit related and non-audit services		
PricewaterhouseCoopers [c]	**9**	9
Other auditor [b]	**–**	–
Operating lease expenditure on the agreement with Ecogen	**–**	83
Variable lease payments expenses	**67**	63
Net loss on disposal of fixed assets	**424**	416
Impairment of		
Fixed assets	**7**	14
Trade receivables	**383**	890
Inventories – stores and fuel	**11**	8
Revaluation loss / (gain) on investment property	**83**	(18)
Net exchange loss	**33**	87
Crediting		
Net fair value (gains) / losses on non-debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves to		
Purchases of electricity, gas and distribution services	**(53)**	(453)
Fuel and other operating expenses	**(162)**	(77)
Transactions not qualifying as hedges	**292**	68
Ineffectiveness on cash flow hedge	**7**	–
Rental income from investment property	**(35)**	(40)
Dividends from equity investments	**(13)**	(13)

Notes:

(a) Retirement benefits costs for the year amounted to HK$593 million (2018: HK$584 million), of which HK$142 million (2018: HK$147 million) was capitalised.

(b) KPMG India has been the statutory auditor of CLP India Private Limited (CLP India) and its subsidiaries (CLP India group) since April 2017. The Group does not regard KPMG India as a principal auditor of the Group given the relative small quantum of the audit fees, which reflect the scale of operation of CLP India group. Our policy with regard to non-principal auditors for providing non-audit services is to ensure that, within country, the non-audit fees are not paid out of proportion to the audit fees so as to compromise in-country independence. The figure of audit related and non-audit services represented KPMG India's fees charged to CLP India group. Other KPMG offices have also provided services to our businesses in other regions which amounted to HK$16 million during the year (2018: HK$6 million).

(c) Permissible audit related and non-audit services provided by PricewaterhouseCoopers comprised Sustainability Report assurance, Continuing Connected Transactions limited assurance, limited assurance over EnergyAustralia's regulatory reviews and reporting, assurance and agreed-upon-procedures related to debt offerings, audits of CLP's provident funds, auditor's attestation and other advisory services.

6. Finance Costs and Income

Accounting Policy

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

Interest and other finance income is recognised on a time proportion basis using the effective interest method.

	2019 HK$M	2018 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**811**	787
Other borrowings	**1,161**	1,197
Tariff Stabilisation Fund [(a)]	**22**	11
Customers' deposits and fuel clause over-recovery	**49**	73
Lease liabilities	**16**	2
Finance charges	**180**	221
Net fair value loss / (gain) on debt related derivative financial instruments		
Reclassified from cash flow hedge reserve	**24**	(175)
Reclassified from costs of hedging reserves	**67**	82
Fair value hedges	**(262)**	143
Transactions not qualifying as hedges	**28**	(72)
Ineffectiveness of fair value hedges	**3**	(2)
Loss / (gain) on hedged items in fair value hedges	**262**	(143)
Other net exchange (gain) / loss on financing activities	**(55)**	203
	2,306	2,327
Less: amount capitalised [(b)]	**(323)**	(278)
	1,983	2,049
Finance income		
Interest income on bank deposits and loans to joint ventures	**162**	192

Notes:

(a) In accordance with the provisions of the SoC Agreements, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund (Note 25(B)).

(b) Finance costs of the Group's general borrowings have been capitalised at average interest rates of 3.44% - 4.81% (2018: 3.23%) per annum.

7. Income Tax Expense

Income tax in the consolidated statement of profit or loss represents the income tax of the Company and subsidiaries and is analysed below:

	2019 HK$M	2018 HK$M
Current income tax	**2,189**	3,565
Deferred tax	**598**	449
	2,787	4,014

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

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2019 HK$M	2018 HK$M
Profit before income tax	**8,541**	18,641
Less: Share of results of joint ventures and associates, net of income tax	**(2,713)**	(2,336)
	5,828	16,305
Calculated at an income tax rate of 16.5% (2018: 16.5%)	**962**	2,690
Effect of different income tax rates in other countries	**425**	925
Effect of changes in tax rates	**87**	–
Income not subject to tax	**(139)**	(154)
Expenses not deductible for tax purposes	**1,319**	420
Revenue adjustment for SoC not subject to tax	**118**	53
Under-provision in prior years	**9**	77
Tax losses not recognised	**6**	3
Income tax expense	**2,787**	4,014

8. Dividends

	2019 HK$ per Share	**2019 HK$M**	2018 HK$ per Share	2018 HK$M
First to third interim dividends paid	**1.89**	**4,775**	1.83	4,623
Fourth interim dividend declared	**1.19**	**3,007**	1.19	3,007
	3.08	**7,782**	3.02	7,630

At the Board meeting held on 24 February 2020, the Directors declared the fourth interim dividend of HK$1.19 per share (2018: HK$1.19 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements.

9. Earnings per Share

The earnings per share are computed as follows:

	2019	2018
Earnings attributable to shareholders (HK$M)	**4,657**	13,550
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**1.84**	5.36

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the year ended 31 December 2019 (2018: nil).

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

Accounting Policy

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the fixed asset. Cost may also include transfer from equity of any gains / losses on qualifying cash flow hedges of foreign currency purchases of fixed assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For any asset replacement, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the period in which they are incurred.

Depreciation of fixed assets is calculated, using the straight-line method, to allocate their costs to their estimated residual values over their estimated useful lives. The estimated useful lives of the fixed assets are set out below:

	SoC fixed assets	Non-SoC fixed assets
Freehold land	not applicable	not depreciable
Cable tunnels	100 years	30 years
Buildings and civil structures at power stations	35 years	20 – 50 years
Ash lagoon	35 years	20 – 40 years
Other buildings and civil structures	60 years	10 – 60 years
Generating plants	25 years *	10 – 40 years
Overhead lines (33kV and above)	60 years	20 years
Overhead lines (below 33kV)	45 years	18 – 20 years
Cables	60 years	10 – 30 years
Switchgear and transformers	50 years	15 – 35 years
Substation miscellaneous	25 years	10 – 20 years
Meters	15 years	10 – 15 years
Other equipment, furniture and fittings, motor vehicles and marine crafts	5 – 10 years	5 – 30 years

* Useful lives of the generating plants have been extended by 10 – 20 years to 35 – 45 years after mid-life refurbishments.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. For plant under construction, no depreciation is provided until the construction is completed and the assets are ready for their intended use. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

10. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases (continued)

Critical Accounting Estimates and Judgements

(A) Assessment of the Carrying Value of Generation Assets in Australia

Given continued changes in the National Electricity Market (NEM) in Australia and changes in the supply and demand equilibrium, risk is introduced in market modelling which heightens the criticality of this judgement area. As part of making these critical judgements, risks do exist in the assumptions made around supply and demand in regard to the Group's generation assets in Australia. In certain circumstances, where contraction of demand and supply side response vary substantially from the assumptions made, significant changes in the value of the assets could eventuate.

When determining the recoverable amount of the generation assets, scenarios are produced which reflect a range of economic conditions that could exist over the life of the CGU. The scenarios consider a broad range of outcomes including emissions reduction and carbon pricing schemes. More specifically, the consideration of potential regulatory changes and useful lives of the Group's generation assets. The scenarios are then considered in terms of likelihood to arrive at management's best estimate of recoverable value.

Key estimates and assumptions for assessing the carrying value of the generation assets are as follows:

- Critical judgement exists in estimating forward electricity pool prices (the forward curve), generation volumes, retail volumes and gas prices. The forward curve has a significant impact on the accounting for certain items including value in use calculations for impairment purposes.
- Operating costs are escalated by relevant cost drivers using activity-based costing principles. Non-contracted fuel costs are based on management's estimate of future fuel prices.

Changes to the estimates and assumptions and other inputs could impact the assessed recoverable amounts of assets and CGUs and consequently impact the Group's financial performance and position. Management considers that no reasonably possible change would result in an impairment of generation assets, in view of the long-term nature of the key assumptions and the headroom by which the estimated recoverable amount exceeds the carrying amount. Furthermore, given the level of uncertainty, management considers it would be inappropriate to reverse any previous impairment charges.

(B) Assessment of the Carrying Values of Assets in Other Regions

The Group has also made substantial investments in fixed assets and right-of-use assets (mainly leasehold land and land use rights) in other regions. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Determining whether an asset or a CGU should be impaired requires an estimation of the recoverable amount, which requires the Group to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Group operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset) in order to calculate the present value. Where the present value of the expected cash flows is less than the asset's carrying amount, an impairment loss may arise. During 2019, after reviewing the business environment as well as the Group's strategies and past performance of the investments, management concluded that there was no indication of impairment nor material impairment loss for fixed assets and right-of-use assets.

The latest impairment models for these assets indicated that sufficient headroom (meaning the excess of the recoverable amount over carrying value) existed. Management considers that any reasonably possible changes in the assumptions used in the models would not affect management's view on impairment at 2019 year end.

10. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases (continued)

Fixed assets included assets under construction with book value of HK$15,754 million (2018: HK$12,333 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases
	Land					
	Freehold HK$M	Leased HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M	HK$M
Net book value at 1 January 2018	786	386	19,943	116,092	137,207	5,345
Acquisitions of subsidiaries	155	–	301	2,294	2,750	–
Additions	–	–	1,370	9,488	10,858	275
Transfer from finance lease receivables	347	–	4	291	642	1
Transfers and disposals	–	(18)	(119)	(419)	(556)	–
Depreciation / amortisation	–	(11)	(681)	(6,184)	(6,876)	(180)
Impairment charge	–	–	–	(14)	(14)	–
Exchange differences	(85)	–	(256)	(2,361)	(2,702)	(9)
Net book value at 31 December 2018	1,203	357	20,562	119,187	141,309	5,432
Cost	1,299	495	33,923	212,951	248,668	6,704
Accumulated depreciation / amortisation and impairment	(96)	(138)	(13,361)	(93,764)	(107,359)	(1,272)
Net book value at 31 December 2018	1,203	357	20,562	119,187	141,309	5,432
Net book value at 1 January 2019, as previously reported	1,203	357	20,562	119,187	141,309	5,432
Effects of the adoption of HKFRS 16 (Note 3 of Significant Accounting Policies)	–	(357)	–	(56)	(413)	(5,432)
Net book value at 1 January 2019, as restated	1,203	–	20,562	119,131	140,896	–
Acquisition of a subsidiary (note)	–	–	5	333	338	–
Additions	3	–	1,517	8,746	10,266	–
Transfers and disposals	–	–	(54)	(413)	(467)	–
Depreciation	–	–	(692)	(6,123)	(6,815)	–
Impairment charge	–	–	–	(7)	(7)	–
Exchange differences	(25)	–	(74)	(497)	(596)	–
Net book value at 31 December 2019	**1,181**	**–**	**21,264**	**121,170**	**143,615**	**–**
Cost	1,275	–	35,105	219,302	255,682	–
Accumulated depreciation and impairment	(94)	–	(13,841)	(98,132)	(112,067)	–
Net book value at 31 December 2019	**1,181**	**–**	**21,264**	**121,170**	**143,615**	**–**

Note: In January 2019, the Group acquired all the shares in Pingyuan Litian New Energy Power Co., Ltd. (Meizhou Solar), which owns and operates a 36MW solar farm in Guangdong Province, China, for a consideration of HK$26 million (RMB23 million).

11. Right-of-Use Assets

Accounting Policy

The Group as a lessee recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets.

The Group has lease contracts for land and buildings and various items of machinery and equipment used in its operations. The movements during the year are set out below:

	Prepaid Leasehold Land [(a)] HK$M	Land and Buildings [(b)] HK$M	Machinery and Equipment [(b)] HK$M	Total HK$M
Net book value at 1 January 2019, as previously reported	–	–	–	–
Effects of the adoption of HKFRS 16 (Note 3 of Significant Accounting Policies)	5,789	165	46	6,000
Net book value at 1 January 2019, as restated	5,789	165	46	6,000
Acquisition of a subsidiary (Note 10)	2	–	–	2
Additions	187	118	44	349
Depreciation	(191)	(96)	(8)	(295)
Exchange differences	(5)	–	(1)	(6)
Net book value at 31 December 2019	**5,782**	**187**	**81**	**6,050**

Notes:

(a) Prepaid leasehold land represents upfront lease payments, including land premium, on lease of land with the tenure of 25 to 75 years.

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

12. Investment Property

Accounting Policy

Investment properties include properties that are being constructed or developed for future use as investment properties. Land held under an operating lease is accounted for as an investment property when the rest of the definition of an investment property under the accounting standard is met. Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Any gains and losses arising from changes in the fair value or from the retirement or disposal of an investment property are recognised in profit or loss in the period in which they arise.

12. Investment Property (continued)

	2019 HK$M	2018 HK$M
At 1 January	**1,204**	1,186
Revaluation (loss) / gain	**(83)**	18
At 31 December	**1,121**	1,204

Investment property represents the commercial interest of the retail portion of the Laguna Mall in Hong Kong, which is leased out by the Group under operating leases.

Investment property was valued by Cushman & Wakefield Limited (Cushman), an independent qualified valuer, who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment property valued.

Cushman has valued the property at 31 December 2019 by using the income capitalisation approach, cross-referenced with comparable market transactions. The income capitalisation approach is based on the capitalisation of the existing rental / licence income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate capitalisation rates that by reference to the yields achieved in analysed market sales transactions and as expected by investors. The significant unobservable input is the capitalisation rate adopted for the valuation which are ranging from 3.7% to 3.95% (2018: 4.25%). The fair value measurement is negatively correlated to the capitalisation rate.

The recurring fair value measurement of the Group's investment property is categorised within Level 3 of the fair value hierarchy at 31 December 2019 and 2018.

13. Goodwill and Other Intangible Assets

Accounting Policy

(A) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken at least annually or if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(B) Other intangible assets

Intangible assets other than goodwill are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and carried at cost less accumulated amortisation and accumulated impairment losses.

13. Goodwill and Other Intangible Assets (continued)

Critical Accounting Estimates and Judgements: Goodwill Impairment

The recoverable amounts of CGUs with allocated goodwill are determined based on value in use calculations, which use cash flow projections as at 31 December 2019. These cash flow projections are derived from the approved business plan which has a forecast covering a period of ten years and have incorporated necessary updates. Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long-dated nature of our generation and electricity supply assets and a more appropriate reflection of future cash flows from anticipated legislative, regulatory and structural changes in the industry.

Energy retail business in Australia

30 June 2019 assessment

The Group assessed the recoverable amount of the energy retail business in Australia and concluded that the energy retail goodwill was impaired (refer to further details in Note 4).

31 December 2019 reassessment

The recoverable amount of the energy retail business was assessed as at 31 December 2019 and was determined to be HK$10,930 million (A$2,006 million), using the same value in use methodology as 30 June 2019 with updated assumptions. There was minimal headroom at 31 December 2019.

Key assumptions for value in use calculations

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

The assumptions impacting gross margin include:

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

Other assumptions include:

- The number of customer accounts in the short term for electricity and gas aligns with EnergyAustralia's Business Plan, updated for the latest forecast.
- The cash flow projections are discounted using a pre-tax discount rate of 10.4% (2018: 11.0%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital.
- A long term growth rate of 2.0% (2018: 2.3%) is applied in the terminal value calculation after the first ten years of cash flows.

13. Goodwill and Other Intangible Assets (continued)

Critical Accounting Estimates and Judgements: Goodwill Impairment (continued)

Energy retail business in Australia (continued)

Sensitivity analysis for the energy retail CGU valuation

The energy retail CGU valuation is sensitive to certain key assumptions, in particular, gross margin and customer accounts growth. Despite more certainty over retail tariffs following the introduction of the default offers, both retail tariffs and customer account growth assumptions are judgemental and have a direct impact on our CGU valuation. Movements in discount rates, whilst driven by different assumptions, would also have an impact.

- A 5% decrease in gross margin would decrease the recoverable amount by HK$1,689 million (A$310 million).
- A 1% decrease in annual customer growth rate would decrease the recoverable amount by HK$1,090 million (A$200 million).
- An increase in the discount rate of 0.5% would decrease the recoverable amount by HK$1,035 million (A$190 million).

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

Hong Kong electricity business

Goodwill arising from the CAPCO acquisition in 2014 has been allocated to the CLP Power Hong Kong and CAPCO as a combined CGU as the acquisition is considered beneficial to the whole SoC business. The key assumptions include:

- The electricity tariff for the supply of electricity in meeting the demand of customers in Hong Kong over the forecast periods is determined with reference to the rate-setting mechanism under the SoC.
- The forecast for electricity demand is based on the load forecast to support local infrastructure development and meeting customer load requirements, maintaining safety and supply reliability, and meeting environmental requirements.
- Expenditures for the supply of electricity in meeting the forecast demand are based on committed purchase contracts where applicable, and inputs on costs trend as specific to the electricity business in Hong Kong. Such forecast aligns with the projection in the Business Plan for our Hong Kong electricity business, with capital expenditures for the periods to year 2023 aligned with those forecasted in the approved Development Plan.
- Terminal value of the CGU is adopted to estimate the cash flows to be generated for the periods beyond ten years. This is expressed as a multiple of net asset values which corresponds to our return model based on fixed assets investment. The terminal value is a multiple of 1.2 times of the net asset values forecasted as at the end of 2029.
- The cash flow projections are discounted using a pre-tax discount rate of 9.79% (2018: 9.73%), or a post-tax return of 8.00% (2018: 8.00%) which reflects the SoC return rate applicable to the electricity business in Hong Kong.

Up to the date of this report, there were no reasonably possible changes in any of the key assumptions mentioned above that would have caused the recoverable amounts of Hong Kong CGU to be less than its carrying value.

13. Goodwill and Other Intangible Assets (continued)

	Goodwill [(a)] HK$M	Capacity Right [(b)] HK$M	Others HK$M	Total HK$M
Net carrying value at 1 January 2018	22,265	4,663	2,159	29,087
Additions	–	31	534	565
Amortisation	–	(274)	(675)	(949)
Exchange differences	(1,595)	–	(198)	(1,793)
Net carrying value at 31 December 2018	20,670	4,420	1,820	26,910
Cost	20,798	5,694	6,505	32,997
Accumulated amortisation and impairment	(128)	(1,274)	(4,685)	(6,087)
Net carrying value at 31 December 2018	20,670	4,420	1,820	26,910
Net carrying value at 1 January 2019	20,670	4,420	1,820	26,910
Additions	–	22	753	775
Amortisation	–	(276)	(732)	(1,008)
Impairment charge (Note 4)	(6,381)	–	–	(6,381)
Exchange differences	(161)	–	(24)	(185)
Net carrying value at 31 December 2019	**14,128**	**4,166**	**1,817**	**20,111**
Cost	20,606	5,716	7,161	33,483
Accumulated amortisation and impairment	(6,478)	(1,550)	(5,344)	(13,372)
Net carrying value at 31 December 2019	**14,128**	**4,166**	**1,817**	**20,111**

Notes:

(a) Goodwill mainly arose from the acquisitions of energy retail business in Australia of HK$8,524 million (2018: HK$15,065 million) and the acquisition of CAPCO under Hong Kong electricity business of HK$5,545 million (2018: HK$5,545 million).

