CLP 中電

120 years 同行望遠 of shared vision

2020 Annual Report

Stock Code: 00002

Welcome to CLP's 2020 Annual Report. In an unprecedented year when a public health crisis brought the importance of business sustainability into sharp focus, this report provides an account of the steps taken by CLP to keep the lights on and provide support to its employees, customers, shareholders and the local communities amid the COVID-19 pandemic.

The resilience demonstrated by CLP in delivering continued reliability of energy services while progressing investments for decarbonisation and digitalisation epitomises the Group's approach to business throughout our long history. The cover design of this report illustrates our deeply embedded values as we celebrate our 120th anniversary in 2021, and our vision to create a better and more sustainable future together with our communities, grasping the many possibilities from the dynamic changes in the world's economy.

CLP remains committed to integrated reporting, and this report continues to follow 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. This approach enables us to present our operational and financial performance as well as our environmental, social, and governance performance in a clear and comprehensive way.

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. CLP continued to enhance its disclosure with reference to 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 insights into the Group's efforts to steer the business forward amid the extraordinary challenges of the pandemic and climate change.

A Snapshot of 2020 Annual Report

2020 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 Group – Major focus: The potential impact from COVID-19 on various business units, the dividend policy and dividend prospects, funding requirements, cash flow management and capital structure	◉ Chairman's Statement (page 14) ◉ CEO's Strategic Review (page 18) ◉ Shareholder Value (page 23) ◉ Financial Review (page 28) ◉ Business Performance and Outlook (page 42) ◉ Capitals (page 74)
2 Hong Kong – Outlook on earnings and cash flow under the Development Plan	◉ Business Performance and Outlook – Hong Kong (page 44) ◉ Capitals – Financial Capital (page 76)
3 Hong Kong – Impact from tariff freeze for 2021 / status of the new gas-fired generation unit and offshore LNG terminal	◉ Chairman's Statement (page 14) ◉ CEO's Strategic Review (page 18) ◉ Business Performance and Outlook – Hong Kong (page 44) ◉ Capitals – Financial Capital (page 76) ◉ Risk Management Report (page 146)
4 Mainland China – Earnings contribution outlook of Yangjiang Nuclear / performance of coal projects / subsidy payment situations for renewable projects	◉ Business Performance and Outlook – Mainland China (page 51) ◉ Capitals – Natural Capital (page 102) ◉ Risk Management Report (page 146)
5 India – Progress of potential investment in transmission assets and renewable energy projects	◉ CEO's Strategic Review (page 18) ◉ Business Performance and Outlook – India (page 58) ◉ Capitals – Manufactured Capital (page 82) ◉ Capitals – Natural Capital (page 102)
6 Australia – Wholesale price outlook / operation status of generation fleet / impact of reregulation of retail electricity pricing / ongoing competition / potential projects to address intermittent supply and volatility	◉ CEO's Strategic Review (page 18) ◉ Financial Review (page 28) ◉ Business Performance and Outlook – Australia (page 66) ◉ Capitals – Manufactured Capital (page 82) ◉ Risk Management Report (page 146)
7 Group – Impact on CLP's new decarbonisation actions related to government's goal to achieve carbon neutrality for Hong Kong by 2050 and for China by 2060	◉ Chairman's Statement (page 14) ◉ CEO's Strategic Review (page 18) ◉ Business Performance and Outlook – Hong Kong (page 44) ◉ Business Performance and Outlook – Mainland China (page 51) ◉ Capitals – Natural Capital (page 102)

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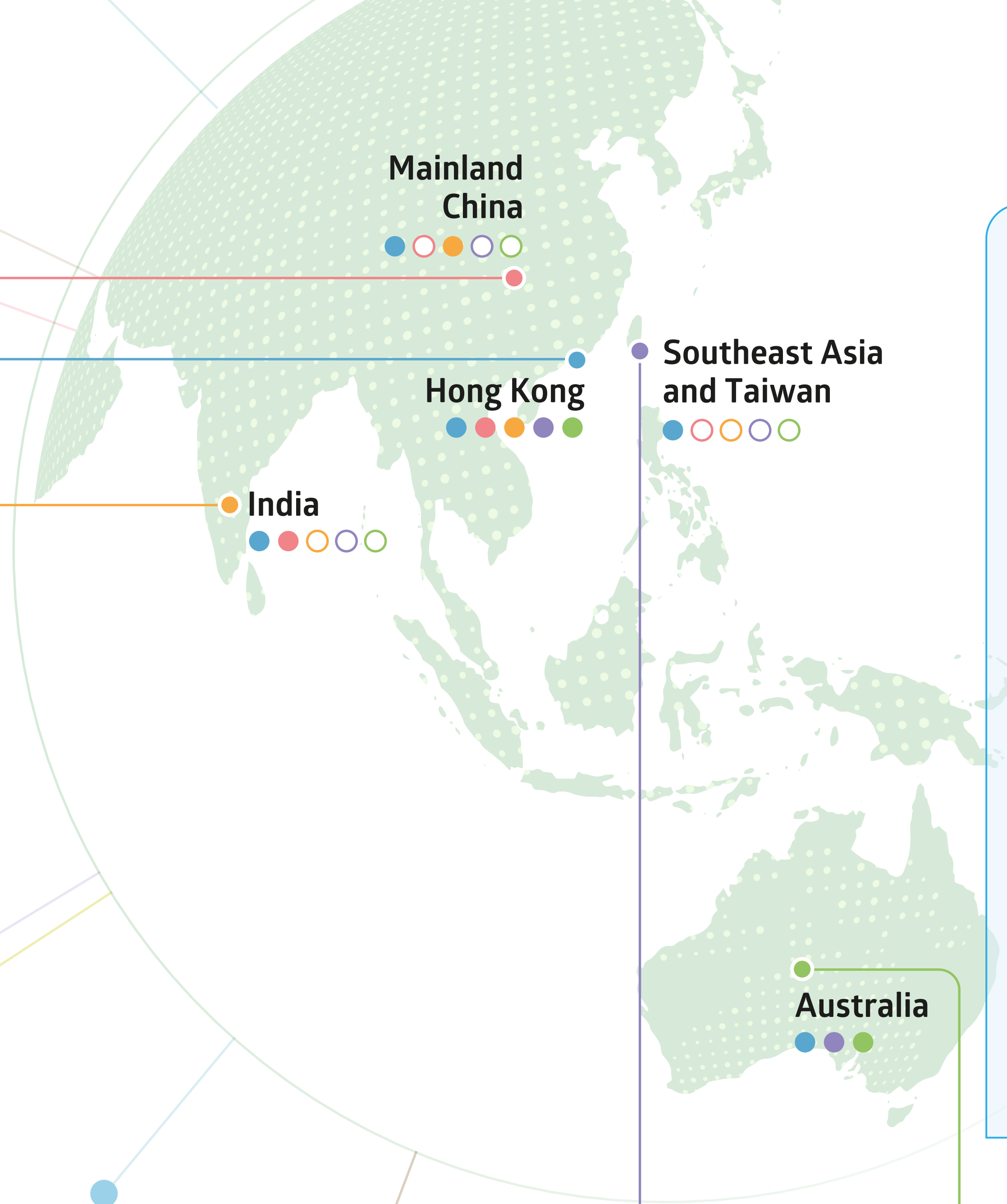
Throughout this report, the SR and symbols will guide you to the relevant sections of the Sustainability Report and our website respectively.

A Snapshot of CLP in 2020

About the CLP Group

The CLP Group is an investor and operator in the Asia-Pacific energy sector with investments in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia that span across the energy supply chain. In addition to a diversified portfolio of generating assets that uses a wide range of fuels including coal, gas, nuclear and renewable sources, the Group also has operations in the transmission, distribution and retail of energy, and offers smart energy services. In 2021, CLP celebrates the 120th anniversary of its founding in Hong Kong with a commitment to continue to move forward with the community based on a shared vision of a better tomorrow.

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



Mainland China

The electricity industry in Mainland China is largely state-controlled. Transmission and distribution are limited to two state-owned enterprises while generation is open for investment. CLP first entered the market in 1979 when the Group began providing electricity to Guangdong province. Today, CLP China is the largest external independent power producer in Mainland China with over 50 power projects in 15 provinces, municipalities and autonomous regions, concentrating on low-carbon energy, including nuclear power and renewable energy.

Hong Kong

Hong Kong's electricity sector is regulated by the Scheme of Control Agreements and operated by two vertically-integrated utility companies that serve different geographical areas of the city. CLP Power Hong Kong, the larger of the two companies and a wholly-owned subsidy of the Group, provides a power supply of over 99.999% world-class reliability to 2.67 million customers in Kowloon, the New Territories, and most of the outlying islands, serving about 80% of the city's population.

India

Much of the electricity industry in India has traditionally been owned and controlled by the Federal and State Governments. Over the last decade and a half, private companies have been encouraged to invest in the generation and increasingly transmission segments. On the distribution side, the Federal Government has recently progressed initiatives for more privatisation. Since entering the Indian market in 2002, CLP has built a diversified portfolio comprising wind, solar and supercritical coal generating 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. Our strategy is for CLP India to pursue growth in non-carbon areas.

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. As a committed supporter of global efforts to reduce carbon emissions, CLP is exploring investment opportunities in renewable energy generation in the Southeast Asia and Taiwan markets.

Australia

EnergyAustralia is one of the largest privately-owned electricity generators under the National Electricity Market (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. Private generators operating under the NEM and a number of government-owned assets provide generation services in a competitive wholesale market. The electricity retail market is fully privatised while the transmission and distribution segments remain substantially regulated.

2020 Operating Earnings

Hong Kong electricity and related business
HK$8,088 million

Mainland China
HK$2,233 million

India
HK$175 million

Southeast Asia and Taiwan
HK$386 million

Australia
HK$1,690 million

Other earnings and unallocated expenses
-HK$995 million

Total
HK$11,577 million

Our Portfolio

CLP's business spans every major segment of the energy value chain, including retail, transmission, distribution, and a diversified portfolio of electricity generation assets. The tables below detail the total generation and energy storage capacity [1] as well as business activities in each CLP market as of 31 December 2020.

Hong Kong	Mainland China	India	Southeast Asia and Taiwan	Australia	Total
8,143MW	8,990MW	1,890MW	285MW	5,389MW	24,696MW

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 **2.67 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, 1,679 km of 132kV lines, 22 km of 33kV lines and 13,990 km of 11kV lines 69,131 MVA transformers, 235 primary and 15,028 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 a new 550MW unit [2], five 337.5MW units and three 312.5MW units. An additional new 550MW unit is under construction	Hong Kong	70%	3,725MW	3,725MW
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 20km pipeline (including subsea portion of 19km) and the associated gas launching and end stations, which transports natural gas from PipeChina Second West-East Gas Pipeline in Shenzhen Dachan Island to Black Point	Hong Kong	40%	–	–
Hong Kong LNG Terminal Limited, develops, owns and operates the offshore LNG terminal in Hong Kong, currently under construction, to provide LNG regasification and related services to Castle Peak Power Company Limited and The Hongkong Electric Company, Limited	Hong Kong	49%	–	–
Penny's Bay Power Station, comprising three 100MW diesel-fired gas turbine units mainly for backup purpose	Hong Kong	70%	300MW	300MW
WE Station (formerly named West New Territories Landfill Project), comprising five new 2MW units which make use of landfill gas from waste for power generation [3]	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 [4]	Guangdong	25%	1,968MW	1,577MW
Yangjiang Nuclear Power Station, comprising six 1,086MW generating units	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	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

Notes:

1 Of projects in operation and under construction on an equity basis, in addition to long-term capacity and energy purchase arrangements. Minor discrepancies may result from rounding.

2 The new 550MW Combined-Cycle Gas Turbine (CCGT) unit was commissioned in the second half of 2020.

3 The WE Station commenced operation in March 2020.

4 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.

5 Commenced commercial operation in September 2020.

Mainland China (Cont'd)				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Capacity (Equity / Long-term Purchase)**
Lijin II Wind Farm	Shandong	49%	49.5MW	24MW
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	Guangdong	100%	36MW [7]	36MW [7]
Huai'an Solar Power Station	Jiangsu	100%	12.8MW [8]	12.8MW [8]
Sihong Solar Power Station	Jiangsu	100%	93MW [9]	93MW [9]
Lingyuan Solar Power Station	Liaoning	100%	17MW [10]	17MW [10]
Xicun I Solar Power Station	Yunnan	100%	42MW [11]	42MW [11]
Xicun II Solar Power Station	Yunnan	100%	42MW [12]	42MW [12]
Coal				
Beijing Yire Power Station [13]	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 [14]	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
Energy Storage				
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
Others				
Fangchenggang Incremental Distribution Network [15]	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
Theni I Wind Farm	Tamil Nadu	60%	49.5MW	30MW
Theni II Wind Farm	Tamil Nadu	60%	49.5MW	30MW

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 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 42.5 / 42.5MW.

8 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 15 / 15MW.

9 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 110 / 110MW.

10 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 20 / 20MW.

11 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 50 / 50MW.

12 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 50 / 50MW.

13 Beijing Yire Power Station ceased operation on 20 March 2015.

14 Shenmu Power Station ceased operation on 28 February 2018.

15 The project company, of which TUS-CLP Smart Energy Technology Co. Ltd. is a shareholder, builds and operates an incremental distribution network (IDN) at Fangchenggang Hi-Tech Zone. Supply to customers commenced in April 2020.

India (Cont'd)				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Equity Capacity**
Solar				
Gale Solar Farm	Maharashtra	60% [16]	50MW [17]	30MW [17]
Tornado Solar Farm	Maharashtra	60%	20MW [18]	12MW [18]
Cleansolar Renewable Energy Private Limited (CREPL) [19]	Telangana	60%	30MW [20]	18MW [20]
Divine Solren Private Limited (DSPL) [21]	Telangana	60%	50MW [22]	30MW [22]
Veltoor Solar Farm	Telangana	60% [23]	100MW [24]	60MW [24]
Gas				
Paguthan Power Station [25], 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%	–	–

Southeast Asia & Taiwan				
Assets and Services	**Location**	**CLP's Equity Interest**	**Gross Capacity**	**CLP's Equity Capacity**
Solar				
Lopburi Solar Farm	Thailand	33.3%	63MW [26]	21MW [26]
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 **2.45 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 [27]	New South Wales	20%	22MW	4MW
Hallett Gas-fired Power Station [28]	South Australia	100%	235MW	235MW
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 [29]				
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%	166MW	166MW
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%	20MW	20MW
Energy Storage				
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
Others				
Pine Dale Black Coal Mine	New South Wales	100%	–	–
Narrabri (2C contingent resource of up to 1,200PJ)	New South Wales	20%	–	–

Figures include rounding adjustments.

16 Gale Solar Farm became wholly-owned by CLP India in March 2019 after CLP India acquired the equity interest previously held by Suzlon Energy Limited.
17 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 69 / 41.4MW.
18 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 27.6 / 16.6MW.
19 CLP India acquired Cleansolar Renewable Energy Private Limited from Mahindra Renewables Private Limited in March 2020.
20 Gross / CLP Equity MW is expressed on an AC basis. If converted to DC, they are equivalent to 36.6 / 22MW.
21 CLP India acquired Divine Solren Private Limited from Mahindra Renewables Private Limited in April 2020.
22 Gross / CLP Equity MW is expressed on an AC basis. If converted to DC, they are equivalent to 59.8 / 35.9MW.
23 Veltoor Solar Farm became wholly-owned by CLP India in March 2019 after CLP India acquired the equity interest previously held by Suzlon Energy Limited.
24 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 120 / 72MW.
25 Paguthan Power Station did not undertake any significant commercial generation in 2020.
26 Gross / CLP Equity MW are expressed on an AC basis. If converted to DC, they are equivalent to 83 / 28MW.
27 Gross capacity at Wilga Park Power Station increased to 22MW in early 2020.
28 Gross capacity at Hallett Power Station increased to 235MW in early 2020.
29 Relates to long-term power purchase from power stations in which CLP has neither equity nor operational control.

Financial Highlights

Group operating earnings increased 4.1% to HK$11,577 million driven by higher earnings from the Hong Kong electricity business and positive changes in the fair value of energy hedging contracts in Australia. Total earnings increased about 1.5 times to HK$11,456 million in 2020 mainly due to a significant impairment of EnergyAustralia's retail goodwill recognised in 2019.

	2020	2019	**Increase / (Decrease) %**
For the year *(in HK$ million)*			
Revenue			
Hong Kong electricity business	**41,325**	40,025	3.2
Energy businesses outside Hong Kong	**37,687**	45,088	(16.4)
Others	**578**	576	
Total	**79,590**	85,689	(7.1)
Earnings			
Hong Kong electricity business	**7,818**	7,448	5.0
Hong Kong electricity business related [1]	**270**	211	
Mainland China	**2,233**	2,277	(1.9)
India	**175**	263	(33.5)
Southeast Asia and Taiwan	**386**	335	15.2
Australia	**1,690**	1,566	7.9
Other earnings in Hong Kong	**(238)**	(199)	
Unallocated net finance income / (costs)	**24**	(42)	
Unallocated Group expenses	**(781)**	(738)	
Operating earnings	**11,577**	11,121	4.1
Items affecting comparability			
Property revaluation	**(121)**	(83)	
Impairment provision	**–**	(6,381)	
Total earnings	**11,456**	4,657	146.0
Net cash inflow from operating activities	**22,374**	21,345	4.8
At 31 December *(in HK$ million)*			
Total assets	**234,233**	221,623	5.7
Total borrowings	**54,348**	52,349	3.8
Shareholders' funds	**112,200**	105,455	6.4
Per share *(in HK$)*			
Earnings per share	**4.53**	1.84	146.0
Dividend per share	**3.10**	3.08	0.6
Shareholders' funds per share	**44.41**	41.74	6.4
Ratios			
Return on equity [2] (%)	**10.5**	4.3	
Net debt to total capital [3] (%)	**25.1**	26.7	
FFO interest cover [4] (times)	**13**	12	
Price / Earnings [5] (times)	**16**	45	
Dividend yield [6] (%)	**4.3**	3.8	

Notes:

1 Hong Kong electricity business related includes PSDC and Hong Kong Branch Line

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)

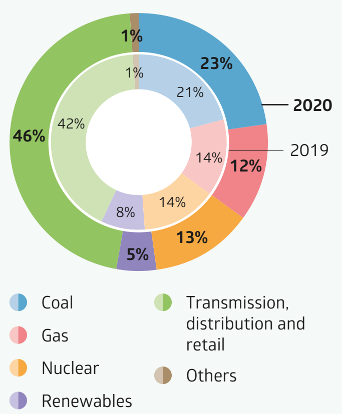
5 Price / Earnings = Closing share price on the last trading day of the year / Earnings per share

6 Dividend yield = Dividend 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 provides sustainable energy solutions to create value for shareholders, customers, employees and the wider community. 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 in the transition to a low-carbon future.

Read CEO's Strategic Review on pages 18 to 22

Our Values and Commitments

WHAT GUIDE US IN FULFILLING OUR PURPOSE

CLP cares for people, its customers, the community and the environment. We care about performance, respect laws and standards, and value innovation. Our commitments are the promises we make to our stakeholders about the way in which we uphold our values.

Read CLP's Value Framework

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 2020 At a Glance on pages 119 and 120

Key Performance Highlights

Continue to grow a sustainable business

HK$11,456 million
Total earnings ▲
2019 : HK$4,657 million

HK$11,577 million
Operating earnings ▲
2019 : HK$11,121 million

HK$7,832 million
Dividends ▲
2019 : HK$7,782 million

85,937 million kWh
Electricity sent out ▼
2019 : 88,573 million kWh

5.12 million
Retail customer accounts in Hong Kong and Australia ▲
2019 : 5.11 million

Leverage new technologies to aid decarbonisation

Key innovation projects and investments
Smart Energy Connect expanded offering and helped more businesses improve energy efficiencies; invested in CSG Energy Innovation Equity Investment Fund

0.57 kg CO_2/kWh
Carbon intensity ▼
2019 : 0.62 kg CO_2/kWh

13.5 %
Proportion of renewable energy ▼
2019 : 13.7%

24.4 %
Proportion of non-carbon emitting capacity ▼
2019 : 24.9%

Empower our customers in making better energy choices

Over **840,000 smart meters**
connected in Hong Kong since 2018

Demand response programmes
104 MW
maximum demand reduced in Hong Kong
91 MW
capacity contracted in Australia

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

Enhance operational performance

Safety performance

0.11
Lost Time Injury Rate ◆
2019 : 0.11

0.32
Total Recordable Injury Rate ▼
2019 : 0.38

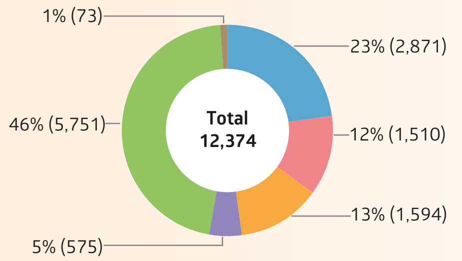
0 case
Fatalities ▼
2019 : 1 case

99.999 %
Reliability in Hong Kong ◆
2019 : 99.999%

4
Environmental regulatory non-compliance cases ▼
2019 : 10 cases

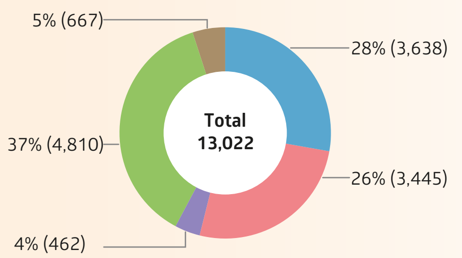
Evolve our business along with the energy transition

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



* Before unallocated expenses

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



\# On accrual basis

● Coal[1] ● Gas ● Nuclear ● Renewables
● Transmission, distribution and retail ● Others

Note:
1 Capital investments in coal assets include maintenance, upgrades and efficiency improvements only.

Key sustainability ratings

77
Dow Jones Sustainability Index

3.6
FTSE4Good

AA-
Hang Seng Corporate Sustainability Index

AA
MSCI ESG Leaders Indexes

B
CDP – Climate Change

29.9 (Medium Risk)
Sustainalytics ESG Risk Rating

Remuneration Policy

HOW WE LINK REMUNERATION TO CLP'S PURPOSE AND STRATEGY

These are among 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 judgement, ensuring alignment between shareholders and management.

See Human Resources & Remuneration Committee Report on pages 175 to 191

Creating Value for Stakeholders

At CLP, we utilise various capitals to create value for shareholders, customers, employees and the wider community.

Inputs

Read the Capitals sections on pages 74 to 107

Financial Capital

- Shareholders' funds of HK$112,200 million
- Total borrowings of HK$54,348 million

Manufactured Capital

- Generation capacity of 19,691 equity MW
- Long-term capacity and energy purchase agreements of 5,005 MW
- Transmission and high voltage distribution lines of 16,486 km
- 15,263 primary and secondary substations in Hong Kong

Human Capital

- 8,060 employees

Intellectual Capital

- Strengthened technological capabilities
- Digitalisation of operations
- Investments in technology companies and funds
- Partnerships with innovation accelerators

Natural Capital

- 403,379 TJ of coal consumed
- 134,776 TJ of gas consumed

Social and Relationship Capital

- 10,973 volunteer hours by staff and family members

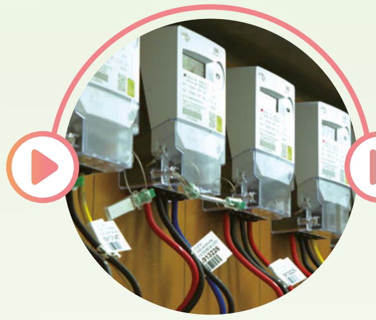
What we do

Digital technologies

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

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



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

Outputs

See The CLP Group Business in 2020 Sustainability Report SR

Reliable, cleaner and affordable electricity supply as well as smart energy services to customers

Economic value generated of **HK$81,198 million**

Outcomes for stakeholders

Employees

- Staff expenses of HK$4,844 million

Community

- Donations of HK$27 million

Government and Regulators

- Current income tax of HK$2,529 million

Suppliers and Contractors

- Fuel and other operating costs of HK$51,527 million

Capital Providers

- Shareholders – total dividends of HK$7,832 million, HK$3.10 per share
- Lenders – net finance costs of HK$1,875 million

Sustainability material topics

Read the Material Topics section in 2020 Sustainability Report SR

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

Material risks to the Group

Read our Risk Management Report on pages 146 to 157

Operational risk

- Health, safety and environment (HSE) incidents, plant performance, physical and cybersecurity, project delivery, climate change and challenges from the COVID-19 pandemic

Commercial risk

- Commercial disputes, fuel supply security, energy margin and price volatility and challenges from digital transformation

Regulatory risk

- Uncertain regulatory changes, power sector reforms and regulatory compliance issues

Financial risk

- Availability of competitive funding, financial market volatility and financial counterparties

Market risk

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

Human resources risk

- Succession, talent attraction and retention, structure and operating model change and culture change

Chairman's Statement

Facing the unprecedented crisis of COVID-19, we have demonstrated resilience, something we owe to the remarkable efforts of our people.

The Honourable Sir Michael Kadoorie
Chairman

Dear Shareholders,

We look back on 2020 as one of the most extraordinary years in living memory – a year of challenges and changes with profound impacts on the way we live and work.

In the fight against the COVID-19 pandemic, we are all immensely grateful to healthcare professionals and support staff who have devoted themselves to keeping our communities safe. As an energy supplier, our focus has been keeping the lights on and providing support to the local communities and our customers to help them get through tough times. Our thoughts remain with those around the world affected by the pandemic.

Facing this unprecedented crisis, we have demonstrated resilience, something we owe to the remarkable efforts of our people. Our long-term strategy and robust crisis planning also helped us adapt while maintaining operational excellence. Managing through the pandemic has highlighted the importance of sound governance as a core corporate value, and crisis preparation as a key governance practice. In 2003 when SARS hit Hong Kong, CLP developed specific crisis management policies and procedures that have been reviewed and refined regularly. As the severity of COVID-19 became evident, those plans could readily be brought to bear across all our operations.

While COVID-19 has dealt a heavy blow to the global economy, its impact on essential services like electricity has so far been less severe than on many other sectors.

In 2020, the Group's operating earnings increased by a modest 4% to HK$11,577 million while total earnings rose significantly to HK$11,456 million from 2019 when an impairment of goodwill was booked in the Australian business. The Board remains confident in the Group's prospects, yet in the short term it recognises that the ongoing pandemic creates uncertainties. As such, it approved a fourth interim dividend payment for 2020 of HK$1.21 per share, a 1.7% increase compared with the same period in 2019. Total dividends per share for 2020 are HK$3.10 per share, 0.6% higher than a year ago.

Chairman Sir Michael Kadoorie (right) and Non-executive Director Mr Philip Kadoorie look out over the site in Hung Hom, Hong Kong which once housed CLP's first power plant in the early 1900s.

While the impacts of the pandemic are visible to all, our vision for the future means we must also continue to work hard today to meet the challenge of climate change. Globally, there has been a welcome intensification of focus on decarbonisation with China announcing carbon neutrality targets for 2060, Hong Kong for 2050, and the US rejoining the Paris Agreement. 2021 is the year of the 26th United Nations Climate Change Conference where the world will be looking to countries to strengthen their commitments made under this Agreement. More leadership and ambition from Governments enables businesses to accelerate our contributions and we look forward to further policy clarity in support of decarbonisation.

As a diversified business we know well that not all of our markets face the same circumstances at the same time. It has long been our approach to remain mindful of the local contexts and the ways in which different markets evolve, and act accordingly in line with our broader decarbonisation strategy and growth plans.

In our home market Hong Kong, we are taking steps to serve the city with lower-carbon energy with the commissioning in 2020 of a highly-efficient natural gas-fired generating unit at Black Point Power Station and the beginning of the construction of another similar facility on the same site. We continue to make significant progress on the offshore LNG terminal to help diversify the region's gas supplies to these developments. These important infrastructure projects underscore our commitment to reduce the carbon intensity of our electricity supply and contribute to Hong Kong's sustainable future.

The Chinese economy has emerged from 2020 stronger than at the start and we are keen to further expand our investments particularly in the Guangdong-Hong Kong-Macao Greater Bay Area. We look to build on our presence and operating experience in the region as well as existing partnerships to capture the opportunities in a market that is close to our Hong Kong business and is going through large-scale electrification and digitalisation. Recently, we joined our long-standing partner China Southern Power Grid Co., Ltd (CSG) to invest in the CSG Energy Innovation Equity Investment Fund that targets innovative energy developments, new energy infrastructure, and smart energy in the Greater Bay Area. This represents just one of the many early opportunities we are pursuing in the region.

In India, as with our other markets, growth in renewable energy and the infrastructure required to support it has continued despite the impact of the pandemic. Leveraging the benefits of our partnership with Caisse de dépôt et placement du Québec, we will continue to focus on zero-carbon-emission projects and diversify our investment portfolio in the country.

We see the energy transition in Australia picking up pace. This is a journey that requires the support of substantial investments in the coming years and presents opportunities to those who are agile and visionary in their approach to business. We are committed to playing a responsible role in the energy transition, ensuring the security of electricity supply while working towards the modernisation and decarbonisation of our overall position.

Our growing capabilities in digitisation and innovation ensure that we are ready for new opportunities – whether it is maximising the potential of existing energy assets, powering data centres and electric vehicles, or bringing energy solutions to our customers. In Hong Kong, our progress in digital is marked by our continual roll-out of smart meters across the city and we will likely hit the one million mark early in 2021.

As the world around us changes, we continue our transition towards a Utility of the Future with diversified, strategic investments in new business models and technologies. Throughout our history, CLP has recognised the need to re-evaluate and realign our activities in the face of changing external circumstances and policies.

As part of our ongoing efforts to ensure that we have the best Board we can to support us on our journey, I was delighted to welcome Ms Christina Gaw and Mr Chunyuan Gu to our Board in 2020. In a similar vein, our Chief Financial Officer Mr Geert Peeters is changing roles to become Group Director & Chief Strategy & Transformation Officer – a sign of our commitment to ongoing evolution – and I am pleased Mr Nicolas Tissot is joining as our new Chief Financial Officer.

2021 is our 120th anniversary year. Twelve decades ago, with just a single generating unit, CLP started providing power to Hong Kong, beginning a century of resilience, passion and creativity. Today, we are right at the heart of the city's energy system as another new era begins. As we mark this significant milestone, our shared vision of an even-better tomorrow and a sense of deep responsibility to our communities is as much a part of our DNA as it was when our Company first flickered into life in 1901.

The Honourable Sir Michael Kadoorie
Hong Kong, 22 February 2021

This decade has experienced a profoundly challenging first year, but with the increasing pace of decarbonisation there is a growing depth and breadth of opportunity.

Richard Lancaster
Chief Executive Officer

2020 was a challenging year as the COVID-19 pandemic profoundly affected every company, every community, and every individual. During this time, our priorities were to maintain a reliable power supply, ensure business continuity and care for our colleagues, customers and the communities. We also remained focused on progressing key infrastructure projects, including the development of two Combined-Cycle Gas Turbines (CCGTs) and an offshore LNG terminal in Hong Kong, and the ongoing evolution of our strategy. Our 2020 results reflect our resilience as a business.

The pandemic reinforces the importance of paying attention to the broader issues of sustainability in business. Climate change is one of the greatest challenges facing the energy sector as we know it. With so much of the world increasingly focused on decarbonisation, and with a growing awareness of previously set targets, we are mindful that the time horizons for change are shorter than they may first seem.

To succeed in an increasingly complex energy industry, a utility like CLP will need to be more responsive, resilient and agile. We have long believed in the value and strength that comes from diversity, and our evolving approach to our home and core markets is a continuation of this philosophy.

While Hong Kong remains at the heart of our business, Mainland China is another key market for the CLP Group. Together with India and Australia, this provides diversity to our portfolio. Our objective for EnergyAustralia is to strengthen our position as a leading integrated, customer-centric energy supplier with a more flexible fleet of generation assets to supply the changing needs of our mass market and commercial customers. In India, we aim to further expand our portfolio focusing on renewables and low-carbon opportunities. In Mainland China, we will continue to focus on our recent investments in renewables and nuclear. Our strategy for the Greater Bay Area (GBA) is to pursue more diversified opportunities as a natural extension of our activities in Hong Kong.

CEO Richard Lancaster speaking at the 2020 Asian Financial Forum in Hong Kong on how to achieve a profit with purpose.

Hong Kong

COVID-19 had a severe impact on Hong Kong. Our priorities were to maintain a safe and reliable service, and support our own people and customers. The modest fall in electricity sales as a result of more subdued economic activities was largely balanced by increased residential consumption as more people worked from home and the hotter summer months. In the second half of the year demand returned to something closer to normal expectations. During the year, operating earnings of Hong Kong's electricity business increased 5% to HK$7,818 million.

To cope with the pandemic, we rolled out personal protective equipment to our teams, further diversified procurement to build resilience into our supply chain and moved to safer ways of working. We were able to achieve the target of generating about 50% of our electricity from gas, boosted by the new 550MW CCGT at Black Point Power Station. Ground has now been broken on a further unit on the same site.