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

14. Interests in and Loans to Joint Ventures **Accounting Policy No. 4(B)**

The table below lists the material joint ventures of the Group at 31 December 2019:

Name	% of Ownership Interest at 31 December 2018 and 2019	Place of Incorporation / Business	Principal Activity
CSEC Guohua International Power Company Limited (CSEC Guohua) [a]	30	Mainland China	Generation of Electricity
CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) [b]	70 [c]	Mainland China	Generation of Electricity
ShenGang Natural Gas Pipeline Company Limited (SNGPC) [b]	40	Mainland China	Natural Gas Transportation
OneEnergy Taiwan Ltd (OneEnergy Taiwan) [d]	50	British Virgin Islands / Taiwan	Investment Holding
Shandong Zhonghua Power Company, Ltd. (SZPC) [e]	29.4	Mainland China	Generation of Electricity

Notes:

(a) Registered as Sino-Foreign Joint Stock Company under People's Republic of China (PRC) law.

(b) Registered as Sino-Foreign Equity Joint Venture Enterprise under PRC law.

(c) Under the joint venture agreement, none of the joint venture partners has unilateral control over the economic activities of Fangchenggang and hence, the Group's interest is accounted for as a joint venture.

(d) OneEnergy Taiwan indirectly owns 40% interest in Ho-Ping Power Company.

(e) Registered as Sino-Foreign Cooperative Joint Venture Enterprise under PRC law.

More detailed information of our joint ventures can be found on "Our Portfolio" on pages 6 to 8 of the Annual Report.

14. Interests in and Loans to Joint Ventures (continued)

Summarised financial information of material joint ventures and the Group's share of results and net assets are as follows:

	CSEC Guohua HK$M	Fang-chenggang HK$M	SNGPC HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
For the year ended 31 December 2019							
Revenue	**12,384**	**4,038**	**957**	**–**	**5,703**	**1,614**	**24,696**
Depreciation and amortisation	**(1,417)**	**(223)**	**(180)**	**–**	**(1,084)**	**(555)**	**(3,459)**
Interest income	**14**	**11**	**2**	**–**	**2**	**2**	**31**
Interest expense	**(286)**	**(276)**	**(42)**	**–**	**(156)**	**(102)**	**(862)**
Other expenses	**(10,176)**	**(3,031)**	**(203)**	**(3)**	**(4,399)**	**(398)**	**(18,210)**
Share of results of joint ventures	**–**	**–**	**–**	**544**	**–**	**(4)**	**540**
Profit before income tax	**519**	**519**	**534**	**541**	**66**	**557**	**2,736**
Income tax expense	**(180)**	**(143)**	**(135)**	**–**	**(101)**	**(98)**	**(657)**
Profit / (loss) for the year	**339**	**376**	**399**	**541**	**(35)**	**459**	**2,079**
Non-controlling interests	**(228)**	**–**	**–**	**–**	**–**	**–**	**(228)**
Profit / (loss) for the year attributable to shareholders	**111**	**376**	**399**	**541**	**(35)**	**459**	**1,851**
Profit / (loss) for the year	**339**	**376**	**399**	**541**	**(35)**	**459**	**2,079**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Total comprehensive income	**339**	**376**	**399**	**541**	**(35)**	**461**	**2,081**
Group's share							
Profit / (loss) for the year attributable to shareholders	**33**	**263**	**160**	**271**	**(10)**	**168**	**885**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Total comprehensive income	**33**	**263**	**160**	**271**	**(10)**	**169**	**886**
Dividend income from joint ventures	**17**	**–**	**83**	**225**	**–**	**156**	**481**
For the year ended 31 December 2018							
Revenue	12,578	3,333	997	–	6,590	1,691	25,189
Depreciation and amortisation	(1,497)	(240)	(132)	–	(939)	(522)	(3,330)
Interest income	2	11	2	–	2	6	23
Interest expense	(346)	(293)	(59)	–	(193)	(118)	(1,009)
Other expenses	(10,133)	(2,786)	(241)	(3)	(5,356)	(467)	(18,986)
Share of results of joint ventures	–	–	–	262	–	(9)	253
Profit before income tax	604	25	567	259	104	581	2,140
Income tax expense	(264)	(1)	(145)	–	(68)	(112)	(590)
Profit for the year	340	24	422	259	36	469	1,550
Non-controlling interests	(273)	–	–	–	–	–	(273)
Profit for the year attributable to shareholders	67	24	422	259	36	469	1,277
Profit for the year	340	24	422	259	36	469	1,550
Other comprehensive income	–	–	–	–	–	4	4
Total comprehensive income	340	24	422	259	36	473	1,554
Group's share							
Profit for the year attributable to shareholders	20	17	169	129	10	173	518
Other comprehensive income	–	–	–	–	–	1	1
Total comprehensive income	20	17	169	129	10	174	519
Dividend income from joint ventures	44	16	85	208	82	125	560

14. Interests in and Loans to Joint Ventures (continued)

	CSEC Guohua HK$M	Fang-chenggang HK$M	SNGPC HK$M	OneEnergy Taiwan HK$M	SZPC HK$M	Others HK$M	Total HK$M
At 31 December 2019							
Non-current assets	**20,435**	**7,514**	**3,711**	**3,070**	**4,207**	**6,669**	**45,606**
Current assets							
Cash and cash equivalents	**1,596**	**681**	**122**	**6**	**12**	**546**	**2,963**
Other current assets	**1,495**	**752**	**61**	**1**	**800**	**1,067**	**4,176**
	3,091	**1,433**	**183**	**7**	**812**	**1,613**	**7,139**
Current liabilities							
Financial liabilities [a]	**(2,478)**	**(361)**	**(302)**	**–**	**(1,485)**	**(810)**	**(5,436)**
Other current liabilities [a]	**(1,580)**	**(722)**	**(160)**	**–**	**(470)**	**(476)**	**(3,408)**
	(4,058)	**(1,083)**	**(462)**	**–**	**(1,955)**	**(1,286)**	**(8,844)**
Non-current liabilities							
Financial liabilities [a]	**(3,809)**	**(4,862)**	**–**	**–**	**(1,555)**	**(1,146)**	**(11,372)**
Shareholders' loans	**–**	**–**	**(453)**	**–**	**–**	**(148)**	**(601)**
Other non-current liabilities [a]	**(1,699)**	**(56)**	**(719)**	**–**	**(21)**	**(27)**	**(2,522)**
	(5,508)	**(4,918)**	**(1,172)**	**–**	**(1,576)**	**(1,321)**	**(14,495)**
Non-controlling interests	**(6,069)**	**–**	**–**	**–**	**–**	**–**	**(6,069)**
Net assets	**7,891**	**2,946**	**2,260**	**3,077**	**1,488**	**5,675**	**23,337**
Group's share of net assets	**2,367**	**2,062**	**904**	**1,539**	**438**	**2,334**	**9,644**
Goodwill	**–**	**–**	**–**	**–**	**–**	**71**	**71**
Interests in joint ventures	**2,367**	**2,062**	**904**	**1,539**	**438**	**2,405**	**9,715**
Loans to joint ventures	**–**	**–**	**181** [b]	**–**	**–**	**103**	**284**
	2,367	**2,062**	**1,085**	**1,539**	**438**	**2,508**	**9,999**
At 31 December 2018							
Non-current assets	21,712	7,876	3,168	2,959	5,201	6,966	47,882
Current assets							
Cash and cash equivalents	116	622	144	8	48	399	1,337
Other current assets	2,684	1,083	55	1	710	967	5,500
	2,800	1,705	199	9	758	1,366	6,837
Current liabilities							
Financial liabilities [a]	(3,517)	(492)	(308)	–	(3,215)	(588)	(8,120)
Other current liabilities [a]	(1,552)	(850)	(139)	–	(259)	(376)	(3,176)
	(5,069)	(1,342)	(447)	–	(3,474)	(964)	(11,296)
Non-current liabilities							
Financial liabilities [a]	(3,759)	(5,551)	–	–	(859)	(1,866)	(12,035)
Shareholders' loans	–	–	(770)	–	–	–	(770)
Other non-current liabilities [a]	(1,651)	(59)	(41)	–	(27)	(28)	(1,806)
	(5,410)	(5,610)	(811)	–	(886)	(1,894)	(14,611)
Non-controlling interests	(6,033)	–	–	–	–	–	(6,033)
Net assets	8,000	2,629	2,109	2,968	1,599	5,474	22,779
Group's share of net assets	2,400	1,840	843	1,484	470	2,288	9,325
Goodwill	–	–	–	–	–	41	41
Interests in joint ventures	2,400	1,840	843	1,484	470	2,329	9,366
Loan to a joint venture	–	–	308 [b]	–	–	–	308
	2,400	1,840	1,151	1,484	470	2,329	9,674

14. Interests in and Loans to Joint Ventures (continued)

Notes:

(a) Financial liabilities exclude trade and other payables and provisions, which are included in other current and non-current liabilities.

(b) Loan to SNGPC is unsecured, carries interest at 90% (2018: 90%) of the over five years Renminbi benchmark lending rate of the People's Bank of China and with final maturity in June 2022. The current portion of the loan of HK$121 million (2018: HK$123 million) was included in the Group's trade and other receivables. There was no impairment recognised on the loan at 31 December 2019 and 2018.

	2019 HK$M	2018 HK$M
Share of capital commitments	**410**	422
Share of lease and other commitments *	**2,725**	438
Share of contingent liabilities	**55**	56

* Representing the share of lease and other commitments in relation to the use and operation of a floating storage and regasification unit of HK$2,725 million (2018: nil)

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 31(C).

15. Interests in Associates Accounting Policy No. 4(B)

The table below lists the associates of the Group at 31 December 2019:

Name	**% of Ownership Interest at 31 December 2018 and 2019**	**Place of Incorporation / Business**	**Principal Activity**
Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) [(a)]	25	Mainland China	Generation of Electricity
Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) [(a)]	17	Mainland China	Generation of Electricity

More detailed information of our associates can be found on "Our Portfolio" on pages 6 to 8 of the Annual Report.

15. Interests in Associates (continued)

Summarised financial information of the associates and the Group's share of results and net assets are as follows:

	GNPJVC HK$M	Yangjiang Nuclear [b] HK$M
For the year ended 31 December 2019		
Revenue	**8,213**	**16,514**
Profit and total comprehensive income	**3,949**	**4,943**
Group's share of profit and total comprehensive income	**987**	**841**
Dividend income from associates	**17**	**717**
For the year ended 31 December 2018		
Revenue	8,002	15,791
Profit and total comprehensive income	3,868	5,269
Group's share of profit and total comprehensive income	967	896
Dividend income from associates	1,878	–
At 31 December 2019		
Non-current assets	**3,294**	**100,420**
Current assets	**10,080**	**12,435**
Current liabilities	**(1,996)**	**(12,705)**
Non-current liabilities	**(4,338)**	**(59,279)**
Net assets	**7,040**	**40,871**
Group's share of net assets	**1,760**	**6,948**
At 31 December 2018		
Non-current assets	2,879	101,545
Current assets	9,835	12,745
Current liabilities	(5,469)	(17,316)
Non-current liabilities	(4,045)	(56,115)
Net assets	3,200	40,859
Group's share of net assets	800	6,946

At 31 December 2019, the Group's share of capital commitments of its associates was HK$1,317 million (2018: HK$1,526 million).

Notes:

(a) Registered as Sino-Foreign Equity Joint Venture Enterprise under PRC law.

(b) The share of results of Yangjiang Nuclear included amortisation of the fair value adjustment on fixed assets.

16. Derivative Financial Instruments

Accounting Policy

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either fair value hedges, which are hedges of the fair value of recognised financial assets or financial liabilities or firm commitments (e.g. fixed interest rate loans and foreign currency trade receivables) or cash flow hedges, which are hedges of the cash flows of recognised financial assets or financial liabilities or highly probable forecast transactions (e.g. floating interest rate loans and future purchases of fuels denominated in US dollar).

The Group documents at the inception of the transaction the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements.

(A) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, which offset any changes in the fair values recognised in profit or loss of the corresponding hedged asset or liability that are attributable to the hedged risk and achieve the overall hedging result.

(B) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result. However, when the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset at the time of acquisition. The deferred amounts are ultimately recognised in fuel costs in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss remains in equity at that time is accounted for according to the nature of the underlying transactions (as discussed above) once the hedged cash flow occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that has been reported in equity is reclassified to profit or loss immediately.

(C) Derivatives not qualifying for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting and changes in the fair values of these derivative financial instruments are recognised immediately in profit or loss.

16. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(D) Costs of hedging

Time value of options, forward element of forward contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. In such case, the Group treats the excluded elements as costs of hedging. The fair value changes of these elements are recognised in a separate component of equity to the extent that the contract terms are aligned with the attributes of the hedged exposure. For time-period related hedged items, these elements at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the period. For transaction related hedged items, the cumulative change of these elements is included in the initial carrying amount of any non-financial asset recognised when the hedged transaction occurs or is recognised in profit or loss if the hedged transaction affects profit or loss.

(E) Rebalancing of hedge relationships

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

	2019		2018	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	**38**	**77**	88	65
Foreign exchange options	**19**	**–**	31	–
Cross currency interest rate swaps	**206**	**756**	147	767
Interest rate swaps	**26**	**44**	97	19
Energy contracts	**1,701**	**931**	883	746
Fair value hedges				
Cross currency interest rate swaps	**–**	**142**	3	455
Interest rate swaps	**–**	**44**	–	86
Not qualifying as accounting hedges				
Forward foreign exchange contracts	**242**	**44**	237	24
Interest rate swaps	**20**	**1**	26	2
Energy contracts	**172**	**259**	287	645
	2,424	**2,298**	1,799	2,809
Current	**1,035**	**993**	799	1,262
Non-current	**1,389**	**1,305**	1,000	1,547
	2,424	**2,298**	1,799	2,809

At 31 December 2019, the contractual maturity profile of the hedging instruments from the end of the reporting period is summarised below:

Forward foreign exchange contracts	Up to 6 years
Foreign exchange options	Up to 3 years
Cross currency interest rate swaps	Up to 11 years
Interest rate swaps	Up to 13 years
Energy contracts	Up to 11 years

17. Other Non-current Assets

Accounting Policy

(A) Investments

Equity investments are initially recognised at fair value and are subsequently measured at fair value through profit or loss. Where an equity investment is elected to present subsequent changes in the fair value in other comprehensive income, the gains or losses on such equity investments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends on equity investments are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained profits on disposal of an equity investment.

Other financial assets (mainly investments in funds) are initially recognised at fair value and are subsequently measured at fair value through profit or loss.

(B) Contract acquisition costs

Incremental costs to obtain a contract with a customer are capitalised if they are expected to be recoverable. Costs capitalised are amortised on a straight-line basis over the expected benefit periods of the contracts. Non-incremental costs, i.e. costs that would have been incurred regardless of whether the contract is obtained, are expensed when incurred.

(C) Service concession receivables

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction. Such financial assets are initially measured at fair value and are subsequently measured at amortised cost.

	2019 HK$M	2018 HK$M
Investments at fair value through other comprehensive income	**331**	300
Investments at fair value through profit or loss	**247**	101
Contract acquisition costs	**136**	217
Defined benefit asset	**134**	142
Service concession receivables (note)	**255**	–
Others	**177**	144
	1,280	904

Note: In November 2019, the Group acquired 100% of interest in Satpura Transco Private Limited (STPL) (formerly known as Kalpataru Satpura Transco Private Limited) at a consideration of HK$95 million (Rs873 million). STPL operates 400kv transmission lines in Madhya Pradesh, India, on Design, Build, Finance, Operate and Transfer basis which is considered as a service concession arrangement under HK(IFRIC) Interpretation 12. The current portion of HK$10 million is included under the Group's trade and other receivables.

18. Property under Development

Accounting Policy

Property under development comprises leasehold lands and construction-in-progress and is carried at the lower of cost and net realisable value. Property under development is included in the current assets when it is expected to be realised or is intended for sale in the normal operating cycle.

On 18 December 2017, the Group and Sino Land Company Limited (Sino Land) agreed to collaborate on redeveloping the Group's former headquarters at Argyle Street for residential purposes and to preserve the Clock Tower building for community use. Under the development arrangement, Sino Land is fully responsible for all development costs such as land premium, construction costs, professional fees etc. and paid a non-refundable upfront payment of HK$3 billion to the Group. When the property is completed and sold, the Group is entitled to share a percentage of the sale proceeds.

The arrangement entered into by the Group and Sino Land does not involve an establishment of a separate legal entity and is considered as a joint operation under HKFRS 11 Joint Arrangements. The non-refundable upfront payment forms part of the proceeds from the property development and is recorded as deferred revenue (Note 22(e)). When legal titles of the units in the developed property are passed to the purchasers, deferred revenue and the percentage share of the sale proceeds which the Group is entitled will be credited to the profit or loss as revenue, while property under development will be charged to the profit or loss as cost of development.

19. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at transaction price and are subsequently stated at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

19. Trade and Other Receivables (continued)

Critical Accounting Estimates and Judgements: Recoverability of Trade Receivables

Provision for expected credit losses is made when the Group will not collect all amounts due. The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime expected credit losses i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to profit or loss.

	2019 HK$M	2018 HK$M
Trade receivables [a]	**10,791**	11,229
Deposits, prepayments and other receivables	**1,985**	3,547
Dividend receivables from		
Joint ventures	**80**	57
Associates	**–**	949
Loans to and current accounts with [b]		
Joint ventures	**129**	134
Associates	**1**	1
	12,986	15,917

Notes:

(a) Trade receivables

The ageing analysis of the trade receivables at 31 December based on invoice date is as follows:

	2019 HK$M	2018 HK$M
30 days or below *	**8,237**	8,992
31 – 90 days	**869**	820
Over 90 days	**1,685**	1,417
	10,791	11,229

* Including unbilled revenue

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Credit risk management

The Group has no significant concentrations of credit risk with respect to the trade receivables in Hong Kong and Australia as their customer bases are widely dispersed in different sectors and industries. The Group has established credit policies for customers in each of its retail businesses.

In Hong Kong, customers are allowed to settle their electricity bills within two weeks after issue. To limit the credit risk exposure, customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount determined from time to time by reference to the usage of the customers, and in the normal course of events will not exceed the highest expected charge for 60 days. At 31 December 2019, such cash deposits amounted to HK$5,677 million (2018: HK$5,474 million) and the bank guarantees stood at HK$834 million (2018: HK$796 million). For all the deposits held, customers are paid a floating market interest rate equivalent to the HSBC bank savings rate. The customers' deposits are treated on the statement of financial position as current liabilities on the basis that they are repayable on demand.

In Australia, customers are allowed to settle their electricity bills in no more than 47 days after issue. EnergyAustralia has policies in place to ensure that sales of products and services are made to most retail customers (including residential and commercial customers) of an appropriate credit quality and collectability is reviewed on an ongoing basis.

Trade receivables arising from sales of electricity to the offtakers in Mainland China and India are due for settlement within 30 to 90 days and 15 to 60 days after bills issue respectively. The offtakers of these regions are mainly state-owned enterprises. Management has closely monitored the credit qualities and the collectability of these trade receivables and consider that the expected credit risks of them are close to zero.

Expected credit losses

For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. CLP Power Hong Kong and EnergyAustralia determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

CLP Power Hong Kong

CLP Power Hong Kong classifies its trade receivables by nature of customer accounts. These include active accounts and terminated accounts.

	Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK$M	Lifetime Expected Credit Loss HK$M	Net Carrying Amount HK$M
At 31 December 2019				
Active accounts				
Provision on individual basis	**100%**	**4**	**(3)**	**1**
Provision on collective basis	**0%***	**2,056**	**–**	**2,056**
Terminated accounts				
Provision on individual basis	**100%**	**7**	**(7)**	**–**
Provision on collective basis	**26%**	**4**	**(1)**	**3**
		2,071	**(11)**	**2,060**
At 31 December 2018				
Active accounts				
Provision on individual basis	100%	1	(1)	–
Provision on collective basis	0%*	2,105	–	2,105
Terminated accounts				
Provision on individual basis	100%	8	(8)	–
Provision on collective basis	18%	4	(1)	3
		2,118	(10)	2,108

* Expected credit loss is close to zero as these trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Expected credit losses (continued)

EnergyAustralia

EnergyAustralia categorises its trade receivables based on the ageing. EnergyAustralia recognises lifetime expected credit losses for receivables by assessing future cash flows for each group of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on twelve month rolling historical credit loss experience by customer segment, geographical region, tenure and type of customer and applying to the receivables held at year end. The determining factor impacting collectability is customer attributes. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.

	Weighted Average Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK$M	Lifetime Expected Credit Loss HK$M	Net Carrying Amount HK$M
At 31 December 2019				
Current	**1%**	**4,153**	**(36)**	**4,117**
1 – 30 days	**7%**	**483**	**(27)**	**456**
31 – 60 days	**15%**	**194**	**(30)**	**164**
61 – 90 days	**22%**	**165**	**(35)**	**130**
Over 90 days	**52%**	**1,131**	**(587)**	**544**
		6,126	**(715)**	**5,411**
At 31 December 2018				
Current	1%	4,834	(37)	4,797
1 – 30 days	8%	435	(35)	400
31 – 60 days	16%	268	(44)	224
61 – 90 days	23%	190	(44)	146
Over 90 days	53%	956	(509)	447
		6,683	(669)	6,014

Mainland China

As at 31 December 2019, the Group had total receivables of HK$1,268 million (2018: HK$972 million) relating to unpaid Renewable National Subsidies. The application, approval and settlement of the Renewable National Subsidy are governed by the relevant policies issued by the Central People's Government. All of the Group's Mainland China renewable projects are qualified for renewable energy subsidy in accordance with the prevailing government policies. There is no due date for the settlement of renewable national subsidies as the collection is subject to the allocation of funds by relevant government authorities to local grid companies, which takes a relatively long time for settlement. These amounts were considered fully recoverable as continuous settlements have been noted with no history of default and the subsidy is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance.

India

At 31 December 2019, CLP India's renewable projects have trade receivables of HK$805 million (2018: HK$487 million) of which HK$704 million (2018: HK$437 million) were past due. These amounts were not considered impaired as there are no recent history of default and continuous payments received. Trade receivables in dispute are assessed individually for impairment allowance in order to determine whether specific provisions are required. Disputed trade receivables of Paguthan and Jhajjar totalling HK$855 million (2018: HK$850 million) were provided in full as there is no reasonable expectation of recovery. Further information about disputes with offtakers is disclosed in Note 33.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Expected credit losses (continued)

Movements in Provision for Impairment

	2019 HK$M	2018 HK$M
Balance at 1 January	**1,532**	1,427
Provision for impairment	**384**	892
Receivables written off during the year as uncollectible	**(302)**	(641)
Amounts reversed	**(1)**	(2)
Exchange differences	**(30)**	(144)
Balance at 31 December	**1,583**	1,532

(b) The current accounts with joint ventures and associates are unsecured, interest free and have no fixed repayment terms.

20. Bank Balances, Cash and Other Liquid Funds

Accounting Policy

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible to cash, subjected to insignificant risk of change in value and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

	2019 HK$M	2018 HK$M
Trust accounts restricted under TRAA [a]	**279**	398
Deposits with banks	**6,318**	9,557
Cash at banks and on hand	**1,729**	2,171
Bank balances, cash and other liquid funds [b]	**8,326**	12,126
Excluding:		
Cash restricted for specific purposes [a]	**(279)**	(398)
Bank deposits with maturities of more than three months	**(166)**	(4,363)
Short-term deposits and restricted cash	**(445)**	(4,761)
Cash and cash equivalents	**7,881**	7,365

Notes:

(a) Pursuant to Trust and Retention Account Agreements (TRAA) of CLP India group with their corresponding lenders, various trust accounts are set up for designated purposes.

(b) The Group's bank balances, cash and other liquid funds denominated in the currencies other than the functional currencies of the respective entities amounted to HK$380 million (2018: HK$963 million) which was mostly denominated in Renminbi (2018: Renminbi).

21. Fuel Clause Account

Cost of fuel consumed by CLP Power Hong Kong is passed on to customers. Any variations between the actual cost of fuel and the fuel cost billed are captured in the fuel clause account. The balance of the account (inclusive of interest) represents amounts over-recovered or under-recovered and is treated as an amount due to or from customers. Interest charged to customers on the amount under-recovered is based on the actual borrowing cost of CLP Power Hong Kong, while interest is credited to customers at prime rate on the amount over-recovered. CLP Power Hong Kong may adjust fuel related tariff from time to time, including on a monthly basis, in accordance with the SoC to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity.

22. Trade Payables and Other Liabilities

Accounting Policy

(A) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(B) Lease liabilities (applicable from 1 January 2019)

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted using the interest rate implicit in the lease, if this cannot be readily determined, an incremental borrowing rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, over a similar term and with a similar security. Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amounts to reflect the lease payments made. Lease liabilities are remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options under certain conditions.

	2019 HK$M	2018 HK$M
Trade payables [a]	**5,850**	6,653
Other payables and accruals	**6,743**	7,273
Lease liabilities [b]	**99**	21
Advances from non-controlling interests [c]	**1,344**	1,522
Current accounts with [d]		
Joint ventures	**1**	1
Associates	**468**	517
Deferred revenue [e]	**3,081**	3,074
	17,586	19,061

22. Trade Payables and Other Liabilities (continued)

Notes:

(a) The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2019 HK$M	2018 HK$M
30 days or below	**5,580**	6,404
31 – 90 days	**172**	145
Over 90 days	**98**	104
	5,850	6,653

At 31 December 2019, trade payables denominated in currencies other than the functional currencies of the corresponding Group entities amounted to HK$660 million (2018: HK$681 million), of which HK$488 million (2018: HK$569 million) were denominated in US dollar.

(b) At 31 December 2019, the non-current portion of lease liabilities of HK$208 million (2018: HK$58 million) was included under other non-current liabilities.

(c) The advances from non-controlling interests represented the advances from China Southern Power Grid International (HK) Co., Limited (CSGHK) to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong and CSGHK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. These advances are unsecured, interest free and repayable on demand. The advances are denominated in Hong Kong dollar.

(d) The amounts payable to joint ventures and associates are unsecured, interest free and have no fixed repayment terms.

(e) Deferred revenue included the non-refundable upfront payment for the property development at Argyle Street of HK$3 billion (2018: HK$3 billion) (Note 18) and payments received in advance for other services. Non-current deferred revenue of HK$1,295 million (2018: HK$1,216 million) was included under other non-current liabilities.

23. Bank Loans and Other Borrowings

Accounting Policy

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss or capitalised as cost of the qualifying assets over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

At 31 December 2019, the Group's bank loans and other borrowings were repayable as follows:

	Bank Loans		Other Borrowings *		Total	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M
Within one year	**9,331**	11,935	**4,220**	1,600	**13,551**	13,535
Between one and two years	**4,957**	3,858	**3,332**	4,183	**8,289**	8,041
Between two to five years	**4,395**	3,876	**6,015**	8,229	**10,410**	12,105
Over five years	**3,423**	4,364	**16,676**	17,253	**20,099**	21,617
	22,106	24,033	**30,243**	31,265	**52,349**	55,298

* Other borrowings mainly included Medium Term Notes of HK$28,677 million (2018: HK$29,405 million) and bonds of HK$1,539 million (2018: HK$1,558 million).

Another presentation of the Group's liquidity risk is set out on pages 285 to 287.

23. Bank Loans and Other Borrowings (continued)

Total borrowings included secured liabilities of HK$10,654 million (2018: HK$11,709 million), analysed as follows:

	2019 HK$M	2018 HK$M
CLP India group [(a)]	**5,402**	6,182
Subsidiaries in Mainland China [(b)]	**5,252**	5,527
	10,654	11,709

Notes:

(a) Bank loans and bonds for CLP India group are secured by fixed and floating charges over their immovable and movable properties and current assets with total carrying amounts of HK$11,878 million (2018: HK$12,740 million).

(b) Bank loans for subsidiaries in Mainland China are secured by rights of receipt of tariff and by fixed assets and land use rights with carrying amounts of HK$9,328 million (2018: HK$9,002 million).

At 31 December 2019 and 2018, all of the Group's borrowings are either in the functional currencies of the corresponding Group entities or hedged into those currencies.

At 31 December 2019, the Group had undrawn bank loans and overdraft facilities of HK$18,854 million (2018: HK$24,059 million).

24. Deferred Tax

Accounting Policy

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2019 HK$M	2018 HK$M
Deferred tax assets	**524**	835
Deferred tax liabilities	**(15,117)**	(14,650)
	(14,593)	(13,815)

Deferred tax asset = income tax recoverable in the future
Deferred tax liability = income tax payable in the future

24. Deferred Tax (continued)

The gross movement on the deferred tax account is as follows:

	2019 HK$M	2018 HK$M
Balance at 1 January	**(13,815)**	(13,420)
Acquisition of subsidiaries	**(9)**	(19)
Charged to profit or loss (Note 7)	**(598)**	(449)
(Charged) / credited to other comprehensive income	**(166)**	116
Exchange differences	**(5)**	(43)
Balance at 31 December	**(14,593)**	(13,815)

Deferred tax assets (prior to offset)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

	Tax Losses [a]		Accruals and Provisions		Others [b]		Total	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M
Balance at 1 January	**844**	908	**1,394**	1,345	**867**	616	**3,105**	2,869
Acquisition of subsidiaries	**–**	11	**–**	80	**–**	–	**–**	91
(Charged) / credited to profit or loss	**(339)**	2	**(74)**	101	**(24)**	297	**(437)**	400
Credited to other comprehensive income	**–**	–	**1**	3	**8**	5	**9**	8
Exchange differences	**(16)**	(77)	**(18)**	(135)	**(17)**	(51)	**(51)**	(263)
Balance at 31 December	**489**	844	**1,303**	1,394	**834**	867	**2,626**	3,105

Deferred tax liabilities (prior to offset)

	Accelerated Tax Depreciation		Withholding Tax		Intangibles		Others [b]		Total	
	2019 HK$M	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M	**2019 HK$M**	2018 HK$M
Balance at 1 January	**(15,177)**	(14,218)	**(183)**	(121)	**(934)**	(1,049)	**(626)**	(901)	**(16,920)**	(16,289)
Acquisition of subsidiaries	**(9)**	(110)	**–**	–	**–**	–	**–**	–	**(9)**	(110)
(Charged) / credited to profit or loss	**(187)**	(828)	**(102)**	(66)	**138**	101	**(10)**	(56)	**(161)**	(849)
(Charged) / credited to other comprehensive income	**–**	–	**–**	–	**–**	–	**(175)**	108	**(175)**	108
Transfer of finance lease receivables to fixed assets	**–**	(139)	**–**	–	**–**	–	**–**	139	**–**	–
Exchange differences	**34**	118	**1**	4	**1**	14	**10**	84	**46**	220
Balance at 31 December	**(15,339)**	(15,177)	**(284)**	(183)	**(795)**	(934)	**(801)**	(626)	**(17,219)**	(16,920)

Notes:

(a) The deferred tax asset arising from tax losses related to the electricity business in India of HK$485 million (2018: HK$843 million). There is no expiry on tax losses recognised.

(b) Others mainly related to Minimum Alternate Tax credit in India and temporary differences arising from derivative financial instruments and deferred revenue.

25. SoC Reserve Accounts

Critical Accounting Estimates and Judgements: Classification of SoC-related Accounts

As stipulated in the SoC, the balances in the Tariff Stabilisation Fund and the Rate Reduction Reserve shall represent liabilities in the financial statements of CLP Power Hong Kong and shall not accrue to the benefit of its shareholders save as provided for by the SoC. CLP Power Hong Kong also has the obligation to maintain the Fuel Clause Account (Note 21). The Group considers that CLP Power Hong Kong is required under the SoC to discharge its obligations arising from the SoC upon the expiry of the SoC Agreement such that the balances in the Tariff Stabilisation Fund and the Rate Reduction Reserve meet the definition of a financial liability.

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

	2019 HK$M	2018 HK$M
Tariff Stabilisation Fund (A)	**1,478**	941
Rate Reduction Reserve (B)	**22**	11
Rent and Rates Refunds (C)	**–**	46
	1,500	998

The movements in SoC reserve accounts during the year are shown as follows:

(A) Tariff Stabilisation Fund

	2019 HK$M	2018 HK$M
At 1 January	**941**	746
Transfer from Rate Reduction Reserve	**11**	4
Transfer under the SoC [(a)]		
– transfer for SoC from revenue (Note 3)	**714**	322
– charge for asset decommissioning [(b)]	**(188)**	(131)
At 31 December	**1,478**	941

Notes:

(a) Under the SoC Agreements, if the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss (Note 3).

(b) Under the SoC, a periodic charge to accrue for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies. The balance of the asset decommissioning liabilities account of HK$1,179 million (2018: HK$991 million) (Note 26) recognised under the SoC represents a liability of the Group.

25. SoC Reserve Accounts (continued)

(B) Rate Reduction Reserve

	2019 HK$M	2018 HK$M
At 1 January	**11**	4
Transfer to Tariff Stabilisation Fund	**(11)**	(4)
Interest expense charged to profit or loss (Note 6)	**22**	11
At 31 December	**22**	11

(C) Rent and Rates Refunds

CLP Power Hong Kong has been challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the appeals up to 2007/08 have been settled, final resolution for the remaining appeals for rating years from 2008/09 has not yet been completed.

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

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

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

26. Asset Decommissioning Liabilities and Retirement Obligations

Accounting Policy

When the Group has a legal and / or constructive obligation for remediation and the likelihood of economic outflow is probable, provisions for asset retirement obligations are recorded for estimated remediation costs of reclamation, plant closure, dismantling and waste disposal. A provision for asset retirement costs is determined by estimating the expected costs associated to remediate the site based on the current legal requirements and technologies and is discounted to its present value with an unwind adjustment recognised in finance costs. An asset is recognised on initial recognition of the provision and is depreciated over the useful life of the facility. The asset retirement costs are reviewed annually and adjustments are made to the carrying amount of the assets to reflect changes made to these estimated discount rates or future costs.

Critical Accounting Estimates and Judgements

Estimating the amount and timing of the obligation to be recorded requires significant judgement. Management has assessed the Group's obligations for each asset based on the local regulatory environment and expected closure dates.

CLP Power Hong Kong has been investing in the transmission and distribution network to supply electricity to the customers in its supply area in Hong Kong. As CLP Power Hong Kong expects that the land sites being used for the transmission and distribution network will continue to be used for the distribution of electricity supply to its customers, CLP Power Hong Kong currently considers it remote that the network would be removed from the existing land sites. Therefore in accordance with applicable accounting standards, asset retirement obligations for these assets have not been recognised by CLP Power Hong Kong.

In 2017 the Hong Kong Government released the Climate Action Plan 2030+ with a tightened carbon reduction target by 2030. As part of the new development plan agreed with the Hong Kong Government in 2018, CAPCO will retire the coal-fired generation units at Castle Peak A Station (CPA) between 2022 to 2025. Following this retirement, the removal of CPA's coal-fired generation units has become probable. It is also envisaged that with the Hong Kong Government's continued commitment to reduce carbon intensity, the removal of CAPCO's other fossil-fuel generation units from the existing land sites may be possible at some point of time in the future. Under the SoC, CAPCO makes a periodic charge to accrue in the statement of financial position a liability balance to be utilised in discharging asset decommissioning costs if and when incurred. CAPCO considers that the dismantling obligation for the CPA units is covered under the asset decommissioning liability accrued under the SoC as at 31 December 2019. While no provision for asset retirement obligations for the other generation units of CAPCO has been recognised, it is expected that if such an obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC.

Asset retirement obligations of EnergyAustralia amounted to HK$2,411 million (2018: HK$2,630 million) which mainly related to the provision for land remediation and decommissioning of generation assets. The provisions are largely based on estimates by external and internal experts that are discounted using internally determined end of plant lives. The calculation of the provision requires management judgement with respect to estimating the timing of asset removal, costs to remove infrastructure, remediate soil and groundwater, water usage and technological developments. On an ongoing basis, we continually review and update underlying assumptions relating to forward rehabilitation estimates and timelines.