Good progress has been made on the offshore LNG terminal with construction work in the sea commenced in December. Natural gas remains an important part of the territory's energy mix for the medium term and this facility will enhance Hong Kong's energy security and the sustainability of supply.

CLP has a key role to play in Hong Kong's decarbonisation journey. We are seeing a clear shift from incremental improvements to an acceleration of the desire for change. This will create further opportunities given our strong existing position in the market. Offshore wind is one option for local clean energy and we will look carefully at the business cases as they emerge. In 2020, the Hong Kong Government announced a target to be carbon neutral by 2050. We are committed to working with the Government and all stakeholders to contribute our power expertise to discussions on how all sectors together can make this a reality.

Mainland China

Electricity demand was affected by lower industrial activity as a result of COVID-19 in the earlier part of 2020 before rebounding strongly as the Chinese economy started picking up. In this environment, the performance of our diversified portfolio held up well. Operating earnings for 2020 were HK$2,233 million, a decrease of only 2% when compared with 2019.

Safety is one of our core values and I am delighted that our nuclear projects won several prestigious awards for their construction and safety standards. Nothing will ever be more important than the safe operations of all our sites and external recognition of our approach is a reward for the hard work of our teams.

During the year, we were pleased to commission phase III of the Laiwu wind farm in Shandong province. This took the total capacity of the project to 149MW, making it the largest operational wind project across the CLP Group. We also committed to invest in phase III of the Qian'an wind project (100MW) in Jilin province – which will be CLP's first grid-parity project in the country. Our aspiration is to continue to grow our portfolio of renewable energy projects in Mainland China but we will continue to take a selective approach to our evaluation of these opportunities.

CLP has been operating in the GBA for many years and we have established partnerships including those with China Southern Power Grid Co., Ltd and China General Nuclear Power Corporation. The GBA presents significant opportunities thanks to the size of its economy and its part in China's journey to carbon neutrality by 2060.

There is a need not just for individual renewable projects but for the integrated provision of supporting infrastructure and energy solutions. The evolution of the energy system in the GBA could bring new opportunities across the electricity supply chain – from generation assets, transmission and distribution to new business models around energy-as-a-service.

India

India was one of the countries hardest hit by COVID-19 and it was not without impact on the operations of CLP India. During this difficult period, the Jhajjar coal-fired plant nonetheless performed steadily. While CLP India's wind portfolio experienced unfavourable weather conditions, its solar and transmission assets showed good performance. Our acquisition of two solar farms in Telangana has brought us an additional 80MW capacity and both projects performed well. During the year, operating earnings attributable to CLP decreased 33.5% to HK$175 million.

Meanwhile, we were particularly delighted to receive further recognition of our efforts on safety including an award from the Royal Society for the Prevention of Accidents in the UK for Jhajjar's performance.

Our strategy in India remains focused on pursuing opportunities in non-carbon businesses such as renewable energy projects and transmission assets. During 2020, as the country adjusted to disruptions associated with COVID-19, we experienced delays to some regulatory approvals. In the context of the Government's new rules on foreign investments, we will continue to work with the administration to facilitate our future investments.

Australia

Never has our focus on people been more important than in Australia in 2020 where the devastating impact of bushfires through late 2019 and early 2020 was followed soon after by COVID-19.

We have proactively supported both residential and small business customers with initiatives ranging from freezing debt collection to dedicated payment plans. While we cannot solve all the challenges that people face, we can play our part in relieving some of the burdens where appropriate.

Australia's COVID-19 lockdown measures, some of which fell disproportionately in areas where we operate, led to the country's first economic recession in almost 30 years and inevitably affected our results. The National Electricity Market experienced a significant decline in wholesale prices driven by increased renewable generation and changing energy consumption patterns due to the pandemic. This, together with lower generation while we undertook major, planned maintenance programmes, led to reduced earnings from our Energy business.

Meanwhile, the ongoing impact of retail price regulation and intensified competition in the retail markets, including from newer retailers, put significant pressure on margins in our Customer business. Earnings at an underlying operational level therefore saw a decrease. However, once non-cash changes in the fair value of our energy hedging contracts are included, EnergyAustralia recorded an increase in operating earnings of 8% to HK$1,690 million.

The new initiatives introduced by the State and Federal Governments in 2020 show that Australia's energy transition is gaining momentum and the shifts will be potentially significant for the industry. EnergyAustralia is committed to playing a constructive role in this accelerated energy transition in close dialogues with Governments and the communities.

Unlocking the Benefits of Digitalisation

In 2020, as large parts of the world were grounded to a near standstill by the impact of COVID-19, we put in place special work arrangements to strengthen the protection of our employees. The conscious decision we made a few years ago to enhance our information technology infrastructure now allowed colleagues to switch between remote working and mixed mode working as social distancing rules evolved.

Our ongoing investments in digitalisation also supported our efforts to deliver more user-centric and smart energy services to customers. In Hong Kong, we rolled out an upgraded mobile app that brings to our customers a host of new and easier functions. The app saw a big jump in both downloads and usage in 2020 as a growing number of people preferred remote services during the pandemic. As we moved further along the digitalisation path, we are mindful of greater exposure to cybersecurity-related risks and are therefore stepping up efforts to enhance our cybersecurity.

Since its launch in 2019, Smart Energy Connect, Asia's first online energy app store, has helped more businesses and organisations improve energy efficiency and automation with its offering of energy management solutions. In the post-pandemic world, the digitalisation of energy services will be of particular importance as businesses worldwide look to boost operational resilience.

Building a Sustainable Business for the Future

This decade has experienced a profoundly challenging first year, but with the increasing pace of decarbonisation there is a growing depth and breadth of opportunity.

With a clear need for new infrastructure, the 2050 deadline under the Paris Agreement is now less than 30 years away meaning an acceleration in initiatives is called for. For CLP, we have achieved the 2020 carbon intensity targets laid out in our Climate Vision 2050. We will be reviewing and strengthening our climate targets within this year as planned.

Our foundation of sound governance, risk management and taking responsibility for our people and communities gives this business a strong platform for success. We have seen this year the benefits of strong business continuity planning. The impacts of COVID-19 cannot be ignored but a time will come when we look back on these times as a memory.

Throughout the year we have continued to invest in our people. We delivered health and wellbeing programmes, including a focus on mental health, to our teams. We are also investing in our next generation of talent, providing opportunities for the younger generation. In Hong Kong, our graduate internships are equipping them with skills and expertise for them to develop and prosper. Every decision we make is delivering for today but also laying the foundation stones of the young people's future.

CLP has a proud history of 120 years. In that time, our territories have experienced many extraordinary ups-and-downs and we have evolved with them. Our anniversary – this milestone – highlights our experience and resilience but also reminds us that we are now renewing once more.

The team of today has worked incredibly hard in 2020. On behalf of the Chairman and the whole Board, I sincerely thank them. While we earnestly hope that 2021 will prove itself to be an easier year, we remain alert. We are ready to pursue new opportunities in this fast-changing world, as well as ensuring we continue to build a sustainable business apt for the future.

Richard Lancaster
Hong Kong, 22 February 2021

Increasing concerns about global warming have prompted undertakings by many nations to reduce carbon emissions and adopt green technologies. As a shareholder, I wish to learn more about CLP's plans to prepare for future changes in the energy market. What do you see as the biggest difficulties?

Ms YEUNG Jane Hane
Shareholder

This is a great question and there is no doubt that there are challenges. Our industry is undergoing a seismic shift and will change beyond recognition. To give an example of how fundamental this change is just reflect on Alexander Graham Bell's invention of the telephone over a century ago. If you showed him a telephone of today – a smartphone – he wouldn't recognise it. By contrast, Thomas Edison who developed electric power distribution and of course invented the lightbulb around the same time would still recognise many of his inventions in the power industry today. But soon our industry will no longer be recognisable to Edison. It too, like the telecoms industry, will have transformed. It's a tremendously exciting time for all of us working in energy. And the answer to your question is that we must put our customers at the very heart of our strategy. If we do, we will be able to play a key role in the energy transition and find many new opportunities that will allow us to prosper.

Richard Lancaster
Chief Executive Officer

Shareholder Value

Our Goal:

- Create long-term and sustainable value for our shareholders.

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:

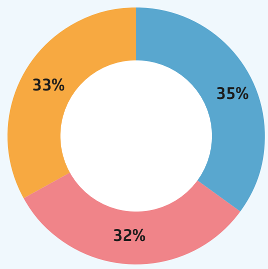
- Our total annual dividends paid out have not decreased since 1960.
- Annualised rate of total shareholder return of 5.21% over the 10-year period (2011 to 2020).

Our Shareholders

Shareholding as at 31 December 2020

Size of Registered Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,562	13.40	788,666	0.03
501 – 1,000	3,584	18.74	2,880,754	0.11
1,001 – 10,000	8,773	45.87	37,171,990	1.47
10,001 – 100,000	3,738	19.54	107,498,359	4.26
100,001 – 500,000	386	2.02	79,365,778	3.14
Above 500,000	83 [1]	0.43	2,298,745,023	90.99
Total	**19,126** [2]	**100.00**	**2,526,450,570** [3]	**100.00**

Shareholding by Category [4]



- Interests associated with the 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).

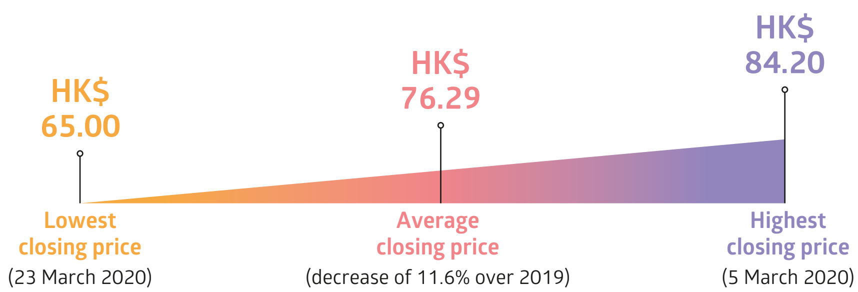
3 54.81% of all our issued shares were held through CCASS.

4 The Listing Rules required 25% public float was maintained throughout the year and up to 22 February 2021.

The scale of our shareholders' investment is reflected in the market capitalisation of CLP Holdings which stood at HK$181 billion as at 31 December 2020; this represented 1.36% by weighting of the Hang Seng Index (HSI), Hong Kong's leading listed companies index.

Delivering Long-Term Value to Shareholders

Share Price Performance – 2020



Movement for 2020
↓12.5%

HK$71.70 (31 December 2020)
HK$81.90 (31 December 2019)

The performance of all stocks during 2020 was significantly influenced by the COVID-19 pandemic. The growing spectre of the pandemic had little impact on CLP share price until late March when the stock tracked the plunge in global markets to close at HK$65.00, down by 6.8% during the day. This was the stock's largest daily movement since October 2008, and the lowest closing price in over four years.

Despite this, CLP shares were resilient and by mid-April had regained all the lost ground to be trading at the same level as prior to the plunge. Reflecting confidence in the long-term outlook of the Company, the total dividends declared for 2020 were HK$3.10 per share, up by 0.6% as compared with 2019. Nonetheless, as with many stocks and its peers in the local utility sector, downward pressure on CLP share price resumed and continued for the remainder of the year. CLP shares finished 2020 at HK$71.70, down by 12.5%.

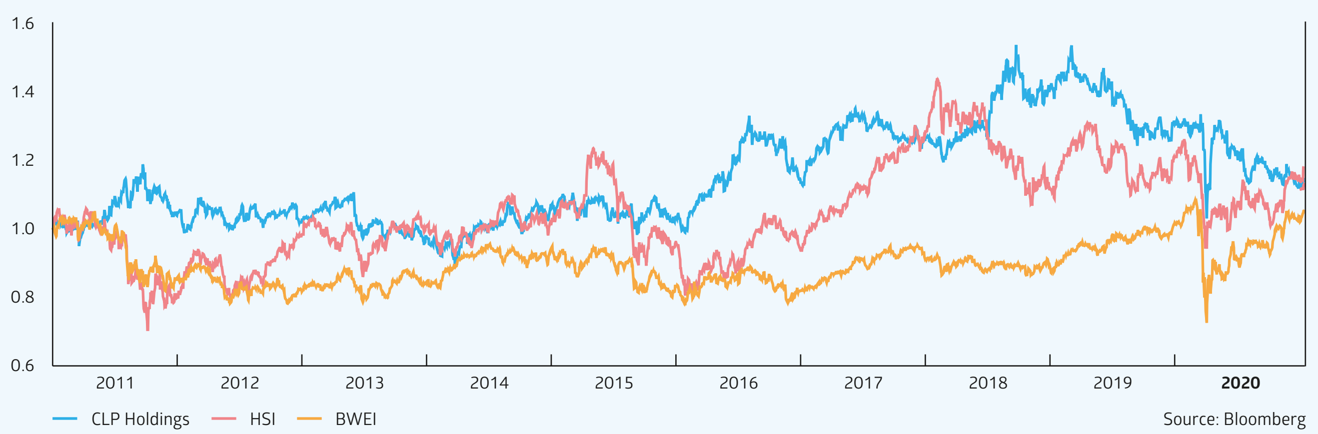
By comparison, the HSI was down by 3.4% while the Bloomberg World Electric Index (BWEI) was up by 3.2%.

This comparison is shown in the chart below.

1-year Relative Performance – CLP vs HSI and BWEI (1 Jan 2020 – 31 Dec 2020) (Base: 31 December 2019 = 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 2011 – 31 Dec 2020) (Base: 31 December 2010 = 1.0)



Through Dividend Payments

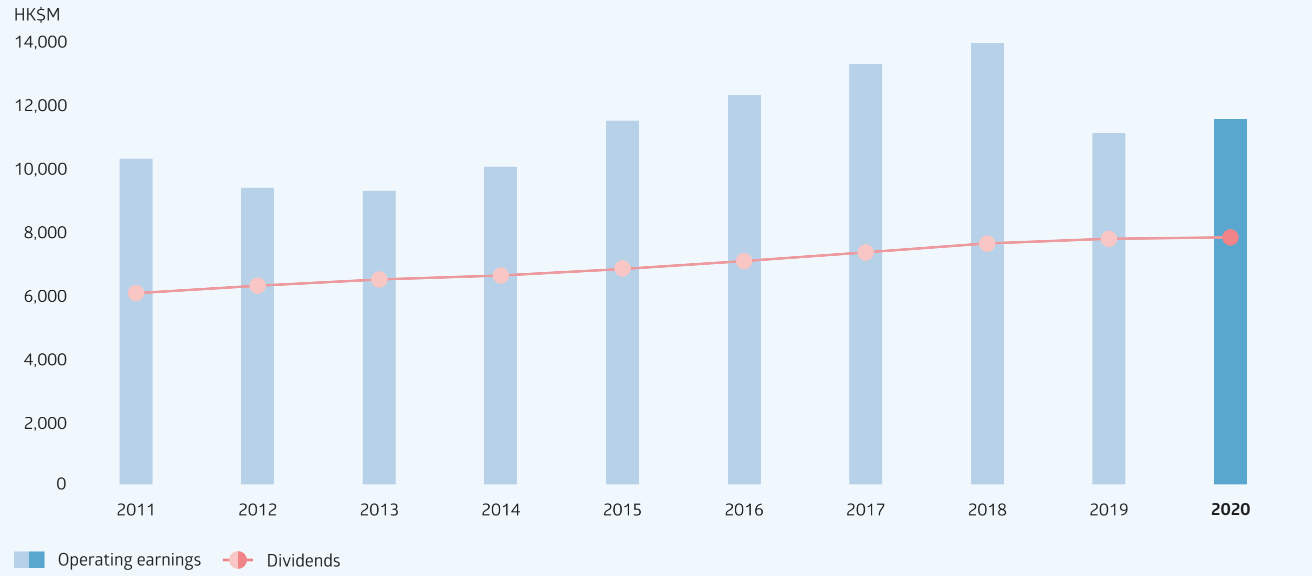
CLP's Dividends Policy, adopted by the Board in February 2019, aims to provide reliable and consistent ordinary dividends with steady growth when supported by our earnings whilst ensuring that a solid financial position can be maintained to fund our business growth. In line with our established practice, 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 total annual dividends paid out have not decreased since 1960 – a solid record maintained over the past 60 years.

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

Operating Earnings and Dividends (2011 – 2020)



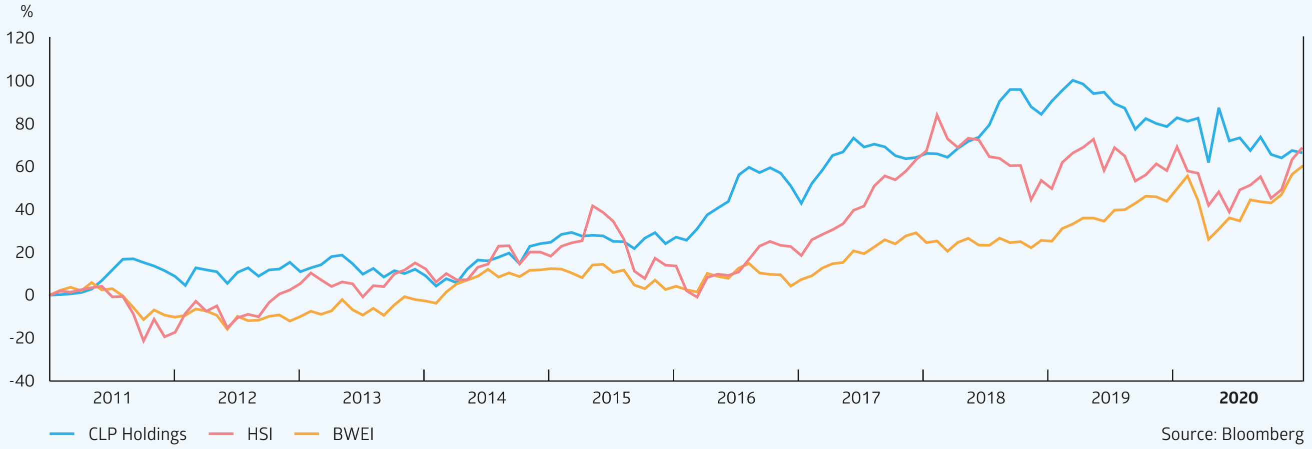
Past 10 years (2011-2020)

CLP has provided reliable and consistent ordinary dividend payments over the past 10-year period. Our dividend payments have increased over the last five years where the average year to year growth was around 2.8% 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 68% of operating earnings, except for 2013 and 2019 when our payout ratio rose to 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 2011 to 2020, CLP provided an annualised rate of return of 5.21%, as compared with 5.36% for the HSI and 4.81% for the BWEI.

Total Returns – CLP vs HSI and BWEI (2011 – 2020) (Base: 31 December 2010 = 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, 10 and 20 years prior to 31 December 2020, 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 2020		
	1-Year Period HK$	10-Year Period HK$	20-Year Period HK$
CLP	911	12,815	47,294
Tracker Fund of Hong Kong	993	14,072	45,112
Hong Kong and China Gas	821	13,029	53,199
Power Assets Holdings	782	10,837	43,038
HK Electric Investments	1,035	N/A	N/A
HK$ 1-Year Fixed Deposits	1,026	10,867	23,642

Adapted from Bloomberg

Key Dates for 2021

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

Performance-related

Dividend-related

22 FEB – 2020 Annual Results and Fourth Interim Dividend announced

2020 Fourth Interim Dividend

5 MAR	Ex-Dividend Date
9 MAR	Book Close Date
18 MAR	Payment Date

24 MAR – Annual General Meeting (AGM) Notice Issue Date

11-14 MAY – Voting at AGM Book Close Days

14 MAY – 2021 AGM

17 MAY – 2021 Q1 Quarterly Statement and First Interim Dividend announcement

2021 First Interim Dividend

1 JUN	Ex-Dividend Date
3 JUN	Book Close Date
15 JUN	Payment Date

2 AUG – 2021 Interim Results and Second Interim Dividend announcement

2021 Second Interim Dividend

2 SEP	Ex-Dividend Date
6 SEP	Book Close Date
15 SEP	Payment Date

18 OCT – 2021 Q3 Quarterly Statement and Third Interim Dividend announcement

2021 Third Interim Dividend

2 DEC	Ex-Dividend Date
6 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

Our strategy to transform into a Utility of the Future guides our operations and investments.

CLP Group's Financial Results and Position at a Glance

Strategy for Becoming a Utility of the Future

CLP continues to deliver secure, affordable and sustainable energy in the region, creating long-term value for its shareholders. Although Hong Kong remains our core market and strategic focus, the energy transition in China also provides significant business opportunities in the Greater Bay Area. Our priority in Australia is to deliver on the expectations of our customers under challenging market and regulatory conditions, and to prepare for a more digital and less carbon intensive future.

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 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 We Progress on the Execution of Our Strategy

Despite challenges from COVID-19, Hong Kong electricity business remains CLP's key contributor with a slight increase in earnings resulting from the continuous progress of our capital projects. Businesses outside Hong Kong benefitted from a diversified portfolio and recorded broadly stable earnings, although relatively more affected by the pandemic and other operational challenges.

In 2020, the first 550MW CCGT unit and the landfill gas generation plant started operations in Hong Kong. Civil works for the second CCGT commenced and construction of the offshore LNG terminal and rollout of smart meters progressed. Outside Hong Kong, decarbonisation and innovation initiatives included the acquisitions of two solar projects in India, and the commissioning of Laiwu III and the commercial operation of our first investment in the distribution grid in Fangchenggang in Mainland China. We also completed the sale of our entire interest in the development of a coal-fired project, Vung Ang II, in Vietnam in October 2020.

Adequate Resources to Support Our Strategy

Free cash flow represents the cash that can be used by a company after taking care of its operations. It can be used for distribution to equity and debt holders, and to grow the business.

Notwithstanding the impact of COVID-19 and the continuous challenging market conditions in Australia, the operating inflow from the SoC business remains the key source of funds for our capital investment programme and dividend in 2020. Furthermore, leveraging on our financial strength, CAPCO issued a US$350 million (HK$2.7 billion) Energy Transition Bond for our LNG project and CLP Power Hong Kong issued dual tranches of Medium Term Notes on the same date to refinance its borrowings.

Where We Stand

- Continuous progress on energy transition infrastructure projects and deployment of customer-centric products and services
- New business initiatives such as the participation in an innovation fund in Mainland China with China Southern Power Grid
- Our non-carbon emitting generation portfolio accounted for about one quarter of our generation portfolio (including long-term capacity and energy purchase arrangements), but earnings decreased to HK$2,161 million mainly due to lower natural resources available
- Dividend growth of 0.6% for 2020, backed with a solid financial position and adequate financial resources
- Strong investment grade credit ratings maintained

Last Year's Statement of Financial Position

	2019 HK$M
Working capital	
Trade and other receivables	12,986
Trade payables and other liabilities	(17,586)
Bank balances, cash and other liquid funds	
Cash and cash equivalents	7,881
Short-term deposits and restricted cash	445
	8,326
Others	(1,811)
	1,915
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	150,786
Goodwill and other intangible assets	20,111
Interests in joint ventures and associates	18,707
	189,604
Others	3,193
	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	
Shareholders' funds	
Share capital and other reserves	25,657
Retained profits	88,080
Translation reserve	(8,282)
	105,455
Non-controlling interests (NCI) and perpetual capital securities (PCS)	13,874
	119,329

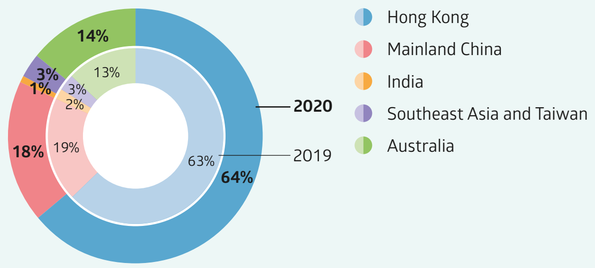
* Including current and non-current portions

	2019	**2020**	**Change**
Closing exchange rate			
A$ / HK$	5.4487	**5.9503**	⬆ 9.2%
INR / HK$	0.1092	**0.1060**	⬇ 2.9%
RMB / HK$	1.1151	**1.1921**	⬆ 6.9%
Average exchange rate			
A$ / HK$	5.4475	**5.3799**	⬇ 1.2%
INR / HK$	0.1113	**0.1047**	⬇ 5.9%
RMB / HK$	1.1344	**1.1237**	⬇ 0.9%

Statement of Profit or Loss

	2019 HK$M	**2020 HK$M**
Revenue	85,689	**79,590**
Operating expenses	(63,365)	**(56,858)**
Other charge	(6,381)	**–**
EBITDAF of the Group	15,943	**22,732**
Share of results of joint ventures and associates, net of tax	2,713	**2,522**
Consolidated EBITDAF	18,656	**25,254**
Depreciation and amortisation	(8,118)	**(8,476)**
Fair value adjustments	(176)	**460**
Net finance costs	(1,821)	**(1,737)**
Income tax expense	(2,787)	**(2,993)**
Profit for the year	5,754	**12,508**
Attributable to NCI and PCS holders	(1,097)	**(1,052)**
Earnings attributable to shareholders	4,657	**11,456**
Excluding: Items affecting comparability	6,464	**121**
Operating earnings	11,121	**11,577**

Operating Earnings (Before Group Expenses) by Region



Statement of Changes in Equity

	Attributable to	
	Share-holders HK$M	**NCI and PCS holders HK$M**
Balance at 1 January 2020	105,455	13,874
Total comprehensive income		
Profit for the year	11,456	1,052
Exchange differences on translation	3,748	(97)
Other comprehensive income	(677)	(51)
	14,527	904
Dividends and distributions paid	(7,782)	(1,006)
Balance at 31 December 2020	**112,200**	**13,772**

Statement of Cash Flows

	2020 HK$M
EBITDAF of the Group	22,732
SoC related movements	398
Working capital movements	913
Non-cash items	375
Funds from operations	24,418
Interest received	138
Tax paid	(2,182)
Cash inflow from operating activities	**22,374**
Capital investments	
Capital expenditure	(10,586)
Additions of other intangible assets	(451)
Investments in and loans to joint ventures	(458)
Acquisitions of subsidiaries	(196)
	(11,691)
Dividends from joint ventures and associates	2,320
Capitalised finance costs paid and others	(710)
Cash outflow from investing activities	**(10,081)**
Net proceeds from borrowings	736
Interest and other finance costs paid ^	(1,923)
Dividends paid to shareholders	(7,782)
Dividends to NCI and others	(1,242)
Cash outflow from financing activities	**(10,211)**
Net increase in cash and cash equivalents	2,082
Cash and cash equivalents at 1 January	7,881
Effect of exchange rate changes	195
Cash and cash equivalents at 31 December	**10,158**

Free Cash Flow

Funds from operations	24,418
Less: tax paid	(2,182)
Less: net finance costs paid ^	(2,139)
Less: maintenance capital expenditure (capex)	(1,999)
Add: dividends from joint ventures and associates	2,320
	20,418

^ Including distributions paid to PCS holders

Capital Investments

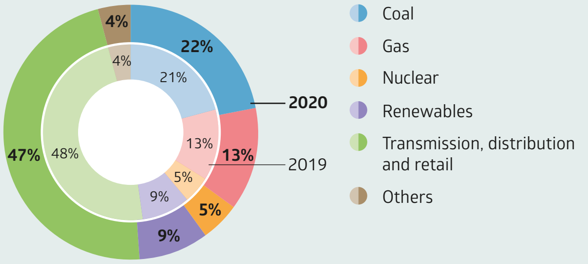
SoC capex	8,686
Growth capex	452
Maintenance capex	1,999
Other capex	358
Acquisition of business	196
	11,691

This Year's Statement of Financial Position

	2020 HK$M
Working capital	
Trade and other receivables	13,002
Trade payables and other liabilities	(18,141)
Bank balances, cash and other liquid funds	
Cash and cash equivalents	10,158
Short-term deposits and restricted cash	1,550
	11,708
Others	(436)
	6,133
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	156,515
Goodwill and other intangible assets	20,559
Interests in joint ventures and associates	20,198
	197,272
Others	3,568
	200,840
Debts and other non-current liabilities	
Bank loans and other borrowings *	(54,348)
Others	(26,653)
	(81,001)
Net assets	**125,972**
Equity	
Shareholders' funds	
Share capital and other reserves	24,987
Retained profits	91,747
Translation reserve	(4,534)
	112,200
NCI and PCS	13,772
	125,972

* Including current and non-current portions

Capital Assets by Asset Type



Analysis on Financial Results

Revenue (2020: HK$79,590 million; 2019: HK$85,689 million; ⬇ 7.1%)

	2020 HK$M	2019 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**41,893**	40,588	1,305	3.2
Australia	**32,357**	38,752	(6,395)	(16.5)
India	**3,616**	4,651	(1,035)	(22.3)
Mainland China and others	**1,724**	1,698	26	1.5
	79,590	85,689	(6,099)	

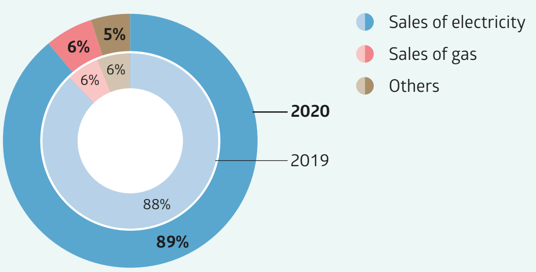
- Hong Kong: Higher SoC revenue mainly reflected the recovery of higher fuel costs incurred, as the increase in the basic tariff is substantially offset by lower units sold in 2020

	2020	2019
Electricity sales (GWh)	**33,963**	34,284
Average basic tariff (HK cents per unit)	**92.2**	91.0

- India: Lower revenue from Jhajjar mainly from lower generation during the lockdown periods and reduced capacity charges effective April 2020; lower revenue from renewable projects due to lower wind resource and fewer delayed payment charges received partly offset by the revenue of newly acquired solar projects since the first half of 2020; full year contribution from the transmission project

- Mainland China: Higher revenue with more wind projects commissioned since the second half of 2019 (Laizhou II and Laiwu III) largely offset by the lower revenue from Huaiji hydro project due to lower water resource

Revenues by Nature



- Australia
  - Customer: Lower retail revenue mainly due to the full year impact from the implementation of the Default Market Offer (DMO) and the Victorian Default Offer (VDO) effective July 2019, fewer customer accounts (mainly mass market) and lower usage due to community-wide restrictions under the pandemic (mainly business customers)

	2020	2019
Electricity sales (TWh)		
Mass Market	**9.7**	9.9
Commercial & Industrial	**7.9**	8.5
Gas sales (PJ)		
Mass Market	**32.2**	32.5
Commercial & Industrial	**9.8**	12.5

  - Energy: Significantly lower generation revenue as a result of the decline in pool prices since late 2019, lower generation from Yallourn (extensive maintenance works) and gas assets (reduced need to support the coal-fired portfolio and lower spot prices), offset by higher generation from Mount Piper upon restoration of coal supply since late 2019

	2020	2019
Yallourn		
Generation (GWh)	**8,378**	8,954
Average pool price in Victoria (A$ / MWh) *	**51.8**	109.2
Mount Piper		
Generation (GWh)	**6,346**	4,355
Average pool price in New South Wales (A$ / MWh) *	**59.8**	84.9

* Represented the 12-month average pool price in relevant states published by Australian Energy Market Operator (AEMO)

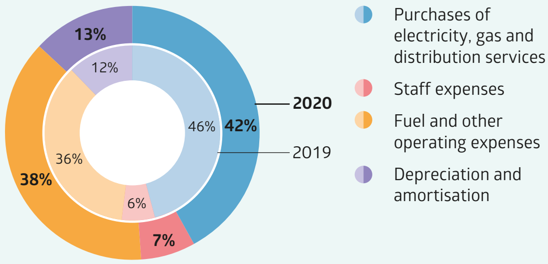
Fair Value Adjustments (2020: Gain of HK$460 million; 2019: Loss of HK$176 million)

- Mainly related to the fair value changes of energy derivative contracts used to hedge the volatility of energy prices in Australia which do not qualify for hedge accounting according to the accounting rules
- Fair value gain (2019: loss) as a result of a decrease (2019: increase) in forward energy prices in our net sold position, mainly in Victoria

Operating Expenses (2020: HK$56,858 million; 2019: HK$63,365 million; ↓ 10.3%)
Depreciation and Amortisation (2020: HK$8,476 million; 2019: HK$8,118 million; ↑ 4.4%)

- Hong Kong: Mainly higher fuel cost on increased use of more expensive gas as the proportion of gas-fired generation has substantially increased to around 50%
- Mainland China: In line with its stable operation, lower expenses mainly resulted from the exchange gain, as opposed to loss in 2019, from Renminbi-denominated dividend receivables
- India: Lower generation resulted in lower coal costs and lower operating expenses, offset by the impairment provision for Khandke wind project after the renewal of its power purchase agreement
- Australia: Lower purchases of electricity, gas and distribution services due to lower volumes, lower pool prices and realised gains from energy derivative contracts; lower fuel costs as a result of lower gas generation