26. Asset Decommissioning Liabilities and Retirement Obligations (continued)

	2019 HK$M	2018 HK$M
Asset decommissioning liabilities (Note 25(A)(b))	**1,179**	991
Provisions for land remediation and restoration costs (note)	**2,334**	2,567
	3,513	3,558

Note: The movement of the balances, including the current portion of HK$77 million (2018: HK$63 million) under the Group's trade payables and other liabilities, is as follows:

	2019 HK$M	2018 HK$M
Balance at 1 January	**2,630**	2,182
Acquisition of subsidiaries	**–**	183
Additional provisions	**11**	432
Effect of changes in discount rate	**3**	56
Amounts used	**(43)**	(36)
Unused amounts reversed	**(228)**	–
Unwinding of discount	**71**	68
Exchange differences	**(33)**	(255)
Balance at 31 December	**2,411**	2,630

27. Share Capital

	2019 Number of Ordinary Shares	2019 Amount HK$M	2018 Number of Ordinary Shares	2018 Amount HK$M
Issued and fully paid, at 31 December	**2,526,450,570**	**23,243**	2,526,450,570	23,243

28. Reserves

	Translation Reserves HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2018	(3,313)	668	(53)	2,853	85,472	85,627
Earnings attributable to shareholders	–	–	–	–	13,550	13,550
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(4,411)	85	(15)	–	(70)	(4,411)
Joint ventures	(463)	–	–	–	–	(463)
Associates	(352)	–	–	–	–	(352)
Cash flow hedges						
Net fair value gains	–	342	–	–	–	342
Reclassification to profit or loss	–	(723)	–	–	–	(723)
Tax on the above items	–	104	–	–	–	104
Costs of hedging						
Net fair value losses	–	–	(70)	–	–	(70)
Amortisation / reclassification to profit or loss	–	–	104	–	–	104
Tax on the above items	–	–	(6)	–	–	(6)
Fair value losses on equity investments	–	–	–	(37)	–	(37)
Remeasurement losses on defined benefit plans	–	–	–	–	(8)	(8)
Share of other comprehensive income of joint ventures and an associate	–	(3)	–	4	4	5
Total comprehensive income attributable to shareholders	(5,226)	(195)	13	(33)	13,476	8,035
Transfer to fixed assets	–	(44)	(1)	–	–	(45)
Appropriation of reserves	–	–	–	134	(134)	–
Dividends paid						
2017 fourth interim	–	–	–	–	(2,880)	(2,880)
2018 first to third interim	–	–	–	–	(4,623)	(4,623)
Change in ownership interests in a subsidiary	1,110	(25)	(2)	(1,387)	–	(304)
Balance at 31 December 2018	(7,429)	404	(43)	1,567	91,311 (note)	85,810

Translation reserve – exchange rates movements arising from the consolidation of Group entities with different reporting currencies

Cash flow hedge / Costs of hedging reserves – deferred fair value gains / losses on derivative financial instruments that qualify for hedge accounting; reclassify to profit or loss until settlement / amortisation of costs of hedging

Other reserves – mainly comprise revaluation reserve, other consolidated reserve arising from change in ownership interests in a subsidiary, and other legal reserves allocated from retained profits to meet local statutory and regulatory requirements of Group entities

28. Reserves (continued)

	Translation Reserves HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2019	(7,429)	404	(43)	1,567	91,311	85,810
Earnings attributable to shareholders	–	–	–	–	4,657	4,657
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(586)	(2)	–	–	2	(586)
Joint ventures	(136)	–	–	–	–	(136)
Associates	(131)	–	–	–	–	(131)
Cash flow hedges						
Net fair value gains	–	797	–	–	–	797
Reclassification to profit or loss	–	(199)	–	–	–	(199)
Tax on the above items	–	(171)	–	–	–	(171)
Costs of hedging						
Net fair value losses	–	–	(74)	–	–	(74)
Amortisation / reclassification to profit or loss	–	–	79	–	–	79
Tax on the above items	–	–	(1)	–	–	(1)
Fair value gains on equity investments	–	–	–	31	–	31
Remeasurement losses on defined benefit plans	–	–	–	–	(4)	(4)
Share of other comprehensive income of joint ventures	–	1	–	–	–	1
Total comprehensive income attributable to shareholders	(853)	426	4	31	4,655	4,263
Transfer to fixed assets	–	1	–	–	–	1
Appropriation of reserves	–	–	–	14	(14)	–
Dividends paid						
2018 fourth interim	–	–	–	–	(3,007)	(3,007)
2019 first to third interim	–	–	–	–	(4,775)	(4,775)
Acquisition of non-controlling interests	–	–	–	10	–	10
Reclassification of perpetual capital securities to other borrowings	–	–	–	–	(90)	(90)
Balance at 31 December 2019	**(8,282)**	**831**	**(39)**	**1,622**	**88,080** (note)	**82,212**

Note: The fourth interim dividend declared for the year ended 31 December 2019 was HK$3,007 million (2018: HK$3,007 million). The balance of retained profits after the fourth interim dividend of the Group was HK$85,073 million (2018: HK$88,304 million).

29. Perpetual Capital Securities and Redeemable Shareholder Capital

(A) Perpetual Capital Securities

A total of US$750 million perpetual capital securities (the "Old Securities") was issued by the wholly owned subsidiary, CLP Power HK Finance Ltd. (CLPPHKFL) in 2014. Pursuant to the terms and conditions of the Old Securities, all the outstanding principles were redeemed together with the distributions accrued on 7 November 2019.

CLPPHKFL issued US$500 million perpetual capital securities (the "New Securities") on 6 November 2019 and applied US$250 million internal resources to redeem the Old Securities. The New Securities are perpetual, non-callable in the first 5.25 years (with issuer call option at par at any time in the 3 months before 5 February 2025) and entitle the holders to receive distributions at a distribution rate of 3.55% per annum in the first 5.25 years, floating thereafter and with fixed step up margins at year 10.25 and at year 25.25, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group's discretion, as long as the issuer and CLP Power Hong Kong, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capitals within each distribution payment period.

29. Perpetual Capital Securities and Redeemable Shareholder Capital (continued)

(B) Other Non-controlling Interests

Other non-controlling interests included CSG HK's pro-rata share of HK$5,115 million (2018: HK$5,115 million) of redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032.

As both the perpetual capital securities and redeemable shareholder capital do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as a part of non-controlling interests.

30. Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of profit before income tax to net cash inflow from operations

	2019 HK$M	2018 HK$M
Profit before income tax	**8,541**	18,641
Adjustments for:		
Finance costs	**1,983**	2,049
Finance income	**(162)**	(192)
Dividend income from equity investments	**(13)**	(13)
Share of results of joint ventures and associates, net of income tax	**(2,713)**	(2,336)
Depreciation and amortisation	**8,118**	8,005
Impairment charge	**6,782**	912
Net loss on disposal of fixed assets	**424**	416
Revaluation loss / (gain) on investment property	**83**	(18)
Fair value changes of non-debt related derivative financial instruments and net exchange difference	**(230)**	(522)
SoC items		
Increase in customers' deposits	**203**	256
Increase / (decrease) in fuel clause account	**186**	(1,382)
Net decrease in rent and rates refunds	**(46)**	(181)
Transfer for SoC	**714**	322
	1,057	(985)
Decrease / (increase) in trade receivables and other current assets	**341**	(688)
Decrease in finance lease receivables	**–**	64
Decrease / (increase) in cash restricted for specific purposes	**119**	(51)
Changes in non-debt related derivative financial instruments	**(56)**	694
(Decrease) / increase in trade and other payables	**(725)**	361
(Decrease) / increase in current accounts due to joint ventures and associates	**(47)**	247
Net cash inflow from operations	**23,502**	26,584

30. Notes to the Consolidated Statement of Cash Flows (continued)

(B) Reconciliation of liabilities arising from financing activities

	Bank Loans and Other Borrowings HK$M	Interest and Other Finance Costs Payables HK$M	Lease Liabilities HK$M	Debt-related Derivative Financial Instruments HK$M	Advances from Non-controlling Interests HK$M	Total HK$M
Balance at 1 January 2018	57,341	310	23	642	1,514	59,830
Cash flows changes						
Proceeds from long-term borrowings	3,906	–	–	–	–	3,906
Repayment of long-term borrowings	(6,660)	–	–	–	–	(6,660)
Increase in short-term borrowings	300	–	–	–	–	300
Interest and other finance costs paid	–	(1,890)	–	–	–	(1,890)
Settlement of derivative financial instruments	–	–	–	130	–	130
Decrease in advances from non-controlling interests	–	–	–	–	(1)	(1)
Non-cash changes						
Acquisitions of subsidiaries	1,209	3	–	–	9	1,221
Fair value gains of derivative financial instruments to equity	–	–	–	(80)	–	(80)
Additions of leases	–	–	60	–	–	60
Net exchange and translation difference	(849)	(9)	(6)	26	–	(838)
Interest and other finance costs charged to profit or loss	–	1,843	2	39	–	1,884
Other non-cash movements	51	6	–	–	–	57
Balance at 31 December 2018	55,298	263	79	757	1,522	57,919
Balance at 1 January 2019, as previously reported	55,298	263	79	757	1,522	57,919
Effect of adoption of HKFRS 16	–	–	178	–	–	178
Balance at 1 January 2019, as restated	55,298	263	257	757	1,522	58,097
Cash flows changes						
Proceeds from long-term borrowings	6,410	–	–	–	–	6,410
Repayment of long-term borrowings	(8,796)	–	–	–	–	(8,796)
Redemption of perpetual capital securities	(5,874)	–	–	–	–	(5,874)
Decrease in short-term borrowings	(968)	–	–	–	–	(968)
Interest and other finance costs paid	–	(1,771)	–	–	–	(1,771)
Settlement of derivative financial instruments	–	–	–	(50)	–	(50)
Payment of principal portion of lease liabilities	–	–	(126)	–	–	(126)
Decrease in advances from non-controlling interests	–	–	–	–	(178)	(178)
Non-cash changes						
Acquisitions of subsidiaries	381	2	–	–	–	383
Fair value losses of derivative financial instruments to equity	–	–	–	138	–	138
Additions of leases	–	–	164	–	–	164
Net exchange and translation difference	(28)	–	(4)	6	–	(26)
Interest and other finance costs charged to profit or loss	–	1,747	16	(277)	–	1,486
Reclassification from perpetual capital securities	5,881	–	–	–	–	5,881
Other non-cash movements	45	(16)	–	–	–	29
Balance at 31 December 2019	**52,349**	**225**	**307**	**574**	**1,344**	**54,799**

31. Commitments

(A) Capital expenditure contracted for but not yet incurred at the end of the year is as follows:

	2019 HK$M	2018 HK$M
Fixed assets and leasehold land	**6,571**	5,235
Intangible assets	**9**	262
	6,580	5,497

(B) At 31 December 2019, the total future lease payments for leases committed but not yet commenced in relation to land and buildings and a water treatment plant were HK$778 million and HK$694 million respectively.

(C) The Group has entered into agreements for the purchase of power transmission assets in India at a total consideration of approximately HK$1.3 billion (2018: nil). These agreements remain subject to certain regulatory approvals. At 31 December 2019, outstanding committed shareholder's loan facilities to a joint venture amounted to HK$1,533 million (2018: nil). In addition, equity contributions to be made for joint ventures and private equity partnerships were HK$75 million (2018: HK$27 million) and HK$115 million (2018: HK$136 million) respectively.

32. Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures, associates and key management personnel, where the individual or company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

Related Parties ≠ Connected Parties

They sometimes overlap but should not be confused. Accounting standards define related parties, while the Listing Rules of the Hong Kong Stock Exchange define connected parties.

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

(A) CLP Power Hong Kong is obliged to purchase 70% of the output from Guangdong Daya Bay Nuclear Power Station (GNPS). The price paid by CLP Power Hong Kong for electricity generated by GNPS throughout the terms of the PPAs is determined by a formula based on GNPS's operating costs and a calculation of profits with reference to the capacity factors. The purchase of nuclear electricity under the arrangement was HK$5,643 million (2018: HK$5,543 million).

Under separate purchase arrangements with GNPJVC and its shareholder, Guangdong Nuclear Investment Company Limited, CLP Power Hong Kong would purchase approximately 10% of additional nuclear electricity from GNPS on a best endeavour basis from October 2014 to end of 2023, at the same unit price as that under the above purchase arrangement. The purchase of nuclear electricity under the arrangements was HK$813 million (2018: HK$791 million).

(B) The loans and shareholder's loan facilities to joint ventures are disclosed under Notes 14 and 31(C) respectively. Other amounts due from and to the related parties at 31 December 2019 are disclosed in Notes 19 and 22 respectively. At 31 December 2019, the Group did not have any guarantees which were of a significant amount given to or received from these parties (2018: nil).

32. Related Party Transactions (continued)

(C) Remuneration of key management personnel

Under HKAS 24 Related Party Disclosures, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. The total remuneration of the key management personnel shown below comprises the Non-executive Directors and the Senior Management Group. Members of the Senior Management Group include two (2018: two) Executive Directors and nine (2018: nine) senior management personnel.

	2019 HK$M	2018 HK$M
Fees	**12**	11
Recurring remuneration items (note)		
Base compensation, allowances & benefits	**66**	66
Performance bonus		
Annual incentive	**61**	60
Long-term incentive	**53**	39
Provident fund contribution	**13**	13
Non-recurring remuneration items (note)		
Other payments	**9**	–
	214	189

Note: Refer to remuneration items on page 173 of Human Resources & Remuneration Committee Report.

At 31 December 2019, the CLP Holdings' Board was composed of twelve Non-executive Directors and two Executive Directors. Remuneration of all Directors for the year totalled HK$61 million (2018: HK$56 million). With respect to the emoluments of the highest paid employees, the five highest paid individuals in the Group during the year included two Directors (2018: two Directors) and three members (2018: three members) of Senior Management. The total remuneration of these five highest paid individuals amounted to HK$116 million (2018: HK$107 million). Further details of the remuneration of the Directors and Senior Management, on a named basis, and remuneration paid to the five highest paid individuals by bands are disclosed in highlighted sections of the Human Resources & Remuneration Committee Report with a heading of "Audited" on pages 172 to 175 and 181 to 183. These sections form the "auditable" part of the Human Resources & Remuneration Committee Report and are part of the financial statements.

(D) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2018: nil).

During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2018: nil).

33. Contingent Liabilities

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Critical Accounting Estimates and Judgements

The Group is exposed to the risk of litigation, regulatory judgements and contractual disputes in the course of its normal operations. The Group considers each instance separately in accordance with legal advice and will make provision and / or disclose information as appropriate. Changes in the assumptions around the likelihood of an outflow of economic resources or the estimation of any obligation would change the values recognised in the financial statements.

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

This is a dispute between CLP India and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL) under the PPA for Paguthan Plant (Paguthan). GUVNL is required to make a “deemed generation incentive” payment to CLP India when plant availability is above a set threshold. GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the “deemed generation incentive” payment should not be paid for periods when Paguthan is declared with availability to generate on “naphtha” as fuel rather than on “gas”. GUVNL’s contention is based on a 1995 Government of India notification which disallowed “deemed generation incentive” for naphtha-based power plants. The total amount of the claim plus interest and tax with respect to the “deemed generation incentive” is Rs8,533 million (HK$931 million) as at 31 December 2019. CLP India’s position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the “deemed generation incentive”.

GUVNL also claimed that CLP India has wrongly received interest on “deemed loans” under the existing PPA. GUVNL’s claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the “deemed loans” amounts to a further Rs830 million (HK$91 million) (2018: Rs830 million (HK$93 million)).

In February 2009, the GERC found in favour of GUVNL on the “deemed generation incentive” but held that GUVNL’s claim up to 14 September 2002 was time-barred under the Limitations Act of India. The GERC also dismissed GUVNL’s claim to recover interest on the “deemed loans”. CLP India appealed the GERC’s decision to the Appellate Tribunal for Electricity (APTEL). GUVNL also filed an appeal against the order for the time-barred claim. In January 2010, the APTEL upheld the decision of the GERC. Both CLP India and GUVNL have filed further cross appeals in the Supreme Court of India. The appeals were heard by the Supreme Court on 24 September 2019 and are now reserved for judgment, which is expected to be received in 2020.

33. Contingent Liabilities (continued)

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

While CLP India has not altered its view regarding the legal merits of the claim, in view of the expiry of the PPA in December 2018 and uncertainty on the timing of recoverability, a provision of Rs3,796 million (HK$450 million) was made in 2018 against the amounts withheld by GUVNL. This will not prejudice the stance CLP India has taken all along and CLP India remains committed to pursuing this case and closing it successfully. If this is eventually achieved and the monies are recovered from GUVNL, the provision would be reversed.

At 31 December 2019, the time-barred portion of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs4,737 million (HK$517 million) (2018: Rs4,737 million (HK$530 million)). On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of the time-barred portion of the claim plus interest and tax.

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

CLP India group has invested in approximately 533MW of wind power projects developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 31 December 2019, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) JPL – Disputed Charges with Offtakers

JPL has disputes with its offtakers over "Commercial Operation Date" of the project, applicable tariff of capacity charges and energy charges relating to transit loss. At 31 December 2019, total disputed amounts were Rs3,034 million (HK$331 million) (2018: Rs2,719 million (HK$305 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

JPL filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. In January and April 2016, CERC pronounced its judgment in favour of JPL, which supports the Group's decision that no provision should be made. The offtakers filed an appeal against the CERC's order at the APTEL in April 2016 and April 2017. JPL also filed an appeal challenging certain findings of the CERC in April and August 2016. The appeal proceedings are currently underway.

(D) EnergyAustralia – Disposal of Iona Gas Plant

In December 2015, EnergyAustralia completed the disposal of its entire interest in the Iona Gas Plant for a total consideration of A$1,780 million (HK$9,991 million). On 19 May 2017, EnergyAustralia received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd, the purchaser of the Iona Gas Plant, and certain related entities (together "the plaintiff"), commencing formal legal proceedings seeking A$967 million (approximately HK$5,269 million) or alternatively A$780 million (approximately HK$4,250 million) in damages. The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the plaintiff claims to have relied to make its offer, were incomplete or misleading. On 6 May 2019, an amended Statement of Claim was issued by the plaintiff which introduced (as a third alternative method of quantifying its damages) a damages claim based on the cost to fix the alleged issues with the plant as well as alleged associated losses and costs. EnergyAustralia has rejected the claims and is vigorously defending the legal proceedings. On the basis of currently available information, the Directors' view is that a material outflow of economic benefits is unlikely and no provision has been made in the financial statements.

34. Statement of Financial Position of the Company

	2019 HK$M	2018 HK$M
Non-current assets		
Fixed assets	**112**	108
Right-of-use assets	**113**	–
Investments in subsidiaries	**46,857**	50,356
Advance to a subsidiary	**–**	39
Other non-current assets	**14**	3
	47,096	50,506
Current assets		
Trade and other receivables	**81**	47
Dividend receivable	**1,950**	4,700
Cash and cash equivalents	**8**	24
	2,039	4,771
Current liabilities		
Trade payables and other liabilities	**(487)**	(501)
Bank loans and other borrowings	**–**	(4,400)
	(487)	(4,901)
Net current assets / (liabilities)	**1,552**	(130)
Total assets less current liabilities	**48,648**	50,376
Financed by:		
Equity		
Share capital	**23,243**	23,243
Retained profits	**25,328**	27,133
Shareholders' funds	**48,571**	50,376
Non-current liabilities		
Lease and other liabilities	**77**	–
Equity and non-current liabilities	**48,648**	50,376

The movement of retained profits is as follows:

	2019 HK$M	2018 HK$M
Balance at 1 January	**27,133**	27,944
Profit and total comprehensive income for the year	**5,977**	6,692
Dividends paid		
2018 / 2017 fourth interim	**(3,007)**	(2,880)
2019 / 2018 first to third interim	**(4,775)**	(4,623)
Balance at 31 December	**25,328**	27,133

The fourth interim dividend declared for the year ended 31 December 2019 was HK$3,007 million (2018: HK$3,007 million). The balance of retained profits after the fourth interim dividend of the Company was HK$22,321 million (2018: HK$24,126 million).

William Mocatta
Vice Chairman

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

Hong Kong, 24 February 2020

35. Subsidiaries

The table below lists the principal subsidiaries of the Group at 31 December 2019:

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2018 and 2019	Place of Incorporation / Business	Principal Activity
CLP Power Hong Kong Limited	HK$20,400,007,269.65 divided into 2,488,320,000 ordinary shares	100	Hong Kong	Generation and Supply of Electricity
Castle Peak Power Company Limited	HK$50,000,000 divided into 500,000 ordinary shares	70 [a]	Hong Kong	Generation and Sale of Electricity
Hong Kong Pumped Storage Development Company, Limited	HK$10,000,000 divided into 100,000 ordinary shares	100 [a]	Hong Kong	Provision of Pumped Storage Services
Hong Kong Nuclear Investment Company Limited	HK$300,000,000 divided into 300,000 ordinary shares	100	Hong Kong / Mainland China	Power Projects Investment Holding
CLP Nuclear Investment Company Limited	1 ordinary share of US$1 each	100	Hong Kong / British Virgin Islands	Power Projects Investment Holding
CLP*e* Solutions Limited (formerly known as CLP Engineering Limited)	HK$49,950,000 divided into 4,995 ordinary shares	100	Hong Kong	Energy and Infrastructure Solutions
CLP Power Asia Limited	1,000 ordinary shares of US$1 each	100	British Virgin Islands / International and Mainland China	Power Projects Investment Holding
CLP Power International Limited	692,000 ordinary shares of US$1,000 each	100 [a]	British Virgin Islands / International	Power Projects Investment Holding
CLP Power China Limited	192,000,000 ordinary shares of US$1 each	100 [a]	British Virgin Islands / Mainland China and Hong Kong	Power Projects Investment Holding
CLP Properties Limited	HK$150,000,000 divided into 15,000,000 ordinary shares	100	Hong Kong	Property Investment Holding
CLP Innovation Enterprises Limited	1 ordinary share of HK$1 each	100	Hong Kong	Innovation Projects Investment Holding
EnergyAustralia Holdings Limited	1,585,491,005 ordinary shares of A$1 each	100 [a]	Australia	Energy Business Investment Holding
EnergyAustralia Yallourn Pty Ltd	15 ordinary shares of A$1 each	100 [a]	Australia	Generation and Supply of Electricity
EnergyAustralia Pty Ltd	3,368,686,988 ordinary shares of A$1 each	100 [a]	Australia	Retailing of Electricity and Gas
EnergyAustralia NSW Pty Ltd	2 ordinary shares of A$1 each	100 [a]	Australia	Generation of Electricity

35. Subsidiaries (continued)

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2018 and 2019	Place of Incorporation / Business	Principal Activity
CLP India Private Limited	2,842,691,612 equity shares of Rs10 each	60 (a)	India	Generation of Electricity and Power Projects Investment Holding
Jhajjar Power Limited	20,000,000 equity shares of Rs10 each; 2,324,882,458 compulsory convertible preference shares of Rs10 each	60 (a)	India	Generation of Electricity
CLP Sichuan (Jiangbian) Power Company Limited (b)	RMB496,380,000	100 (a)	Mainland China	Generation of Electricity
Guangdong Huaiji Changxin Hydro-electric Power Company Limited (c)	RMB69,098,976	84.9 (a)	Mainland China	Generation of Electricity
Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (c)	RMB249,430,049	84.9 (a)	Mainland China	Generation of Electricity
Guangdong Huaiji Weifa Hydro-electric Power Company Limited (c)	US$13,266,667	84.9 (a)	Mainland China	Generation of Electricity
Guangdong Huaiji Xinlian Hydro-electric Power Company Limited (c)	RMB141,475,383	84.9 (a)	Mainland China	Generation of Electricity

Notes:

(a) Indirectly held through subsidiaries of the Company

(b) Registered as a Wholly Foreign Owned Enterprise under PRC law

(c) Registered as Sino-Foreign Cooperative Joint Ventures under PRC law

35. Subsidiaries (continued)

Summarised financial information of CAPCO and CLP India, which have material non-controlling interests, is set out below:

	CLP India		CAPCO	
	2019	2018	**2019**	2018
	HK$M	HK$M	**HK$M**	HK$M
Results for the year				
Revenue	**4,651**	5,269	**16,814**	17,232
Profit for the year	**267**	128	**2,745**	3,061
Other comprehensive income for the year	**(259)**	(725)	**57**	(16)
Total comprehensive income for the year	**8**	(597)	**2,802**	3,045
Dividends paid to non-controlling interests	**–**	–	**785**	964
Net assets				
Non-current assets	**10,828**	11,764	**34,151**	32,235
Current assets	**3,636**	3,416	**5,580**	7,517
Current liabilities	**(1,835)**	(2,244)	**(11,785)**	(10,366)
Non-current liabilities	**(4,321)**	(4,721)	**(9,953)**	(11,579)
Non-controlling interest	**–**	(99)	**–**	–
	8,308	8,116	**17,993**	17,807
Cash flows				
Net cash inflow from operating activities	**1,570**	1,638	**3,843**	3,502
Net cash (outflow) / inflow from investing activities	**(140)**	(398)	**50**	(659)
Net cash outflow from financing activities	**(1,352)**	(1,121)	**(3,373)**	(2,971)
Net increase / (decrease) in cash and cash equivalents	**78**	119	**520**	(128)

1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risks, and energy portfolio risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate, interest rate and energy price fluctuations on the Group's financial performance. The Group uses different derivative financial instruments to manage its exposure in these areas. All derivative financial instruments are employed solely for hedging purposes.

Risk management for Hong Kong operations is carried out by the Company's central treasury department (Group Treasury) under policies approved by the Board of Directors or the Finance & General Committee of relevant Group entities. Overseas subsidiaries conduct their risk management activities in accordance with policies approved by their respective Boards. Group Treasury identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

Foreign exchange risk

The Group operates in the Asia Pacific region and is exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities and net investments in foreign operations. This is primarily with respect to Australian dollar, Renminbi and Indian rupee. Additionally, the Group has significant foreign currency obligations relating to its foreign currency denominated debts and major capital project payments, US dollar denominated nuclear power purchase offtake commitments and other fuel related payments. The Group uses forward contracts and currency swaps to manage its foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities which are denominated in a currency that is not the functional currency of the respective Group entity. Hedging is only considered for firm commitments and highly probable forecast transactions.

SoC Companies

Under the SoC, the SoC Companies are allowed to pass-through foreign exchange gains and losses arising from future non-capital projects related commercial transactions and recognised liabilities which are denominated in a currency other than Hong Kong dollar, thus retaining no significant foreign exchange risk of such payments over the long term. The SoC Companies use forward contracts and currency swaps to hedge all its debt repayment obligations denominated in foreign currencies for the full tenor, and a significant portion of its US dollar obligations on fuel and nuclear power purchases, provided that for US dollar the hedging can be accomplished at rates below the Hong Kong Government's historical target peg rate of HK$7.8: US$1. The objective is to reduce the potential impact of foreign exchange movement on electricity tariffs. The SoC Companies also use forward contracts to manage the foreign exchange risks of non-Hong Kong dollar payment obligations for major capital projects, for which the exchange gains and losses are capitalised.

At the end of the reporting period, the fair value movement of the derivative financial instruments in a cash flow hedge relationship is recorded in equity. The extent of the impact to the cash flow hedge reserve under equity due to exchange rate movements, with all other variables held constant, is as follows:

	2019 HK$M	2018 HK$M
Increase / (decrease) in the cash flow hedge reserve		
Hong Kong dollar against US dollar		
If Hong Kong dollar weakened by 0.6% (2018: 0.6%)	**98**	83
If Hong Kong dollar strengthened by 0.6% (2018: 0.6%)	**(98)**	(83)
Hong Kong dollar against Euro		
If Hong Kong dollar weakened by 4% (2018: 6%)	**7**	16
If Hong Kong dollar strengthened by 4% (2018: 6%)	**(7)**	(16)

1. Financial Risk Factors (continued)

Foreign exchange risk (continued)

The Group's Asia Pacific Investments

With respect to the power project investments in the Asia Pacific region, the Group is exposed to both foreign currency translation and transaction risks.

The Group closely monitors translation risk using a Value-at-Risk (VaR) approach but does not hedge foreign currency translation risk because translation gains or losses do not affect the project company's cash flow or the Group's annual profit until an investment is sold. At 31 December 2019, the Group's net investment subject to translation exposure was HK$60,664 million (2018: HK$69,654 million), arising mainly from our investments in Mainland China, India, Southeast Asia and Taiwan and Australia. This means that, for each 1% (2018: 1%) average foreign currency movement, our translation exposure will vary by about HK$607 million (2018: HK$697 million). All the translation exposures are recognised in other comprehensive income and therefore have no impact on our profit or loss.

We consider that the non-functional currency transaction exposures at the individual project company level, if not managed properly, can lead to significant financial distress. Our primary risk mitigation is therefore to ensure that project-level debt financings are implemented on a local currency basis to the maximum extent possible. Each overseas subsidiary and project company has developed its own hedging programme into local currency taking into consideration any indexing provision in project agreements, tariff reset mechanisms, lender requirements and tax and accounting implications.

Most foreign currency exposures of the Group entities are hedged and / or their transactions are predominantly conducted through the functional currency of the respective entity. The following analysis presents the Group's (apart from the SoC Companies) sensitivity to a reasonably possible change in the functional currencies of the Group entities against the US dollar and Renminbi, with all other variables held constant. The sensitivity rates in US dollar and Renminbi used are considered reasonable given the current level of exchange rates and the volatility observed in the different functional currencies of the Group entities. These are both on a historical basis and market expectations for future movement at the end of the reporting period and under the economic environments in which the Group operates. The extent of the impact to post-tax profit or equity due to exchange rate movements of US dollar and Renminbi against different functional currencies of Group entities, with all other variables held constant, is as follows:

	2019 HK$M	2018 HK$M
US dollar		
If US dollar strengthened by 3% (2018: 5%)		
Post-tax profit for the year	**25**	52
Equity – cash flow hedge reserve	**21**	46
If US dollar weakened by 3% (2018: 5%)		
Post-tax profit for the year	**(25)**	(52)
Equity – cash flow hedge reserve	**(21)**	(46)
Renminbi		
If Renminbi strengthened by 3% (2018: 2%)		
Post-tax profit for the year	**13**	19
Equity – cash flow hedge reserve	**–**	–
If Renminbi weakened by 3% (2018: 2%)		
Post-tax profit for the year	**(13)**	(19)
Equity – cash flow hedge reserve	**–**	–

1. Financial Risk Factors (continued)

Energy portfolio risk

EnergyAustralia's activity in energy markets exposes it to financial risk.

The electricity market is a competitive power pool. In this market generation supply and retail demand are exposed to spot (half-hour) prices. EnergyAustralia purchases and sells majority of its electricity through the pool, at the same time EnergyAustralia enters into electricity spot-price-linked derivative financial instruments to manage the spot electricity price risk against forecast retail and generation exposures.

The gas market is a balancing market. To meet retail demand, EnergyAustralia procures gas supply agreements from various gas producers. The contract price of certain agreements comprises a fixed component, and a variable component that is linked to oil spot prices on the global markets. EnergyAustralia enters into oil-price-linked derivative financial instruments to manage this oil price risk component.

Energy portfolio exposure is managed through an established risk management framework. The framework consists of policies which place appropriate limits on overall energy market exposures, hedging strategies and targets, delegations of authority on trading, approved product lists, regular exposure reporting, and segregation of duties. Risk monitoring includes physical position reporting, stress testing of the portfolios and "at-risk" analyses of potential earnings. At-risk measures are derived by modelling potential variability in spot and forward market prices and supply and demand volumes, across the wholesale energy portfolio, through Monte Carlo simulations, historic simulations, and scenarios.

The corporate governance process also includes oversight by an Audit & Risk Committee (ARC-EA) which acts on behalf of EnergyAustralia's Board.

Overall Earnings-at-Risk (EaR) exposure for the coming financial year is reported as the 1 in 4 probability downside (2018: 1 in 4 probability downside) of the expected earnings distribution, as simulated with the methods explained above. The energy portfolio risk exposure for EnergyAustralia as at 31 December 2019 was HK$550 million (2018: HK$640 million). The change in risk exposure is the result of a recent decrease in 2020 forward prices.

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risks are managed by monitoring an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swaps.

The appropriate level of the fixed / floating mix is determined for each operating company subject to a regular review. For instance, SoC Companies conducts an annual review to determine a preferred fixed / floating interest rate mix appropriate for its business profile. Each overseas subsidiary and project company has developed its own hedging programme taking into consideration project debt service sensitivities to interest rate movements, lender requirements, tax and accounting implications.

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year (as a result of change in interest expense on floating rate borrowings) and equity (as a result of change in the fair value of derivative instruments which qualify as cash flow hedges). Such amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss, and offset one another in the profit or loss.

The analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity to interest rates used is considered reasonable given the market forecasts available at the end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

1. Financial Risk Factors (continued)

Interest rate risk (continued)

	2019 HK$M	2018 HK$M
Hong Kong dollar		
If interest rates were 0.7% (2018: 1%) higher		
Post-tax profit for the year	**(98)**	(110)
Equity – cash flow hedge reserve	**30**	–
If interest rates were 0.7% (2018: 1%) lower		
Post-tax profit for the year	**98**	110
Equity – cash flow hedge reserve	**(30)**	–
Indian rupee		
If interest rates were 0.3% (2018: 1%) higher		
Post-tax profit for the year	**(3)**	(10)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.3% (2018: 1%) lower		
Post-tax profit for the year	**3**	10
Equity – cash flow hedge reserve	**–**	–
US dollar		
If interest rates were 0.3% (2018: 0.5%) higher		
Post-tax profit for the year	**–**	–
Equity – cash flow hedge reserve	**9**	31
If interest rates were 0.3% (2018: 0.5%) lower		
Post-tax profit for the year	**–**	–
Equity – cash flow hedge reserve	**(9)**	(27)

Credit risk

The Group's approach to managing credit risk for trade receivables is discussed in Note 19.

On the treasury side, all finance-related hedging transactions and deposits of the Group entities are made with counterparties with good credit quality in conformance to the Group treasury policies to minimise credit exposure. Good credit ratings from reputable credit rating agencies and scrutiny of the financial position of non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction. The Group further assigns mark-to-market limits to its financial counterparties to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty. In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty, using VaR methodology. All derivatives transactions are entered into at the sole credit of the respective subsidiaries, joint ventures and associates without recourse to the Company.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. The Group maintains significant flexibility to respond to opportunities and events by ensuring that committed credit lines are available to meet future funding requirements. In addition, CLP Power Hong Kong will fund its committed contractual maturities through cash flows earned under the terms of the SoC and financing available under its credit lines and MTN programme. Management also monitors rolling forecasts of the Group's undrawn borrowing facilities and cash and cash equivalents on the expected cash flows.

1. Financial Risk Factors (continued)

Liquidity risk (continued)

The table below analyses the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, derivative financial liabilities (both net settled and gross settled) and derivative financial assets (gross settled) based on the contractual undiscounted cash flows.

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2019					
Non-derivative financial liabilities					
Bank loans	10,116	5,415	5,028	3,961	24,520
Other borrowings	5,286	4,283	8,131	18,741	36,441
Customers' deposits	5,679	–	–	–	5,679
Fuel clause account	1,131	–	–	–	1,131
Trade payables and other liabilities	14,514	51	75	111	14,751
SoC reserve accounts	–	–	–	1,500	1,500
Asset decommissioning liabilities	–	–	–	1,179	1,179
	36,726	9,749	13,234	25,492	85,201
Derivative financial liabilities – net settled					
Interest rate swaps	17	14	33	16	80
Energy contracts	819	166	157	119	1,261
	836	180	190	135	1,341
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	12,741	264	313	3,933	17,251
Cross currency interest rate swaps	349	1,285	5,332	3,566	10,532
	13,090	1,549	5,645	7,499	27,783
Gross contractual amounts receivable					
Forward foreign exchange contracts	(12,692)	(237)	(279)	(3,894)	(17,102)
Cross currency interest rate swaps	(273)	(951)	(5,021)	(3,437)	(9,682)
	(12,965)	(1,188)	(5,300)	(7,331)	(26,784)
Net payable	125	361	345	168	999
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	7,902	134	474	–	8,510
Cross currency interest rate swaps	4,211	2,600	604	7,087	14,502
	12,113	2,734	1,078	7,087	23,012
Gross contractual amounts receivable					
Forward foreign exchange contracts	(8,182)	(155)	(590)	–	(8,927)
Cross currency interest rate swaps	(4,307)	(2,660)	(623)	(7,214)	(14,804)
	(12,489)	(2,815)	(1,213)	(7,214)	(23,731)
Net receivable	(376)	(81)	(135)	(127)	(719)
Total (receivable) / payable	(251)	280	210	41	280

1. Financial Risk Factors (continued)

Liquidity risk (continued)

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2018					
Non-derivative financial liabilities					
Bank loans	12,751	4,377	4,961	4,562	26,651
Other borrowings	2,691	5,110	10,321	19,894	38,016
Customers' deposits	5,476	–	–	–	5,476
Fuel clause account	901	–	–	–	901
Trade payables and other liabilities	15,987	–	–	–	15,987
SoC reserve accounts	–	–	–	998	998
Asset decommissioning liabilities	–	–	–	991	991
	37,806	9,487	15,282	26,445	89,020
Derivative financial liabilities – net settled					
Interest rate swaps	26	18	37	29	110
Energy contracts	1,132	380	276	301	2,089
	1,158	398	313	330	2,199
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	13,312	238	570	9	14,129
Cross currency interest rate swaps	1,524	528	5,771	11,952	19,775
	14,836	766	6,341	11,961	33,904
Gross contractual amounts receivable					
Forward foreign exchange contracts	(13,283)	(230)	(582)	(9)	(14,104)
Cross currency interest rate swaps	(1,398)	(458)	(5,073)	(11,812)	(18,741)
	(14,681)	(688)	(5,655)	(11,821)	(32,845)
Net payable	155	78	686	140	1,059
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	10,867	735	481	–	12,083
Cross currency interest rate swaps	250	4,017	2,431	370	7,068
	11,117	4,752	2,912	370	19,151
Gross contractual amounts receivable					
Forward foreign exchange contracts	(10,946)	(1,025)	(642)	–	(12,613)
Cross currency interest rate swaps	(299)	(4,089)	(2,443)	(467)	(7,298)
	(11,245)	(5,114)	(3,085)	(467)	(19,911)
Net receivable	(128)	(362)	(173)	(97)	(760)
Total payable / (receivable)	27	(284)	513	43	299

2. Hedge Accounting

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. There is no inherent mismatch in the hedging relationships. Certain ineffectiveness can arise during the hedging process. The main sources of hedge ineffectiveness are considered to be the effects of re-designation of the hedging relationships and the counterparty credit risks on the hedging instruments.

Hedges on debt related transactions

The Group applies various types of derivative financial instruments (forward foreign currency contracts, foreign currency options, cross currency interest rate swaps and interest rate swaps) to mitigate exposures arising from the fluctuations in foreign currencies and / or interest rates of debt. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

Hedges on non-debt related transactions

The SoC Companies use forward contracts to manage its foreign exchange risk arising from fuel and nuclear purchases obligations, and payments for major capital projects. The SoC Companies hedge a high portion of highly probable forecast transactions.

EnergyAustralia uses forward electricity contracts and oil-price-linked forward contracts to mitigate exposures arising from the fluctuations in electricity and oil spot price embedded in gas contracts. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items.