Expenses by Nature



Consolidated EBITDAF * (2020: HK$25,375 million; 2019: HK$25,120 million; ↑ 1.0%)

	2020 HK$M	2019 HK$M	Increase / (Decrease) HK$M	%
Hong Kong *	**16,390**	15,808	582	3.7
Mainland China	**3,808**	3,791	17	0.4
India	**1,481**	1,657	(176)	(10.6)
Southeast Asia & Taiwan	**386**	335	51	15.2
Australia *	**4,041**	4,231	(190)	(4.5)
Corporate and others	**(731)**	(702)	(29)	(4.1)
	25,375	25,120	255	

* Excluding the items affecting comparability

Items Affecting Comparability

	2020 HK$M	2019 HK$M
Hong Kong	**(121)**	(83)
Australia	**–**	(6,381)
	(121)	(6,464)

- Hong Kong: Revaluation loss of Laguna Mall's retail portion in line with property market trend
- Australia: The retail price re-regulation (i.e. price caps) adversely impacted tariffs and earnings of the retail business in Australia, resulting in an impairment loss

- Hong Kong: Higher contribution, permitted rate of return applying to higher average net fixed assets
- Mainland China: Daya Bay Nuclear continues to operate reliably, lower contribution from Yangjiang Nuclear as a result of higher tax expense (as tax benefits gradually expire) and other costs, partially compensated by higher generation (Unit 6 commissioning in July 2019 largely offset by lower demand during COVID-19 pandemic and unplanned outages); higher profits from renewable projects mainly from the newly commissioned wind projects, partially offset by lower water resource; lower contributions from the coal-fired projects mainly due to lower reward on active participation of market sales at Fangchenggang in 2020 and lower tariff, despite higher utilisation hours, and lower output for the two minority-owned coal-fired projects
- India: Stable contribution from Jhajjar as improved heat rate and lower fuel and operating costs were substantially offset by lower capacity charges; significant drop in profits from renewable projects mainly due to lower natural resources and the impairment provision for Khandke wind project
- Southeast Asia & Taiwan: Higher share of results from Ho-Ping due to lower coal prices and higher generation, despite lower energy tariff (reflecting last year's lower coal prices), and higher recovery of development expenses partly offset by lower earnings from Lopburi solar project due to the expiry of a tax exemption and an impairment resulting from a tariff step down from December 2021
- Australia: Reduced gross margin from the Customer business reflecting the full year impact from price re-regulation, margin pressures under a competitive market and higher bad debt provisions to address the impact from COVID-19; Energy business margin maintained as higher generation from Mount Piper and high prices captured in early 2020 were largely offset by lower generation from other assets

Net Finance Costs (2020: HK$1,737 million; 2019: HK$1,821 million; ⬇ 4.6%)

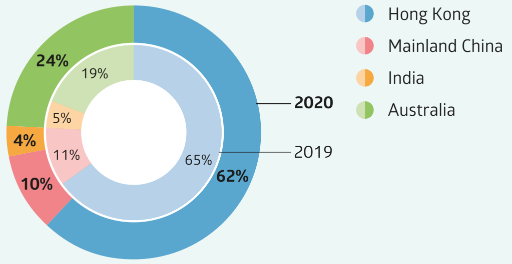
	2020 HK$M	2019 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**996**	1,013	(17)	(1.7)
Mainland China	**237**	248	(11)	(4.4)
India	**440**	458	(18)	(3.9)
Australia	**88**	60	28	46.7
Corporate	**(24)**	42	(66)	N/A
	1,737	1,821	(84)	

- Hong Kong: Slightly lower interests from lower rates partly offset by higher finance charges from financing activities (see page 38)
- Mainland China: Lower Renminbi average rate and lower interest expenses from Meizhou solar project after refinancing
- India: Continuous repayment of borrowings coupled with refinancing at lower rates
- Australia: No borrowings in both years; higher finance costs mainly related to the unwinding interest of lease obligations for the right-of-use assets (see page 36)
- Corporate: No loans since November 2019

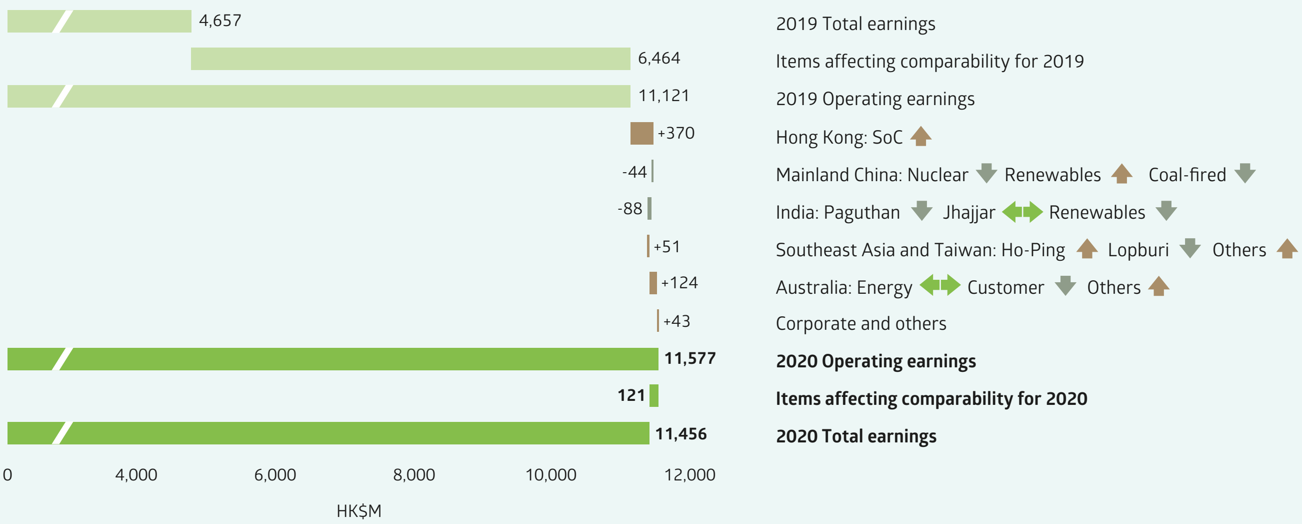
Income Tax Expense (2020: HK$2,993 million; 2019: HK$2,787 million; ⬆ 7.4%)

- Hong Kong: In line with the higher profits
- Mainland China: Higher income tax on higher profits from renewable subsidiaries largely offset by lower withholding tax on undistributed profits of joint ventures and associates
- India: Lower tax expense due to the absence of 2019 write-off of net deferred tax benefits upon adoption of a lower tax rate
- Australia: Higher tax in line with an increase in profits, mainly fair value gains on energy derivative contracts

Income Tax Expense by Region



Total Earnings (2020: HK$11,456 million; 2019: HK$4,657 million; ⬆ 146.0%)
Operating Earnings (2020: HK$11,577 million; 2019: HK$11,121 million; ⬆ 4.1%)



The performance of individual business is analysed on "Business Performance and Outlook" on pages 42 to 73.

Analysis on Financial Position

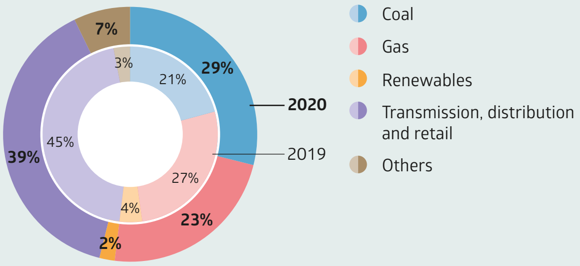
Fixed Assets, Right-of-Use Assets and Investment Property (2020: HK$156,515 million; 2019: HK$150,786 million; ↑ 3.8%)
Goodwill and Other Intangible Assets (2020: HK$20,559 million; 2019: HK$20,111 million; ↑ 2.2%)

	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 January 2020	150,786	20,111	170,897	117,042	53,855
Acquisitions of subsidiaries #	585	42	627	–	627
Additions	11,917	451	12,368	8,347	4,021
Depreciation and amortisation	(7,548)	(928)	(8,476)	(5,011)	(3,465)
Translation differences and others *	775	883	1,658	(505)	2,163
Balance at 31 December 2020	**156,515**	**20,559**	**177,074**	**119,873**	**57,201**

Mainly related to the acquisitions of two solar projects in India and the Echo Group in Australia (see "Interests in Joint Ventures and Associates" below)
* Mainly appreciation of Australian dollar and Renminbi offset by disposal of fixed assets

- SoC: HK$8.3 billion for the upgrade of the transmission and distribution networks (including substations and installation of smart meters) and generation facilities (such as construction of the offshore LNG terminal and two CCGT units)
- Mainland China: Completion of construction of Laiwu III wind project in June 2020
- India: Enhancements to Sidhpur wind project and special energy meters for Khandke wind project
- Australia: Turbine upgrade in Mount Piper, continuous enhancement works at generation plants (mainly Yallourn and Mount Piper), commencement of two major right-of-use assets (water treatment plant and new Melbourne office lease) totalling approximately HK$1.2 billion, and enterprise system transformation and customer service related systems

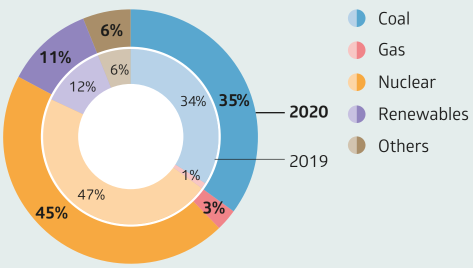
Capital Additions by Asset Type



Interests in Joint Ventures and Associates (2020: HK$20,198 million; 2019: HK$18,707 million; ↑ 8.0%)

- Hong Kong: Loan to HKLTL of HK$551 million in 2020 to progress the construction of the LNG terminal
- Mainland China: Mainly translation gain (around HK$1 billion) from our investments, due to Renminbi appreciation, slightly offset by the scheduled repayment of ShenGang Pipeline's shareholder loan
- Southeast Asia & Taiwan: Increase due to the share of higher profits from Ho-Ping being partly offset by Lopburi's impairment provision and the completion of the divestment of our entire interest in Vung Ang II, a legacy coal-fired project in Vietnam
- Australia: Reduced to zero due to the acquisition of the remaining 51% equity of the solar and LED lighting company Echo Group, following an initial investment as a joint venture in 2019, and the impairment provision for Cathedral Rocks wind project due to the decrease in forward wholesale prices

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments
Assets: 2020: HK$3,513 million; 2019: HK$2,424 million; ⬆ 44.9%
Liabilities: 2020: HK$3,301 million; 2019: HK$2,298 million; ⬆ 43.6%

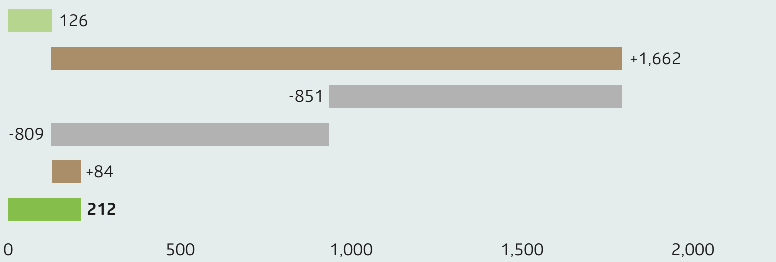
Derivative financial instruments are mainly used to hedge foreign exchange, interest rate and energy price risks. As at 31 December 2020, the fair value of these derivative instruments was a net surplus of HK$212 million, representing the net amount receivable if these contracts were closed out at year end. However, the changes in fair value of derivatives have no impact on cash flows until settlement.

- Forward foreign exchange contracts and foreign exchange options: The change from derivative assets to liabilities mainly due to the settlement of an in-the-money principal-only-swap received by CLP India in February 2020
- Interest rate swaps and cross currency interest rate swaps: Higher derivative liabilities for interest rate swaps mainly due to lower interest rates in forward markets as CLP Power Hong Kong and CAPCO receive HKD floating rates and pay HKD fixed rates under these swaps
- Energy contracts: The falling forward electricity and oil prices during 2020 resulted in fair value gains on sold energy contracts and fair value losses on bought energy contracts (such as gas and oil swaps and renewable offtake contracts)

	Notional Amount		Derivative Assets / (Liabilities)	
	2020 HK$M	2019 HK$M	**2020 HK$M**	2019 HK$M
Forward foreign exchange contracts and foreign exchange options	**22,093**	26,492	**(39)**	178
Interest rate swaps and cross currency interest rate swaps	**35,392**	31,105	**(819)**	(735)
Energy contracts #	**N/A**	N/A	**1,070**	683
			212	126

The aggregate notional volumes of the outstanding energy derivatives at 31 December 2020 were 212,089GWh (2019: 175,097GWh), 10.4 million barrels (2019: 6.3 million barrels) and 2,240TJ (2019: 2,244TJ) for electricity, oil and gas respectively.

Movements in Derivative Financial Instruments (HK$M)

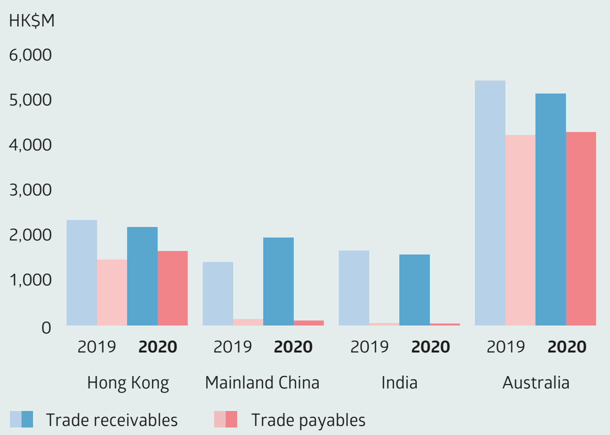


* Including fair value adjustments and gains rollover to gross margin upon settlement

Trade and Other Receivables (2020: HK$13,002 million; 2019: HK$12,986 million; ⬆ 0.1%)
Trade Payables and Other Liabilities (2020: HK$18,141 million; 2019: HK$17,586 million; ⬆ 3.2%)

- Hong Kong: Stable trade debtors and capex creditors, higher accrued gas purchases with more gas used in 2020
- Mainland China: Higher accrued national subsidies for renewable projects
- India: Lower Indian rupee closing rate used for translation of the receivables and payables accounted for the slight decreases in these balances
- Australia: Lower debtors from lower sales; payable balances slightly increased mainly reflecting a higher Australian dollar closing rate as the increase in the current portion of lease obligations and payables for futures margins was largely offset by lower trade payables (including accrued gas purchases and green liabilities) mainly due to lower sales

Trade Receivables / Payables by Region



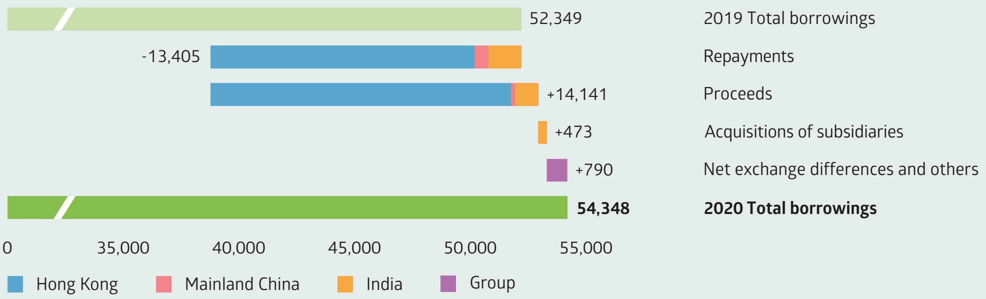
Analysis on Financial Position (continued)

Bank Loans and Other Borrowings (2020: HK$54,348 million; 2019: HK$52,349 million; ⬆ 3.8%)

- Major financing activities during the year included:
  - Hong Kong: CLP Power Hong Kong issued US$1 billion (HK$7.7 billion) Medium Term Notes (MTN) in total to replace some of the short-term bank facilities and CAPCO successfully issued a US$350 million (HK$2.7 billion) Energy Transition Bond to partially replace the shorter-tenured bank loans for the offshore LNG terminal project
  - India: Issued Rs3 billion (HK$315 million) green bonds and continued refinancing project loans at lower rates; repayments by existing projects as scheduled
  - Australia: No debt position maintained
  - Net debt to total capital ratio reduced from 26.7% to 25.1% driven by lower net debt
  - Between May and August, Standard & Poor's (S&P) and Moody's affirmed all the credit ratings of CLP Holdings (A and A2), CLP Power Hong Kong (A+ and A1) and CAPCO (AA- and A1) with stable outlooks; S&P affirmed the credit rating of EnergyAustralia (BBB+) with stable outlook in August

More details can be found on "Financial Capital" on page 80.

Movements in Bank Loans and Other Borrowings (HK$M)



Analysis of Financial Obligations

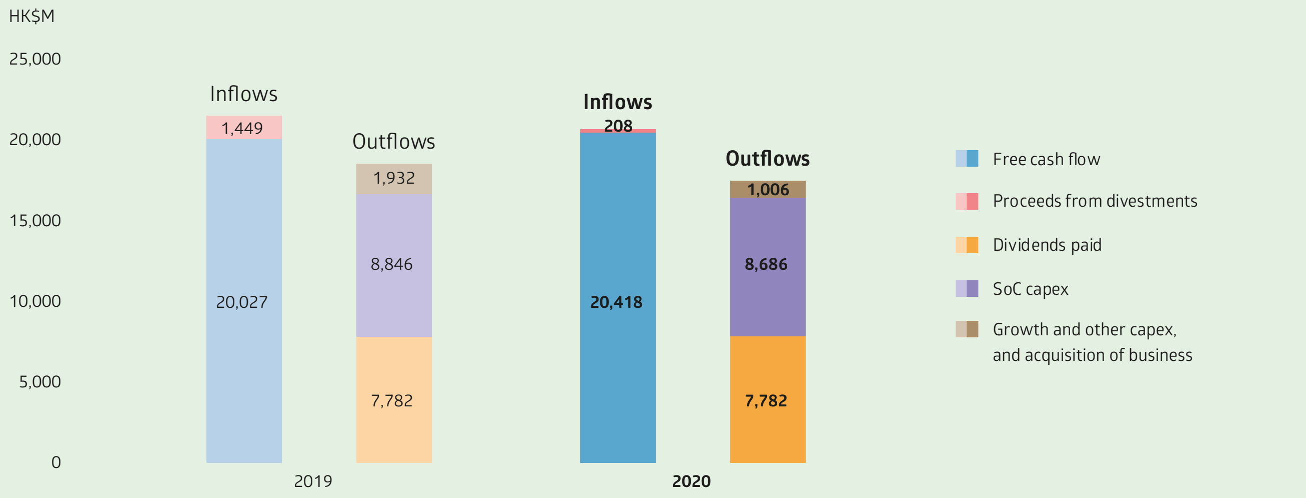
Financial Obligations at a Glance

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:

	Category		2020	2019	
CLP	1 Consolidated	Debts and Borrowings of CLP Holdings and Subsidiaries	HK$54,348 million	HK$52,349 million	Borrowings of subsidiaries are non-recourse to CLP Holdings.
	+				
	2 Equity Accounted	Share of Debts of Joint Ventures and Associates	HK$16,363 million	HK$16,551 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.
	+				
	3 Off-balance Sheet	Contingent Liabilities	HK$8,622 million	HK$6,208 million	Details of the contingent liabilities are set out in Note 33 to the Financial Statements.

Analysis of Cash Flow

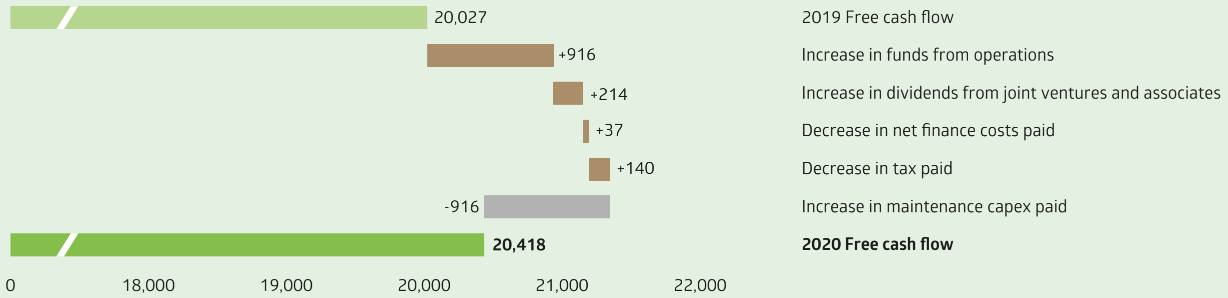
Analysis of Inflows and Outflows



Free Cash Flow (2020: HK$20,418 million; 2019: HK$20,027 million; ⬆ 2.0%)

- Free cash flow increased by HK$391 million because of:
  - Australia: Significant increase in operating cash inflows mainly driven by favourable working capital movements (in particular settlements received for energy derivative contracts) and lower income tax paid, partly offset by higher maintenance capex for our coal assets. This was partly offset by
  - Hong Kong: Higher tax paid due to the deferral of 2019 tax payments to early 2020 while funds from SoC operations were marginally higher than last year
- Proceeds from divestments represented the recovery of Vung Ang II development costs upon its sale in 2020 and the consideration from the partial sale down of CLP India received in 2019
- Capital investments mainly include:
  - HK$8.7 billion of SoC capex to enhance transmission and distribution networks and the continuous construction of lower carbon-emitting generation facilities in Hong Kong
  - HK$452 million of growth capex related to our wind projects in Mainland China and India, and a turbine upgrade at Mount Piper and Hallett's expansion of generation capacity in Australia
  - Acquisition of business and other capex mainly related to the acquisitions of two solar projects in India (2019: acquisitions of a transmission project in India and interests in solar projects in India and Mainland China, and balance payment for the acquisition of Yangjiang Nuclear)

Movements in Free Cash Flow (HK$M)



Broader Perspective

	2020	2019	2018	2017	2016
Performance Indicators					
EBITDAF [1], HK$M	**25,254**	18,656	28,571	27,662	25,355
ACOI [2], HK$M	**16,899**	17,002	20,998	19,925	18,128
Operating earnings, HK$M	**11,577**	11,121	13,982	13,307	12,334
Total earnings, HK$M	**11,456**	4,657	13,550	14,249	12,711
Return on equity, %	**10.5**	4.3	12.4	13.8	13.3
Operating return on equity [3], %	**10.6**	10.4	12.8	12.9	12.9
Financial Health Indicators					
Undrawn facilities, HK$M	**25,737**	18,854	24,059	25,924	23,986
Total borrowings, HK$M	**54,348**	52,349	55,298	57,341	51,646
Fixed rate borrowings to total borrowings, %	**63**	54	53	52	57
FFO interest cover, times	**13.2**	11.9	13.4	14.6	14.0
FFO to debt [4], %	**45.8**	43.7	47.2	48.6	47.3
Net debt to total capital, %	**25.1**	26.7	25.5	27.8	29.5
Debt / Capitalisation [5], %	**30.0**	25.3	24.7	28.4	28.7
Shareholders' Return Indicators					
Dividend per share, HK$	**3.10**	3.08	3.02	2.91	2.80
Dividend yield, %	**4.3**	3.8	3.4	3.6	3.9
Dividend cover [6], times	**1.5**	1.4	1.8	1.8	1.7
Total return to shareholders [7], %	**5.2**	8.7	9.6	8.4	6.4
Price / Earnings, times					
– total earnings	**15.8**	44.5	16.5	14.2	14.2
– operating earnings [8]	**15.7**	18.6	16.0	15.2	14.6

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

	2020	2019	2018	2017	2016
Cash Flows and Capital Investments					
FFO, HK$M	**24,418**	23,502	26,584	26,506	25,353
Free cash flow [9], HK$M	**20,418**	20,027	21,766	22,867	22,485
Capital investments, HK$M	**11,691**	11,861	12,045	15,270	10,866
Capital expenditure	**10,586**	10,448	10,327	9,538	9,756
Investments in joint ventures and associates, and additions to intangible assets	**909**	1,197	515	5,732	874
Acquisitions of subsidiaries	**196**	216	1,203	–	236

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 fair value adjustments.

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

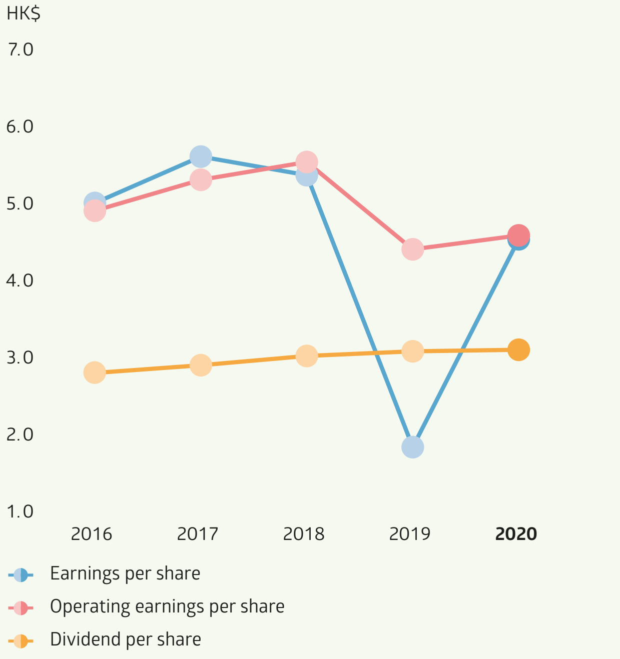
6 Dividend cover = Operating earnings per share / Dividend per share

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

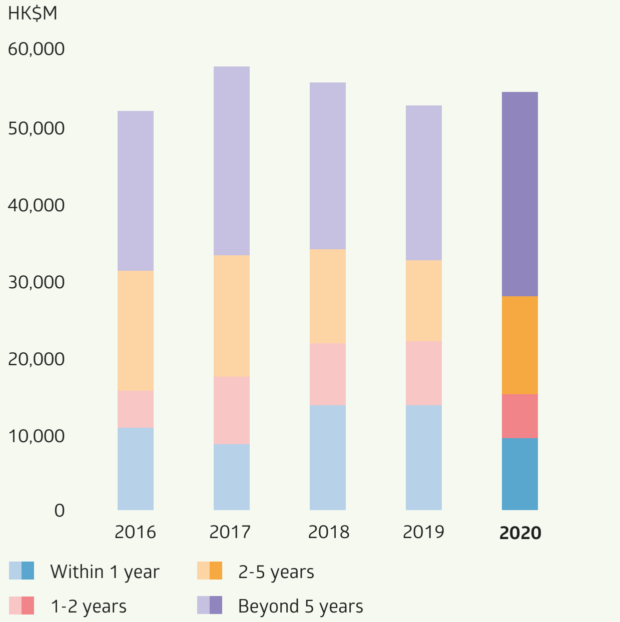
8 Price / Earnings (operating earnings) = Closing share price on the last trading day of the year / Operating earnings per share

9 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 Dividend Per Share



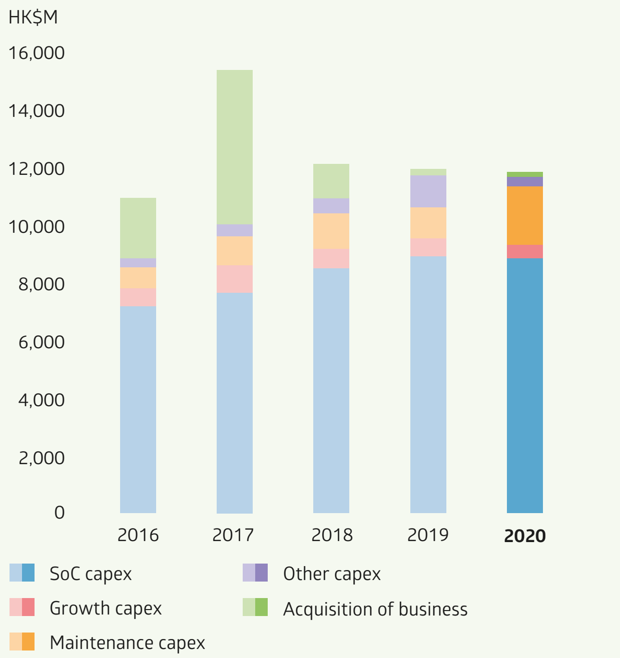
Loan Balance – Maturity



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

Price / Earnings

Capital Investments



Business Performance and Outlook

We aim to be at the forefront of the transition to low-carbon, digitalised energy services in Asia Pacific, while providing safe, reliable power supply to customers.

Hong Kong

Improving energy efficiency for customers and meeting evolving electrification needs to reduce the city's carbon footprint.

Financial and Operational Performance

Overview

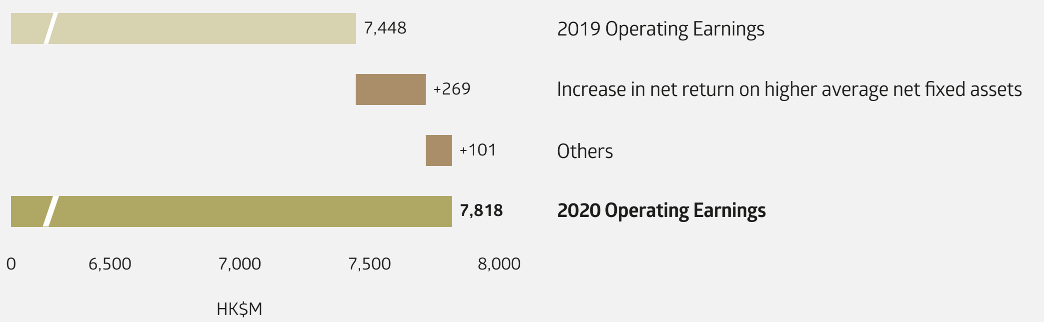
2020 has been a year of considerable economic and emotional stress for the people of Hong Kong. Throughout this time, CLP has continued to provide a steady electricity supply with a 99.999% reliability to maintain the necessities of daily life. It has also taken exceptional steps to support its people and extend care to customers and businesses suffering from the impact of the pandemic. While demand for electricity was affected by the virus, the impact was mostly confined to non-residential sectors. Sales in the residential sector rose 9% to 10,298 GWh as more people stayed and worked from home, and Hong Kong experienced a hot summer.

Overall, sales of electricity in Hong Kong fell 0.9% to 33,963GWh compared with 2019. The fall in sales would have been larger if demand from data centres had not continued to rise, driven by the increased adoption of big data and cloud computing.

The number of customer accounts meanwhile rose to 2.67 million, compared with 2.64 million in 2019.

Operating earnings of Hong Kong electricity business rose 5.0% from 2019 to HK$7,818 million in 2020, in line with the increase in invested capital. CLP's performance is summarised below:

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

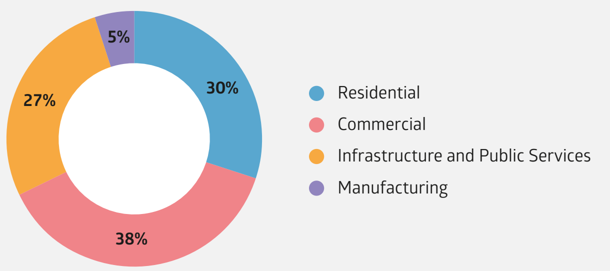


Hong Kong Electricity Sales in 2020

Year-on-Year Change

	Increase / (Decrease) GWh		%
Residential	847	▲	9.0
Commercial	(706)	▼	(5.2)
Infrastructure and Public Services	(415)	▼	(4.3)
Manufacturing	(47)	▼	(2.8)

Share of Total Local Sales



Supporting Hong Kong and the Community

CLP introduced a range of measures to ease the hardships suffered by many Hong Kong people as a result of COVID-19. Dining coupons were given to underprivileged families and elderly customers on concessionary tariffs, generating business for around 700 restaurants at a time when the catering industry suffered a heavy blow to patronage. Separately, a two-month electricity bill payment deferral programme was offered to small and medium-sized enterprises in the catering, hotel, and retail sectors, whose businesses were particularly hard-hit by the pandemic.

In November, CLP announced the launch of a series of support programmes for 2021 totalling more than HK$160 million funded by CLP Community Energy Saving Fund to encourage consumer spending and help the Hong Kong economy regain momentum. Below are details of some of the initiatives:

CLP Community Support Programmes

Allocated over HK$80 million to launch a CLP Retail and Catering Coupons programme, of which coupons were given to nearly 800,000 households

HK$1.5 million will be used to fund the CLP Award for Vocational and Professional Education and Training Students

Over HK$35 million will be spent on the CLP Power Connect programme to provide assistance to disadvantaged people and encourage energy saving

Around HK$3 million will be spent to subsidise NGOs and community partners in organising activities related to energy conservation

HK$20 million subsidy will be used on the Electrical Equipment Upgrade Scheme, and another HK$1 million will be spent on the Retro-Commissioning Training Scheme to help business customers enhancing energy efficiency

Over HK$7 million will be allocated to provide electricity subsidy for 10,000 subdivided unit tenants and subsidise landlords to carry out rewiring works needed for the installation of individual electricity meters. Another HK$10 million will be used to provide energy-efficient electrical appliances to 5,000 households living in transitional housing

CLP managed to keep its Average Net Tariff unchanged at HK$1.218 per unit of electricity for 2021, despite a substantially increased proportion of gas-fired generation. A fall in international fuel prices over the course of 2020 meant the Fuel Cost Adjustment could be reduced to the benefit of customers.