2. Hedge Accounting (continued)

Effects of hedge accounting

The tables below summarise the effect of the hedge accounting on financial position and performance of the Group for the year ended 31 December 2019 and 2018:

Cash Flow Hedges	Notional amount of hedging instruments HK$M	Carrying amount of hedging instrument assets / (liabilities) HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness		Hedging losses / (gains) recognised in cash flow hedge reserve HK$M	Hedge ineffectiveness recognised in profit or loss [a] HK$M	Amount reclassified from cash flow hedge reserve and (charged) / credited to profit or loss [a]	
			Hedging instruments HK$M	Hedged items HK$M			Hedged items affected profit or loss HK$M	Hedged future cash flows no longer expected to occur HK$M
At 31 December 2019								
Debt related transactions								
Interest rate risk [b]	**23,904**	**(568)**	**(6)**	**6**	**6**	**–**	**(49)**	**–**
Foreign exchange risk	**1,113**	**(7)**	**23**	**(23)**	**(23)**	**–**	**22**	**–**
Non-debt related transactions								
Foreign exchange risk	**19,585**	**(13)**	**59**	**(59)**	**(59)**	**–**	**110**	**–**
Energy portfolio risk – electricity [c]	**N/A**	**649**	**383**	**(383)**	**(390)**	**7**	**(236)**	**139**
Energy portfolio risk – gas [c]	**N/A**	**121**	**352**	**(352)**	**(352)**	**–**	**244**	**–**
At 31 December 2018								
Debt related transactions								
Interest rate risk [b]	24,259	(542)	(41)	38	41	–	34	–
Foreign exchange risk	1,608	35	145	(145)	(145)	–	141	–
Non-debt related transactions								
Foreign exchange risk	17,600	19	105	(105)	(105)	–	153	–
Energy portfolio risk – electricity [c]	N/A	123	(40)	40	40	–	26	–
Energy portfolio risk – gas [c]	N/A	14	166	(166)	(166)	–	373	–

Fair Value Hedges	Notional amount of hedging instruments HK$M	Carrying amount of hedged items HK$M	Accumulated fair value hedge adjustments included in carrying amount of hedged items HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness		Hedge ineffectiveness charged / (credited) to finance costs HK$M
				Hedging instruments HK$M	Hedged items HK$M	
At 31 December 2019						
Debt related transactions						
Interest rate risk [b]	**5,502**	**(5,497)**	**(37)**	**333**	**(336)**	**3**
At 31 December 2018						
Debt related transactions						
Interest rate risk [b]	6,963	(6,639)	299	(141)	143	(2)

Notes:

(a) Hedge ineffectiveness and amounts reclassified from cash flow hedge reserve on non-debt and debt related transactions were recognised in fuel and other operating expenses and finance costs respectively.

(b) Also include foreign exchange risk in case of foreign currency debts

(c) The aggregate notional volumes of the outstanding energy derivatives were 87,405 GWh (2018: 79,592 GWh) and 6.3 million barrels (2018: 5.3 million barrels) for electricity and oil, respectively.

2. Hedge Accounting (continued)

Effects of hedge accounting (continued)

An analysis of other comprehensive income by risk category and the reconciliation of the components in equity that arises in connection with hedge accounting are as follows:

Cash Flow Hedge Reserve	Interest Rate Risk [b] HK$M	Foreign Exchange Risk HK$M	Energy Portfolio Risk HK$M	Total HK$M
Balance at 1 January 2018	158	154	326	638
Hedging (losses) / gains	(41)	250	126	335
Reclassification to profit or loss				
Hedged items affect profit or loss	(34)	(294)	(399)	(727)
Transfer to hedged assets	–	(74)	–	(74)
Related deferred tax	18	17	82	117
Exchange difference	136	–	(51)	85
Balance at 31 December 2018	237	53	84	374
Balance at 1 January 2019	237	53	84	374
Hedging (losses) / gains	(6)	82	742	818
Reclassification to profit or loss				
Hedged items affect profit or loss	49	(132)	(8)	(91)
Hedged future cash flows no longer expected to occur	–	–	(139)	(139)
Transfer to hedged assets	–	1	–	1
Related deferred tax	4	9	(178)	(165)
Exchange difference	–	1	(1)	–
Balance at 31 December 2019	**284**	**14**	**500**	**798**

Costs of Hedging Reserves	Time Value of Options Reserve HK$M	Forward Element Reserve HK$M	Foreign Currency Basis Spread Reserve HK$M	Total HK$M
Balance at 1 January 2018	7	14	(96)	(75)
Changes due to transaction related hedged items				
Fair value losses	–	–	(40)	(40)
Reclassification to profit or loss	–	–	22	22
Transfer to hedged assets	–	–	(3)	(3)
Changes due to time-period related hedged items				
Fair value (losses) / gains	(8)	(60)	41	(27)
Amortisation to profit or loss	11	58	13	82
Related deferred tax	(1)	1	(5)	(5)
Exchange difference	(4)	(11)	–	(15)
Balance at 31 December 2018	5	2	(68)	(61)
Balance at 1 January 2019	5	2	(68)	(61)
Changes due to transaction related hedged items				
Fair value losses	–	–	(25)	(25)
Reclassification to profit or loss	–	–	42	42
Changes due to time-period related hedged items				
Fair value losses	(10)	(38)	(24)	(72)
Amortisation to profit or loss	6	45	13	64
Related deferred tax	2	(1)	–	1
Exchange difference	(1)	–	(1)	(2)
Balance at 31 December 2019	**2**	**8**	**(63)**	**(53)**

3. Fair Value Estimation and Hierarchy of Financial Instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

For the Group's financial instruments that are not measured at fair value, their carrying values approximate their fair values.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's financial instruments that are measured at fair value at 31 December:

	Level 1 HK$M	Level 2 (note) HK$M	Level 3 (note) HK$M	Total HK$M
At 31 December 2019				
Financial assets				
Investments at fair value through other comprehensive income	**296**	**–**	**35**	**331**
Investments at fair value through profit or loss	**–**	**–**	**247**	**247**
Forward foreign exchange contracts	**–**	**280**	**–**	**280**
Foreign exchange options	**–**	**19**	**–**	**19**
Cross currency interest rate swaps	**–**	**206**	**–**	**206**
Interest rate swaps	**–**	**46**	**–**	**46**
Energy contracts	**–**	**288**	**1,585**	**1,873**
	296	**839**	**1,867**	**3,002**
Financial liabilities				
Forward foreign exchange contracts	**–**	**121**	**–**	**121**
Cross currency interest rate swaps	**–**	**898**	**–**	**898**
Interest rate swaps	**–**	**89**	**–**	**89**
Energy contracts	**514**	**168**	**508**	**1,190**
	514	**1,276**	**508**	**2,298**
At 31 December 2018				
Financial assets				
Investments at fair value through other comprehensive income	265	–	35	300
Investments at fair value through profit or loss	–	–	101	101
Forward foreign exchange contracts	–	325	–	325
Foreign exchange options	–	31	–	31
Cross currency interest rate swaps	–	150	–	150
Interest rate swaps	–	123	–	123
Energy contracts	–	468	702	1,170
	265	1,097	838	2,200
Financial liabilities				
Forward foreign exchange contracts	–	89	–	89
Cross currency interest rate swaps	–	1,222	–	1,222
Interest rate swaps	–	107	–	107
Energy contracts	625	403	363	1,391
	625	1,821	363	2,809

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

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

Financial Instruments	Valuation Technique	Significant Inputs
Investments at fair value through profit or loss	Recent transactions	Based on recent arm's length transactions
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Foreign exchange options	Garman Kohlhagen Model	Observable exchange rates, interest rates and volatility levels
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap price curves; and long term forward electricity price and cap price curve

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

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

The movements and the sensitivity analysis of Level 3 financial instruments for the years ended 31 December are set out below:

	2019			2018		
	Investments HK$M	**Energy Contracts HK$M**	**Total HK$M**	Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	**136**	**339**	**475**	47	27	74
Total gains / (losses) recognised in						
Profit or loss and presented in fuel and other operating expenses [(a)]	**9**	**(157)**	**(148)**	(4)	125	121
Other comprehensive income	**–**	**741**	**741**	–	633	633
Purchase	**137**	**–**	**137**	105	–	105
Sales	**–**	**–**	**–**	(12)	–	(12)
Settlements	**–**	**106**	**106**	–	(428)	(428)
Transfer out of Level 3 [(b)]	**–**	**48**	**48**	–	(18)	(18)
Closing balance	**282**	**1,077**	**1,359**	136	339	475

Notes:

(a) Out of which, unrealised gains recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period was HK$64 million (2018: HK$77 million).

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

At 31 December 2019 and 2018, the valuation of long tenure energy contracts is sensitive to electricity pool price assumptions. A favourable and unfavourable change of 15% (2018: 15%) would cause the balance of the energy contracts to rise by HK$859 million (2018: HK$596 million) and decline by HK$860 million (2018: HK$577 million) respectively, with all other variables held constant.

4. Offsetting Financial Assets and Financial Liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements:

	Effect of offsetting in the consolidated statement of financial position			Related amounts not offset in the consolidated statement of financial position		
	Gross amounts recognised HK$M	Gross amounts offset HK$M	Net amounts presented in the respective line HK$M	Financial instruments HK$M	Financial instrument collateral HK$M	Net amount[a] HK$M
At 31 December 2019						
Financial assets						
Bank balances, cash and other liquid funds	**279**	**–**	**279**	**(279)**	**–**	**–**
Trade and other receivables	**4,888**	**–**	**4,888**	**(2,873)**	**(2,015)**	**–**
Derivative financial instruments	**2,976**	**(883)**	**2,093**	**(172)[b]**	**–**	**1,921**
	8,143	**(883)**	**7,260**	**(3,324)**	**(2,015)**	**1,921**
Financial liabilities						
Customers' deposits	**5,677**	**–**	**5,677**	**(2,015)**	**–**	**3,662**
Bank loans and other borrowings	**10,686**	**–**	**10,686**	**–**	**(3,152)**	**7,534**
Derivative financial instruments	**3,063**	**(883)**	**2,180**	**(172)[b]**	**–**	**2,008**
	19,426	**(883)**	**18,543**	**(2,187)**	**(3,152)**	**13,204**
At 31 December 2018						
Financial assets						
Bank balances, cash and other liquid funds	398	–	398	(398)	–	–
Trade and other receivables	4,766	–	4,766	(2,649)	(2,117)	–
Derivative financial instruments	2,589	(1,198)	1,391	(206)[b]	–	1,185
	7,753	(1,198)	6,555	(3,253)	(2,117)	1,185
Financial liabilities						
Customers' deposits	5,474	–	5,474	(2,117)	–	3,357
Bank loans and other borrowings	11,759	–	11,759	–	(3,047)	8,712
Derivative financial instruments	3,908	(1,198)	2,710	(206)[b]	–	2,504
	21,141	(1,198)	19,943	(2,323)	(3,047)	14,573

Notes:

(a) Under HKFRS, amounts cannot be offset if the rights of set-off are conditional on a future event e.g. default of payment. "Net amount" column represents the net impact that would be shown on the consolidated statement of financial position if all set-off rights (e.g. master netting arrangements, collateral arrangements, etc.) were exercised. These items include (1) restricted cash of CLP India group disclosed under Note 20 to the Financial Statements; (2) trade receivables related to Hong Kong electricity business where customers' deposits are served as security for payments; (3) trade receivables of subsidiaries in Mainland China and India which are pledged against their bank loans and other borrowings; and (4) bank loans and other borrowings of subsidiaries in Mainland China and India which are secured by charges over certain financial assets or rights to income.

(b) For derivative financial instruments, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements in which there is a set-off provision. Under certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, a termination value is then assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position since the Group does not have any currently legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of future events such as a default on the bank transactions or other credit events.

5. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The Group manages its capital structure and fine-tunes it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or change the level of debts. The Group's capital management objectives, policies or processes were unchanged during 2019 and 2018.

The Group monitors capital using "total debt to total capital" and "net debt to total capital" ratios. These ratios are as follows:

	2019 HK$M	2018 HK$M
Total debt [a]	**52,349**	55,298
Net debt [b]	**44,023**	43,172
Total equity [c]	**120,673**	126,454
Total capital (based on total debt) [d]	**173,022**	181,752
Total capital (based on net debt) [e]	**164,696**	169,626
Total debt to total capital (based on total debt) ratio (%)	**30.3**	30.4
Net debt to total capital (based on net debt) ratio (%)	**26.7**	25.5

Moderate increase in the Group's net debt to total capital is mainly attributable to lower capital after EnergyAustralia's retail goodwill impairment.

Certain entities of the Group are subject to loan covenants. For both 2019 and 2018, there is no material non-compliance with those loan covenants.

Notes:

(a) Total debt equals bank loans and other borrowings.

(b) Net debt equals total debt less bank balances, cash and other liquid funds.

(c) Total equity equals equity plus advances from non-controlling interests.

(d) Total capital (based on total debt) equals total debt plus total equity.

(e) Total capital (based on net debt) equals net debt plus total equity.

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

Overview

In Hong Kong, CLP Power Hong Kong Limited (CLP Power Hong Kong) operates a vertically integrated electricity generation, transmission and distribution business. The generating plants in Hong Kong are owned by Castle Peak Power Company Limited (CAPCO), in which CLP Power Hong Kong originally owned 40% and was further increased to 70% in May 2014. CLP Power Hong Kong builds and operates CAPCO's power stations under contract and is the sole customer for CAPCO's electricity which CLP Power Hong Kong transmits and distributes to its customers in Kowloon and the New Territories. CLP Power Hong Kong owns the transmission and distribution network.

Since financial year 1964, the electricity-related operations of CLP Power Hong Kong and CAPCO (the SoC Companies) have been governed by a Scheme of Control (SoC) Agreement with the Hong Kong Government. The SoC specifies the SoC Companies' obligations to supply adequate and reliable electricity supplies to customers at the lowest reasonable cost and the mechanism for the Hong Kong Government to monitor their financial affairs and operating performance. In return, CLP Power Hong Kong is allowed to charge tariffs designed to recover the operating costs (including tax) and allowed net return of the SoC Companies.

The current SoC took effect from 1 October 2018 (2018 SoC), immediately after the expiry of the previous SoC which covered the period from 1 October 2008 to 30 September 2018 (2008 SoC). The 2018 SoC covers a term of over 15 years ending on 31 December 2033, and with key principles similar to the 2008 SoC.

The SoC contains a provision to give the SoC Companies protection for stranded costs, which may arise as a result of future changes to the market structure which adversely impact on the SoC Companies' ability to recover and to earn returns on existing investments made in good faith in accordance with the SoC. These costs will include the costs of investments, fuel and power purchase agreements previously approved by the Hong Kong Government. If stranded costs arise after the SoC Companies have implemented mitigation measures reasonably required by the Hong Kong Government, the SoC Companies are entitled to recover them from the market, consistent with international practice. Three years before market changes are introduced, the SoC Companies and the Hong Kong Government will agree on the amount of stranded costs and the mechanism for their recovery by the SoC Companies.

Tariff Setting Mechanism

For each year, CLP Power Hong Kong designs the net tariff it charges to cover the SoC Companies' operating costs and allowed net return. The net tariff consists of the following components:

(i) basic tariff rate which is derived by taking into account the annual forecast of (a), (b) and (c) below, using the formula "(a-b) / c":

  (a) the allowed net return and operating costs including the standard cost of fuel; generation, transmission, distribution and administration expenses; depreciation; interest expenses; and taxes;

  (b) 80% of the profit on electricity sale to Mainland China; and

  (c) local unit sales as determined by the load forecast.

(ii) fuel clause charge or rebate (Fuel Cost Adjustment) which represents the difference between the costs of fuel (including natural gas, coal and oil) and the standard cost recovered through the basic tariff rate. The Fuel Cost Adjustment may be adjusted from time to time, including on a monthly basis, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity.

Any difference between the actual profit for SoC operations and the permitted return for the year is transferred to or from a Tariff Stabilisation Fund. The Tariff Stabilisation Fund does not form part of distributable shareholders' funds and represents a liability in the accounts of CLP Power Hong Kong. A charge on the average balance of the Tariff Stabilisation Fund is credited to the Rate Reduction Reserve in the accounts of CLP Power Hong Kong, which balance as at the end of each year is to be transferred to the Tariff Stabilisation Fund in the following year.

Permitted and Net Return

The permitted and net return that the SoC Companies are allowed under the SoC are calculated as follows:

- The annual permitted return under the 2018 SoC is 8% of the SoC Companies' average net fixed assets (2008 SoC: 9.99% of the SoC Companies' average net fixed assets other than renewable energy investments and 11% for renewable energy investments).
- The net return under the SoC is the permitted return after the deduction or adjustment of the following items:
  - (a) interest on borrowed capital arranged for financing fixed assets, up to a maximum of 7% per annum under the 2018 SoC (2008 SoC: 8% per annum);
  - (b) a charge of the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund under the SoC, which is credited to the Rate Reduction Reserve;
  - (c) an excess capacity adjustment, which under the 2018 SoC is 8% less an allowed interest charge up to 7% per annum on the average related excess capacity expenditure (2008 SoC: 9.99% less an allowed interest charge up to 8% per annum on the average related excess capacity expenditure);
  - (d) interest on the increase in average balance of the customers' deposits in excess of the balance as at 30 September 1998, up to 7% per annum under the 2018 SoC (2008 SoC: up to 8% per annum); and
  - (e) performance-linked incentives / penalties adjustments

	2018 SoC	2008 SoC
Operation performance related incentives / penalties	in the range of -0.05% to +0.05% on average net fixed assets with more stringent targets and additional category for grid supply restoration	in the range of -0.03% to +0.03% on the average net fixed assets
Energy efficiency and renewable performance incentives	▪ a maximum of 0.315% on average net fixed assets ▪ new incentive of 10% of renewable energy certificates sales revenue ▪ five-year energy saving and renewable energy connections incentives with a maximum of 0.11% on the average net fixed assets at the final year of the five-year period	a maximum of 0.07% on average net fixed assets
Demand response reduction incentive	a maximum of 0.025% on average net fixed assets	–

The net return is divided between the SoC Companies in accordance with the provisions of the agreements between the SoC Companies. These provisions state that each company will receive that proportion of the total net return represented by the net return that company would receive if it were the only company under the SoC and the net return were calculated solely on the basis of its own financial statements.

Starting from year 2014, non-refundable contributions were made by the SoC Companies from the energy efficiency incentives earned under the 2008 SoC to an Energy Efficiency Fund (EEF) to promote energy saving for buildings. Under the 2018 SoC, 65% of the energy efficiency incentives earned are to be contributed to a CLP Community Energy Saving Fund (CESF) to support programmes in promotion of energy efficiency, use of renewable energy, the disadvantaged groups and other programmes as agreed with the Hong Kong Government.

The calculations shown on next page are in accordance with the SoC and the agreements between the SoC Companies.

	12 months ended 31 December 2019 HK$M	Period from 1 October to 31 December 2018 HK$M	9 months ended 30 September 2018 HK$M
SoC revenue	**40,633**	9,063	32,023
Expenses			
Operating costs	**5,036**	1,149	3,385
Fuel	**13,150**	3,081	10,021
Purchases of nuclear electricity	**5,643**	979	4,564
Provision for asset decommissioning	**188**	(88)	219
Depreciation	**4,753**	1,153	3,778
Operating interest	**978**	246	750
Taxation	**1,853**	412	1,589
	31,601	6,932	24,306
Profit after taxation	**9,032**	2,131	7,717
Interest on increase in customers' deposits	**4**	1	–
Interest on borrowed capital	**1,100**	266	789
Adjustment for performance incentives	**(392)**	(89)	(16)
Adjustment required under the SoC (being share of profit on sale of electricity to Mainland China attributable to the SoC Companies)	**–**	–	(43)
Profit for SoC	**9,744**	2,309	8,447
Transfer to Tariff Stabilisation Fund	**(526)**	(56)	(135)
Permitted return	**9,218**	2,253	8,312
Deduct interest on / Adjustment for			
Increase in customers' deposits as above	**4**	1	–
Borrowed capital as above	**1,100**	266	789
Performance incentives as above	**(392)**	(89)	(16)
Tariff Stabilisation Fund to Rate Reduction Reserve	**22**	4	7
	734	182	780
Net return	**8,484**	2,071	7,532
CESF / EEF contribution	**(195)**	(48)	(16)
Net return after CESF / EEF contribution	**8,289**	2,023	7,516
Divisible as follows:			
CLP Power Hong Kong	**5,582**	1,369	5,149
CAPCO	**2,707**	654	2,367
	8,289	2,023	7,516
CLP Power Hong Kong's share of net return after CESF / EEF contribution			
CLP Power Hong Kong	**5,582**	1,369	5,149
Interest in CAPCO	**1,895**	458	1,656
	7,477	1,827	6,805

Five-year Summary: CLP Group Statistics

Economic

	2019	2018	2017	2016	2015
Consolidated Operating Results, HK$M					
Revenue					
Hong Kong electricity business	**40,025**	40,872	39,485	37,615	38,488
Energy businesses outside Hong Kong	**45,088**	49,793	52,101	41,459	41,757
Others	**576**	760	487	360	455
Total	**85,689**	91,425	92,073	79,434	80,700
Earnings					
Hong Kong electricity business	**7,448**	8,558	8,863	8,640	8,260
Hong Kong electricity business related	**211**	227	335	203	206
Mainland China	**2,277**	2,163	1,238	1,521	1,977
India	**263**	572	647	469	614
Southeast Asia and Taiwan	**335**	162	160	274	312
Australia	**1,566**	3,302	2,738	1,849	836
Other earnings in Hong Kong	**(199)**	(92)	(65)	62	(60)
Unallocated net finance (costs) / income	**(42)**	(54)	(2)	33	17
Unallocated Group expenses	**(738)**	(856)	(607)	(717)	(643)
Operating earnings	**11,121**	13,982	13,307	12,334	11,519
Gain on sale of investment	**–**	–	–	–	6,619
Impairment and provision reversal	**(6,381)**	(450)	–	(203)	(1,723)
Property revaluation and transaction	**(83)**	18	369	497	99
Reversal of tax provision	**–**	–	573	83	–
Other items affecting comparability from Australia	**–**	–	–	–	(858)
Total earnings	**4,657**	13,550	14,249	12,711	15,656
Dividends	**7,782**	7,630	7,352	7,074	6,822
Depreciation and amortisation, owned and leased assets	**8,118**	8,005	7,368	6,909	6,765
Consolidated Statement of Financial Position, HK$M					
SoC fixed assets	**117,042**	113,295	109,824	106,886	104,479
Other fixed assets	**33,744**	34,650	33,914	32,535	31,533
Goodwill and other intangible assets	**20,111**	26,910	29,087	27,653	28,257
Interests in joint ventures	**9,999**	9,674	10,383	9,971	11,250
Interests in associates	**8,708**	7,746	8,081	813	785
Other non-current assets	**3,193**	2,739	3,152	4,837	5,385
Current assets	**28,826**	35,500	33,710	23,538	22,284
Total assets	**221,623**	230,514	228,151	206,233	203,973
Shareholders' funds	**105,455**	109,053	108,697	98,010	93,118
Perpetual capital securities	**3,887**	5,791	5,791	5,791	5,791
Other non-controlling interests	**9,987**	10,088	7,019	1,972	2,023
Equity	**119,329**	124,932	121,507	105,773	100,932
Bank loans and other borrowings	**52,349**	55,298	57,341	51,646	55,483
SoC reserve accounts	**1,500**	998	977	860	1,009
Other current liabilities	**26,911**	28,099	27,962	26,944	25,107
Other non-current liabilities	**21,534**	21,187	20,364	21,010	21,442
Total liabilities	**102,294**	105,582	106,644	100,460	103,041
Equity and total liabilities	**221,623**	230,514	228,151	206,233	203,973

A ten-year summary is on our website.

	2019	2018	2017	2016	2015
Consolidated Statement of Cash Flows, HK$M					
Funds from operations	**23,502**	26,584	26,506	25,353	20,994
Net cash inflow from operating activities	**21,345**	23,951	24,417	23,676	19,168
Net cash (outflow) / inflow from investing activities	**(5,824)**	(11,259)	(16,735)	(8,296)	1,066
Net cash outflow from financing activities	**(14,944)**	(11,505)	(5,863)	(14,288)	(20,505)
Capital expenditure, owned and leased assets	**(10,448)**	(10,327)	(9,538)	(9,756)	(10,871)
Per Share Data, HK$					
Shareholders' funds per share	**41.74**	43.16	43.02	38.79	36.86
Earnings per share	**1.84**	5.36	5.64	5.03	6.20
Dividends per share	**3.08**	3.02	2.91	2.80	2.70
Closing share price					
Highest	**96.85**	96.95	85.30	83.90	69.75
Lowest	**78.40**	75.35	72.55	62.45	62.20
As at year-end	**81.90**	88.50	79.95	71.25	65.85
Ratios					
Return on equity, %	**4.3**	12.4	13.8	13.3	17.3
Operating return on equity, %	**10.4**	12.8	12.9	12.9	12.7
Total debt to total capital, %	**30.3**	30.4	31.8	31.5	34.0
Net debt to total capital, %	**26.7**	25.5	27.8	29.5	32.4
FFO interest cover, times	**12**	13	15	14	9
Price / Earnings, times	**45**	17	14	14	11
Dividend yield, %	**3.8**	3.4	3.6	3.9	4.1
Dividend cover, times	**1.4**	1.8	1.8	1.7	1.7
Dividend pay-out, %					
Total earnings	**167.1**	56.3	51.6	55.7	43.5
Operating earnings	**70.0**	54.6	55.2	57.4	59.2
Total returns to shareholders [1], %	**8.7**	9.6	8.4	6.4	8.4
Group Generation Capacity [2]					
(owned / operated / under construction), MW					
– by region					
Hong Kong	**7,568**	7,543	7,483	7,483	6,908
Mainland China	**7,905**	7,869	7,985	7,181	7,072
India	**1,842**	1,796	2,948	2,978	3,048
Southeast Asia and Taiwan	**285**	285	285	285	285
Australia	**4,508**	4,478	4,505	4,505	4,505
	22,108	21,971	23,206	22,432	21,818
– by status					
Operational	**21,468**	21,127	22,118	21,560	20,336
Construction	**640**	844	1,088	872	1,482
	22,108	21,971	23,206	22,432	21,818

Notes:

1 Total returns to shareholders represents the 10-year annualised rate of return from the combination of share price appreciation and dividend payments.

2 Group generation capacity (in MW) is incorporated on the following basis: (a) CAPCO on 100% capacity as stations operated by CLP Power Hong Kong; (b) Ecogen (2015 to 2017) on 100% as having right to use; and (c) other stations (including Ecogen since 2018) on the proportion of the Group's equity interests.

Environmental

Performance Indicators	Units	2019	2018	2017	2016	2015	GRI Standard	HKEx ESG Reporting Guide Reference
GHG Emissions & Climate Vision 2050								
GHG Emissions [1]								
Total GHG emissions – on an equity basis [2]	kt	**71,720**	N/A	N/A	N/A	N/A		A1.2
Scope 1 CO_2e	kt	**50,047**	N/A	N/A	N/A	N/A	305-1	
Scope 2 CO_2e	kt	**250**	N/A	N/A	N/A	N/A	305-2	
Scope 3 CO_2e [3]	kt	**21,424**	N/A	N/A	N/A	N/A	305-3	
Total GHG emissions – on an operational control basis [4]								
Scope 1 & 2 CO_2e (from power generation)	kt	**50,676**	52,306 [5]	48,082	46,681	46,723	102-48, 305-1, 305-2	A1.2
Scope 1 & 2 CO_2 (from power generation)	kt	**50,412**	52,052 [5]	47,921	46,518	46,553	102-48, 305-1, 305-2	
Climate Vision 2050 [1]								
Performance against targets – on an equity basis [2]								
Carbon dioxide emissions intensity of CLP Group's generation portfolio	kg CO_2/kWh	**0.70**	0.74	0.80	0.82	0.81	305-4	A1.2
Total renewable energy generation capacity	% (MW)	**12.8 (2,469)**	12.5 (2,387)	14.2 (2,751)	16.6 (3,090)	16.8 (3,051)		
Non-carbon emitting generation capacity	% (MW)	**21.1 (4,069)**	20.9 (3,987)	22.4 (4,350)	19.2 (3,582)	19.5 (3,543)		
Performance against targets – on an equity plus long-term capacity and energy purchase basis [2, 6]								
Carbon dioxide emissions intensity of CLP Group's generation portfolio	kg CO_2/kWh	**0.62**	0.66	0.69	0.72	N/A	305-4	A1.2
Total renewable energy generation capacity	% (MW)	**13.7 (3,294)**	12.8 (3,039)	13.1 (3,211)	14.9 (3,551)	N/A		
Non-carbon emitting generation capacity	% (MW)	**24.9 (5,979)**	24.1 (5,724)	23.2 (5,699)	20.7 (4,931)	N/A		
Resource Use & Emissions [4, 7]								
Nitrogen oxides (NO_x) emissions	kt	**47.0**	60.9	59.3	58.1	56.3	305-7	A1.1
Sulphur dioxide (SO_2) emissions	kt	**44.7**	76.1	81.6	71.2	63.4	305-7	A1.1
Particulates emissions	kt	**7.7**	8.5	8.3	8.5	9.8	305-7	A1.1
Non-hazardous waste produced [8]	t (solid) / kl (liquid)	**13,344 / 59**	11,471 / 52	20,334 / 103	8,317 / 84	11,455 / 199	306-2	A1.4
Non-hazardous waste recycled [8]	t (solid) / kl (liquid)	**4,986 / 57**	3,990 / 52	3,790 / 103	2,963 / 84	4,414 / 199	306-2	
Hazardous waste produced [8]	t (solid) / kl (liquid)	**862 / 1,578**	1,435 / 1,685	857 / 1,420	1,302 / 1,251	641 / 2,832	306-2	A1.3
Hazardous waste recycled [8]	t (solid) / kl (liquid)	**201 / 1,536**	631 / 1,648	469 / 1,384	260 / 1,149	203 / 1,176	306-2	
Total water withdrawal [9, 10, 11]	Mm^3	**5,377.4**	5,153.6	4,480.6	4,256.9	4,503.0	303-3	A2.2
For cooling purpose								
Water withdrawal from marine water resources	Mm^3	**5,319.3**	5,087.3	4,421.7	4,202.3	4,447.6		
Water withdrawal from freshwater resources	Mm^3	**45.7**	53.3	47.6	43.8	45.1		
For non-cooling purposes								
Water withdrawal from freshwater resources	Mm^3	**5.8**	6.0	4.9	4.2	3.8		
Water withdrawal from municipal sources	Mm^3	**6.7**	7.0	6.4	6.6	6.5		
Total water discharge [10, 12, 13]	Mm^3	**5,337.1**	5,103.2	4,437.7	4,219.3	4,463.1	303-4	
From cooling process								
Water discharge to marine water bodies	Mm^3	**5,319.3**	5,087.3	4,421.7	4,202.3	4,447.6		
Treated wastewater to freshwater bodies	Mm^3	**0**	0	0	0	0		
Wastewater to other destinations	Mm^3	**0**	0.02	0.05	0.06	0.03		
From non-cooling processes								
Treated wastewater to marine water bodies	Mm^3	**1.7**	1.6	1.6	1.5	1.1		
Treated wastewater to freshwater bodies	Mm^3	**14.4**	12.3	12.3	13.7	12.6		
Wastewater to other destinations	Mm^3	**1.7**	1.9	2.0	1.7	1.7		
Wastewater to sewerage	Mm^3	**0.03**	0.03	0.02	0.01	0.02		
Fuel use								
Coal consumed (for power generation)	TJ	**485,453**	521,568	471,976	453,904	450,937	302-1	A2.1
Gas consumed (for power generation)	TJ	**107,183**	83,364 [5]	91,426	86,787	95,591	102-48, 302-1	A2.1
Oil consumed (for power generation)	TJ	**2,620**	3,807 [5]	5,069	4,162	2,892	102-48, 302-1	A2.1
Environmental compliance								
Environmental regulatory non-compliances resulting in fines or prosecutions	number	**0**	0	0	0	1	307-1	
Environmental licence limit exceedances & other non-compliances	number	**10**	2	13	2	13	307-1	

Notes:

1 CO_2 emissions of the Yallourn and Hallett power stations were used in 2018. Prior to 2018, CO_2e emissions data of these assets were used.
2 Numbers include majority and minority share assets in the CLP Group portfolio.
3 Please refer to the Sustainability Report for a breakdown of Scope 3 emissions by category.
4 Numbers include operating assets where CLP has operational control during the calendar year. Paguthan power station, the power purchase agreements of which expired in December 2018, was not included in the 2019 numbers.
5 Restated as per updated data for Hallett power station in Australia.
6 Starting in 2018, "long-term capacity and energy purchase" is defined as a purchase agreement with duration of at least five years, and capacity or energy purchased being no less than 10MW.
7 Since 2019, numbers at the asset level are aggregated and then rounded.
8 Waste categorised in accordance with local regulations.
9 Starting in 2019, the breakdown of water withdrawal is recategorised into withdrawal for cooling and non-cooling purposes. Numbers of the years 2015-18 are not directly comparable with the previously reported numbers because of the recategorisation, except for marine water resources.
10 Numbers at the asset level are aggregated and then rounded for all years shown herein. They may be adjusted from the numbers reported previously, where they were rounded and then aggregated.
11 Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
12 Starting in 2019, the breakdown of water discharge is recategorised into discharge for cooling and non-cooling purposes. Numbers of the years 2015-18 are not directly comparable with the previously reported figures because of the recategorisation, except for marine water bodies.
13 Starting in 2019, Yallourn's "water discharged to third-parties", which was previously reported under "wastewater to sewerage", is reported under "water discharged to other destinations".

*All 2019 data on this page have been independently verified by PricewaterhouseCoopers **except** those numbers which are shaded in grey.*

Packaging material and product recalls:

At CLP, our primary product is electricity, which requires no packaging for delivery to customers. Packaging material used for auxiliary products only accounts for an immaterial amount. The nature of electricity also does not allow recalls of our primary product.

For more detailed narrative on the "Environmental, Social and Governance" related performance indicators, please refer to Capitals chapters and the Corporate Governance Report of this Annual Report.

Social

Performance Indicators	Units	2019	2018	2017	2016	2015	GRI Standard	HKEx ESG Reporting Guide Reference
Employees [14]								
Employees by region							102-7	B1.1
Hong Kong	number	**4,604**	4,538	4,504	4,450	4,438		
Mainland China	number	**607**	596	577	560	527		
India	number	**469**	458	463	435	397		
Australia	number	**2,280**	2,042	1,998	1,983	1,998		
Total	number	**7,960**	7,634	7,542	7,428	7,360		
Employees eligible to retire within the next five years [15]							EU15	
Hong Kong	%	**19.5**	20.0	18.6	17.3	16.2		
Mainland China	%	**14.5**	13.2	10.6	12.1	11.9		
India	%	**4.8**	4.0	2.4	0.9	0.8		
Australia [16]	%	**5.4**	12.8	12.2	11.4	10.9		
Total	%	**13.9**	16.4	15.1	14.1	13.3		
Voluntary staff turnover rate [17,18]							401-1	B1.2
Hong Kong	%	**2.4**	2.3	1.9	2.3	2.8		
Mainland China	%	**2.0**	4.7	3.0	3.4	2.6		
India	%	**6.6**	5.6	3.5	8.4	9.8		
Australia	%	**12.9**	13.6	13.8	12.6	13.7		
Average training hours per employee	hours	**40.1**	46.1	46.9	49.2	57.2	404-1	B3.2
Safety [19]								
Fatalities – employees only [20]	number	**0**	1	0	0	0	403-2	B2.1
Fatalities – contractors only [20]	number	**1**	1	4	3	0	403-2	B2.1
Fatality Rate – employees only [20,21]	rate	**0.00**	0.01	0.00	0.00	0.00	403-2	B2.1
Fatality Rate – contractors only [20,21]	rate	**0.01**	0.01	0.03	0.02	0.00	403-2	B2.1
Lost Time Injury – employees only [22]	number	**7** [23]	11	11	3	8	403-2	
Lost Time Injury – contractors only [22]	number	**19**	11	16	10	8	403-2	
Lost Time Injury Rate – employees only [21,22]	rate	**0.07**	0.13	0.13	0.04	0.10	403-2	
Lost Time Injury Rate – contractors only [21,22]	rate	**0.14**	0.09	0.14	0.07	0.06	403-2	
Total Recordable Injury Rate – employees only [21,24]	rate	**0.19**	0.19	0.21	0.11	0.18	403-2	
Total Recordable Injury Rate – contractors only [21,24]	rate	**0.52**	0.29	0.36	0.19	0.28	403-2	
Days lost – employees only [22,25]	number	**464** [26]	249 [27]	252	9	199	102-48, 403-2	B2.2
Governance								
Convicted cases of corruption reported to the Audit & Risk Committee	cases	**0**	0	0	0	0	205-3	B7.1
Breaches of Code of Conduct reported to the Audit & Risk Committee	cases	**31**	20	28	21	6		

Notes:

14 2019 numbers include full-time and part-time employees. Numbers in the previous years include full-time employees only.

15 The percentages given refer to permanent employees within each region, who are eligible to retire within the next five years.

16 There is no mandatory retirement age in Australia. Retirement age assumption was adjusted in 2019 from 60 to 65 to reflect local norms, which led to a significantly lower percentage compared to previous years. Numbers in previous years adopting the adjusted retirement age for Australia are as follows: 2015 – Australia: 3.8% / Group total: 11.1%; 2016 – Australia: 4.6% / Group total: 12.0%; 2017 – Australia: 4.8% / Group total: 12.9%; 2018 – Australia: 4.6% / Group total: 14.0%.

17 Voluntary turnover is employees leaving the organisation voluntarily and does not include dismissal, retirement, company-initiated termination or end of contract.

18 Includes permanent employees only, except for Mainland China which refers to both permanent and fixed-term contract employees due to its specific employment legislation.

19 The system of rules applied in recording and reporting accident statistics complies with the International Labour Organization (ILO) Code of Practice on Recording and Notification of Occupational Accidents and Diseases. Each year's safety data cover the incidents that happened in that calendar year and are based on the latest information available at the time of publication.

20 A fatality is the death of an employee or contractor personnel as a result of an occupational illness / injury / disease incident in the course of employment.

21 All rates are normalised to 200,000 worked hours, which approximately equals to the number of hours worked by 100 people in one year.

22 An occupational illness / injury / disease sustained by an employee or contractor personnel causing him / her to miss one scheduled workday / shift or more after the day of the injury (including fatalities). A lost time injury does not include the day the injury incident occurred or any days that the injured person was not scheduled to work and it does not include restricted work injuries.

23 The health-related lost-time-injury in Australia was reported as lost time injury. It can also be categorised as occupational disease in Australia.

24 Total recordable injuries count all occupational injury incidents and illness other than first aid cases. They include fatalities, lost time injuries, restricted work injuries, and medical treatment.