Decarbonising Our Portfolio for Hong Kong

Although COVID-19 hampered economic activity in general, CLP was able to manage the challenges and move forward with a number of strategic projects aimed at increasing the use of natural gas in power generation and enhancing Hong Kong's energy security and the sustainability of gas supply.

A new Combined-Cycle Gas Turbine (CCGT) unit at Black Point Power Station was commissioned, marking the first new major generation unit deployed by CLP in Hong Kong since 2006. Statutory approvals were also obtained for a second CCGT unit at Black Point and early civil works got under way while engineering, procurement, and construction contracts were finalised. Development of the offshore LNG terminal also progressed as fabrication works continued and marine installation works started during the year.

Over the years, CLP has delivered a stable, and reliable electricity supply for Hong Kong while continuing to decrease its carbon emissions-intensity. In 2020, with the new CCGT unit going into operation, CLP substantially increased the proportion of gas-fired generation to around 50%. This represents a reduction of around 20% in the carbon intensity of CLP's electricity supply.

CLP welcomes the announcement by the Chief Executive of the Hong Kong Special Administrative Region in her Policy Address that the city will strive to achieve carbon neutrality by 2050. The new target will have major implications not just for the electricity industry but also for Hong Kong as a whole. CLP is already well into decarbonisation and will work closely with the Government and the community to support the formulation of a practical roadmap to reduce carbon emissions and contribute strongly towards that goal.

To support Hong Kong in achieving its 2050 target, CLP will continue to promote the development of renewable energy, help customers improve their energy efficiency, and closely monitor the latest technological developments in new zero-carbon energy. CLP's first landfill gas generation project in Hong Kong, capable of producing 10MW of electricity, went into commercial operation in March and provided a platform for CLP to use landfill gas as a renewable energy source. Meanwhile, over 1,800 solar panels were installed on the rooftops of some buildings in CLP's generation plants and substations. With a combined capacity of around 0.7MW, the system is capable of generating the annual electricity used by around 170 households.

CLP is considering the feasibility of constructing an offshore wind farm in the south-eastern waters of Hong Kong. The project has been under consideration for some time, but recent advances in the technology of wind turbine generators and an increasingly mature supply chain in the region make it appear more feasible.

Electrification is another key driver to lower carbon emissions, and CLP is committed to promoting low-carbon transport to make Hong Kong a greener, smarter city. CLP launched an advanced service called Eco Charge 2.0 in support of a Government scheme that subsidises the installation of electric vehicle charging facilities at residential premises. Eco Charge 2.0 provides one-stop technical support and customer service to applicants interested in applying for funding for electric vehicle charging-enabled infrastructure under the Government's scheme. In the meantime, CLP extended its free EV charging service until the end of 2021, providing EV drivers with a convenient, territory-wide network through 54 semi-quick and quick EV charging stations with a total of 161 chargers across its supply area.

Providing a Greener Customer Experience

CLP continued to equip its customers with the most up-to-date technologies and products to help them adopt greener lifestyles in 2020. By the end of the year, over 840,000 smart meters were connected across CLP's supply area, giving customers rapid access to electricity usage data to allow them to better manage their consumption. Another feature of smart meters is that they can help detect supply failures quickly and reduce repair times. Given the severe damage caused by Super Typhoon Mangkhut in 2018 to power supplies to remote villages, CLP prioritised the connection of smart meters in areas served by overhead lines, which are more prone to typhoon disruption. This work was completed in 2020.

CLP has seen a significant increase in interest in the Feed-in Tariff (FiT) scheme thanks to Hong Kong people's commitment to a more sustainable future and the falling cost of renewable energy equipment. By the end of 2020, an accumulated total of more than 13,000 applications had been received, nearly twice as many as the 6,900 received by the end of 2019. Around 87% of the projects have already been approved or connected to our grid. They represent a combined capacity of 175 MW, equivalent to the annual electricity consumption of around 42,800 households.

Sales of Renewable Energy Certificates grew about 70% compared with last year. Even more encouragingly, some customers expressed interest in larger purchases of certificates, either for a greater amount or for a longer period, demonstrating their commitment to a greener, lower-carbon Hong Kong.

The CLP Eco Building Fund provided subsidies for over 700 residential and commercial buildings to install energy-efficient equipment in 2020, saving a total of more than 48 GWh of electricity.

Continuing the Digitalisation Journey

For all its negative impact globally, one silver lining of the COVID-19 pandemic is that it has quickened the pace of digitalisation. From the beginning of the outbreak in early 2020, CLP swiftly implemented flexible working policies with most of its workforce working remotely during peaks of the pandemic. This was made possible by CLP's strategy of moving to cloud computing several years ago, underpinned by investments in system enhancement.

The new CLP mobile app provides customers with an end-to-end digital experience, from move-in services and eBill applications, to mobile payments and a Smart Shopping platform. Downloads and usage of the app saw a nearly 50% increase compared with the previous year as growing numbers of customers opted for online services.

To demonstrate the immense range of new possibilities, a CLP customer services centre was renovated and upgraded to feature multi-function self-service kiosks, deploying the latest digital technology to give customers a convenient and flexible account service and shopping experience. CLP also introduced robotic process automation to enhance its operational efficiency in a number of areas, including customer application processing and marketing consent checking.

Environmental Performance

Environmental Regulatory Compliance

All Hong Kong assets under CLP's operational control maintained full compliance with environmental regulations in 2020. CLP also complied with all the emissions caps set by the Government during the year. It achieved this by optimising its diversified fuel mix and maintaining the effectiveness of its emissions control facilities.

Air Emissions

The new CCGT unit at Black Point enables CLP to support the Government's target of increasing natural gas use to around 50% of Hong Kong's fuel mix for power generation from 2020 in order to improve air quality. Together with the second CCGT unit being developed, it will contribute to the gradual phase-out of the oldest coal-fired units at Castle Peak Power Station which are expected to reach the end of their operating life in the mid-2020s. Furthermore, the new landfill gas project will help CLP reduce the carbon dioxide emissions of its generation activities in Hong Kong.

Social Performance

Stakeholder Engagement

To facilitate communication over environmental issues between CLP and stakeholders regarding the construction of the offshore LNG terminal, a stakeholder liaison group was set up in September comprising academics, marine conservation and fisheries experts, as well as representatives of fishermen's associations and the community. Meanwhile, a Marine Conservation Enhancement Fund and a Fisheries Enhancement Fund were established with HK$100 million available to support community initiatives that contribute to the enhancement of the marine environment and fisheries resources. The first round of applications attracted more than 40 entries from academics, non-governmental organisations, and fisheries organisations.

The Government is constructing Integrated Waste Management Facilities on an artificial island in southwest Hong Kong, and CLP is seeking approvals to lay submarine cables to connect the facilities to nearby Lantau Island so that it can supply power and export any surplus electricity from the waste treatment process to the power grid. Engagement meetings were arranged with major green groups, community leaders, district council members, and fishermen's associations to explain the process for cables laying.

Community Initiatives

Amid COVID-19, CLP launched a range of activities to help build a more caring society and to support the community fighting the pandemic. As well as distributing supplies of personal protective equipment, sanitisation products, and daily essentials, CLP paid special care to the disadvantaged groups in society.

CLP volunteers used video and online technologies to connect with elderly people and other groups isolated by the need to restrict social contact during the pandemic. COVID-19 also created a digital divide, which was a critical hurdle for students from low-income families when school classes were suspended. Laptops were therefore donated to 40 underprivileged families and basic computer training was provided to parents.

The commissioning of the CCGT unit at Black Point Power Station increased the use of natural gas to around 50% of CLP's fuel mix in Hong Kong in 2020.

Some of CLP's community works in 2020 are detailed below. For further details of individual programmes, please refer to the Social and Relationship Capital chapter of this report on pages 98 to 101.

Community Wellbeing

- Around **100,000 surgical masks** were given to underprivileged families through around **230 secondary schools**.
- **1 million surgical masks** were given to around **20,000 subdivided units families**; **10,000 surgical masks** and **hand sanitisers** were given to catering personnel through the Occupational Safety & Health Council.
- More than **180,000 bottles of disinfectant spray** were given to people in need and around **12,000 restaurants**.
- Surgical masks were donated to the Hospital Authority and, with support from business customers, clothes, personal care products, foods and drinks and disinfectant sprays were given to frontline medical staff in public hospitals.
- **200,000 *POWER FOUR* face shields** with energy saving tips cards were distributed to students in **1,000 kindergartens** and **special child care centres**.
- Four CLP Hotmeal Canteens have served more than **760,000 hot meals** since 2011.
- Around **400,000 residential customers** have signed up for the CLP Power Connect programme for embracing energy efficiency and conservation activities. Through the programme, subsidies were offered to relieve the electricity costs of some **40,000 underprivileged households**.
- Over **500 pieces of electrical appliances** have been donated to more than **400 households** living in transitional housing.
- **81 individual meters** have been installed for **22 subdivided units** since 2019.

Volunteering

- About **1,800 CLP volunteers** contributed more than **8,000 hours** of services to the community.
- A greeting video recording by CLP volunteers and virtual meet-ups were arranged for **20 households** of elderly people with early signs of dementia.
- More than **10,000 goody bags** were given out to elderly people and the residents of subdivided flats.
- **5 virtual caring visits** were organised through the Sharing the Festive Joy programme to celebrate Tuen Ng festival with **230 elderly people**.
- Used laptops were given to **40 underprivileged families** and basic computer workshops were provided to parents by CLP volunteers.

Environment

- The Green Elites Campus Accreditation Programme reached around **10,000 primary students**, educating them about green living.
- Green Studio has diversified its service to schools by offering digital learnings. It welcomed over **9,600 visitors** in school visits, public outreaches and digital learning.
- The CLP Energy Innovation for Smart City Competition has **43 secondary school teams** shortlisted.

Education and Development

- A CLP Graduate Internship Programme was launched to offer around **60 one-year internships** for fresh university graduates.
- Tailor-made education materials were provided to **85 primary schools** and **1,000 kindergartens**, supporting online teaching and learning when classes were suspended.
- Part-time programmes offered by the CLP Power Academy and its education institutions partners attracted more than **550 applications** for around **260 available places**.
- The fourth episode of 3D cartoon series, Power Kid Channel, was launched. Together with the first three episodes, the accumulated number of views has exceeded **16 million**.

Outlook

In the same way that CLP has supported the community through the pandemic in 2020, it will continue to support Hong Kong through the challenges that lie ahead; helping the city and its people go through the end of the pandemic and then recover from it, getting the economy back on track, and continuing the important transition to a lower-carbon future.

As we move into a new year with new targets and goals, CLP is reviewing the data for an offshore wind farm and conducting a detailed development study to determine whether this large-scale renewable energy project is viable.

In the meantime, CLP will roll out more smart meters, support customers in improving their energy efficiency and in electrifying their transport needs, and promote the increased use of renewable energy. It will also continue to bring more lower-carbon gas-fired power generation to Hong Kong as part of the city's energy transition. CLP will focus on completing construction of the offshore LNG terminal and the second CCGT unit at Black Point, which are expected to go into service in 2022 and 2023 respectively. All these elements will help Hong Kong reduce its carbon footprint and significantly contribute to the city's strategy to achieve carbon neutrality by 2050.

Digitalisation will continue to be a major priority. Operational and business transformation will accelerate momentum towards automation and digitalisation, while the adoption of digital channels to engage customers will become increasingly mainstream. Looking ahead, smart operations enabled by digital technologies, big data analytics, and innovation will drive the Company's digital capabilities forward, and help CLP achieve its constant objective of meeting and exceeding customer expectations.

The Hong Kong Government has announced a target of making the city carbon neutral by 2050. As a utility company, what is CLP doing to decarbonise its business, and how can it help customers like us reduce our carbon footprint?

Mr Hoss Vetry
Regional Vice President & Managing Director
Rosewood Hong Kong

CLP believes in sustainable development and has long been a staunch supporter of climate action. We were the first Asian-headquartered power company to set carbon intensity reduction targets for our generation portfolio back in 2007, when we launched Climate Vision 2050. Today, as we transform into a Utility of the Future, we are progressively decarbonising our portfolio of generation assets and evolving our business model to support our customers to improve energy efficiency.

In Hong Kong, we are committed to helping the Government achieve its 2050 carbon neutrality target through increasing low-carbon electricity supply, and supporting our customers in lowering their carbon footprint.

On the generation side, in the near to medium term, we are adding more gas-fired generation, facilitating local renewable energy development and exploring the feasibility of developing an offshore wind farm in Hong Kong's waters. In the medium to longer term, we aim to introduce more zero-carbon energy to our city through regional cooperation. We will also utilise new technologies such as hydrogen or carbon capture and storage as and when they become more viable.

As we all know, decarbonisation requires efforts by everyone, including energy users. To assist our customers, CLP stands to provide the necessary tools and initiatives. We have a suite of programmes to help both commercial and residential customers improve their energy efficiency such as the Eco Building Fund and the Electrical Equipment Upgrade Scheme. To encourage community participation to support the development of more wind and solar projects, we also have the Feed-in Tariff scheme and the Renewable Energy Certificates.

Our decarbonisation strategy involves a holistic approach, reducing our dependence on coal while helping all our customers lower their power consumption and increase energy efficiency. Let's work together to make Hong Kong greener and more sustainable.

TK Chiang
Managing Director, CLP Power Hong Kong

Mainland China

Growing a diversified portfolio of low-carbon generation assets while pursuing opportunities in innovative energy developments.

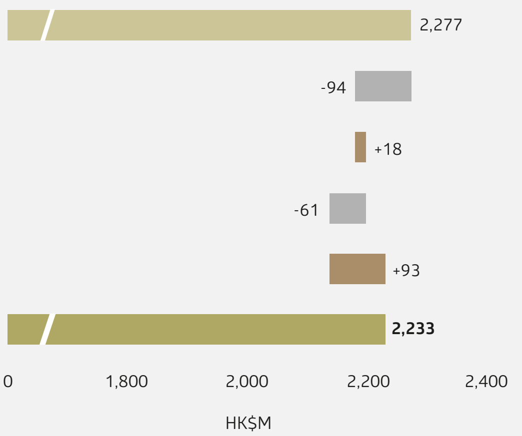
Financial and Operational Performance

Overview

China was the first country to experience the devastating impact of COVID-19, an unprecedented global challenge in 2020. Thanks to the Government's strong effort to contain the pandemic, the Chinese economy was one of the first to reopen, giving it a head start in recovery. Reflecting the comparatively early rebound in industrial activity, power consumption was up 3% during the year.

In these difficult circumstances all areas of CLP's operations in Mainland China performed well, resulting in a decrease in operating earnings limited to 1.9% to HK$2,233 million. The performance of the business in 2020 is summarised below:

Operating Earnings	**2020 HK$M**	2019 HK$M	Change %
Nuclear Energy	**1,594**	1,688	(5.6)
Renewable Energy	**565**	547	3.3
Thermal Energy	**203**	264	(23.1)
Operating and Development Expenditure	**(129)**	(222)	41.9
Total	**2,233**	2,277	(1.9)



2019 Operating Earnings
Nuclear: Higher costs and taxation, offset by higher sent-out
Renewables: Contribution from new wind projects
Thermal: Lower generation from minority coal-fired projects, reduced market tariff at Fangchenggang, offset by lower coal costs
Others: Mainly Renminbi appreciation
2020 Operating Earnings

Nuclear Energy

Nuclear energy projects continued to be the main contributor of CLP's operating earnings in Mainland China, accounting for about two-thirds of the total. While operation of Daya Bay Nuclear Power Station remained stable, earnings from the nuclear portfolio decreased 6% mainly because of lower contribution from Yangjiang Nuclear Power Station as a result of higher costs including taxes and despite increased generation.

Sent-out from Yangjiang was approximately 3% higher than in the previous year, largely due to the commissioning of its sixth and final operating unit in July 2019. However, the amount of sent-out was affected by unplanned outages and indirect impact of COVID-19 in the first half of the year.

Yangjiang won three national awards for engineering excellence, demonstrating the high standards of construction in CLP's nuclear portfolio. Daya Bay also received top-level certification from the Norwegian assurance and risk management company DNV GL for its outstanding safety, health, and environmental performance.

Renewable Energy

CLP's portfolio of renewable energy projects performed steadily in 2020, helped by improvements in wind and solar resources.

As part of its strategic focus on the development of renewable projects, CLP commissioned Laiwu III Wind Farm in Shandong province in September. With a total generation capacity of 149MW, this three-phase project is the largest operating wind farm across the CLP Group.

Laiwu III contributed to increased total generation by CLP's wind portfolio in Mainland China, which also benefitted from the full-year operation of Laizhou II Wind Farm in Shandong commissioned in June 2019 and record levels of generation by Sandu Wind Farm in Guizhou.

CLP also committed to invest in the 100MW Qian'an III Wind Farm in Jilin province. Construction is expected to start in the first half of 2021, and the plant will be the Company's first grid-parity project in Mainland China. Investing in grid-parity projects will allow CLP to reduce its dependence on national subsidy payments from the Chinese Government, delays in which continued to affect the cash flow of CLP's wind and solar projects. As of 31 December 2020, the total receivables relating to the unpaid national subsidies increased to HK$1.77 billion (2019: HK$1.27 billion).

The performance of the solar portfolio remained stable and sent-out from the Jinchang plant in Gansu province increased thanks to lower grid curtailment. Most hydro projects reported better performance except Huaiji Hydro Power Stations in Guangdong, which suffered from lower water resources. Some generation units at the plant also encountered unplanned outages because of landslides caused by flooding in June.

Thermal Energy

The performance of CLP's only majority-owned coal-fired project in Mainland China, Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region, remained good as the plant benefitted from lower coal costs in the first three quarters of the year combined with higher output and demand. However, these benefits were more than offset by lower average tariffs received. An electricity retail company was set up to facilitate market sales and act as the plant's interface with customers.

Fangchenggang was named 2018-2019 Outstanding Enterprise and one of 2020's Top 100 Enterprises by the regional Government in recognition of its outstanding performance in a range of areas including corporate governance, sustainability, innovation, finance, safety, environmental protection.

Minority-owned coal-fired projects in CLP's portfolio in Mainland China reported lower output, mainly because of the impact of COVID-19 in the first quarter.

CLP China's donation of anti-virus supplies to local schools in Yunnan province in the fight against COVID-19 in early 2020.

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 %	
		2020	2019	**2020**	2019	**2020**	2019
Renewable Projects							
Wind	934.6	**1,885**	1,793	**99.0**	98.1	**24.1**	24.4
Wholly-owned	543.5	**1,168**	1,052	**98.8**	97.2	**26.3**	25.9
Qian'an I & II	99	**257**	261	**99.4**	99.3	**30.6**	30.6
Penglai I	48	**89**	93	**99.4**	99.6	**21.6**	21.9
Laiwu I, II &III [2]	149 [2]	**171**	160	**99.7**	99.4	**17.7**	18.9
Xundian I	49.5	**151**	154	**99.6**	99.7	**35.4**	36.2
Sandu	99	**279**	203	**95.7**	88.1	**32.9**	24.0
CLP Laizhou I & II [3]	99	**222**	181	**99.0**	99.8	**26.2**	27.0
Minority-owned	391.1	**717**	741	**99.4**	99.2	**21.0**	22.6
Solar [4]	328.3	**590**	581	**99.99**	99.9	**20.6**	20.3
Jinchang	85	**181**	162	**100**	99.8	**24.5**	21.9
Sihong	93.4	**137**	139	**100**	100	**16.7**	17.0
Xicun	84	**167**	174	**100**	100	**22.8**	23.7
Huai'an	12.8	**19**	20	**100**	99.9	**17.3**	17.9
Lingyuan	17	**34**	33	**99.8**	100	**23.7**	23.5
Meizhou [5]	36.1	**52**	52	**100**	99.7	**16.3**	16.4
Hydro	489.3	**1,879**	1,758	**94.2**	93.1	**44.2**	41.4
Dali Yang_er	49.8	**147**	134	**92.5**	93.0	**33.9**	30.9
Huaiji	109.5	**284**	436	**92.4**	88.4	**31.0**	46.9
Jiangbian	330	**1,448**	1,187	**95.0**	94.6	**50.1**	41.1
Thermal Projects							
Majority-owned							
Fangchenggang I & II	1,806	**7,947**	7,720	**89.2**	95.8	**52.7**	51.7
Minority-owned	2,147.2	**8,459**	9,272	**93.6**	91.6	**48.3**	53.1
Shiheng I & II	370.4	**813**	1,246	**93.8**	90.1	**27.3**	41.8
Heze II	176.4	**852**	907	**92.0**	91.0	**59.1**	62.9
Liaocheng I	352.8	**1,487**	1,649	**98.5**	87.3	**51.5**	57.2
Panshan	206.7	**871**	810	**92.1**	91.2	**51.3**	47.8
Sanhe I & II	219.5	**923**	1,008	**95.7**	97.0	**51.2**	56.1
Suizhong I & II	564	**2,185**	2,368	**89.8**	93.7	**47.1**	51.1
Zhungeer II & III	257.4	**1,329**	1,284	**95.1**	91.3	**64.8**	63.1

Any minor discrepancies in totals are due to rounding of figures.

Notes:

1 Indicates CLP equity sent out.
2 Laiwu III (50MW) was commissioned in September 2020. The data of Laiwu I, II, and III has been combined to align with reporting practices in Mainland China.
3 CLP Laizhou II was commissioned in June 2019. The data of CLP Laizhou I and II has been combined to align with reporting practices 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 was acquired in January 2019.

New Opportunities and Innovation

CLP joined China Southern Power Grid Co., Ltd and other investors in November to establish the CSG Energy Innovation Equity Investment Fund with the aim of capturing investment opportunities in innovative energy developments, new energy infrastructure, and smart energy in the Greater Bay Area.

The incremental distribution network (IDN) in Fangchenggang Hi-Tech Zone, CLP's first investment in the distribution grid in Mainland China, went into service in January and began supplying electricity to customers in April.

In Sihong Solar Power Station in Jiangsu, the use of robots to regularly clean its solar panels improved the panels' efficiency while eliminating safety risks in the cleaning process. The power station subsequently deployed 62 automatic cleaning robots from September onwards to clean solar panels with a combined output of 10MW.

CLP has successfully trialled the use of smart glasses at Fangchenggang Power Station for remote consultation on construction, repair, and maintenance works. It plans to expand the application to other projects, in particular renewable energy farms in remote locations. Drones and robotic devices have also been experimented with to inspect and monitor the conditions of wind turbine structure and blades. Other new technologies such as virtual fencing are also being examined to improve project safety and productivity.

Environmental Performance

Environmental Regulatory Compliance

All assets under CLP's operational control in Mainland China maintained full compliance with environmental regulations in 2020.

Air Emissions

Since the completion of the emissions control retrofit project at Fangchenggang by the end of 2018, its sulphur dioxide (SO_2) emission intensity remains at a low level. In 2020, although output slightly increased when compared with 2019, emission intensity for SO_2, nitrogen oxides (NO_x) and particulate matter (PM) were still low.

Social Performance

Stakeholder Engagement

As the outbreak of COVID-19 prevented many face-to-face meetings, online meetings and conferences as well as written correspondence were used to maintain effective communication with CLP's stakeholders, including government officials, industry organisations, and business partners.

Community Initiatives

CLP made donations and provided support for COVID-19 medical relief, promoting hygiene in the communities and benefitting approximately 350,000 people. The support spanned across regional head offices and regional businesses with priority given to providing medical relief in the vicinity of CLP assets.

The initiatives rolled out included the donation of medical ventilators to hospitals in Hebei and Sichuan provinces, temperature detectors in Sichuan, a water purifying system for a school in Jiangsu, and medical supplies to frontline medics and communities. CLP also distributed to residents and schoolchildren caring kits containing medical supplies, sanitisers, and a leaflet to remind people to maintain good hygiene to guard against the pandemic.

A Guangxi Ethnic Minority Community Project launched in 2019 continued to preserve the unique culture and enhance the wellbeing of minorities in two of the region's counties, supporting groups such as the Yao, Miao, and Zhuang clans.

Some of CLP's key initiatives in Mainland China are detailed below. For more information about individual programmes, please refer to the Social and Relationship Capital chapter of this report on pages 98 to 101.

Community Wellbeing

- Supported COVID-19 relief efforts by donating medical supplies, water purifiers and caring kits to hospitals, frontline personnel, residents and students, benefitting **350,000 people**.
- Paid caring visits to elderly's homes and the underprivileged, and donated daily necessities, fitness equipment and water purifiers to close to **16,000 residents** in Guangdong, Guangxi, Sichuan, Yunnan, Jiangsu, Shandong and Jilin.
- Provided a safer and more hygienic environment to close to **7,000 local residents** by sponsoring construction of roads, bridges and water purifying system.

Environment

- Published books on environmental protection in Chinese, Miao and Zhuang ethnic languages to promote environmental awareness among ethnic minorities.
- Organised a talk on environmental protection in Sichuan, attracting **2,300 participants**.
- Organised tree planting in Jilin to improve the environment and enhance environmental awareness of local residents.
- Installed solar lights at the playgrounds in a village in Guangxi to provide a safe and environmental-friendly venue for **4,000 villagers**.

Volunteering

- CLP volunteers contributed almost **1,200 hours** on caring visits and community activities.

Education and Development

- Around **1,600 students** from **22 schools** in Guangdong, Guangxi, Yunnan, Guizhou and Sichuan benefitted from CLP's "Support-A-Student" and "Support-A-School" programmes.
- Sponsored over **350 underprivileged students** in Yunnan, Guizhou and Guangxi, and awarded **10 teachers** in Guangxi for their outstanding performance.
- Organised talks on safety to residents in Guangdong and Guangxi, and conducted safety check of electricity usage, reaching out to over **12,000 people**.
- Volunteers from Guangxi initiated to teach English in a primary school for one academic term, and bring to students knowledge on environmental protection and safety.

Outlook

China aims to achieve carbon neutrality by 2060. To meet this goal, the country has committed to a number of 2030 targets, including cutting carbon intensity by more than 65% from 2005 levels, nearly tripling the capacity to generate electricity from wind and solar to more than 1,200GW, and increasing the ratio of non-fossil fuels in primary energy consumption to around 25%.

In support of this policy and CLP's own decarbonisation strategy, CLP will continue to focus on developing low-carbon projects in the coming years. Following the investment in Qian'an III Wind Farm, CLP will continue to explore other grid-parity project development opportunities. CLP is also pursuing opportunities to increase the adoption of rooftop solar power generation, and selective investment in offshore wind projects.

The Chinese Government has a mission to transform the Greater Bay Area into an international business hub by 2035 with an integrated economy and a strong focus on technology. CLP will pursue opportunities in this important emerging region, with new energy infrastructure and smart energy solutions as its priorities. CLP is committed to drawing on its core capabilities and partnerships to contribute to the sustainable growth and long-term development of the electricity sector in China.

CLP has incorporated a holding company in the Qianhai Free Trade Zone in Shenzhen. This will provide a platform for investment in clean energy and smart energy projects which look certain to play an increasingly important role in China's future growth and development.

The development of digital infrastructure to support cities and businesses continues to grow, particularly in China and the Greater Bay Area, which in turn is creating new business models and market players. Energy infrastructure is a critical enabler for this to continue. How do you envisage the Greater Bay Area developing in this aspect, and in particular the roles that energy market players can play in creating these new digital infrastructure projects?

Mr Charles Lee
Founder and Chief Executive Officer
OneAsia Network Limited

The Greater Bay Area is an innovative hub and home to some of the world's most successful emerging businesses. As this economic powerhouse develops, intelligent and effective energy services are essential for it to achieve its potential.

The growth of the Greater Bay Area offers immense opportunity, and energy players need to be intensely focused on customers and their needs.

They must provide new business and commercial models and adopt a service mindset across the life cycle of projects and assets, including the possibilities of co-investment.

Given the energy intensity of data centres, we are in a strong position to add value by offering efficiency, advanced design, low-carbon power, and cost-effective solutions. Power accounts for around 40% of data centres' operating costs, so energy players have a vital role to play in helping manage this.

Sustainability is essential as the scale and number of data centres increases, consuming more energy. A central role for energy providers will be to provide a path to sustainable data centres by drawing on their renewable energy development expertise.

SH Chan
Managing Director, China

India

Exploring non-carbon opportunities in dynamic power sector, building on operational excellence.

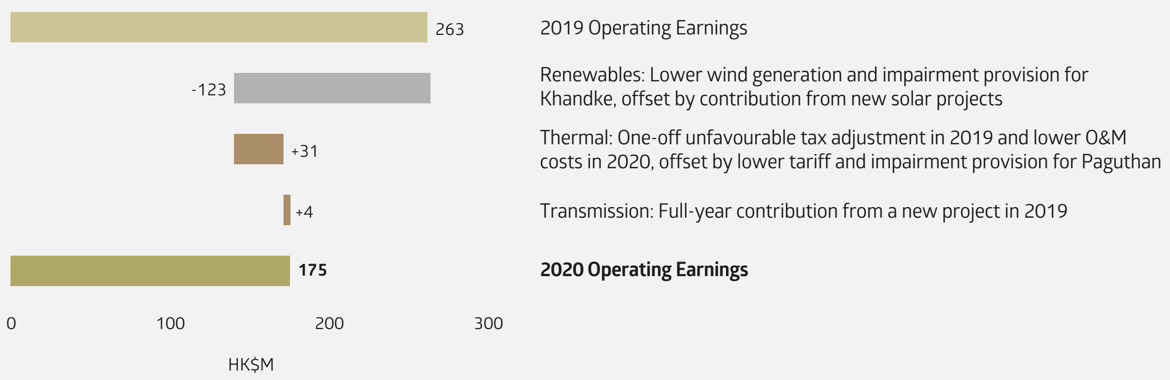
Financial and Operational Performance

India is one of the countries most severely affected by the COVID-19 pandemic, recording more than 10 million cases and 150,000 deaths by the end of 2020 and enduring a nationwide lockdown for the majority of the year. Despite this, the operations of CLP India, which is co-owned by CLP and Caisse de dépôt et placement du Québec (CDPQ), maintained a high level of safety and availability, while protecting the health and wellbeing of employees.

During the year, CLP India maintained very high levels of availability at Jhajjar Power Station. While poor wind resources coupled with the impact of severe weather events resulted in relatively low wind power generation, this was partially offset by higher generation from the expanded solar portfolio.

As a result, CLP's operating earnings in India dropped 33.5% to HK$175 million. The financial performance of the business, which was also affected by impairment charges associated with the Paguthan plant and the Khandke wind farm for a total of HK$52 million after tax, is summarised below:

Operating Earnings [1]	**2020 HK$M**	2019 HK$M	Change %
Renewable Energy	**104**	227	(54.2)
Thermal Energy	**66**	35	88.6
Transmission	**5**	1	400
Total	**175**	263	(33.5)



Note:

1 Net of CDPQ's share

Renewable Energy

The performance of CLP India's wind projects was affected by poor wind resources across all locations due to an erratic summer monsoon. In June, Andhra Lake Wind Farm in Maharashtra was out of service for nearly a month after its transmission system was damaged by Cyclone Nisarga. Flooding in Samana Wind Farm in Gujarat, meanwhile, prevented access and restoration of some turbines for nearly ten days in July, while gales at the Bhakrani Wind Farm in Rajasthan brought down a transmission tower and put the project out of service for five days.

The commencement of construction of the Sidhpur wind project in Gujarat was delayed by COVID-19. Nevertheless, CLP India pushed ahead with preparation work for land development and application for necessary regulatory approvals. The execution of the engineering, procurement, and construction contracts was completed in December.

The solar portfolio of CLP India fared better as all operational activities were managed effectively during the pandemic. In addition, CLP India took full ownership of the operation and maintenance activities of all its solar assets in 2020, giving it greater operational control. In February, CLP India agreed to acquire three solar projects in Telangana with a combined capacity of 122MW. Two of the projects, with capacities of

30MW and 50MW, were transferred to CLP India in early 2020. Both assets quickly adapted to CLP safety systems and operating procedures and performed well, despite repeated flooding in the monsoon season. The purchase of the third project, with capacity of 42MW, was terminated by mutual agreement in September after the pandemic delayed the process.

Despite the COVID-19 situation, outstanding receivables from local distribution companies relating to the purchase of renewable energy reduced 4.2% to HK$771 million by the end of the year. CLP India also received HK$50 million of delayed payment charges and generation-based incentives.

Thermal Energy

The Jhajjar coal-fired power station in Haryana reported an exceptional operational performance due to a record commercial availability of 97.3%. It also won a number of awards for its outstanding safety performance, including a certificate of merit from the Frost & Sullivan Safety Awards 2020 and a Silver Award from the Royal Society for the Prevention of Accidents in the UK. With its flue gas desulphurisation (FGD) facilities, Jhajjar is the only power plant in the National Capital Region to successfully keep sulphur dioxide (SO_2) emissions within compliance levels.