25 Refers to the number of working days lost when workers are unable to perform their usual work because of an occupational accident or disease. A return to limited duty or alternative work for the same organisation does not count as lost days.

26 158 out of 464 days were carried forward from three incidents in the past.

27 Restated from 253 to 249 per update in Australia.

*All 2019 data on this page have been independently verified by PricewaterhouseCoopers **except** those numbers which are shaded in grey.*

Five-year Summary: Scheme of Control Financial & Operating Statistics

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

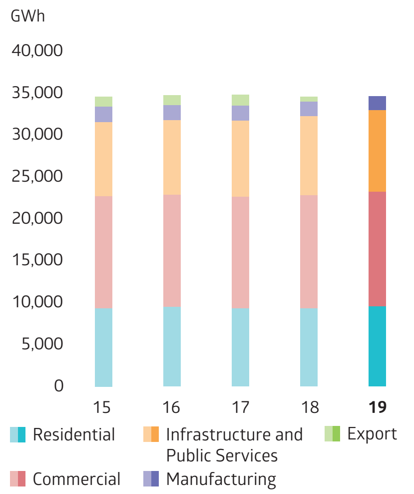
	2019	2018	2017	2016	2015
SoC Financial Statistics					
Combined Profit & Loss Statement, HK$M					
Profit for SoC	**9,744**	10,756	10,783	10,407	10,162
Transfer (to) / from Tariff Stabilisation Fund	**(526)**	(191)	42	151	124
Permitted return	**9,218**	10,565	10,825	10,558	10,286
Less: Interest on/Adjustment for					
Borrowed capital	**1,100**	1,055	976	952	920
Increase in customers' deposits	**4**	1	–	–	–
Performance incentives	**(392)**	(105)	(54)	(53)	(51)
Tariff Stabilisation Fund	**22**	11	4	2	2
Net return	**8,484**	9,603	9,899	9,657	9,415
Combined Balance Sheet, HK$M					
Net assets employed					
Fixed assets	**117,157**	113,295	109,824	106,886	104,479
Non-current assets	**213**	198	268	440	382
Current assets	**4,231**	6,559	7,606	4,061	5,327
	121,601	120,052	117,698	111,387	110,188
Less: current liabilities	**28,115**	24,699	22,565	21,474	18,565
Net assets	**93,486**	95,353	95,133	89,913	91,623
Exchange fluctuation account	**9**	81	(21)	(279)	113
	93,495	95,434	95,112	89,634	91,736
Represented by					
Equity	**46,205**	46,569	44,736	42,147	42,307
Long-term loans and other borrowings	**29,792**	32,274	34,251	28,885	30,730
Deferred liabilities	**16,020**	15,650	15,379	17,816	17,764
Tariff Stabilisation Fund	**1,478**	941	746	786	935
	93,495	95,434	95,112	89,634	91,736
Other SoC Information, HK$M					
Total electricity sales	**40,473**	40,982	39,161	37,120	38,087
Capital expenditure	**9,097**	8,922	8,068	7,292	7,630
Depreciation	**4,753**	4,931	4,706	4,375	4,143
SoC Operating Statistics					
Customers and Sales					
Number of customers (thousand)	**2,636**	2,597	2,556	2,524	2,485
Sales analysis, millions of kWh					
Commercial	**13,584**	13,425	13,220	13,234	13,209
Manufacturing	**1,663**	1,704	1,740	1,751	1,791
Residential	**9,451**	9,191	9,217	9,394	9,228
Infrastructure and Public Services	**9,586**	9,342	8,987	8,858	8,805
Local	**34,284**	33,662	33,164	33,237	33,033
Export	**–**	556	1,341	1,205	1,187
Total Electricity Sales	**34,284**	34,218	34,505	34,442	34,220
Annual change, %	**0.2**	(0.8)	0.2	0.6	0.2
Renewable Energy Certificate Sold, millions of kWh	**3**	–	–	–	–
Local consumption, kWh per person	**5,459**	5,433	5,397	5,451	5,466
Local sales, HK¢ per kWh (average)					
Basic Tariff	**90.7**	93.3	91.8	88.9	87.1
Fuel Cost Adjustment [1]	**27.9**	23.2	21.0	24.3	27.0
Total Tariff	**118.6**	116.5	112.8	113.2	114.1
Rent and Rates Special Rebate [2]	**(0.1)**	(1.1)	–	–	–
Net Tariff [3]	**118.5**	115.4	112.8	113.2	114.1
Annual change in Basic Tariff, %	**(2.8)**	1.6	3.3	2.1	(1.7)
Annual change in Total Tariff, %	**1.8**	3.3	(0.4)	(0.8)	2.8
Annual change in Net Tariff, %	**2.7**	2.3	(0.4)	(0.8)	2.8

A ten-year summary is on our website.

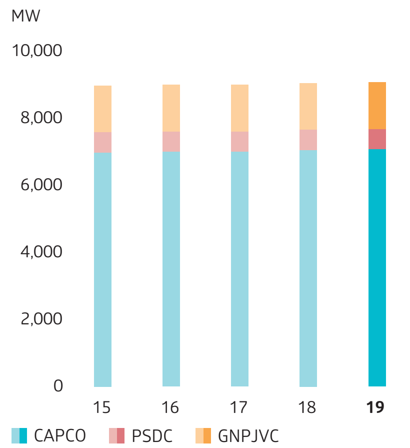
	2019	2018	2017	2016	2015
Generation (Including Affiliated Generating Companies)					
Installed capacity, MW	**8,988**	8,963	8,913	8,913	8,888
System maximum demand					
Local, MW [4]	**7,206**	7,036	7,155	6,841	6,878
Annual change, %	**2.4**	(1.7)	4.6	(0.5)	(2.2)
Local and Mainland China, MW	**7,206**	7,316	8,183	7,509	7,582
Annual change, %	**(1.5)**	(10.6)	9.0	(1.0)	1.1
System load factor, %	**59.8**	58.8	53.0	57.7	57.0
Generation by CAPCO stations, millions of kWh	**24,952**	24,642	25,032	26,056	25,739
Sent out, millions of kWh –					
From own generation	**23,369**	23,032	23,456	24,362	24,075
Net transfer from GNPS/GPSPS/Others	**12,276**	12,504	12,428	11,505	11,616
From Feed-in Tariff customers	**9**	–	–	–	–
Total	**35,654**	35,536	35,884	35,867	35,691
Fuel consumed, terajoules –					
Oil	**1,711**	2,714	3,894	3,452	2,160
Coal	**141,830**	150,310	148,065	160,661	161,988
Gas	**80,695**	72,969	75,807	74,559	71,406
Total	**224,236**	225,993	227,766	238,672	235,554
Cost of fuel, HK$ per gigajoule – Overall	**55.47**	54.79	49.30	43.77	51.25
Thermal efficiency, % based on units sent out	**37.5**	36.7	37.1	36.7	36.8
Plant availability, %	**86.4**	86.4	84.6	84.1	85.0
Transmission and Distribution					
Network, circuit kilometres					
400kV	**555**	555	555	555	555
132kV	**1,671**	1,642	1,646	1,656	1,645
33kV	**22**	22	22	24	24
11kV	**13,782**	13,643	13,455	13,046	12,739
Transformers, MVA	**68,251**	67,607	66,938	65,834	63,373
Substations –					
Primary	**232**	232	232	230	226
Secondary	**14,867**	14,685	14,483	14,254	14,019
Employees and Productivity					
Number of SoC employees	**3,815**	3,798	3,831	3,808	3,817
Productivity, thousands of kWh per employee	**9,007**	8,825	8,683	8,718	8,666

Notes:
1. The Fuel Cost Adjustment has replaced the Fuel Clause Charge effective from October 2014. Commencing 1 October 2018, the Fuel Cost Adjustment is automatically adjusted on a monthly basis to reflect changes in actual price of fuel used.
2. CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate of 1.1 cents per unit from January 2018 to mid-February 2019, returning to customers the refunds received from the Government in relation to CLP Power's claims against the Government's overcharged rent and rates.
3. Effective net tariffs including one-off special fuel rebates in 2015 and 2017 were 110.3 cents per unit and 110.5 cents per unit respectively.
4. Taking into account the effect of the customer programme of demand response pursued to reduce electricity usage, the maximum demand in 2019 would have been higher at 7,268 MW.

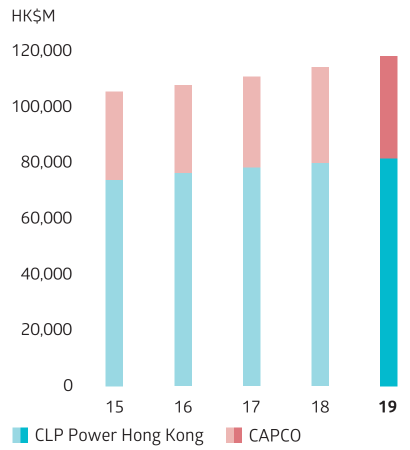
Electricity Sales by Sector



Installed Capacity



SoC Net Fixed Assets



Glossary

Term	Definition
Air Emissions	The emission of air pollutants such as sulphur dioxide (SO_2), nitrogen oxides and particulate matter.
Availability	The fraction of a given operating period in which a generating unit is available without outages and capacity reductions. Also known as Equivalent Availability Factor.
Baseload	An operating regime of power generation at a reasonably constant rate to serve continuous system load, and not designed to respond to peak demands or emergencies.
Capacity purchase	Power generation capacity contracted under long-term agreement.
Carbon neutral	When the greenhouse gas emissions associated with an activity or entity are balanced by carbon removal elsewhere, such as carbon credits, carbon sinks or storage. Also known as net zero carbon dioxide emissions.
Climate Action Finance Framework (CAFF)	Launched in 2017, CAFF supports the transition to a low-carbon economy by attracting socially-responsible, sustainable financing. It supports CLP's investments in reducing carbon emissions and increasing energy efficiency. CAFF sets out how CLP proposes to raise Climate Action Bonds to invest in projects that are consistent with both the Group's investment and climate strategies.
Climate Vision 2050	CLP's Climate Vision 2050 sets out a series of 10-year targets from 2010 to 2050 compared to 2007 levels. These targets are based on the Company's generation capacity on an equity plus long-term capacity and energy purchase basis. They consist of decarbonisation targets, measured in terms of the Group's carbon intensity, and clean energy targets, based on the renewable and non-carbon emitting energy share of CLP's generation portfolio.
Combined-cycle gas turbine (CCGT)	A technology used in gas-fired generation to enable significantly higher efficiency by utilising residual heat from gas turbine exhaust to run steam turbine and generating additional electricity
Decarbonisation	Decarbonisation of the power sector primarily refers to the reduction in the greenhouse gas emissions from electricity generation. At CLP, it is measured by the reduction in the carbon intensity, which is expressed in kilograms of carbon dioxide per kWh of electricity sent out.
Default Market Offer (DMO)	The annual maximum total bill amount, also called a reference price, that electricity companies can charge for the standing offer prices based on a set average usage amount for customers in New South Wales, South Australia and south east Queensland. A similar scheme, the Victorian Default Offer (VDO), is in operation in Victoria. See standing offer.
Demand response	Demand response programmes encourage participating customers to commit to short-term reductions in electricity demand, helping energy suppliers to keep the grid running optimally during high load periods.
Development Plan	The Development Plan, part of the Scheme of Control Agreement (SoC) in Hong Kong, covers capital projects for the provision and future expansion of electricity supply systems, to be implemented over a given five-year period, subject to the approval of the Executive Council of Hong Kong.
Digitalisation	The application of new information technologies including artificial intelligence and data analytics to help electricity utilities develop new customer-centric services and improve operations.

Term	Definition
Distributed energy	Distributed energy includes power generated from sources such as solar panels and wind turbines located close to the users, as well as controllable loads or storage such as electric vehicles and batteries.
Electricity sent out	Gross electricity generated by a power plant less self-generated auxiliary power consumption, measured at connecting point between generating unit and transmission line.
Energy purchase	Electricity purchased from assets not owned by CLP to meet customer demand as per a long-term contractual agreement.
Energy security	The uninterrupted availability of energy sources.
Energy transition	Transformation of the global energy sector from fossil fuel-based energy systems to low- or zero-carbon sources.
Energy transition enablers	Non-generation products or services that facilitate the energy transition, including energy storage, transmission and distribution, electric vehicle charging points and smart meters, amongst others.
Feed-in Tariff (FiT)	Payable by Hong Kong power companies under the SoC Agreement to purchase electricity from approved renewable energy projects.
Flue gas desulphurisation (FGD) facility	Equipment used to remove SO_2 from the combustion gases of a boiler plant before discharge to the atmosphere.
Generation capacity	The maximum amount of power that a generator is rated to produce. Also known as installed capacity or nameplate capacity.
Greenhouse gas (GHG) emissions	The emission of gases that contribute to the greenhouse effect causing a changing climate. CLP's GHG emissions inventory covers the six GHGs specified in the Kyoto Protocol. Nitrogen trifluoride (NF_3), the seventh mandatory gas added under the second Kyoto Protocol was deemed immaterial to CLP's operations after an evaluation.
Grid curtailment	Reduction in the output of a generator from what it could otherwise produce given available resources, typically on an involuntary basis. Curtailment is usually induced by a grid operator because of transmission congestion.
Incremental distribution network (IDN)	To open up the distribution market in an orderly manner as part of the ongoing reforms of the electricity market in Mainland China, the Government is encouraging power companies to set up IDNs to provide safe and reliable electricity services using a newly-added distribution network and to meet demand from users in designated areas such as business and industrial parks.
Independent power producers (IPPs)	IPPs are private entities which own and/or operate facilities to generate electricity and sometimes heat and then sell it to utilities, government buyers and end users.
Microgrids	Localised networks with generation, energy storage and load entities, that can operate in tandem with an existing grid or independently. They can potentially be deployed to meet the energy needs of remote areas cost-effectively, forgoing the expenses of transmission grids.
National Electricity Market (NEM)	Australia's NEM is a wholesale spot market connecting six regional market jurisdictions – Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia, and Tasmania.
Non-carbon energy	Energy from power sources that add no extra carbon to the atmosphere, such as nuclear and renewable energy.

Term	Definition
Offshore LNG terminal	Offshore LNG terminals receive cargos of liquified LNG for processing into fuel. The Floating Storage and Regasification Unit (FSRU) is where the LNG cargo is unloaded, stored and regasified for transport to a power station or other users.
Offtake	A long-term agreement to purchase electricity from another generator. See capacity purchase.
Particulate matter (PM)	Microscopic solids or liquid droplets in the air.
Peaking plant	A power generating station that is normally used to produce extra electricity during peak load times.
Permitted rate of return	Under the SoC Agreement with the Hong Kong Government, CLP Power Hong Kong has a permitted rate of return of 8% on average net fixed assets, which is the average of CLP Power Hong Kong's electricity-related fixed assets less depreciation at the beginning and end of a given year.
Photovoltaic (PV) panels	PV panels convert the sun's energy into DC electricity.
Power Purchase Agreement (PPA)	A long-term electricity supply agreement specifying deliverables such as the capacity allocation, the quantity of electricity to be supplied and financial terms.
Pumped storage	A method used for large-scale storage of power. During non-peak times, electricity is used to pump water to a reservoir. During peak times, the reservoir releases water for hydroelectric generation.
Renewable energy	Energy that is generated from renewable resources, which are naturally replenished on a human timescale, including sunlight, geothermal heat, wind, tides, water, and various forms of biomass.
Renewable Energy Certificates (RECs)	RECs represent all the environmental attributes associated with electricity produced by local renewable sources in Hong Kong including solar, wind and waste-to-energy power projects, purchased or generated by CLP Power Hong Kong.
Scheme of Control Agreement (SoC)	The SoC Agreement with the Hong Kong Government provides a regulatory framework for the city's electricity industry, enabling CLP Power Hong Kong to operate the facilities and plan new investments to meet the electricity demand of customers, as well as environmental objectives.
Science-based target	A target for greenhouse gas reductions that is in line with the goals of the Paris Agreement to limit global temperature increase to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.
Standing offer	A standard retail plan for electricity and gas that has no discounts and applies to a customer who does not actively choose an energy plan with an energy company.
Start-up accelerator	A programme that offers support including financing and mentorship to facilitate the development of start-up companies.
Tariff Stabilisation Fund	The fund aims to ameliorate tariff increases or facilitate tariff reduction where appropriate. The difference between the actual profit for SoC operations and the permitted return for the year is transferred to or from the fund.
Utilisation	Gross generation by a power plant unit in a given period as a fraction of the gross maximum generation. Also known as Gross Capacity Factor.
Wholesale electricity price	The given price for a bulk quantity of electricity in a wholesale market paid by energy retailers or distributors to generators, reflecting prevailing supply and demand.

Contact Us

Annual Report – Publication Dates

Online: 9 March 2020

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

Hard copies posted to shareholders 25 March 2020

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

You can ask for this Annual Report in printed form or in a language version other than your existing choice; and change [2] your choice of language (English and/or Chinese) and means of receipt (in printed form or by electronic means through our website) for the Company's future corporate communications.

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

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

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

Notes:

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

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

Information for American Depositary Receipts Holders

The Group's financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). HKFRS differ in certain respects from United States Generally Accepted Accounting Principles. The Company's duty to file or submit reports under Sections 13(a) or 15(d) of the United States Securities Exchange Act of 1934, as amended (the Exchange Act), was terminated on 30 January 2008 after the Company filed a Form 15F with the United States Securities and Exchange Commission on 31 October 2007. The information contemplated in Rule 12g3-2(b)(1)(iii) under the Exchange Act is and will be published on the Company's website.

Annual General Meeting

To be held on 8 May 2020. Details of the Annual General Meeting (AGM) including shareholders' right to demand a poll are set out in the Notice of AGM sent to shareholders together with a proxy form on 25 March 2020.

Register of Shareholders

To be closed for the following corporate actions:

- 10 March 2020 – 2019 fourth interim dividend; and
- 5 to 8 May 2020 (inclusive) – the 2020 AGM.

Company's Registrars

Computershare Hong Kong Investor Services Limited

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

Share Listing

Shares of CLP Holdings are:

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

Our Stock Code

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

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

THANK YOU

Thank you for reading our Annual Report, which is one of our main channels to communicate with you and we would like to hear what you think. As a token of our appreciation, each stakeholder who sends us **feedback (through our online form or email to cosec@clp.com.hk) on any of our Annual Report (including our online snapshot) and Sustainability Report** on or before 30 June 2020 will receive four carbon credits, which can be used to offset your carbon footprint. For example, this amount of carbon credits is sufficient to offset emissions generated by:

- fuel used by an average mid-sized gasoline car in Hong Kong over 18 months; or
- electricity consumption of an average person in Hong Kong in nine months.

Send us your feedback and receive four carbon credits!

About CLP Carbon Credits

CLP Carbon Credits is a carbon credits e-commerce platform through which customers located anywhere in the world can calculate their carbon emissions, purchase carbon credits online from CLP's Smart Energy Connect and obtain an e-certificate in recognition of their move. These carbon credits represent the emissions avoided by generating electricity from CLP India's wind farms. The avoided emissions can be allocated to any individual or business through the purchase of a carbon credit and CLP completing a voluntary retirement of that credit on their behalf. Learn more at www.clpsec.com/clp-carbon-credits.

CLP 中電

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