CLP India continued to explore alternate uses for the Paguthan plant in Gujarat, which ceased operations upon the expiry of its previous power purchase agreement in December 2018. The site has been well monitored and maintained since with functional tests conducted periodically. CLP India is currently evaluating a number of options for the asset, including potentially participating in bids to supply “round-the-clock” power using a combination of renewable energy and thermal energy, and the possible sale of the plant.

The table below shows the performance of CLP’s renewable energy and thermal energy projects in India.

	Installed Capacity Equity MW	Electricity Sent Out [1] GWh		Availability %		Utilisation %	
		2020	2019	**2020**	2019	**2020**	2019
Wind	554.5	**927**	1,046	**95.6**	95.8	**19.6**	21.5
Andhra Lake	63.8	**103**	129	**93.8**	95.7	**18.9**	23.1
Bhakrani	61.4	**84**	84	**93.9**	94.6	**15.6**	15.6
Chandgarh	55.2	**96**	106	**98.5**	98.3	**21.1**	22.0
Harapanahalli	23.8	**48**	55	**96.5**	95.9	**23.9**	26.4
Jath	36	**58**	73	**97.5**	97.8	**19.3**	23.0
Khandke	30.2	**50**	58	**93.5**	91.1	**19.4**	22.0
Mahidad	30.2	**46**	59	**87.1**	92.1	**17.8**	22.1
Samana I	30.2	**45**	58	**93.9**	93.8	**17.6**	22.0
Samana II	30.2	**51**	63	**94.7**	93.4	**19.7**	24.0
Saundatti	43.2	**71**	81	**98.6**	97.9	**19.1**	21.4
Sipla	30.2	**50**	49	**96.9**	96.1	**18.8**	18.5
Tejuva	60.5	**118**	121	**98.1**	97.6	**22.4**	22.6
Theni I	29.7	**54**	56	**96.4**	95.7	**21.2**	21.5
Theni II	29.7	**53**	54	**96.9**	97.9	**20.8**	20.7
Solar	150	**267**	182	**96.4**	96.8	**21.9**	22.8
CREPL [2]	18	**23**	–	**99.5**	–	**19.2**	–
DSPL [3]	30	**38**	–	**99.4**	–	**20.4**	–
Gale	30	**57**	54	**86.8**	96.4	**21.5**	22.7
Tornado	12	**25**	22	**93.7**	85.0	**22.7**	20.8
Veltoor	60	**123**	106	**99.2**	99.3	**23.4**	23.3
Coal							
Jhajjar	792	**2,629**	3,465	**97.8** [4]	89.8 [4]	**40.6**	53.8

Any minor discrepancies in totals are due to rounding of figures.

Notes:

1 Indicates CLP equity sent out.
2 The project was transferred to CLP India in March 2020.
3 The project was transferred to CLP India in April 2020.
4 Technical availability. Jhajjar’s commercial availability was 97.3% in 2020 and 89.2% in 2019.

Transmission

CLP India has broadened its non-carbon business by agreeing to acquire a portfolio of transmission projects. The first project – Satpura Transco Private Limited in Madhya Pradesh – was successfully transferred to CLP India in November 2019. It has maintained 100% availability since and contributed positively to CLP India's 2020 earnings. Transaction of the second project with Alipurduar Transmission Limited was terminated after certain conditions precedent could not be fulfilled. The third project – Kohima Mariani Transmission Limited, spanning three north-eastern states – was commissioned in November 2020 and will be taken over by CLP India following the completion of conditions precedent, including obtaining approval from the Federal Government.

Environmental Performance

Environmental Regulatory Compliance

There was one minor licence limit exceedance for nitrogen oxide (NO_x) at Jhajjar in March 2020 but it did not result in any action by the local authorities.

Air Emissions

Thanks to the full operation of FGD units since February 2019, Jhajjar's SO_2 emission continued to fall from 0.74 kg / MWh in 2019 to 0.63 kg / MWh in 2020.

Particulate matter emission in 2020 was 0.12 kg / MWh, slightly decreased when compared with 2019. The combustion optimisation carried out in 2018 continued to help reduce NO_x emissions to 1.01 kg / MWh in 2020, compared with 1.36 kg / MWh * in 2017.

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

Social Performance

CLP India entered into a strategic partnership for the use of solar energy for community benefits in 2020. An agreement was signed with Selco Foundation for solar energy-based community development and livelihood opportunities. In addition, the company launched a programme in partnership with the School of Vocational Education at the Tata Institute of Social Sciences to train 2,000 young people in renewable energy and healthcare skills.

Timely support was extended to communities near CLP India's plants during the pandemic, and the company continued to supply midday meals to around 25,000 school children near the Veltoor and Saundatti plants and the children were given takeaway boxes with food and hygiene kits when classes were suspended.

The impact of COVID-19 affected many community projects. However, CLP India was able to successfully expand a crop residue management project in Haryana. The company also launched a project to plant 50,000 trees in Alwar, Rajasthan. In addition, significant progress was made in ensuring water security for communities near the Gale / Tornado solar plants and the wind farms in Samana, Mahidad, and Khandke.

CLP India's first transmission project has maintained 100% availability since its acquisition in 2019.

Below are some of CLP India's major social projects in 2020. For further details of individual programmes, please also refer to the Social and Relationship Capital chapter of this report on pages 98 to 101.

Environment

- A crop residue management project in Haryana was expanded to cover **16 villages** and about **23,000 acres of farmland**. A study showed that it achieved an **80% reduction** in stubble burning for the first year, thanks to the provision of technological tools and behaviour change training to farmers.
- Launched a project to plant **50,000 trees** in Alwar, Rajasthan. This project will benefit nearby communities by providing sustainable income through job creation, water recharge and biodiversity conservation. Also, employees are presented with e-Tree certificates on their birthdays and special occasions to raise environmental and sustainability awareness.

Education and Development

- Timely support was extended to communities near CLP India's plants during the pandemic. The company continued to supply midday meals to around **25,000 school children** near the Veltoor and Saundatti plants and **10,000 children** near Veltoor plant were given takeaway boxes with food and hygiene kits when classes were suspended.
- Invested in energy efficiency and facility improvement measures at the Nawabpet centralised kitchen.
- A school infrastructure improvement project in villages near the transmission project site in Seoni-Malwa, Madhya Pradesh, benefitted **400 students**. A school computer laboratory in Theni for **600 students** was restored and fitted with new equipment.

Community Wellbeing

- COVID-19 relief support reached **80,000 individuals** and distributed **200,000 meals**. District council and municipal corporation officials in Chandgarh presented an appreciation plaque to CLP India for its community work during the pandemic.
- COVID-19 resilience building projects were launched, led by around **200 women**. These initiatives will benefit around **300,000 individuals** over a one-year period.
- A milk cooperative project near the Chandgarh site helped around **2,000 women** develop leadership and entrepreneurial capabilities. Another **600 women** were supported by a women empowerment project. A three-year project to aid women was also launched in Jhajjar.
- Initiatives to supply drinking and household water to communities around Khandke, Samana, Mahidad, Gale and Tornado project sites helped about **10,000 villagers**.
- A mobile medical van project provided healthcare services to around **27,000 people** in **56 villages**.
- Around **400 young people** in Jhajjar and Mumbai joined in CLP India sports initiatives.

Volunteering

- Employees and their families contributed over **580 hours** to volunteer work. CLP India also conducted a volunteering survey and offered virtual volunteering options to employees.

Outlook

CLP India continued to focus on operational excellence, explore new initiatives and partnerships, and give steadfast support to communities surrounding its sites across the country throughout 2020. Throughout the darkest months of the pandemic, CLP India remained true to its principles and continued to connect with communities and build for a brighter and more sustainable future.

CLP India has been seeking clarification from the Government on new foreign direct investment rules announced in April and will continue to work with Indian ministry officials to allow for future investment and overcome uncertainties in approval timelines. Meanwhile, the Indian energy market is evolving rapidly with tariffs for renewable energy projects reaching historic lows amid intense competition from participants from the public and private sectors and lower funding costs.

Despite these issues, CLP India remains firmly committed to the market and its strategy of focusing on decarbonisation and renewable energy projects remains unchanged. It will continue to aspire to operational excellence and to explore new opportunities in India's dynamic power sector.

What inspired CLP India to join hands with the CII Foundation to help farmers in north-west India reduce crop residue burning?

Ms Seema Arora
CEO, CII Foundation

The smoke from crop burning contributes significantly to the thick blanket of smog that chokes north-west India, particularly Delhi, every winter. It not only produces harmful emissions but also depletes essential nutrients from the soil.

As a responsible corporate citizen, CLP India constantly seeks to address the challenges faced by the communities it serves. CLP India therefore teamed up with the CII Foundation in 2019 for a two-year programme to educate communities and encourage 6,000 farmers with more than 9,000 acres of farmland to minimise stubble burning in the state of Haryana. In its first year, it reduced the practice in the project area among the farmers by around 80%, and more than half of the villagers in surrounding areas reported an improvement in air quality. The project has since been expanded to cover 16 villages and 23,000 acres of farmland.

CLP India has meanwhile pressed ahead with steps to reduce its impact on the environment. To control emissions, Jhajjar Power Station installed flue gas desulfurisation (FGD) technology during its construction in 2012, five years before FGD became mandatory for all thermal power plants in India. This makes Jhajjar the first and only plant in the National Capital Region to have installed and operationalised FGD so far. In addition, we have planted approximately 350,000 trees of different varieties, attracting more than 50 different species of birds and enhancing its biodiversity.

Rajiv Mishra
Managing Director, CLP India

Southeast Asia and Taiwan

Keen to invest in renewable energy generation to support global carbon reduction efforts.

Financial and Operational Performance

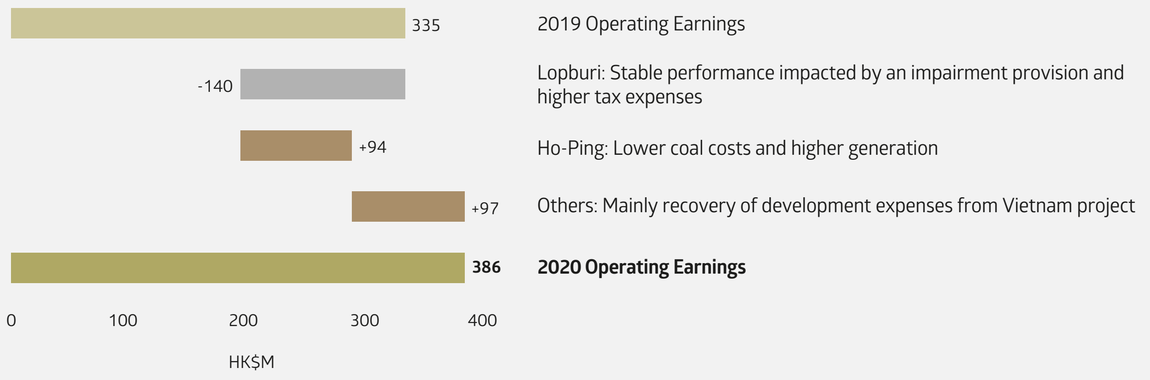
Overview

Thanks to its high availability and lower coal prices, Ho-Ping Power Station in Taiwan recorded strong financial results in 2020. Lopburi Solar Farm in Thailand also operated smoothly during the year. However, its financial performance was affected by the expiry of tax exemption.

In line with the Group's undertakings under the updated Climate Vision 2050, CLP withdrew from the legacy Vung Ang II coal-fired development project in Vietnam in October 2020. Exit from the Vinh Tan III project is underway.

In 2020, operating earnings in Southeast Asia and Taiwan increased 15.2% to HK$386 million, which also reflects the impact of an impairment provision at Lopburi resulting from a step down in tariff as from December 2021 and the recovery of development expenses in Vietnam. CLP's performance in the market is summarised below:

Operating Earnings	2020 HK$M	2019 HK$M	Change %
Renewable Energy	**(60)**	80	N/A
Thermal Energy	**366**	272	34.5
Operating and Development Expenditure	**80**	(17)	N/A
Total	**386**	335	15.2



Outlook

Looking ahead, CLP will focus on maintaining safe and reliable operation of Ho-Ping and Lopburi and exploring investment opportunities in renewable energy in the Southeast Asia and Taiwan markets.

Australia

Focusing on improving customer experience and providing clean, modern energy solutions.

Financial and Operational Performance

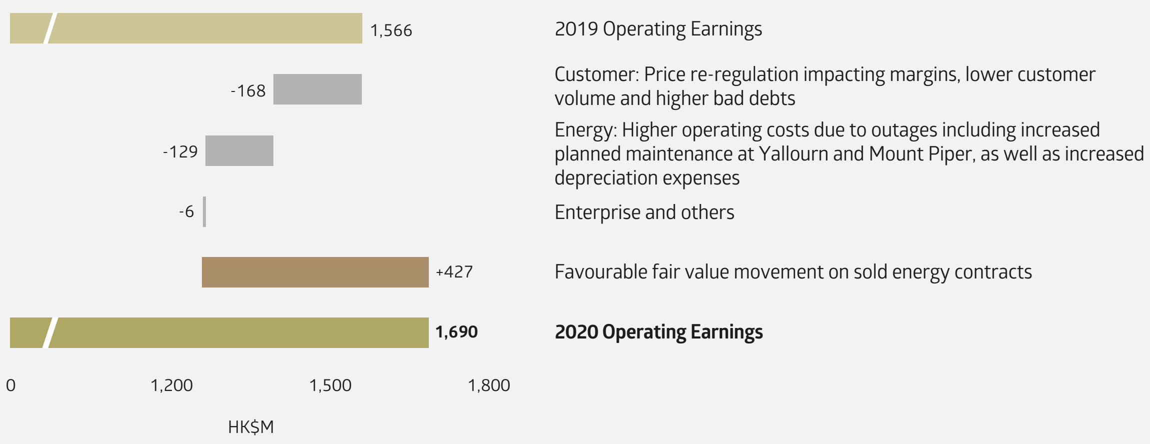
Overview

In 2020, devastating bushfires in the early part of the year followed by the COVID-19 pandemic-imposed hardships across Australia tipped the country's economy into its first recession for nearly three decades. In response, EnergyAustralia's focus has been on the health, safety and wellbeing of its employees and customers together with the reliable supply of electricity to the communities it serves.

The combined effects of COVID-19, retail price regulation introduced in July 2019, and ongoing competition from new and existing energy suppliers placed considerable pressure on retail margins in the Customer business. Falling wholesale prices, meanwhile, affected margins in the Energy business. Under these influences EnergyAustralia's underlying operating earnings were lower than in 2019. However, including the favourable impact of non-cash fair value changes in energy hedging contracts, operating earnings increased 7.9% year-on-year to HK$1,690 million.

EnergyAustralia's performance in 2020 is summarised below:

Operating Earnings



Focusing on Customers

The EnergyAssist hardship programme was expanded at the beginning of March under the impact of bushfires, COVID-19 and the emerging recession. Additional support staff were assigned to ensure vulnerable households received uninterrupted access to power and tailored assistance, such as payment extension schemes. Since then, EnergyAustralia has set up more than 40,000 new payment plans and arranged almost 200,000 payment extensions for residential customers and has referred tens of thousands to information on government grants. The Rapid Business Assist programme was meanwhile launched in April 2020 to provide support to small businesses.

The impact of the pandemic on customers' capacity to pay necessitated an increase in provision for bad and doubtful debts charged to the income statement to A$91 million (HK$491 million) for the year, up from A$65 million (HK$352 million) in 2019.

EnergyAustralia recorded an improved Net Promoter Score as a higher proportion of retail customers said they were willing to recommend the company to others. Market churn reduced across all states from the beginning of the COVID-19 pandemic and EnergyAustralia's churn reduced in line with market trends. Mass market customer accounts decreased by just over 1%, or around 28,000, over the course of the year with the bulk taking place in the first half. The company's focus on continuous improvement in customer service helped stabilise customer numbers in the second half.

EnergyAustralia operates in an environment of increasing regulatory scrutiny and engagement, requiring faster responses to regulator requests and the ability to understand and act upon significant regulatory changes. At the same time, regulators are more vigorous in enforcing compliance.

The Australian Energy Regulator (AER) began proceedings against EnergyAustralia in November 2019 for self-reported non-compliance with hardship disconnection rules in relation to eight customers. EnergyAustralia paid a penalty of A$1.5 million.

A number of incidents were self-reported to the AER by EnergyAustralia in 2019 regarding the registering of life support needs for some of its customers. The AER launched proceedings which were ongoing at the time of this report going to press. EnergyAustralia has made a number of changes which have improved compliance materially in this respect and is diligently responding to the proceedings.

Ensuring asset reliability

To help ensure the long-term reliability of supply to customers, EnergyAustralia's generation assets underwent major maintenance works in 2020 ahead of the summer peak demand period anticipated in early 2021. These included a large maintenance programme at Yallourn Power Station in Victoria with one of the power station's units being taken out of service in July for several months. The program was significantly adjusted to ensure the health and safety of the workforce as they undertook this critical and complex project during the COVID-19 outbreak. A similar outage is scheduled for another unit in 2021.

Mount Piper Power Station in New South Wales (NSW) produced substantially more energy in 2020 than in the previous year following the restoration of its full coal supply in late 2019. Major planned maintenance work was meanwhile carried out on one of its units, putting it out of service from late September to late December. The work included a turbine upgrade to deliver an additional 30MW of generation capacity. This extra generation capacity is achieved without requiring the burning of any additional coal, thus reducing overall emissions intensity. The other unit at Mount Piper will undertake a major outage of similar length in the coming year.

EnergyAustralia's gas-fired power facilities in NSW, Victoria, and South Australia operated with a high degree of reliability throughout the year, supporting the company's generation portfolio through a variety of market conditions. EnergyAustralia currently has the dispatch rights to two grid-scale batteries in Australia, and these were used during periods of high volatility to help ensure stable frequency in the National Electricity Market.

Average wholesale spot prices were significantly lower than in 2019. This was a result of increased renewable energy generation combined with a decrease in business and industrial activity as the country experienced its first recession in nearly 30 years.

Agreement with Genex Power Limited gives EnergyAustralia full dispatch rights to the Kidston Pumped Storage Hydro project in Queensland when it becomes operational in 2024.

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

	Installed Capacity Equity MW	Electricity Sent Out [1] GWh		Availability %		Utilisation %	
		2020	2019	**2020**	2019	**2020**	2019
Wind							
Cathedral Rocks	32	**73**	85	**79.3**	90.4	**26.7**	31.0
Gas	1,595	**1,268**	2,758	**91.1**	82.1	**9.4**	21.0
Newport	500	**310**	1,176	**93.1**	89.8	**7.8**	29.0
Jeeralang	440	**75**	227	**90.7**	84.2	**2.0**	6.0
Hallett [2]	235	**27**	33	**85.8**	84.6	**1.4**	1.9
Tallawarra	420	**856**	1,322	**92.1**	69.5	**23.7**	36.6
Coal	2,880	**14,725**	13,309	**71.7**	78.7	**63.2**	57.4
Mount Piper	1,400	**6,346**	4,355	**71.4**	83.1	**55.2**	38.4
Yallourn	1,480	**8,378**	8,954	**72.0**	74.6	**70.8**	75.3

Any minor discrepancies in totals are due to rounding of figures.

Notes:

1 Indicates CLP equity sent out.

2 Capacity at the plant increased 32MW in early 2020 following successful upgrade works.

Towards a Low-Carbon Future

The energy industry is in a period of transition, and EnergyAustralia continues to believe that a stable, national policy framework is advisable to guide the investment needed to integrate renewable energy into a modern energy system.

EnergyAustralia has committed to power purchase agreements representing a cumulative total of more than 820MW. The performance of those renewable energy projects where EnergyAustralia is an offtaker is set out in the table below:

	Offtake for EnergyAustralia MW	Electricity Sent Out GWh	
		2020	2019
Wind			
Boco Rock	113	**379** [1]	365 [1]
Bodangora	68	**212** [1]	163 [1]
Gullen Range	165.5	**463** [1]	491 [1]
Mortons Lane	19.5	**63** [1]	66 [1]
Taralga	107	**284** [1]	312 [1]
Waterloo Stage 1	55.5	**146**	153
Solar			
Coleambally	105	**219**	249
Gannawarra	50	**87**	88
Manildra	46	**96**	109
Ross River	93	**223**	216

Note:

1 Publicly available data from the Australian Energy Market Operator.

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

EnergyAustralia signed an energy storage services agreement with Genex Power Limited in March 2020 for full dispatch rights to the 250MW Kidston pumped storage hydro project in Queensland. The project is expected to reach financial close during 2021 and, subject to these final approvals, will begin operation in 2024. EnergyAustralia also received conditional planning approval in April from the NSW Government to expand its gas-fired Tallawarra Power Station. An economic assessment is being conducted before a decision is made on the investment in the first half of 2021.

Federal and State Governments announced a number of measures which have potentially far-reaching impact on the industry and EnergyAustralia. The Federal Government's Technology Investment Roadmap affirms EnergyAustralia's focus on investing in flexible capacity to allow for the integration of more renewable energy. In addition to emissions reductions, the discussion paper promotes technologies and industries that support job creation and regional economic growth, as well as Australia's research and development sector. EnergyAustralia will continue its constructive dialogue with Government officials on the future share of the industry.

The NSW Electricity Infrastructure Investment legislation announced in November 2020 is an ambitious plan to create an environment for significant generation and network capacity. It is a significant reform on many levels, setting renewable energy targets, creating renewable energy zones and forming a trustee to represent consumers' interests. EnergyAustralia is in the process of examining the implications of the framework for its business and its customers.

EnergyAustralia is also contributing to the Energy Security Board's post-2025 market design work and a range of significant Australian Energy Market Commission rule change processes.

New Business

In September, EnergyAustralia acquired the remaining 51% equity of solar and LED lighting company Echo Group, following an initial investment in 2019. This acquisition supports EnergyAustralia's commitment to offer customers clean, modern energy solutions.

"Go Neutral", EnergyAustralia's leading electricity carbon offsetting programme, was expanded to include residential gas customers in September, enabling them to offset all their household energy emissions at no extra cost. A quarter of a million EnergyAustralia electricity customers have already signed up to "Go Neutral", which is the largest carbon offset product of any energy retailer or generator in Australia, and one of the largest certified carbon offset products in the country.

In November, EnergyAustralia began work with one of its sustainable icons, the Melbourne Cricket Ground, to install solar panels on the roof of a spectator stand. Energy generated by the panels will be used to help run the water recycling facility, with excess electricity transferred to lighting and power in other areas of the venue.

"On by EnergyAustralia" was launched in late 2019 to rapidly test new products and services with customers to help shape future offerings. Following the launch of its first product in 2019 which allows customers to pay a flat monthly "subscription" fee for energy, two further products were introduced in 2020: a solar and battery plan to make household solar more affordable and accessible, and an innovative offering where eligible customers pay nothing for their home electricity on Saturdays for a year in lieu of traditional discounts.

EnergyAustralia's partnership with the Startupbootcamp programme, which fast-tracks new energy-related start-up businesses, continued into its third year despite the challenges brought about by the pandemic. Nine start-ups chosen from an initial pool of 1,000 applicants pitched their concepts from home in a live-streamed demo day held in September and EnergyAustralia has been working with five of the companies on testing and piloting their ideas.

Environmental Performance

Environmental Regulatory Compliance

EnergyAustralia was not subject to any fines or prosecutions arising from environment-related regulatory non-compliances in 2020.

However, three environmental licence non-compliances were reported. At Newport Power Station, there was one minor chemical spill incident of ferrous sulphate in January. At Mount Piper Power Station, there was a minor brine waste leakage incident in March 2020. The Environment Protection Agency (EPA) was notified and no fines or penalties were imposed. In addition, there was an administrative breach with the water quality monitoring requirements under the new licence at Mount Piper. Corrective actions have been taken to prevent a repeat of these incidents.

Air Emissions

Overall carbon dioxide emissions intensity from EnergyAustralia's power stations were comparable with 2019. Yallourn saw a 8% reduction in emissions after output dropped by 6%. Emissions from Mount Piper increased 32% after output rose 46% while those at Tallawarra were 33% lower as output decreased 35%. Generation at Hallett was 19% lower, resulting in a 40% decrease in emissions. Jeeralang and Newport, which started reporting emissions data from 2019, saw a 65% and 67% reduction in emissions after output dropped by 67% and 74% respectively.

Social Performance

The widespread bushfires and the COVID-19 pandemic caused hardship for many Australians in 2020. Employees of EnergyAustralia responded to the crises, supporting each other and customers throughout a highly challenging year.

EnergyAustralia worked especially closely with the communities around its power stations. A dedicated team of experienced and locally-based community relations specialists was created to improve communication between EnergyAustralia and its stakeholders in different parts of the country.

In September, EnergyAustralia published its second report under the Energy Charter, of which it is a founding member, highlighting measures it has taken and changes it has introduced to improve customers' experience.

EnergyAustralia's Workplace Giving programme has one of Australia's highest participation rates, with almost A$1million raised since its launch in 2018. At the Workplace Giving Excellence Awards in 2020, the project won silver prize in the best overall programme category after being recognised as the best launch programme a year earlier. EnergyAustralia was also named as one of GoodCompany's Top 10 Workplaces to Give Back in 2020.

We are grateful for the hardship programmes introduced by EnergyAustralia. What are the benefits for your company and have the programmes been as effective as you expected?

Mr Robert Faldon
Business Owner, Surfcoast Aluminium and Glass

With the Australian economy suffering first from the bushfires then from the COVID-19 pandemic in 2020, some households and businesses inevitably ran into financial difficulties. At EnergyAustralia, we are delighted to have been able to offer a helping hand to them.

While we have the EnergyAssist programme for our residential customers in financial distress, we have also launched Rapid Business Assist for small businesses with two core objectives: To help customers get back to business as quickly as possible, and to strengthen our relationship with them by giving them the support they need at a hugely challenging time. This approach benefits us by giving customers a reason to stay with us, and reducing the risk of bad debts.

Last year, we devised over 13,000 payment extensions, more than 2,000 payment plans, helped around 1,000 small businesses with cash flow and provided advice on lowering energy consumption and guidance on government energy relief subsidies. As an essential service provider, EnergyAustralia stands ready to continue to reach out to customers with support initiatives as the people of Australia continue to work their way together through these most challenging of times.

Catherine Tanna
Managing Director, EnergyAustralia

Some of EnergyAustralia's other initiatives over the course of the year are detailed below. For further details of individual programmes, please also refer to the Social and Relationship Capital chapter of this report on pages 98 to 101.

Environment

- Entered a **5-year partnership** to provide energy saving initiatives to help Berry Street, Victoria's largest independent provider of child and family services, reduce its energy bills. Savings will be used to provide emergency accommodation to women and children suffering family violence.
- Funded **50% of the project cost** to install **141 solar systems** for social housing residents, in partnership with the New South Wales Land and Housing Corporation.
- 2020 was the final year of a partnership with the Sydney Opera House, which has seen a number of highly successful projects, including the Opera House achieving carbon neutrality five years ahead of schedule.

Community Wellbeing

- Community grants programme invested more than **A$170,000** toward local projects, concentrating on education and social inclusion.
- Committed to increasing Aboriginal and Torres Strait Islander supplier partnerships by joining Supply Nation, a non-profit organisation that encourages the growth of indigenous businesses. In 2020, over **A$286,000** was spent with Supply Nation businesses.
- More than **A$300,000** was donated by EnergyAustralia, CLP and their people to support communities impacted by the bushfires.

Volunteering

- **97 volunteering opportunities** contributed over **500 hours** of charity work.
- Delivered **63 opportunities** totalling over **370 hours** to support emergency relief efforts for the bushfires.
- Mount Piper employees volunteered to help restore a local rock art site which had been impacted by bushfires and graffiti.
- Volunteers supported students with online mentoring on career advice and future workforce skills through partnering with the Australian Business Community Network and Launch Housing.

Education and Development

- **20 students** received mentoring on design thinking, resilience and adaptability, skills required in their future work.
- Berry Street Schools used donations from Workplace Giving programme to provide educational materials, breakfast and therapy dogs to help trauma-affected students.
- Supported projects including mentoring young students to reach their potential, helping to connect local Aboriginal culture through school-based curriculum, and researching the health of local platypus populations.

Ensuring a Safe Workplace

EnergyAustralia reacted swiftly to COVID-19 and implemented a coordinated response plan that prioritised the health and safety of its employees. In a year that saw a pandemic and large-scale maintenance works, it recorded one of its best safety performances.

WorkSafe Victoria completed its investigation into the 2018 fatal incident at Yallourn. It decided it would not pursue proceedings against EnergyAustralia however, as is allowable under the *Occupational Health and Safety Act 2004*, WorkSafe's decision will be referred to the Director of Public Prosecutions for consideration, and so is subject to revision.

Outlook

EnergyAustralia will continue to face challenging market conditions as the economy emerges from COVID-19. The level of customer hardship, the speed of demand recovery, the intensity of retail competition, and the longer-term outlook for price regulation will all have a significant impact on the Customer business. The Australian Energy Market Commission expects residential electricity prices and bills to decrease until 2021-22 in line with wholesale cost reductions before increasing as supply-demand conditions tighten.

Margins in the gas business are going to be under pressure as legacy gas supply contracts expire. In addition, the continuing decline of forward prices in the wholesale market and other regulatory changes will put pressure on margins in the Energy business.

EnergyAustralia's focus will remain the optimisation of a diversified generation portfolio, enhancing asset reliability. It will continue to work to ensure an adequate fuel supply for Mount Piper Power Station in the long term. It will also continue to develop and integrate flexible capacity options, including pumped hydro, gas-fired generation, and batteries. Such projects have the potential to safeguard and enhance the power system's reliability and security as Australia moves towards a low-carbon future.

In response to the competitive market in which EnergyAustralia operates, the focus on improving customer experience remains. EnergyAustralia continues to invest in measures which will improve the speed and performance of the business, enhancing its competitiveness and efficiency.

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.

2020 was an unprecedented year, characterised by tumultuous developments across global health, geopolitical, social, and economic frontiers.

The COVID-19 pandemic caused severe disruptions to economic activities and presented perilous challenges to corporate financiers and treasurers amid extreme turbulence in financial markets.

Firstly, global financial markets experienced huge swings in foreign exchange, interest rate, debt and equity capital sectors. Ten-year US treasury yield collapsed from 1.88% in early January 2020 to 0.54% by early-March 2020 when panic spread globally. Major regional currencies such as the Australian dollar, the Indian Rupee, the Renminbi tumbled 18%, 7% and 4% respectively in the same period.

Secondly, the unforeseen, unpredictable nature of pandemic, and the lack of effective preventive measures had unsettled global asset valuations which caused global equity and bond markets to plummet in the first quarter of 2020. The Dow Jones Industrial Index fell 24% while stock indices of Shanghai, Shenzhen and Hong Kong dropped 11%, 5% and 17% over the period respectively. The uncertainty of valuations also temporarily stalled most fund-raising activities in the equity and bond markets until late March 2020, and caused spikes in credit spreads and other disruptions in commercial terms such as pricing and tenor for funding, especially for the borrowers who are less financially-strong.

Thirdly, the restrictions on economic and social activities, including lockdown measures to contain the spread of the virus by certain authorities, had significantly reduced revenues in most business segments and caused severe liquidity drain in the financial markets. In Hong Kong, the one-week Interbank Offered Rate rose from 0.7% to 2.6% in about three weeks in March 2020 when a large number of businesses rushed to replenish working capital and shore up liquidity to survive.

CLP remained financially strong despite an interim, moderate decline for electricity demand due to lower business activity in the first quarter of 2020. Demand was gradually recovered from the second quarter onwards with the resumption of economic momentum in Hong Kong and overseas markets where we invest or operate in. CLP was not immune from market challenges in 2020 but had promptly taken actions to identify possible pitfalls, formulate contingency plans and fully mitigate the residual risks.

CLP's strong financial foundations stem from its well-established corporate governance and prudent risk management philosophies, with strong disciplines to execute. We are mindful that persistent application of tenacious vigilance, at good or bad times, would differentiate eminent corporations from others.

We are pleased to report that the disruptions due to the pandemic and geopolitical issues have not affected CLP in any material way. CLP remains financially strong with affirmation of credit ratings and stable outlooks by all credit rating agencies, and face no undue financial risk exposures.

Vigilance, Cautious and Earnest Actions at Opportune Time

CLP recognises that the power sector is capital-intensive and requires sustainable, diversified, cost-effective funding to maintain operations and support selective business growth opportunities.

CLP had closely monitored the development of pandemic and the increasing tension of the Sino-US relationship since the turn of 2020 to guard against adversities in the financial markets. Notably the Hong Kong Scheme of Control (SoC) business would incur more long-term capital spending to further reduce the emission levels in the city under the Five Year Development Plan from 2018-2023.

Hong Kong

Scrupulous financial planning for the SoC business required the consideration of the cyclical funding and long payback nature of the investments. These factors guide CLP Power Hong Kong and CAPCO in reviewing the pros and cons of various financing options. Management reiterated that both companies needed to guard against financial market uncertainties and must avoid speculation on the development of the aforementioned issues. Requests were issued for financing proposals right after the Chinese New Year, to secure early debt funding at the best available commercial terms. The outcomes were remarkable. CAPCO finalised discussions with preferred lenders and received financing commitments with very favourable terms as soon as in mid-February 2020 for up to HK$6.0 billion to fund the offshore LNG terminal in Hong Kong waters, with plans to diversify into long-tenured financing when justified by cumulated capital spending. CLP Power Hong Kong also received overwhelming responses and finally accepted funding commitments for HK$6.9 billion at preferential terms in early March 2020.

When financial markets settled in mid-2020, CLP observed our financing and treasury policies to optimise the debt portfolio by spreading out the debt tenor and achieving more diversification in terms of geography, instruments and lenders, by way of Export Credit Agency- (ECA) covered loans and public bonds.

On 15 June 2020, CAPCO successfully issued a US$350 million (HK$2.7 billion) Energy Transition Bond at 2.2% fixed rate, which was reported to be the lowest coupon bond that a corporate has ever issued in Hong Kong at the date of placement, to partially replace the shorter-tenured bank loans for the offshore LNG terminal project. The bond was priced at a 1.625% margin over 10-year US Treasury Notes and received more than US$1.7 billion of orders from global fund managers and Environmental, Social and Governance (ESG) investors. This was the second Energy Transition Bond issued by CAPCO and has also been selected as the best energy transition bond in *The Asset* magazine's Country Awards 2020.

Leveraging on the strong investor support for the CAPCO bond issuance, on 22 June 2020, CLP Power Hong Kong issued US$750 million (HK$5.8 billion) 10-year, 2.125% bond, and US$250 million (HK$1.9 billion) 15-year, 2.5% bond. They carried 1.6% and 1.9% credit spreads respectively over 10-year US Treasury Notes, and replaced some of the short-term bank facilities in the debt portfolio. The 10-year tranche received more than US$3.0 billion of orders, which represented more than four times over-subscription, from over 170 global investors. The longer tranche was the first 15-year public US dollar bond issued by a Hong Kong corporate since 2012, when CLP Power Hong Kong pioneered this class of debt securities in the region. According to the arranging banks, the dual-tranche bonds set the lowest coupon record for 10- and 15-year bonds issued by Hong Kong-based corporates at the time of placement. The full amounts of the bond proceeds raised by CLP Power Hong Kong and CAPCO were swapped into Hong Kong dollar fixed rates to mitigate foreign currency and interest rate risks.

The above financings were adequate to fully cover CLP Power Hong Kong and CAPCO's 2020 funding needs, apart from the usual annual rollover of a moderate amount of short-term bank facilities. At the same time, CLP Holdings also timely communicated with lending institutions to secure commitment for the majority of its 2020 funding needs in the early part of the year to mitigate funding uncertainties and to serve as contingency and firepower.

Both CLP Power Hong Kong and CAPCO have Medium Term Note Programmes in place under which bonds in aggregate amounts of up to US$4.5 billion and US$2.0 billion may be issued respectively. As at 31 December 2020, notes with an aggregate nominal value of about HK$29.3 billion and HK$6.8 billion had been issued by the two entities respectively.

Outside Hong Kong

Our business units continued to receive good support from lending institutions in 2020 and were able to obtain debt funding as required including new financing for selected new business expansion. In Australia, EnergyAustralia maintained no debt status, good liquidity position and achieved higher operating cash inflow than in 2019. CLP India issued Rs3.0 billion (HK$315 million) of two- and three-year green bonds, arranged Rs7.3 billion (HK$777 million) of 4- to 13-year project loan facilities and issued Rs1.0 billion (HK$106 million) of three-year bond at very competitive rates. In Mainland China, CLP received an in-principle offer for a RMB200 million (HK$238 million) 15-year, non-recourse bank loan facility for a solar project.

The Group

Reduced business activities and lower business revenues due to the pandemic had challenged the ability of most corporates in managing their liquidity positions and funding capabilities, along with their abilities to manage multiplicity of risks. Although CLP has put financing principles and treasury policies in place, with periodic reviews of committed funding, liquidity buffers and contingency thresholds especially during times of uncertainty, CLP quickly determined in the first quarter of 2020 to perform a Group-wide stress test on liquidity and earnings to evaluate the changing dynamics under different parameters and business scenarios, and to scrutinise the respective impacts to various business units and the Group. This comprehensive study facilitated the management to fully appreciate the challenges and volatilities that CLP entities might encounter, and to come up with the right measures to combat the challenges if necessary, in addition to the existing protocols in business and financing. The result showed that CLP entities would face no undue liquidity issues, apart from potential reduction in revenue and earnings under certain circumstances.

The continuous upholding of corporate governance has enabled CLP to navigate uncharted waters and emerge in good shape from the pandemic and a more volatile financial environment in 2020.

Material Topic

Responding to Climate Change

This section discusses CLP's strategies on sustainable financing to give the Group the wherewithal and flexibility for funding of climate actions.

Perseverance in Sustainability Financing

Notwithstanding the formidable financial market challenges which required dedicated management efforts, CLP is devoted to its sustainability financing trajectory with continuous enhancements in line with market best practices.

CLP updated its Climate Action Finance Framework (CAFF) in June 2020 to reflect the increased climate-related commitments in the Group's updated Climate Vision 2050 published in December 2019 and the broader range of financial transactions that CLP is considering to raise funding for its climate actions.

CAPCO executed inaugural HK$3.3 billion medium-term banking facilities and 15-year ECA facility, covered by China Export & Credit Insurance Corporation (Sinosure), with energy transition elements to fund the remainder of the budget for offshore LNG terminal project. These Energy Transition Finance Transactions were arranged under the updated CAFF to show our strong commitment to sustainable financing. The ECA facility was also the first ESG export credit facility in Hong Kong covered by Sinosure.

CLP joined the Sustainable and Green Exchange (STAGE) established by Hong Kong Exchanges and Clearing Limited as one of the inaugural members in August 2020. STAGE is an online repository of information for sustainability, green and social bonds which are listed on The Stock Exchange of Hong Kong Limited. By joining STAGE, CLP will display the associated information and post-issuance reports of its Energy Transition Bonds on a platform that can be accessed by global investors.

CLP endeavours to further diversify and expand its sustainability financing portfolio. We envisage that most of CLP Power Hong Kong and CAPCO's financing transactions going forward will take the form of green bonds and loans, Energy Transition Bonds or sustainability-linked loans. This will enable CLP to meet pre-determined ESG performance targets in a more meaningful way.

See CLP Climate Action Finance Framework updated in June 2020.

See DNV GL Second Party Opinion Report on CAFF.

Case Study

Energy Transition Financing for Hong Kong Offshore LNG Terminal Project

The construction of an offshore LNG terminal in Hong Kong waters is one of the approved capital projects of Castle Peak Power Company Limited (CAPCO) under the 2018-2023 Development Plan. The project, which can receive and store LNG and then deliver regasified LNG by subsea pipeline to Black Point Power Station, will further improve Hong Kong's long-term natural gas supply stability by diversifying supply sources, and enable procurement of natural gas at competitive prices from the global market. The implementation of the offshore LNG terminal is therefore a critical step in supporting the Hong Kong Government's plan to increase the percentage of natural gas used for power generation and reduce carbon intensity in the city.

CLP is committed to sustainability in its business and financing activities. In line with this commitment, the Group updated its Climate Action Finance Framework (CAFF) in June 2020 to support a broader range of financial transactions from bonds to other types of financing including loans. This enables us to further diversify the sources of debt and access a wider pools of capital committed to socially-responsible and sustainable financing. All these stem from our recognition of the significant role played by the offshore LNG Terminal project in CLP's transition into a lower-carbon future, therefore Environmental, Social and Governance (ESG) components were embedded in the associated financings.

In view of the long-term nature of the project, and to optimise the debt funding arrangement, a financing package was arranged which includes:

- an inaugural HK$3.3 billion medium-term commercial bank facility which carried the Energy Transition element. This followed a rigorous environmental and social due diligence process by the lenders, including a joint objective to comply with the Equator Principles 4, an international framework to assess environmental and social risks;
- an US$350 million Energy Transition Bond. The 10-year bond came with an attractive long-term fixed coupon rate of 2.20%. The issuance received overwhelming support of investors, including ESG investors, with 4.9 times over-subscription. The bond was selected as the best energy transition bond in *The Asset* magazine's Country Awards 2020, reflecting the recognition of CLP's leading position in energy transition financing by market participants;

- a HK$2.0 billion long-term Energy Transition Loan facility covered by China Export & Credit Insurance Corporation (Sinosure). This Export Credit Agency-covered facility, together with the above HK$3.3 billion medium term commercial bank facility, were the first Energy Transition credit facilities after the enrichment of the CAFF. According to Sinosure, this transaction was also the first ESG export credit facility extended by Sinosure in Hong Kong.

These financings, which were executed in an unprecedented COVID-19 environment and a challenging financial market in 2020, underscore the strong commitments of CLP and CAPCO to sustainable and ESG financings, complementing the Group's efforts on business sustainability.

Proven, Resilient Risk Management

At CLP, we understand that effective risk management is indispensable. Our long-established risk management policies and periodic review functions throughout the Group have protected CLP from unfavourable financial and market risk exposures.

Again, our approach is to identify risk exposures and apply natural hedge or straight-forward, pre-approved financial derivative instruments that can qualify for effective accounting hedge, with no adverse profit-and-loss or cash flow impact, to offset the underlying economic obligations and risks. This approach has proven to be effective and efficient. CLP's conscientious management of risk and regular re-assessment have reassured our key stakeholders including government authorities, customers, shareholders, financial institutions, bond investors and business partners that residual risks remained very low and the Group is capable of taking up business assignments and obligations for the very long-term.

Digital Transformation

Since CLP's first initiative and subsequent success to implement a cloud-based software-as-a-service Group Treasury Management System (GTMS) in 2016, we have been continuously exploring ideas to realise greater automation, analytical capability, straight-through processes and paperless work cycle. It is essential for CLP to adopt and maintain an agile treasury system that can keep pace with technological advancements and the high complexities of a dynamic financial market, taking into account the fast, vigorous and effective solutions from the fintech evolution. An upgrade of the GTMS implemented by the Treasury team was in progress in 2020, which will enhance the functionality and scalability of the system, and to achieve greater straight-through processing and perform better analyses with automatic matching process, consolidation of end-to-end workflows and improvement of cash flow forecasting visibility, efficiency and accuracy.

Debt Profile as at 31 December 2020

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	CAPCO HK$M	Other Subsidiaries HK$M	CLP Group HK$M
Availability Facility [1]	6,500	38,274	19,071	16,240	80,085
Bank Loans and Other Borrowings	–	29,684	13,573	11,091	54,348
Undrawn Facility	6,500	8,590	5,498	5,149	25,737

Note:

1 For the Medium Term Note Programmes, only the amounts of the bonds issued as at 31 December 2020 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 good 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 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 even in challenging market circumstances.

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 August 2020. S&P affirmed its credit rating with a stable outlook for EnergyAustralia in August 2020.

	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	• Transparent and predictable regulatory framework in Hong Kong • Highly visible and stable operating cash flows of SoC business • More timely fuel-cost adjustment in Hong Kong • EnergyAustralia's position as one of the largest integrated energy utilities in Australia, with strong balance sheet capacity to undertake growth-related investments	• The Group's strong and adequate financial metrics despite moderation, well-managed debt maturities and sound liquidity profile • Good access to the domestic and international banks and capital markets • Large earnings contribution from CLP Power Hong Kong with strong and highly predictable cash flow supported by a highly stable regulatory environment
Negatives	• Unregulated power generation business outside of Hong Kong, with the Australian business being more volatile and profitability under near-term pressure • EnergyAustralia's operating challenges including coal quality issues at Mount Piper Power Station and aging assets amid competitive energy market	• The Group's significant electricity business exposure outside Hong Kong will remain manageable but faces challenges of carbon transition risks • Increasing capital spending in the SoC business with reduced regulatory rate of return

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

More information about major financing activities in 2020 and our debt profile can be found on pages 34 and 35 of the CLP Holdings 2020 Annual Results Analyst Briefing Presentation.

Analyses of loan balance by types and bond funding by currencies can be found on page 46 of the Investor Presentation Introductory Pack.

A tumultuous year of severe disruption to global economic activities, impacting foreign exchange, interest rate and corporate funding markets. These posed challenges to many corporates in 2020.

- Significant volatilities in exchange rates of major currencies. Maximum swings of 35% in Australian dollar, and 9% in Renmenbi, against US dollar during 2020
- Spikes in credit spreads for financing for many corporates and liquidity drain in the market
- Sharp tightening in funding market caused by the COVID-19 pandemic especially in the early part of 2020
- COVID-19, increasing tension of Sino-US relationship and other geopolitical uncertainties

Objectives & Strategies	Measures	Key Results in 2020
Well-balanced, strong financial profile Healthy capital structure Diversification and flexibility	• Liquidity of HK$37.4 billion including undrawn bank loan facilities plus bank balances • Maintaining long-term business relationships with 37 financial institutions in different locations (Australia 10%, Mainland China 22%, UK and Europe 22%, India 22%, Japan 8%, US 8%, others 8%) • Spreading out loan maturities (beyond 5 years 50%, 2-5 years 23%, 1-2 years 11%, within 1 year 16%) • Diversity of debt instruments and markets (bonds 68%, term loans 24%, money market lines 6%, export credit loan 2%) • Multiple bond denomination currencies (USD 64%, HKD 21%, JPY 8%, INR 4%, AUD 3%) • Good investment grade credit ratings • Reduction in net debt balance of HK$1.4 billion • The US$350 million Energy Transition Bond issued by CAPCO was selected as the best energy transition bond in *The Asset* magazine's Country Awards 2020 • CLP Power Hong Kong successfully issued US$1.0 billion dual-tranche 10– & 15– year public bonds at very attractive terms	**Timely, cost-effective financing** • Decreased net debt to total capital ratio by 1.6% • Reduced net finance cost* by HK$158 million • Early action to secure funding commitments * Included the distribution to perpetual capital securities holders
Foreign exchange risk mitigation	• Transaction risk – CLP hedges a high portion of committed and highly probable exposure. Residual risk is low and within tolerable levels • Translation risk – This carries no profit-and-loss nor cash flow effect. CLP does not hedge for regional equity investment but match funding with local currency debt	**A vigilant, diligent risk management approach** • No undue financial impact despite extreme turbulence in financial markets • Proactive assessment and regular evaluation of liquidity position
Counterparty exposure risk mitigation	• Transact with trustworthy and capable parties	
Interest rate risk mitigation	• As of the end of 2020, the Group's fixed rate debt as a proportion of total debt was 63% (65% if including perpetual capital securities)	
Sustainable dividend	• Dividend – 2020 : HK$7,832 million ; 2019 : HK$7,782 million	**Focus on shareholder value creation** • Increase of dividend despite the adverse market environment • Shareholders' funds (including retained earnings) increased by HK$6,745 million
Ongoing capital investments	• Scheme of Control – HK$8,686 million • Growth – HK$452 million • Maintenance – HK$1,999 million • Joint ventures, associates and others – HK$554 million	
Strong cash inflow	• Good operational performance – free cash flow of HK$20,418 million • Dividend inflow from joint ventures and associates – HK$2,320 million	
Advanced technology	• Adoption of cloud-based GTMS with continued enhancements	**Strong governance** • Full treasury compliance • Continually exploring areas of improvement
Timely reporting	• Timely and accurate financial reports and compliance checks	
Effective policies and principles	• Comprehensive set of policies, principles and guidelines with regular reviews	

Manufactured Capital

CLP's portfolio of operating assets in the Asia-Pacific region spans key segments of the power sector value chain, including generation, transmission and distribution. The Group remains committed to safely managing these assets to high standards of performance, even during unplanned global events such as the COVID-19 pandemic. As always, CLP remains focused on maintaining reliable electricity provision and delivering value-adding energy services to customers.

Material Topics

Harnessing the Power of Technology

Responding to Climate Change

Reinforcing Cyber Resilience

This section discusses the strategies deployed in CLP operations to manage the challenges of the COVID-19 pandemic, strengthen cybersecurity, and continue the Group's journey to decarbonisation.

Operational Resilience

CLP's business operations have continued to demonstrate high levels of resilience throughout 2020, navigating the many challenges flowing from the COVID-19 global pandemic.

Prior to the outbreak, CLP regularly reviewed and refreshed relevant business continuity plans and procedures as part of its ongoing planning against potential emergencies. CLP's well-established response plans are constantly reinforced by organisational learnings from past events such as SARS in 2003 and Super Typhoon Mangkhut in 2018, and reflect the Group's commitment to long-term business sustainability.

While the COVID-19 pandemic was unique and unprecedented, these existing preparations enabled CLP to take rapid action across its Asia-Pacific operations from the beginning of the outbreak, subsequently learning and updating its management approach quickly as further information became available in the rapidly unfolding situation.

Controls were implemented across all CLP's operating regions to minimise the risk of virus transmission and to respond appropriately in the event of positive COVID-19 cases being suspected or identified. Special arrangements were immediately put in place to protect the health, safety and wellbeing of workers in all CLP locations. For example, heightened hygiene and sanitation measures, body temperature screening, and meticulous cleaning in offices and work sites were swiftly introduced.

Special work arrangements were implemented, and essential and non-essential operations were identified. Working-from-home and split teams arrangements were introduced, and CLP ensured workers had access to adequate supplies of personal protective equipment. Where necessary, mission-critical employees and resources were deployed to locations prior to travel constraints and lockdowns being implemented. In support of the COVID-19 response measures, CLP adopted remote working, while the use of digital technologies was increased to maintain effective communications across the business.

Case Study

The benefits of digitalisation

CLP decided several years ago to move some of the Group's key software tools to cloud computing. This decision established capabilities that underpinned the ability for employees in Hong Kong, Mainland China, India, and Australia to efficiently perform their duties away from work premises, even in extended periods of national or regional lockdown.

Thanks to key enterprise software tools becoming available for remote users as part of CLP's ongoing rollout of cloud-based intranet services in Mainland China, employees working from home were able to continue cooperating with on-site colleagues to manage power plant operations, as the COVID-19 outbreak escalated in early 2020.

For many large energy businesses with geographically diverse operations, enterprise software tools remain vital to effective and efficient operations. For CLP China, these tools also allow users to control and manage capital projects, authorise equipment purchases, and carry out other critical actions. Before the scope was extended in January 2020 to include remote users working from home, the enterprise software tools were being routinely accessed in CLP China's offices and work sites for operational purposes.

Cloud computing technologies enabled CLP China employees to keep projects on track while working from home through video or audio conference calls. Within a few weeks, near the beginning of the COVID-19 outbreak, the level of conference calls increased approximately tenfold.

In recognition of its efforts to maintain normal operations and safeguard employees' health, CLP China's regional head office won a national award in November 2020 for health management innovation in the 2020 People's Workplace Health Management Forum organised by the People's Daily Online.

EnergyAustralia meanwhile quickly upgraded network services and accelerated the rollout of digital telecommunications, computerised tools and other remote working information technology devices to enable employees and contractors to switch to working from home, enabling individuals to collaborate efficiently with colleagues based at generation sites and contact centres. New software was fast-tracked to enable real-time communication and collaboration between sites, allowing workers to share information and conduct virtual meetings.

Continuous planning and investments in proven and secure information technology systems including virtual private networks enabled CLP India to quickly transition employees to remote working in the national lockdown, while maintaining reliable operations. New communication software was introduced to ensure CLP India employees continued to collaborate effectively, both from the safety of their homes or when on-site.

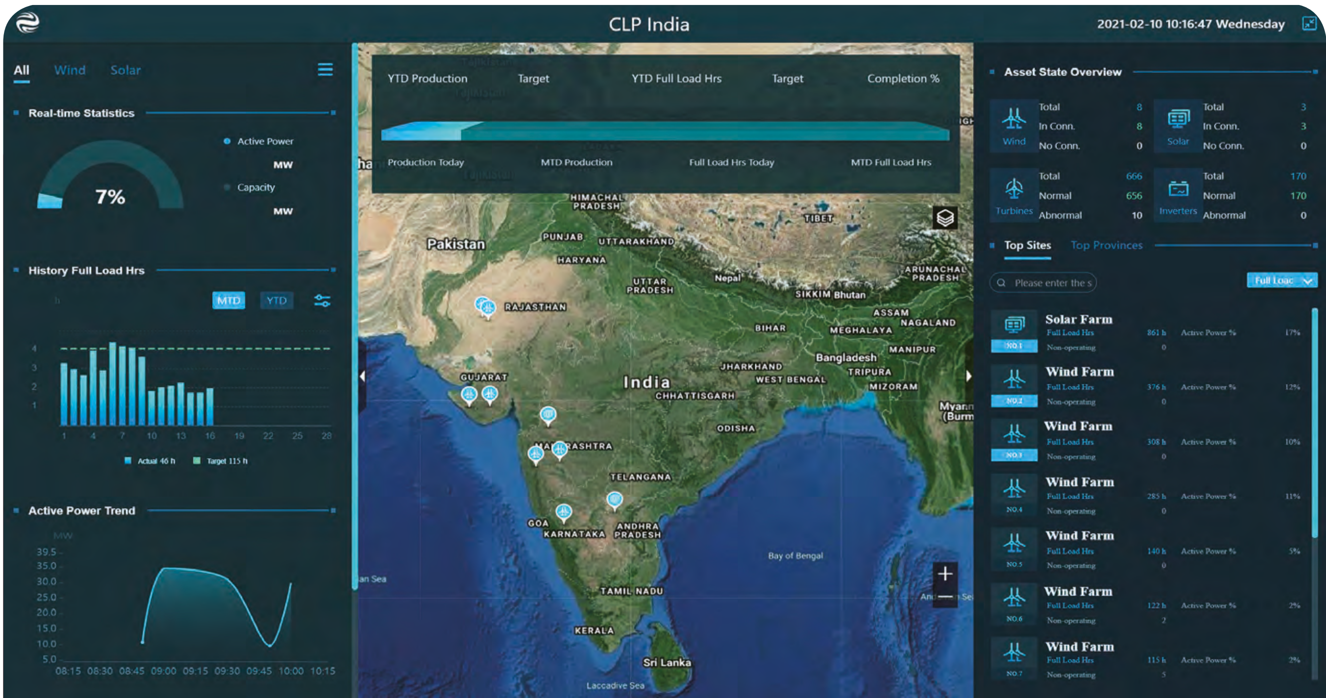
Enhancing Asset Reliability and Quality

CLP continued to invest in maintaining and upgrading the Group's generation assets in the Asia-Pacific region to ensure reliable energy supply.

EnergyAustralia completed an extensive maintenance programme at its Mount Piper Power Station in New South Wales in December, which prepared it for the seasonally-high levels of power demand experienced in the Australian summer. The maintenance programme required an 87-day planned outage on one of the power station's steam turbine generating units and was the plant's most significant upgrade in recent years. Major boiler works were also carried out, supporting continuing improvements in the power station's levels of operational reliability and efficiency.

COVID-19 required extensive levels of additional planning and operational controls to be implemented, especially given that over 1,100 workers were required to be on site to carry out the works.

Stringent safety measures were also established to protect workers during an outage at EnergyAustralia's Yallourn Power Station in Victoria. The works involved major boiler maintenance to further boost levels of operational reliability.



CLP's data analytics platform supports continuous improvements in the performance of renewable energy assets in Mainland China and India. *(Screenshot of Envision EnOS system, printed with permission from Envision)*

CLP continued the rollout of an analytics platform covering all of its renewable energy plants operating in Mainland China and India. Digital technologies including artificial intelligence and data analytics support CLP in optimising the performance of its assets continuously, enabling real-time monitoring of plant operations, and providing performance-enhancing predictive analytics capabilities. The data analytics system also supports CLP in the effective management of wind and solar assets, identifying potential faults and managing a scheduled programme of maintenance and cleaning. The data analytics platform will be fully implemented across CLP's renewable energy assets in Mainland China and India in 2021.

Deployment of technologies to improve safety outcomes accelerated during the pandemic, reducing the need for manual labour in hazardous activities. Automated drones with thermal cameras are now used across CLP's fleet of solar energy plants in Mainland China and India, allowing for more effective and efficient inspection of plant performance and the detection of malfunctioning systems. Drones have also been trialled to inspect wind turbine blades in India.

Progressing Carbon Emissions Reductions

CLP maintained its progress in reducing the carbon intensity of its energy portfolio through the commissioning of a new combined cycle gas turbine generating unit at Black Point Power Station in Hong Kong. With a high efficiency level, the new natural gas-fired generating unit is a key investment to strengthen CLP's efforts to reduce emissions from generation and support Hong Kong's transition to a lower-carbon future.

CLP commissioned the 50MW Laiwu III Wind Farm in the Shandong province in September, the latest addition to its portfolio of renewable energy assets in Mainland China.

Two solar plants acquired by CLP India in 2020 in the southern state of Telangana reported solid operating performance. CLP India meanwhile continued to make progress with its new 250.8MW wind energy project in Sidhpur in Gujarat, with construction starting in the first quarter of 2021.

Robust Supply Chains

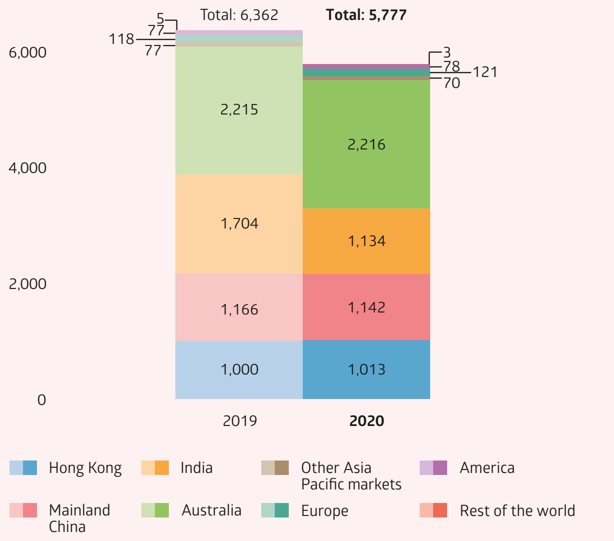
The COVID-19 pandemic has presented supply chain challenges for many energy utilities around the world. CLP's multi-regional supply chains remained resilient to these challenges and were able to adapt and provide continuity of supply. For example, collaboration across CLP's regional businesses ensured sufficient supplies of personal protection equipment, including face masks and hand sanitisers, to the workforce amid a global shortage in the early stages of the outbreak.

This level of operational flexibility and adaptability played a key role in maintaining the safety and reliability of the Group's operations. This also highlighted the value of developing and maintaining positive partnerships with suppliers.

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

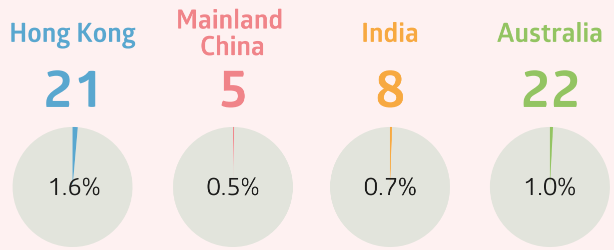
The commitment to ongoing enhancement and improvement of CLP's procurement capabilities is vital to support the ongoing needs of the Group's operations, in addition to growth projects. CLP continues to develop its internal capabilities to better understand global supply chains, risk management and supplier relationships. The Group will also focus on the benefits of adopting digital technologies, especially data analytics for improved insights into suppliers' performance and supply chain management. Digitalisation will help deepen CLP's collaboration with strategic suppliers, enhancing the Group's access to resources and capabilities in support of business objectives.

Supplier Distribution by Geographical Region

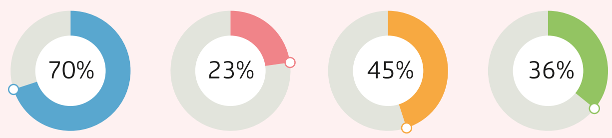


Overview of Strategic Suppliers by CLP Regional Subsidiary

Number of Strategic Suppliers and Percentage among Total Suppliers for Business



Percentage of Total Spend for Business



Strengthening Cybersecurity Management

As new digital technologies and business models continue to help transform CLP into a Utility of the Future, the Group has recognised the critical need to protect and defend its business operations against growing cyber threats. In addition, the COVID-19 pandemic further compounded cybersecurity challenges for businesses globally, with remote working becoming commonplace and criminal activity on the internet increasing to unprecedented levels.

During 2020, CLP accelerated investments in detection and response technologies across the Group in order to mitigate cyber risks. Appointments of senior subject matter experts in the past year further strengthened CLP's cybersecurity planning and organisational capabilities, allowing the Group to implement a centralised, joined-up approach to counter rapidly evolving threats to its assets located across the Asia-Pacific region.

In addition to the constant monitoring of potential cyber threats on an ongoing basis, CLP is focused on continually developing its security risk management strategy to deliver holistic, coordinated protection to the Group's operations, and to apply new techniques and technologies as appropriate.

Comprehensive security awareness and training programmes were delivered throughout 2020 with the aim of improving employees' current levels of understanding of the threat and to continually promote and reinforce good cyber hygiene, thus encouraging staff to play their part in protecting the Group's physical and digital assets.

CLP is investing in technological capabilities and expanding its partnerships to accelerate innovation in new services and business models for energy users, and increase operational efficiencies across the organisation. In the Group's mission to become a Utility of the Future, CLP is focused on providing low-carbon, technology-enabled energy solutions in tandem with global efforts to combat climate change. The COVID-19 crisis has meanwhile highlighted the urgent need for businesses and organisations globally to increase the sustainability and resilience of their operations.

Material Topics

Harnessing the Power of Technology

Responding to Climate Change

Innovative technologies are key for consumers and businesses to improve energy efficiency and reduce emissions. This section focuses on investments in new capabilities and partnerships that are making it possible for CLP to develop lower-carbon, technology-enabled energy services for customers.

Mobilising the Energy-as-a-Service Strategy

As governments around the world accelerate plans to decarbonise their economies, electricity utility companies with strong digital technology capabilities have increased opportunities to offer customers a more diverse range of innovative, low-carbon energy solutions. An energy-as-a-service model allows utility companies to deliver and manage multiple service offerings more effectively and build on their core electricity business to maximise synergies and value for customers. This allows the companies to meet growing demand for services such as energy management, corporate power purchase agreements, electric vehicle charging, and microgrids.

The development of Smart Energy Connect (SEC) exemplifies the energy-as-a-service strategy favoured by CLP. Since its launch in 2019, SEC's digital applications platform has provided an expanding range of energy management solutions and services to help businesses and organisations improve energy efficiency and become more sustainable. Innovation in smart digital energy services, deploying technologies such as artificial intelligence and the Internet of Things, offers customers new tools to make workplaces safer, more energy-efficient and automated.

In 2020, SEC partnered with shipping companies Wah Kwong Maritime Transport and Pacific Basin to offset the greenhouse gas emissions from their operations using carbon credits from CLP India's wind farms, as demand for decarbonisation solutions from businesses continue to grow.

CLP*e* Solutions, the Group's subsidiary focused on energy and infrastructure solutions, is helping a growing number of commercial customers find new ways to improve energy efficiency and make their operations more sustainable. In November, CLP*e* Solutions completed the installation of a new solar energy system at HSBC Building Tseung Kwan O in Hong Kong, providing a one-stop solution for system design, construction, operations, and maintenance. CLP*e* Solutions and SEC deployed an artificial intelligence-enabled building analytics system to help the Airport Authority Hong Kong optimise energy use at Terminal 1 of Hong Kong International Airport.

The Smart Energy Connect digital applications platform exemplifies CLP's energy-as-a-service strategy.

Case Study

Smart Technology Saves Energy for Shopping Mall and Keeps Temperature Optimal

Machine learning and big data technologies help run the central chiller equipment at Olympian City 3, a 130,000 square feet retail complex in Hong Kong, improving energy efficiency and ensuring shoppers receive precisely the right level of air-conditioning.

Central chillers are among the most energy-intensive parts of a commercial building. Through CLP's Smart Energy Connect (SEC), Olympian City 3 deployed an advanced artificial intelligence-based solution that analyses the chiller equipment's operational data in real-time, and automatically adjusts the system to run at the most energy-efficient settings. CLP*e* Solutions provided installation and engineering support on the new system, which has generated energy savings of more than 10% for Olympian City 3.

"We needed to increase energy efficiency, while at the same time maintaining a comfortable environment for shopping mall users," says Nelson Chiu, Associate Director at Sino Estates Management Limited, which manages Olympian City 3. "The Sino Group is always looking for the best environmental technologies on the market."

The solution deployed by Olympian City 3 is powered by proprietary machine learning technology to analyse reams of operational data from continuous monitoring of the chiller, and precisely calculate system settings needed for the equipment to perform at optimal energy efficiency.

Smarter, More Sustainable Energy Solutions

The COVID-19 pandemic is changing the way offices and commercial premises are designed and used, with building managers deploying smart digital technologies to optimise access control, energy efficiency, and space utilisation, according to a 2020 study by consultancy Guidehouse commissioned by CLP. Particularly in the Greater Bay Area, the market for smart building solutions integrating digital technologies will more than double to over US$1.4 billion annually by 2025, the study estimates.

CLP's plans in the Greater Bay Area will benefit from increased access to innovative Chinese energy technologies through the CSG Energy Innovation Equity Investment Fund. Established in November by China Southern Power Grid Co., Ltd in partnership with investors including CLP, the new fund will focus on investment opportunities in energy technologies, including renewable energy, the digital grid, and electric vehicle charging.

TUS-CLP Smart Energy Technology Co. Ltd., the joint venture between CLP and TUS-Clean Energy, is focused on developing smart energy solutions for customers in the Greater Bay Area and other regions of southern China. Meanwhile CLP formed a partnership with CYZone, a leading Chinese provider of event and information services supporting technology innovators, to identify the most promising smart energy technologies in Mainland China. The partnership further expanded CLP's opportunities to work with providers of advanced energy technologies and business models, including those for energy management, storage, smart buildings and e-mobility.

Empowering Energy Digitalisation

Ongoing investments in digitalisation have continued to support CLP's efforts to deliver smarter, more user-centric energy services to customers. In Hong Kong, the newly-upgraded CLP mobile app is designed to cover the whole digital customer journey, from new account registration and access to bill information to advice on managing electricity use. It also supports online shopping and provides a range of digital content, including cookery videos for customers spending more time at home because of COVID-19.

The continued rollout of CLP's smart meter installation programme is providing more Hong Kong customers with access to consumption data, giving them the ability to improve their energy efficiency and participate in demand response programmes to reduce power consumption. As electricity demand from customers in Hong Kong increased to a new record of 7,264MW on 14 July 2020, some users were prompted to reduce power consumption by demand response technologies deployed by CLP, thereby improving system reliability. Without the demand response programme, peak power demand would have been more than 100MW higher. Technology from AutoGrid Systems, a Silicon Valley energy management company, further enhanced the demand response programme's operation. AutoGrid is among CLP's portfolio of investments in energy technology companies and venture capital funds in global innovation centres including Mainland China, the US and Israel.

In Australia, meanwhile, integrated solar energy and battery storage systems allow households to benefit from low-carbon electricity with long-term cost savings, although some users may be deterred by the upfront costs of installation. EnergyAustralia's new Solar Plus plan helps customers avoid some of the costs by charging only a fixed-rate fee. Through the use of virtual power plant technology, the solar and battery systems installed at customers' premises are managed by EnergyAustralia, improving the stability of the electricity grid. The new service is part of the "On by EnergyAustralia" platform, which focuses on innovative energy services. EnergyAustralia also uses the platform to offer flat-rate electricity subscription plans similar to mobile phone services, allowing customers to manage their energy expenses more effectively.

CLP is continuing to strengthen its data science capabilities by developing new software to improve the performance of its operations. Artificial intelligence and machine learning technologies are providing CLP with new tools to enhance efficiency by creating accurate ways to predict key operational parameters such as system loads, emissions from power generation, and cable faults. CLP provided machine learning-based solution to Sarawak Energy, an electricity utility in Malaysia, for power theft detection.

Smart Charge (HK) Limited, CLP's joint venture with telecommunications company HKT Limited, has continued to step up efforts to install new electric vehicle charging infrastructure in residential estates in Hong Kong in response to growing demand. Government support is increasing for private residential car parks to install charging systems, providing new opportunities for Smart Charge which has put forward proposals to build EV charging infrastructure for more than 400 residential car parks. CLP also continued to offer free electric vehicle charging services through a network of more than 50 charging stations across its supply area, while its new Eco Charge 2.0 service offers support for Hong Kong customers applying for Government subsidy to install electric vehicle charging infrastructure.

Accessing the Best Energy Innovations

CLP continued to participate in the Free Electrons global energy accelerator programme, gaining access to the most innovative energy technologies from providers in Europe, the Americas, and Asia, despite the challenges of the pandemic. Collaboration between utility companies and start-up companies in the programme was made possible through video conferencing and other remote working tools, supporting the development of pilot projects with potential for commercialisation. CLP also strengthened its partnerships with technology providers around the world through other programmes including the Alibaba JUMPSTARTER programme and the Australian Technology Competition.

EnergyAustralia continued the annual accelerator programme it runs in conjunction with Startupbootcamp, overcoming restrictions imposed by COVID-19 to work with technology providers from around the world to speed up innovation in services and solutions for Australian energy users.

CLP is adopting an energy-as-a-service model to provide a wider range of energy services to customers. What are the market segments and opportunities that you are prioritising in the coming year?

Mr Charles Wong

CEO, R&B Technology Holding Co. Ltd.

As digitalisation continues to accelerate in the energy sector, CLP's energy-as-a-service strategy will help us provide multi-faceted, digitally-connected solutions for energy consumers and support increased sustainability.

The continuing growth in the data centre market in Hong Kong and the Greater Bay Area has increased opportunities for CLP to supply energy to infrastructure operators and pursue new business models, including equity investments and co-development of facilities, in addition to providing energy-related services and energy technology solutions.

Demand for renewable energy from large businesses with multinational operations makes the corporate power purchase agreement (CPPA) market one of the fastest-growing segments of the global energy industry. CLP's capabilities in renewable energy development and innovative energy-as-a-service business models make us well-positioned in this nascent sector of the market, and we are committed to providing competitive, technology-enabled CPPA services to companies including conglomerates and data centre providers.

CLP is continuing to explore commercial opportunities in the microgrid market for businesses that need off-grid or grid-complementary power services at a competitive cost, combining decentralised power generation, battery storage, and energy management technologies.

Austin Bryan

Senior Director - Innovation

Human Capital

Last year, the COVID-19 pandemic brought unique workforce and work environment challenges to CLP's operations. CLP's response safeguarded people's wellbeing, enabling continued progress in building an agile, inclusive and sustainable workforce to address the global energy transition.

In 2020, the impacts of COVID-19 were felt across the world. In response to the COVID-19 outbreak, all of CLP's businesses rapidly introduced a comprehensive range of measures to safeguard the wellbeing of employees and contractors to ensure continued safe and reliable operations and help impacted customers. CLP has not needed to stand down any employees due to the pandemic.

With health and safety as the foundation, this year, CLP continued to focus on addressing the significant opportunities and challenges presented by digitalisation and decarbonisation of the energy sector, together with intensifying demographic and labour supply issues and social and political uncertainties.

New and refreshed programmes at different career levels were introduced in Hong Kong to accelerate development of pipelines of future general managers and engineering leaders in preparation for energy transition and digitalisation, and to address future skills shortages. Employment branding was strengthened to enhance CLP's attractiveness to younger and non-traditional talent. CLP continued to resource innovation and energy-transition-related activities.

Efforts to increase gender diversity continued with progress on key metrics and an aspirational target set to achieve gender balance over time in the Hong Kong Graduate Trainee intake in order to address significant under-representation of women in operational professional and leadership roles.

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. Implementation of action plans to upskill and empower employees to respond rapidly to changing customer needs, provide work environments that facilitate collaboration, and equip employees to leverage new technologies gathered pace.

As a company with hundreds of work sites in the Asia-Pacific region, ensuring that everyone who works for CLP is safe, secure, treated fairly and with respect, is at the core of how CLP works, and underpins long-term success. In 2020, CLP's Value Framework was refreshed, expressing respect for all internationally-recognised human rights relevant to CLP's operations as a core belief, and embedding human rights in the promises made to stakeholders about how CLP upholds its values.

Material Topic

Building an Agile, Inclusive and Sustainable Workforce

A Utility of the Future needs a Workforce of the Future. This section discusses CLP's strategies to develop its organisation capability to enable business growth and transformation.

Recognition of CLP Power Learning Institute at the Award for Excellence in Training and Development 2020, organised by the Hong Kong Management Association.

Keeping People Safe and Well

The COVID-19 Response

Starting in January 2020, country- and site-specific pandemic plans were enacted encompassing special access controls to ensure business continuity and special work arrangements including work-from-home, flexible working hours and reduction of non-essential works. CLP provided necessary protective equipment to the workforce, increased deep cleansing and temperature testing at work sites, offered physical and mental health and wellbeing support and assistance to all employees and also provided special leave for purposes of self-isolation, care and family reunion. Proactive communications with employees and their families continue.

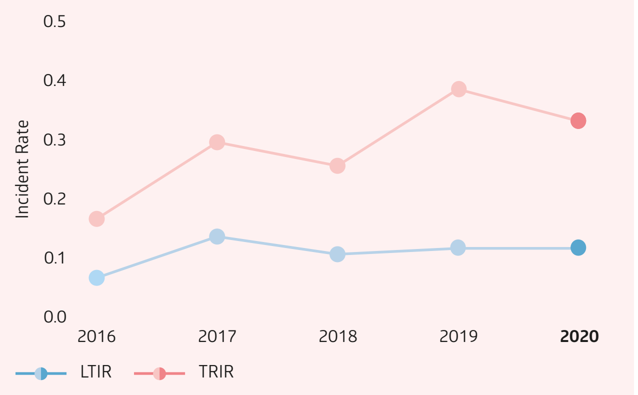
CLP is committed to ongoing improvements in safety in its operations. The Group reported a reduction in its Total Recordable Injury Rate (TRIR) in 2020. Whilst the Lost Time Injury Rate (LTIR) was unchanged from 2019, the number of injuries decreased. Injuries in major projects were significantly reduced, as project activities were lower. CLP continued efforts to promote health and safety for employees and contractors, with a focus on addressing risks from high-consequence, low-probability events. The Group reported no workplace fatality for employees and contractors in 2020, the first time since 2015.

CLP aims to provide an operating environment that encourages the reporting of safety-related incidents, as the development of a mature safety culture is a key goal of the Group's ongoing efforts to improve performance on health, safety and the environment (HSE). Safety leadership programmes were offered across business units in the region to provide leaders with the skills to support their teams and spread best practices among employees and contract workers.

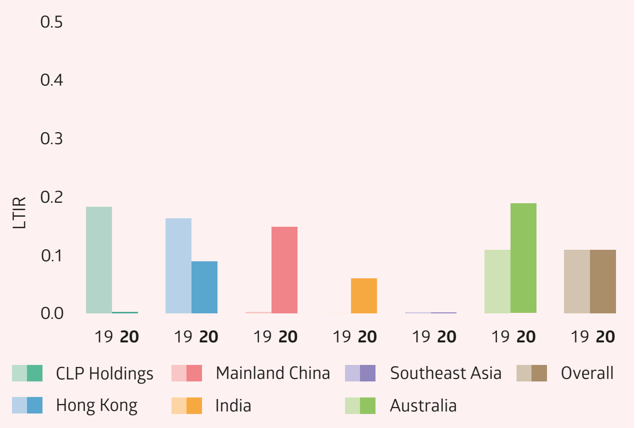
Rethinking risk is a key pillar of CLP's HSE improvement strategy, as the Group is committed to proactive measures to improve safety, moving beyond compliance. In 2020, CLP developed a new framework for Safety in Design (SiD), where risk is minimised in the design stage instead of relying upon post-design mitigations. This is supported by training to further increase capabilities in this area.

To help support the management of safety risks across business units, the Group is upgrading its internal management system to provide clear standards, with a focus on operations carrying higher safety risks. New documentation was released to support the revamped management system.

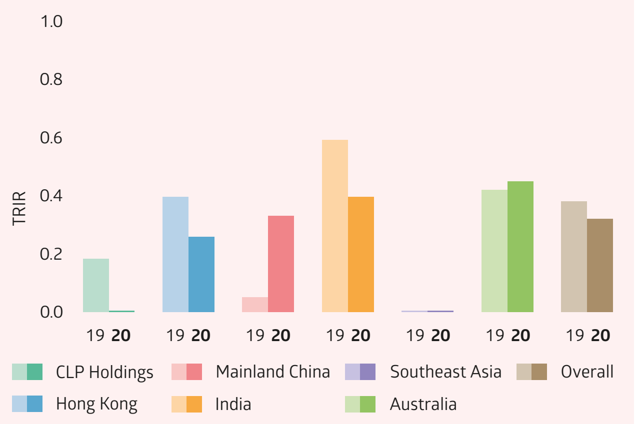
Group Lost Time Injury Rate and Total Recordable Injury Rate



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.

Key Performance Summary

At the end of 2020, CLP had 8,060 full-time and part-time employees, compared with 7,960 a year earlier. A total of 3,910 employees were engaged in the Hong Kong regulated electricity business, 417 in Hong Kong non-regulated electricity-related businesses, 609 in Mainland China, 2,762 by the businesses in India, Southeast Asia, Taiwan and Australia, with the remaining 362 employed by CLP Holdings in Hong Kong. Total remuneration for the year ending 31 December 2020 was HK$6,368 million compared with HK$6,054 million in 2019, including retirement benefit costs of HK$606 million compared with HK$593 million in 2019.

	2020	2019
Total Workforce [1]	**17,621**	18,979
Total Employees [2]	**8,060**	7,960
Workforce fatalities	**0**	1
Lost Time Injury Rate [3] (Workforce)	**0.11**	0.11
Gender Diversity		
– Group Executive Committee [4, 5]	**64% / 36%**	64% / 36%
– Employees [2, 4]	**74% / 26%**	74% / 26%
– Women in Leadership positions [6]	**27.3%**	24.2%
– Women in Engineering [7]	**11.5%**	11.4%
Voluntary Turnover [8]	**4.4%**	5.9%
New Hires	**711**	857
Percentage of employees on permanent contract [2]	**88%**	88%
Percentage of labour supply [9] and service contractors [10] in workforce	**55%**	59%
Percentage of employees who received training [2]	**97%**	94%
Average training hours per employee [2]	**42.5**	40.1

Notes:

1 Includes full-time and part-time employees, labour supply and estimated service contractors on a full-time equivalent (FTE) basis. FTE calculations are based on the number of man-hours incurred and country-specific average working hours.
2 Full-time and part-time employees.
3 See note 1 under Total Recordable Injury Rate at Group and Regional Level.
4 Male / female ratio. Data of other gender identities is tracked. It is statistically insignificant and is not separately disclosed.
5 Includes Executive Directors (Chief Executive Officer and Chief Financial Officer).
6 Leadership positions are defined as positions at Hay Reference Level 19 and above.
7 Employees with a bachelors' 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.
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.

Addressing Strategic Workforce Challenges

Industry, regional, social and demographic drivers are bringing unprecedented change to CLP and are redefining the 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 low-carbon energy, new energy solutions businesses and digitalised operating models will increase, together with addressing labour market challenges of an ageing workforce and increased competition for science, technology, engineering and mathematics (STEM)-qualified people. In 2021, millennials will make up around 44% of CLP's employees; this is expected to increase to 67% by the end of 2025. This digital-native generation of employees brings different expectations of work and how CLP should engage and support them. In this context, CLP must find ways to attract and retain a more gender- and culturally-diverse, multi-generational workforce and share talent effectively across the Group portfolio of businesses. Facilitating youth development, strengthening organisation capability to support CLP's new businesses in Hong Kong and the Greater Bay Area, equipping leaders to lead transformation under increasingly complex social and political influences, and accelerating gender diversity progress are key priorities in 2021.

Energy transition, digital evolution, and increasing social and political uncertainties and expectations in CLP's markets are driving the need for greater organisational agility: the ability to adapt and succeed in a rapidly changing environment. Early steps in CLP's path to agility are upskilling and empowering employees to respond rapidly to changing customer needs and drive breakthrough improvements, providing physical and virtual work environments that facilitate collaboration, and equipping employees to leverage new technologies. In 2021, cultural change efforts to encourage idea generation, experimentation and ownership will accelerate, along with helping employees adapt to structure and process changes over time.

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, supporting increased gender, age and cultural diversity. In 2020, CLP invested in tools and resources to support employees' physical and mental wellbeing and also enhanced flexibility policies as part of its COVID-19 response. This focus will continue in 2021 as employees return to the workplace.

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. Work to operationalise CLP's commitments to respecting internationally-recognised human rights through the application of Group labour standards continues.

Attracting and Retaining Tomorrow's Workforce

Retaining the wealth of knowledge among CLP's employees, 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.

Investing in building pipelines of skilled engineers and technicians in preparation for the energy transition and to address future skills shortages continue to be a key priority. A suite of new and refreshed development programmes targeted at Graduate Trainee and early- to mid-career levels was launched in Hong Kong in 2020, focusing on building future leadership capabilities and technical competencies, and accelerating the readiness of young engineers to take up leadership positions. These programmes aim to progressively develop technical, innovation, project, commercial and change leadership skills at different career stages and to increase exposure to different cultures through experiences in CLP's operations in Mainland China and further afield. In 2020, 32 Graduate Trainees and 27 Leaders of the Future management trainees commenced programmes. In addition, 16 high-potential engineers successfully concluded their participation in a cross-business engineering development programme. CLP continued to strengthen resourcing of innovation, major projects, business development and energy transition-related activities and projects, recruiting 32 senior hires in 2020 into critical roles. CLP's Group careers website was relaunched to enhance attractiveness to candidates interested in the new careers and opportunities that energy transition presents.

CLP's Executive Development Programme, targeted at enterprise leaders, was refreshed to strengthen development of the skills required to lead transformation under complex social and political influences. The programme combines leadership, energy transition and business simulation elements, and is conducted in partnership with the International Institute for Management Development (IMD), École Polytechnique Fédérale de Lausanne (EPFL), and Tilt Global.

In order to be ready for the opportunities provided by Greater Bay Area development, CLP continued to provide cross-cultural training opportunities for staff in 2020 through virtual delivery of programmes focused on national affairs, business leadership and management, offered by institutions including the Tsinghua School of Economics and Management and Ivey Business School. Over 70 professional and managerial staff participated in programmes in 2020. Staff based in Hong Kong and Mainland China continue to participate in cross-border secondment opportunities.

Recognising the challenges faced by students graduating during the COVID-19 outbreak, 59 graduate interns joined CLP in Hong Kong to gain work experience, half of which were in environmental fields (See case study on page 100). In total, CLP more than doubled the work opportunities for university and vocational college graduates in Hong Kong for 2020, compared to 2019.

In 2020, CLP's employees received 42.5 hours of internal and external training and development on average, compared with 40.1 hours in 2019. This reflected a strong focus on delivering critical health and safety, operational and compliance training together with pivoting to virtual delivery wherever possible.

Employee Training

	Average Training Hours per Employee	% of Employees Trained
By Gender		
Male	47.7	97.1%
Female	27.6	98.5%
By Professional Category		
Managerial	26.8	95.4%
Professional	34.9	98.1%
General & Technical	52.2	97.0%
By Region		
Hong Kong	49.5	98.4%
Mainland China	66.8	100.0%
India	33.8	69.9%
Australia	23.2	100.0%
Group Total	42.5	97.4%

Supporting Diversity and Inclusion

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 which support UN SDG's, particularly the commitment to SDG 8 – Decent Work & Economic Growth. Female representation at all levels was maintained or increased in 2020. CLP's Women in Leadership percentage increased to 27.3%, while Women in Engineering increased to 11.5%. This progress reflects the Group's commitment and efforts in attracting and developing female employees, and the focus on creating a diverse and inclusive workplace.

Increasing female representation in Graduate Trainee Programmes, ensuring that women are well-represented in development programmes, and retaining experienced female staff are key priorities. In 2020, CLP set an aspirational target to achieve gender balance over time in its Hong Kong Graduate Trainee intake (19% female in 2020) in order to address significant under-representation of women in operational professional and leadership roles. Efforts to develop women continued across the Group in 2020, including the mentoring programme for more than 40 female engineering students in Hong Kong to provide exposure to CLP's operations and help them become more work-ready, the annual Female Engineer Networking event with 26 female engineers participating from across the Group, and establishing a local Diversity and Inclusion Council in India. To date, seven female engineers have progressed from mentoring into CLP's Graduate Trainee Programme.

Inclusion is an essential ingredient that unlocks progress. Recognising this, EnergyAustralia established Gender Affirmation guidelines and new LGBTIQ+ community groups, receiving recognition for its efforts at the 2020 Australian Workplace Equality Index Awards.

Building Organisational Agility

The complexities of the 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.

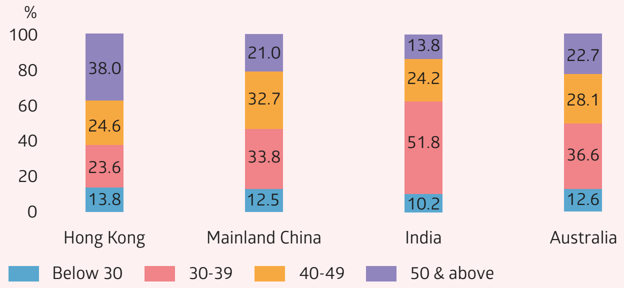
In response, the Group is developing and implementing action plans to upskill and empower employees to respond rapidly to changing customer needs and drive breakthrough improvements, provide physical and virtual work environments that facilitate collaboration, and equip employees to leverage new technologies. Looking ahead, cultural change efforts to encourage idea generation, experimentation and ownership will accelerate, along with helping employees adapt to structure and process changes.

More than 3,900 Hong Kong employees have now participated in Design Thinking training since launch in early 2019. The Design Thinking programme is intended to nurture a people-centric innovation culture in CLP Power, providing practical problem-solving frameworks 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 service.

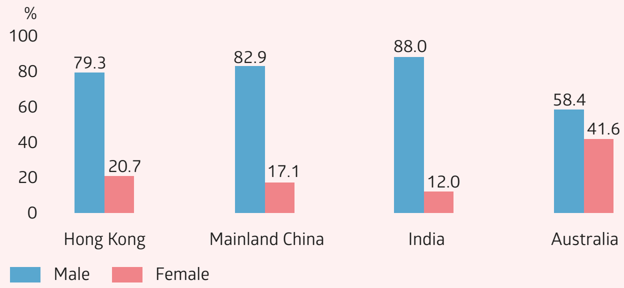
Across the Group, more agile team structures and working environments were established in Hong Kong and Australia to encourage collaboration and speed up decision-making. COVID-19 accelerated ongoing digital transformation and adoption of new ways of working to facilitate collaboration, with implementation of tools and policies supporting remote and flexible working.

In 2020, over 30 employees gained professional accreditation in data analytics skills, building their capability to leverage technology and data in new and insightful ways to enhance the customer experience and operation excellence. During the year, data analytics training was extended with over 300 employees completing courses ranging from awareness to advanced analytics skills.

Age Distribution by Region



Gender Distribution by Region



Note: Data of other gender identities is tracked. It is statistically insignificant and is not separately disclosed.

Voluntary Turnover Rate (%)

By Gender	
Male	3.6%
Female	6.7%
By Age Group	
Below 30	7.9%
30 – 39	5.6%
40 – 49	3.6%
50 & above	2.8%
By Region	
Hong Kong	3.1%
Mainland China	1.3%
India	4.7%
Australia	7.7%
Group Total	4.4%

Supporting CLP's People to Thrive in Change

As the energy industry evolves, CLP is committed to supporting all its people to thrive in change. In CLP, this means engaging and helping people to embrace change, strengthening their wellbeing and resilience, and developing more inclusive workplaces.

An engaged workforce is critical for CLP to deliver value. In 2020, CLP conducted employee engagement surveys across its Hong Kong and Mainland China and EnergyAustralia workforces. Pleasingly, response rates were high and employee engagement scores improved. While there is more to do to develop CLP's culture to support and enable transformation into a Utility of the Future, the improvement over the past three years is proof that actions taken are making a difference.

This year, CLP Power Hong Kong entered international human resources firm Randstad's Hall of Fame as one of the world's 12 most attractive employers in 2019, after having won "Most Attractive Employer in Hong Kong" three times in five years.

Through its Boost Health and Wellbeing programme in Hong Kong and similar programmes in India, China and Australia, CLP provided resources and training to support employees' long-term physical, mental, financial and social wellbeing and address additional stresses and challenges brought by COVID-19. CLP provided mental health first-aid training, online mental health wellbeing resources on how to stay mentally well during COVID-19, and training for over 300 managers in dealing with mental health and emotional issues in the workplace. CLP was recognised as a "Mental Health Friendly Supreme Organisation" by the Advisory Committee of Mental Health and Department of Health in Hong Kong for its ongoing efforts to promote mental health awareness and employee resilience. Additionally, an enhanced support programme for employees with long-term injuries or illness was launched in Hong Kong, providing individualised rehabilitation support to assist recovery and return to work.

CLP continued to help employees in Hong Kong to address housing affordability issues through its Home Loan scheme, which provides additional financial support for employees seeking to buy a first home. Since the scheme was launched in early 2019, 74 employees have received assistance. Company support for employees to undertake advanced degree studies was also enhanced.

Demonstrating Fair Work Practices

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 harassment, 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 identify any risks of legal non-compliance and to take remedial action if any risks are identified.

Beyond compliance, CLP recognises its responsibility to respect human rights at work, as laid out in international principles, standards and laws. CLP became a signatory of the World Business Council for Sustainable Development's Call to Action for Business Leadership on Human Rights, and of the Good Employer Charter established by the Labour Department of Hong Kong, pledging to be an employee-oriented employer implementing good human resource management practices. Human rights due diligence continued, with reviews of compliance with the Group's labour standards conducted in all business units, and with selected contractors in Hong Kong in preparation for progressively embedding CLP's standards into procurement requirements. Opportunities to strengthen controls on working hours in emergency and non-emergency situations were identified and are being addressed.

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 2020. There was no breach of laws and regulations in relation to child and forced labour across CLP in 2020.

CLP monitors pay carefully to ensure that 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. Following certification of CLP's Hong Kong operations as a Fair Wage Employer in 2018, a follow-up assessment was conducted in 2020. This reaffirmed the certification, and recognised the market competitiveness of CLP's remuneration, progress made in providing pay progression opportunities for technical staff that encourage multi-skilling, and in enhancing employment status and pay for technical trainees to encourage them to take up careers in the power industry.

Core employee benefits are reviewed regularly to ensure they are fit for purpose and sustainable. Recognising its efforts to provide sustainable retirement benefits, CLP again received Good Mandatory Provident Fund (MPF) Employer and e-Contribution awards from the MPF Schemes Authority in Hong Kong, and an award for the Best ORSO (Occupational Retirement) Scheme in the 2020 Best of the Best Country Awards granted by Asia Asset Management.

Businesses around the world switched to working from home and flexible working arrangements during the pandemic. What has the impact been of these new ways of working on CLP, and how effectively do employees communicate, connect, and create in a virtual environment?

Grace Tam
Project Engineer
LNG Terminal Project
CLP Power Hong Kong

At CLP, we believe that providing employees with flexibility in their working arrangements helps to attract and retain a diverse, multi-generational workforce. We offer many forms of flexibility today and are mindful of offering choices that can be accommodated operationally given the nature of our business and that are fair across groups of employees with different work roles and home situations.

Since the outbreak of COVID-19 in 2020, our offices and sites in Hong Kong and other regional markets adopted flexible ways of working to ensure the safety of our employees while maintaining the continuity of business operations. These special work arrangements included work-from-home and flexible working hours.

Employees pivoted rapidly to working remotely or in split team arrangements for extended periods of time with team meetings, gatherings and training conducted via online conferences, webcasts or other tools. CLP's employees have demonstrated their resilience in delivering major projects, collaborating on business plans and maintaining community outreach efforts, all through virtual channels. Policies to embed flexible working post-COVID are now being piloted in Hong Kong, and EnergyAustralia is introducing a new team-based approach to flexible working.

Greater flexibility, including blended remote and office working, using virtual collaboration tools, more flexible office configurations and more flexible hours and work contracts, will become the norm. 2020 has accelerated putting the "hardware and wiring" in place – technology, policies and processes, and trialling new office environments. Our next step is to strengthen the "software". We are mindful of the need to support employees to manage the physical and mental health impacts of extended remote working, to feel safe and secure in transitioning back to the office and opening more digital channels for collaboration and two-way dialogue.

Eileen Burnett-Kant
Chief Human Resources Officer

CLP is committed to working on solutions to address major societal challenges with its partners in communities across the Asia-Pacific region. Action and investment to build stronger communities and enhance their wellbeing not only fulfil the Group's responsibilities to the people it serves but also support the long-term, sustainable development of CLP's business as a leading energy provider.

Combatting the Pandemic Together

Global events in 2020 were overshadowed by the COVID-19 pandemic, an unprecedented crisis that mandated extraordinary policy measures to protect public health, and precipitated profound changes in the way people live and work. Millions of people around the world were infected by the virus, and strict social distancing and economic restrictions disrupted the lives of billions, with underprivileged groups in society and industry sectors such as travel and catering among the most severely impacted.

From the beginning of the outbreak in January 2020, CLP continued to support communities in its operating areas to improve the wellbeing of people in need and mitigate the socioeconomic impact of the pandemic. In keeping with CLP's long-standing commitment to effect positive change in society, the Group was determined to stand alongside communities and combat the pandemic together.

CLP Standing Alongside Its Communities to Combat the Pandemic

Hong Kong

- **Surgical masks** and **daily necessities** donated to the Hospital Authority, frontline medical staff, elderly, residents of subdivided flats, catering personnel and underprivileged groups
- **Disinfectant sprays** provided to around 70% of restaurants in Hong Kong to fight the virus and strengthen confidence among diners
- ***POWER FOUR* face shields** with energy saving tips cards distributed to kindergarten students
- **Dining coupons** provided for customers on Concessionary Tariffs for the Elderly and disadvantaged households
- **Laptop computers** donated to underprivileged groups to bridge digital divide during pandemic; **virtual visits** to elderly in elderly homes and day care centres using video conferencing software
- **Goody bags** given out to elderly people and the residents of subdivided flats
- Connecting **electricity supply** to Penny's Bay Quarantine Centre in record time to support anti-virus efforts

Mainland China

- **Medical supplies** including ventilators, temperature detectors, and sanitisers donated to hospitals, medical workers and residents
- Supporting installation of **water purifying systems** in schools near Sihong Solar Power Station to improve hygiene
- Distributing **caring kits** with face masks, sanitisers and leaflets on personal hygiene to local residents and students

India

- Partnership with the Confederation of Indian Industry and the Akshaya Patra Foundation to provide **anti-virus supplies** and **food**, benefitting 80,000 individuals
- Continuing programme to provide **food** and **hygiene kits** to students near CLP India's Veltoor plant
- Launching **COVID-19 resilience building programme** including sanitation improvement and emergence response training

Australia

- Size of **customer support team** for customers in financial distress significantly increased to handle increased enquiries
- Increased programme to help residential customers **manage energy bills** amid economic uncertainty
- Protecting financially-challenged customers from service disconnections

CLP donated surgical masks and daily necessities to the Hospital Authority in Hong Kong to support the needs of frontline medical staff in the early stages of the outbreak. CLP also partnered with non-governmental organisations including the Hong Kong Community Anti-Coronavirus Link and the Lok Sin Tong Benevolent Society, Kowloon to distribute anti-virus supplies to schools and needy families. The CLP Volunteer Team worked with charitable organisations including Sik Sik Yuen to distribute daily essentials to elderly people and tenants of subdivided units (SDU). Surgical masks and hand sanitisers have also been distributed to catering personnel through the Occupational Safety & Health Council. One million pieces of masks have also been donated to around 20,000 SDU tenants.

In Mainland China, CLP delivered medical supplies including ventilators, temperature detectors, and sanitisers to hospitals, medical workers, and residents, with a focus on communities near its operations. CLP also supported the installation of water purifying systems in schools near Sihong Solar Power Station in Jiangsu Province to improve hygiene as part of its anti-virus efforts. CLP India meanwhile went into partnership with the Confederation of Indian Industry and the Akshaya Patra Foundation to provide anti-virus supplies and food for people in communities near its operations.

Targeted, Impactful Community Support

In addition to its devastating public health impact, the COVID-19 pandemic led to massive economic challenges in countries around the world. CLP focused on devising targeted programmes tailored to practical community needs. In Hong Kong, CLP provided dining coupons for customers on concessionary tariffs and underprivileged families, boosting business for restaurants during the challenging economic environment. Disinfectant spray was also given out to around 12,000 restaurants – about 70% of the total in Hong Kong – to help give customers more confidence in dining out.

CLP announced in November that more customers would receive dining and retail coupons, with 800,000 households benefitting along with more than 2,000 participating outlets in 2021. The new CLP Retail and Catering Coupons programme is part of more than HK$160 million worth of projects to be funded by the CLP Community Energy Saving Fund, supporting people in different sectors of society and stimulating consumer spending in a challenging economic environment. Increased retail spending has a multiplier effect and is an effective way to inject momentum into the economy. Funding will also go to other projects, such as electricity subsidies for tenants of subdivided units and assistance to help people in transitional housing purchase energy-efficient electrical appliances.

As an essential service provider, CLP is committed to its responsibility to deliver a reliable energy supply to customers as more people work from home and school classes are held remotely. CLP maintained consistently reliable services to customers in the Asia-Pacific region throughout 2020 as the COVID-19 situation unfolded, prioritising measures to safeguard the health and safety of customers, employees, and contractors.

Bridging the Digital Divide

Digital communication tools have been necessities amid steps to reduce interpersonal contact and limit the spread of COVID-19, leaving underprivileged people without access to technology at risk of becoming further disadvantaged. To help bridge the digital divide, CLP provided laptops to low-income families in Hong Kong to support remote learning for children during the pandemic. CLP volunteers also provided computer training to parents to help them use digital technology effectively at home.

Although social-distancing restrictions reduced the opportunities for physical meetings, CLP used digital technology to support people in need. Virtual visits to elderly homes and day care centres using video conferencing software were held in Hong Kong in June to celebrate the Tuen Ng Festival as part of the Sharing the Festive Joy programme. Organised in partnership with Po Leung Kuk, the Tung Wah Group of Hospitals, and Yan Chai Hospital, the online visits were the first of their kind in Hong Kong and opened a new window for people to maintain regular external interactions despite COVID-19 restrictions. Digital technology also allowed CLP volunteers to continue a programme supporting the families of elderly people with early signs of dementia, despite home visits being suspended.

Increasing Opportunities for Young People

CLP continued to focus on initiatives to promote youth development, recognising the importance of empowering young people and creating opportunities for them to flourish and contribute to a brighter future.

The economic shocks of the COVID-19 pandemic have impaired the employment prospects for workers around the world, in particular younger people with limited work experience. In response to the increased challenges faced by graduates, CLP more than doubled its recruitment of university and vocational college graduates in Hong Kong in 2020 compared with a year earlier. Around 60 one-year internships were offered for university graduates in engineering, environmental affairs, information technology, finance, sales and marketing, and human resources under the CLP Graduate Internship Programme. CLP also took on around 70 university graduates and secondary school students through the CLP Graduate Trainee Programme and the CLP Technician Trainee Programme.

Case Study

CLP Graduate Internship Programme

Winnie Ma, who graduated from Lingnan University in Hong Kong with a major in Human Resources Management in 2020, had to rethink her job-hunting strategy after failing to get any response to around 30 applications.

"The job market is very challenging, and I didn't receive a single reply to my initial job applications," says Ms Ma. Instead of focusing only on finding full-time roles in the finance, consumer goods, and technology sectors, she started to consider part-time or temporary employment in other industry sectors before eventually securing a two-month role as an office administrator at Lingnan University. After completing her temporary contract at the university, Ms Ma became one of the successful new recruits in the CLP Graduate Internship Programme in 2020, with a position in the Human Resources department.

"The internship programme has helped to open up more opportunities for graduates, at a time when economic conditions have reduced the number of full-time openings in the job market," Ms Ma says.

Ken Ng, who graduated in Energy Science and Engineering from the City University of Hong Kong in 2020, also joined CLP as a recruit in the Graduate Internship programme in September 2020, eight months after making his first job application.

"A lot of students were aware 2020 was going to be a tough year so we started planning early," says Mr Ng, who joined the commercial department in CLP's Mainland China business through an internship based in Hong Kong.

"There are many exciting new developments in the energy sector at the moment, and many of the trends I used to learn about at university are happening in the real world right now," Mr Ng says.

To provide financial assistance to students on vocational and professional education and training (VPET) courses, CLP set up a new HK$1.5 million award programme. Up to 75 students enrolled in VPET programmes run by the Vocational Training Council will receive subsidies of HK$20,000 each to support their academic and career development.

The CLP Power Academy, established in 2017, continued to provide a range of part-time accredited programmes for individuals seeking a career in power engineering, from junior secondary school leavers lacking relevant qualifications to existing industry practitioners. The academy works in partnership with tertiary institutions in Hong Kong and overseas to provide programmes from diplomas to bachelor's and master's degrees. In 2020, the CLP Power Academy established exchange and cooperation agreements with the Guangzhou Mechanics and Electronics Technician College and Guangzhou Public Utility Technician College to jointly promote professional training and mutual recognition of training programmes by Guangzhou and Hong Kong.

CLP continued to strengthen efforts to promote energy efficiency and conservation education in the community. Since January 2020, schools, educational institutions and non-profit making organisations in Hong Kong could apply to the CLP Education Fund for financial support for education and publicity projects on energy efficiency and conservation. Seven applications have been approved, supporting programmes and events including seminars, workshops, competitions and web-based learning, benefitting more than 28,000 members of the public including students, teachers and parents.

CLP joined the City University of Hong Kong's "Industry Ready Programme" to offer mentoring guidance and on-the-job training to undergraduates in the School of Energy and Environment. The programme will equip students with well-rounded theoretical and practical knowledge related to energy audit and energy management, and help them prepare for future career development in the energy, environmental and sustainability fields. In addition to CLP, six professional bodies and companies also joined the programme.

CLP India teamed up with the School of Vocational Education at the Tata Institute of Social Sciences on a programme to train 2,000 youths in renewable energy and healthcare skills, using online technologies because of the pandemic. Students who benefited from CLP India's midday meals programme near the Hubli and Veltoor plants continued to receive meals along with hygiene kits when COVID-19 forced schools to close.

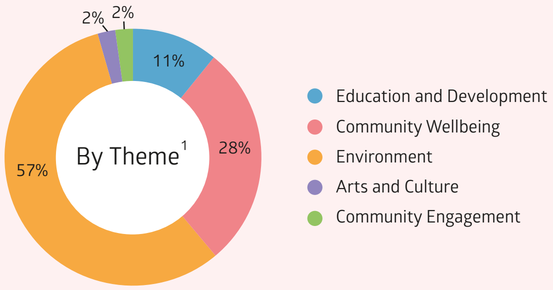
Building a Brighter Future Together

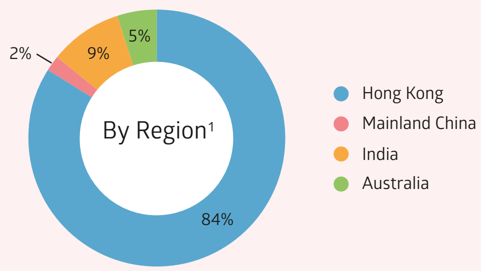
CLP worked closely with community partners in the Asia-Pacific region through a traumatic and testing year and remains committed to providing further support and action as billions of people globally are affected by the pandemic.

As CLP marks its 120th anniversary in 2021, the Group is determined to make the milestone year one in which it deepens its cooperation with partners across the region to continue to create a positive impact and support communities recovering from the effects of the pandemic. CLP will stay true to its long-cherished core values and support projects and programmes that help people in need and promote community wellbeing, working alongside partners as it pursues its mission to create "Energy for Brighter Tomorrows".

Community Initiatives and Volunteering

Our Community Spending



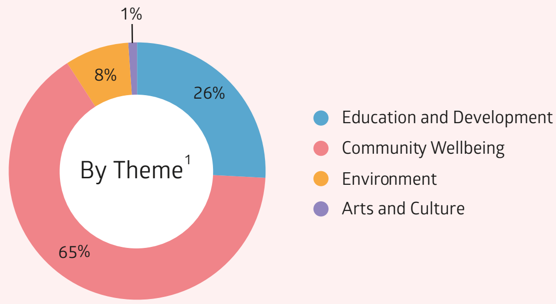


Impact

468 programmes were initiated or supported

263 organisations benefitted

918,555 direct beneficiaries



Contributing Our Time

10,973 volunteer hours by CLP staff and family members

Note:

1 Figures include rounding adjustments.

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.

Safeguarding Customers' Data Privacy

Respect for people is a core value of CLP, and the Group is committed to protecting the data of its customers at all times. In 2020, no customer privacy and data loss cases were reported or noted in CLP's operations in Hong Kong,

Nine notifiable data breaches involving EnergyAustralia were reported to the Office of the Australian Information Commissioner (OAIC) in 2020. The breaches were predominantly associated with phishing by impersonators. The breaches did not result in any penalty or sanction and EnergyAustralia is reviewing the implementation of additional or improved controls to uplift customer verification before accessing account information.

Natural Capital

CLP is committed to decarbonising its business and pursuing low-carbon investment opportunities as the challenge of climate change becomes more urgent. The scale of destruction by wildfires in Australia and on the US west coast, and the increasing frequency and severity of extreme weather events such as tropical storms, have further galvanised international efforts to reduce greenhouse gas emissions. The global COVID-19 pandemic meanwhile focused attention on the critical importance of taking timely action based on scientific evidence.

Material Topic

Responding to Climate Change

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

Towards Decarbonisation

CLP continued its ongoing transition into a lower-carbon business in 2020 by moving forward with key decarbonisation projects in the Asia-Pacific region despite the challenges of COVID-19. Carbon intensity fell to 0.57 kg CO_2 / kWh, below the Group's interim target of 0.60 kg CO_2 / kWh under Climate Vision 2050. CLP remains committed to meeting future targets, which will be further strengthened as part of a review of Climate Vision 2050 currently underway.

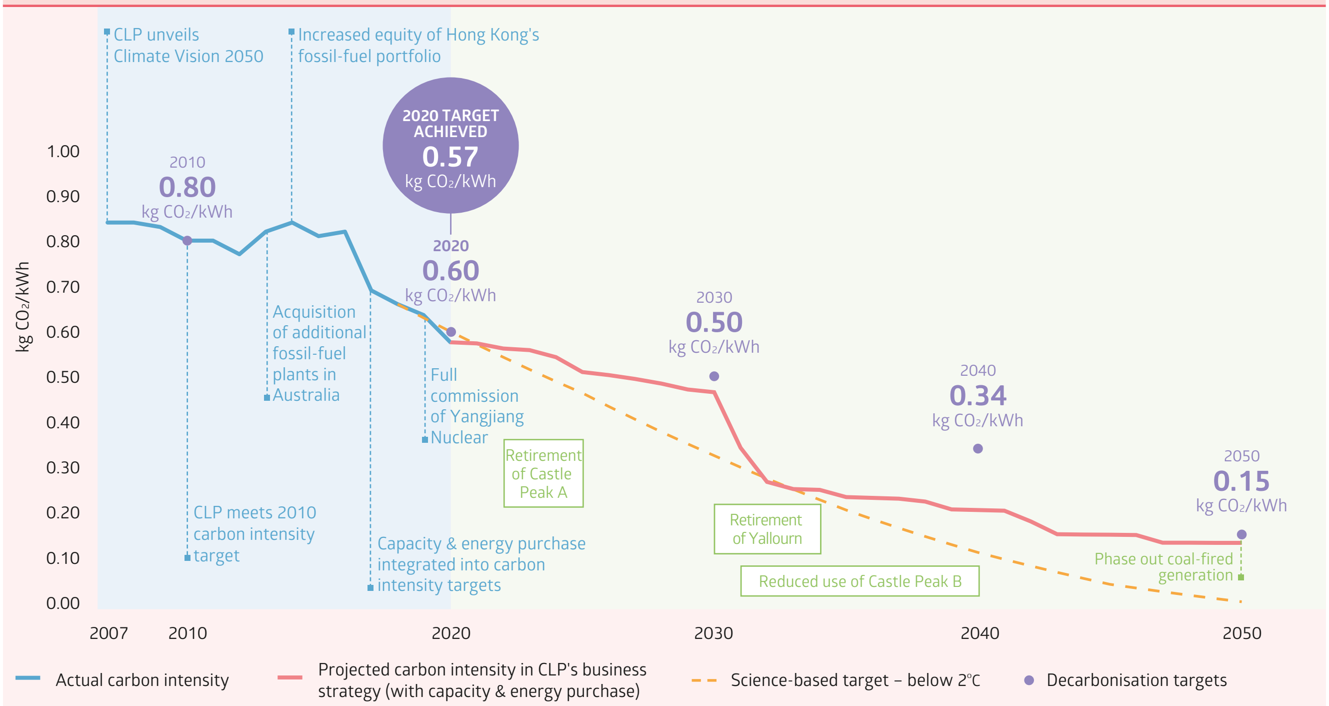
The commissioning of the new 550MW CCGT gas-fired generation unit at Black Point Power Station enabled an increase in the use of natural gas to about 50% of CLP's fuel mix in Hong Kong in 2020, and reduced the proportion of coal power. The 10MW West New Territories Landfill project began operations, using landfill gas as a renewable energy source.

CLP commissioned its new 50MW Laiwu III Wind Farm in Shandong province in September, further expanding its renewable energy operations in Mainland China. CLP India meanwhile acquired two operational solar farms, with capacities of 30MW and 50MW, in the southern state of Telangana.

While CLP achieved its 2020 decarbonisation target to reduce carbon intensity under Climate Vision 2050, the Group did not meet two supporting clean energy objectives. Renewable energy capacity was 13.5% of CLP's overall portfolio as of 31 December 2020, short of the target of 20%. Non-carbon-emitting generation capacity was 24.4%, against a target of 30%.

The Group's clean energy portfolio was reduced by the partial divestment of CLP India in 2018. Meanwhile reductions in government subsidies for renewable energy in Mainland China and India in recent years have affected the business models of new projects and curtailed potential revenue streams. Going forward, opportunities for renewable energy investment are expected to increase due to lower-cost solar and wind energy technologies.

CLP Group's Carbon Intensity



Note: The plant retirement timeframes are indicative only.

Climate Vision 2050 is integrated into CLP's strategies on asset portfolio management, including those for acquisitions and divestments, guiding the Group in managing climate-related opportunities and risks. Under Climate Vision 2050, CLP has committed not to make any additional investments in coal-fired generation capacity, and to phase out all remaining coal assets. In October, CLP sold its interests in the Vung Ang II coal-fired project in Vietnam, and is in the process of exiting the Vinh Tan III project in the country.

Exploring New Low-Carbon Opportunities

In line with Climate Vision 2050, CLP is focused on investment opportunities in emerging low-carbon businesses, including renewable energy generation, nuclear energy, transmission and distribution, energy storage, and smart energy services, to support the Group's future growth as coal-based assets are progressively phased out.

Construction in CLP India's new 250.8MW Sidhpur wind project in the western state of Gujarat started after engineering, procurement, and construction contracts and operation and maintenance agreements were finalised with project partners. Despite a delay caused by logistical issues related to COVID-19, the new project will be a significant addition to CLP India's renewable energy capabilities when it is completed in the first half of 2022. It will be the largest wind energy asset in the CLP Group in terms of generation capacity.

The Chinese Government announced in September it intends to make the country carbon-neutral by 2060. This goal is favourable to the development of a clear and stable policy environment to support the long-term investments in clean energy needed to further decarbonise the electricity sector and the wider economy.

CLP continued to move ahead with plans to construct the new Qian'an III Wind Farm in Jilin province. Unlike other renewable energy assets in CLP's portfolio in Mainland China, Qian'an III is a grid-parity project that is not dependent on Government subsidies, as the declining cost of wind energy infrastructure enables the Group to take advantage of an important new commercial model for the development of clean energy.

Lower-cost wind power technologies are also opening up opportunities for CLP in Hong Kong. Advances in wind turbine equipment and improved cost efficiency may make offshore wind power development more commercially viable as CLP studies the feasibility of a project in Hong Kong's south-eastern waters. As the Hong Kong Government formulates policies for long-term decarbonisation to achieve carbon neutrality in 2050, potential reductions in the cost of offshore wind power may add impetus to renewable energy development in the city, where scarcity of land has been a limiting factor.

Alongside the newly-commissioned CCGT generation unit at Black Point, CLP continued to make progress with the development of a second additional gas-fired generator at the power station using similarly emission-efficient technologies. Both projects will help facilitate the retirement of older coal-fired power generation capacity at Castle Peak A Power Station and support the ongoing lower-carbon transition of Hong Kong's electricity market.

EnergyAustralia signed an offtake agreement with Genex Power Limited for full dispatch rights to the 250MW Kidston pumped storage hydro project in northern Queensland on a site converted from disused gold mines. The arrangement adds to EnergyAustralia's commercial interests in the Ballarat and Gannawarra battery storage projects in Victoria, supporting the development of a cleaner electricity market in Australia by addressing the intermittency of renewable energy sources.

Concerted Action to Fight Climate Change

Recent climate commitments from the Chinese and Hong Kong Governments, in addition to similar announcements from policymakers in Europe and Asia, are welcome signs of increasing momentum in efforts to address climate change. Despite concerns that the COVID-19 pandemic may derail climate action in the private sector, corporations around the world have stepped up initiatives to decarbonise and make businesses more sustainable, while ESG investments have provided returns on capital that have matched or exceeded the performance of traditional investments.

More than 1,500 organisations around the world have embraced recommendations for transparency in reporting by the Task Force on Climate-related Financial Disclosures (TCFD), 85% more than a year earlier, according to data released in October. CLP continued to enhance its disclosure with reference to the recommendations from the TCFD. Throughout 2020 focus was placed on enhancing climate-related risk assessment and developing bespoke climate scenarios for the markets where the Group is present. More information is available in CLP's Sustainability Report.

Changes in political leadership in the US and other major economies in 2021, combined with intergovernmental forums including the United Nations COP26 climate summit in November 2021, are expected to add to momentum for concerted action to combat climate change by policymakers, businesses, and financial investors.

Care for the Environment

CLP is determined to achieve continuous improvements in its environmental performance, supported by the latest technologies and an undertaking to further strengthen data reporting. Under CLP's updated Health, Safety, Security, and Environmental Policy issued in May, the Group affirmed care for the environment as one of its core commitments. CLP's performance in key environmental areas is summarised in the table below.

Environmental Category	Aspect	Parameters	2020	2019
Emissions	Greenhouse gases	Total CO_2 emissions[1]	**43,808kt**	50,412kt
		Carbon intensity	**0.65kg CO_2 per kWh / 0.57kg CO_2 per kWh[2]**	0.70kg CO_2 per kWh / 0.62kg CO_2 per kWh[2]
	Air pollutants	Total SO_2 emissions	**48.0kt**	44.7kt
		Total NO_x emissions	**43.2kt**	47.0kt
		Total particulate matter emissions	**6.9kt**	7.7kt
	Water discharged	Total water discharged	**5,200.3Mm^3**	5,337.1Mm^3
	Waste	Total solid waste produced	**19,404t**	14,206t
		Total liquid waste produced	**1,094kl**	1,637kl
Resource Use	Fuel	Total coal consumed	**403,379TJ**	485,453TJ
		Total gas consumed	**134,776TJ**	107,183TJ
		Total oil consumed	**2,243TJ**	2,620TJ
		Non-carbon emitting generation capacity %	**20.9% / 24.4%[2]**	21.1% / 24.9%[2]
		Total renewable energy capacity%	**12.8% / 13.5%[2]**	12.8% / 13.7%[2]
	Water	Total water withdrawal	**5,229.2Mm^3**	5,377.4Mm^3

Notes:

1 Scope 1 & 2 CO_2 emissions of CLP's generation and energy storage portfolio on an operational control basis. Energy storage assets include pumped storage and battery storage. Prior to 2020, the portfolio included generation assets only.

2 Equity basis / equity plus long-term capacity and energy purchase basis

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 from the beginning of operations. All assets in this category have successfully certified their environmental management system to the ISO14001: 2015 standard in 2020.

Air Emissions

New technologies and practices continued to help CLP meet and exceed increasingly stringent regulatory requirements on air emissions in the markets in which it operates. The operation of the new CCGT generation unit at Black Point Power Station supported CLP's air emissions performance in Hong Kong, where it continued to fully comply with emission limits. CLP continued to be 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. CLP has also explored non-SF_6 gas equipment in the market and trial-used 11kV non-SF_6 gas switchgear.

Full operation of the flue gas desulphurisation (FGD) units at CLP India's Jhajjar Power Station since 2019 supported a continuing improvement in sulphur dioxide (SO_2) emissions. Jhajjar is the first and only power station in the National Capital Region to have FGD technology installed, helping reduce air pollution and contributing to a healthier environment around the plant and in nearby regions. In Mainland China, Fangchenggang Power Station continued to perform well after earlier upgrades of emission control equipment for SO_2 and nitrogen oxide (NO_x). Across the Group, SO_2 emissions increased due to higher generation at Mount Piper Power Station in New South Wales.

In South Australia, the installation of a new fast-start gas generator at Hallett Power Station increased fuel efficiency. The new generator uses less fuel than other units at the plant, improving its NO_x and carbon dioxide (CO_2) emissions performance.

Waste

Total solid and liquid waste generated was higher, as construction waste from projects increased at Castle Peak Power Station and Black Point Power Station, while hazardous solid waste increased from maintenance activities at Fangchenggang and Yallourn power stations. Despite the challenges of COVID-19, CLP continued to implement waste management programmes and initiatives across the Group.

Despite the national lockdown, Jhajjar Power Station achieved a 100% utilisation rate for ash generated by its processes. Apart from its enhanced ash handling systems, Jhajjar ensured contracts were in place with cement manufacturers, construction industries, and other traders for reuse and recycling of ash, as well as pursuing other opportunities, including brick manufacturing and bridge construction projects.

In Hong Kong, CLP continued to encourage employees to reduce the use of single-use plastics for take-away meals and home delivery since the outbreak of COVID-19. The rollout of a new electronic meal ticket system in the canteens of Castle Peak and Black Point power stations has helped to save about 260,000 paper tickets a year.

In 2020, Fangchenggang Power Station used around 1,150 tonnes of white mud waste by-product from paper mill factories to partially replace the use of limestone in the FGD process. Since 2017, Jinchang Solar Power Station has been returning damaged solar panels to manufacturers for recycling. More than 2,000 solar panels have been recycled since the initiative's launch.

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 large quantities of sea water for cooling, and there is a slight temperature increase when the water is returned to the sea. 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.

The Springvale mine water treatment plant was commissioned in the first quarter of the year to supply Mount Piper Power Station with around 80% of its daily water needs. The initiative has resulted in significantly less water being drawn from river catchments for the plant, and has lowered the risk of contaminated water from the mine entering rivers. Mount Piper is one of three coal-fired power stations in the CLP Group to adopt a zero-liquid discharge approach to conserve water, while other generation assets continued to implement water-saving initiatives.

Sihong Solar Power Station in Mainland China and Veltoor Solar Farm in India successfully deployed robotic cleaning, with brushes replacing the use of water. These projects not only eliminated the use of water for cleaning but could also potentially increase the efficiency of electricity generation by making the panels more productive. In 2020, Huai'an Solar Power Station started to implement the technology, while Sihong has expanded its deployment to cover increased areas of the plant.

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

Environmental Conservation

The Hong Kong Offshore LNG Terminal Project, jointly developed by CLP Power Hong Kong and The Hongkong Electric Company, established two funds to support environmental enhancement initiatives for marine ecology and conservation and sustainable development of the fishing industry.

The first – the Marine Conservation Enhancement Fund – supports initiatives related to the conservation and enhancement of the marine habitat, including initiatives on eco-tourism and education. The second – the Fisheries Enhancement Fund – supports initiatives for fisheries-related education and tourism, enhancements to fisheries resources, sustainable fishery development, and fishery equipment upgrade programmes, such as the purchase of environmentally-friendly fishing equipment. Both funds were opened for a first round of applications from October to November.

Environmental Regulatory Compliance

In 2020, there were no environmental regulatory non-compliance incidents resulting in fines or prosecutions at any of CLP's operating sites.

There was one minor licence limit exceedance incident for NO_x emissions at Jhajjar in India that did not result in any penalties.

In Australia, three environmental license non-compliances were reported. There was a minor chemical spillage incident at Newport Power Station, involving ferrous sulphate, and there was also a minor brine waste leakage incident at Mount Piper. Environmental agencies were notified and no fines or penalties were imposed. At Mount Piper, there was also an administrative breach of water quality monitoring requirements under the new license. Corrective action has been taken to prevent a repeat of these incidents.

Environmental Regulatory Non-Compliances and Licence Limit Incidents

	2020	2019	2018	2017	2016
Environmental regulatory non-compliances resulting in fines or prosecutions	**0**	0	0	0	0
Environmental licence limit incidents and other non-compliances	**4**	10	2	13	2

Regulatory Developments

CLP has started discussions with the Hong Kong Government on the review of the latest Technical Memorandum for new emissions caps for power stations from 2026. Since the first memorandum in 2010, emission allowances for SO_2, NO_x and respirable suspended particulates (RSP) have been reduced by 71%, 44%, and 44% respectively. With the new CCGT unit at Black Point and another gas-fired unit of similar capacity planned for commissioning by 2023, emissions will be further reduced along with other improvements in generation efficiency.

In India, Jhajjar Power Station made preparations to comply with revised NO_x emission limits. The revision was formally gazetted in October.

In Australia, Mount Piper is implementing measures and controls to ensure compliance with the tightened emission limits specified in its new license. The Environment Protection Authority in Victoria released a draft licence for Yallourn Power Station which covers a variety of environmental matters, including tightened emission limits and monitoring requirements. EnergyAustralia is engaging with the authority and hopes to finalise the licence in early 2021. Detailed site investigations of per- and polyfluoroalkyl substances (PFAS) in soil and groundwater at the Jeeralang and Newport power stations have been completed and a remediation action plan developed to guide a clean-up strategy which will be deployed in 2021. New State Government environmental legislation due to come into effect in Victoria in July has been deferred by 12 months because of COVID-19. Planned new legislation on greenhouse gas emissions reduction targets in the state has also been deferred until 2021.

What opportunities and challenges are being presented to CLP as China officially launched the National Emission Trading Scheme early this year? Any opportunities and challenges for other countries?

Mr Dennis Ip

Regional Head of Power, Utilities, Renewables & Environment Research, Daiwa Capital Markets Hong Kong Limited

Progress in the development of the emission trading scheme at a national level this year is a significant step by the Chinese Government to further expand the use of market-based mechanism to reduce greenhouse gas emissions. In the first stage, the national scheme covers more than 2,000 power plants across the country, before expanding to other sectors of the economy. The national scheme builds on the experiences from the operations of earlier pilot emission trading schemes at provincial levels, and CLP's Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region has been taking active steps to use the new trading mechanism to optimise carbon emission management and reduce carbon emission.

Internationally, the latest data from the World Bank showed that just over 20% of global greenhouse gas emissions are now covered by carbon pricing or emission trading schemes, and there is clearly potential for the proportion to increase further. Market-based mechanisms have a major role in creating the economic incentives needed to accelerate progress in decarbonisation.

Non-carbon businesses including renewable energy and nuclear energy now contribute most of CLP's operating earnings in Mainland China, and we continue to focus on pursuing low-carbon opportunities in the market. The costs for wind and solar power generation technologies have been steadily decreasing, making new projects commercially competitive with fossil fuels. We expect that the Chinese Government's target to achieve carbon neutrality by 2060 will underpin a stable, long-term framework that is necessary to drive investments to decarbonise the country's energy industry and other sectors of the economy.

Decarbonisation is integral to the CLP Group's business. We achieved our cornerstone interim target to reduce the Group's carbon intensity to below 0.6 kg CO_2 per kWh in 2020 and we plan to further strengthen the Group's targets for decarbonisation this year, to reflect developments in the policy environment and emerging technologies.

David Simmonds

Group General Counsel and Chief Administrative Officer, Company Secretary

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 79 | 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 67 | 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 67 | 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 64 | 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 29 | 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.

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

▲ 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.

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

Sir Roderick Ian Eddington F

Aged 71 | 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

Kirin Holdings Company Ltd.# (Non-executive Director)
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 A (Chairman) H (Chairman) N (Chairman) F S

Aged 65 | 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

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 (Director)

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.

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 (Dean's List)

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 Taiping Insurance Holdings Co., Ltd.# (Independent Non-executive Director, and member of Audit Committee, Remuneration Committee and Nomination 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

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.

Zia Mody (H)

Aged 64 | 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#) (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 65 | 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

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)
Anticimex New TopHolding AB (Board member)
Home Credit N.V. (Independent Non-executive Director)
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.

Independent Non-executive Directors

Christina Gaw F S

Aged 48 | Appointed on 20 October 2020

Expertise

- CLP market experience
- Company executive
- Global market experience
- Other industries
- Other listed board roles
- Related industry experience (Property)

Titles, qualifications and education

Bachelor of Science in Business Administration, the University of San Francisco

Other major offices

Gaw Capital Partners (Managing Principal, Head of Capital Markets and Head of GCP Singapore)
Pioneer Global Group Ltd.# (Executive Director)

Public service

Cheltenham Ladies College UK (Corporate member)
Hong Kong International School (Finance Committee member)
InspiringHK Sports Foundation (Board member)
Lingnan University (Council member)
St. Paul's Co-educational College Alumni Association (Executive Committee Vice Chair)
Teach for Hong Kong (Board member)
The TWGH's S.C. Gaw Memorial College (School supervisor)

Past experience

Prior to joining Gaw Capital Partners in 2008, Ms Gaw had over 15 years of investment banking experience at Goldman Sachs and UBS as a Managing Director, with responsibilities as Head of Asia Equities Distribution and as Head of APAC Capital Introduction in Equities Division.

Chunyuan Gu A F

Aged 62 | Appointed on 20 October 2020

Expertise

- CLP market experience
- Company executive
- Global market experience
- Other industries
- Professional (Engineering)
- Related industry experience (Power)
- Technology

Titles, qualifications and education

Bachelor of Engineering, School of Mechanical Engineering, Shanghai Jiao Tong University
Doctor of Engineering, School of Aeronautics, Royal Institute of Technology, Stockholm
General Management Program at Stockholm School of Economics

Other major offices

ABB Ltd# (ABB) (Advisor)
ABB (China) Ltd. (Chairman of the Board)
NSK Ltd.# (Member of the China advisory council)

Public service

China EV 100 (Member)
Chinese Association of Automation (Managing Director)
Royal Swedish Academy of Engineering Sciences (International member)
The European Union Chamber of Commerce in China (Member of the advisory council)
The Guangdong Government (Economic advisor to the Governor of Guangdong Province)

Past experience

Mr Gu has over 30 years of experience working at ABB, a global pioneering technology leader in electrification and automation serving customers in utility, industry, transportation and infrastructure. Mr Gu has stepped down from his executive positions with ABB, but remains engaged by ABB in an advisory capacity as the Chairman of the Board of ABB (China) Ltd. Prior to that, Mr Gu was a member of the ABB Group Executive Committee and President of the Asia, the Middle East and Africa region and President of ABB (China) Ltd.

Executive Directors

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

Aged 59 | 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 Energy Council (Hong Kong Member Committee) (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)
Operations Review Committee of the Independent Commission Against Corruption (Member)

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 57 | 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)

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
Chief Human Resources Officer, aged 52
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.

Chong Wai Yan Quince S
Chief Corporate Development Officer, aged 57
Titles, qualifications and education
Justice of the Peace
Bachelor of Social Science, the Chinese University of Hong Kong
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. 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.

Yuen So Siu Mai Betty F
Group Director & Vice Chairman – CLP Power Hong Kong, aged 63
Titles, qualifications and education
Justice of the Peace
Chartered Professional Accountant
Bachelor of Commerce, the University of Toronto
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.

David John Simmonds
Group General Counsel & Chief Administrative Officer
Company Secretary, aged 50
Titles, qualifications and education
Fellow of the Institute of Chartered Secretaries & Administrators in England
Fellow of the Hong Kong Institute of Chartered Secretaries
Bachelor of Laws (Honours), the University of Melbourne
Bachelor of Commerce, the University of Melbourne
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.

David Christopher Smales
Chief Operating Officer, aged 53
Titles, qualifications and education
Graduate Member of the Australian Institute of Company Directors
Fellow of the Institution of Engineers Australia
Chartered Engineer
Master of Business Administration, the University of Warwick
Bachelor of Engineering (Honours) in Mechanical and Manufacturing Engineering, Sheffield Hallam University
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.

Chiang Tung Keung
Managing Director – CLP Power Hong Kong, aged 54
Titles, qualifications and education
Chartered Engineer
Member of the Institution of Engineering and Technology
Fellow of the Hong Kong Institution of Engineers
Master of Science in Electrical Engineering, the Hong Kong Polytechnic University
Master of Business Administration, the Chinese University of Hong Kong
Bachelor of Science in Electrical & Electronic Engineering, the University of Hong Kong
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 customers in Kowloon, the New Territories and Lantau Island.

Chan Siu Hung
Managing Director – China, aged 62
Titles, qualifications and education
Justice of the Peace
Chartered Engineer
Honorary Fellow of the Energy Institute in UK
Member of the Institution of Engineering and Technology
Member of the Hong Kong Institution of Engineers
Outstanding Alumnus of the Hong Kong Polytechnic University
Master of Science in Electricity Industry Management and Technology, the University of Strathclyde
Bachelor of Science in Electrical Engineering, the University of Hong Kong
Major responsibilities held with the Group
Mr Chan is responsible for running CLP's China business with projects encompassing a wide range of energy technologies from nuclear, coal-fired, hydro, wind and solar power, as well as smart energy, incremental distribution network and retail business.

Catherine Leigh Tanna
Managing Director – EnergyAustralia, aged 59
Titles, qualifications and education
Honorary Doctor of Business, the University of Queensland
Bachelor of Laws, the University of Queensland
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 customer accounts across southeast Australia supported by a generation portfolio comprising coal, gas, wind and solar assets.

Rajiv Ranjan Mishra
Managing Director – India, aged 55
Titles, qualifications and education
Advanced Management Program Graduate, Harvard Business School
Master of Business Administration, the Indian Institute of Management, Lucknow
Bachelor in Chemical Engineering (first class distinction), BIT Sindri
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 25 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.

From left to right
- Eileen Burnett-Kant
- David John Simmonds
- Chong Wai Yan Quince
- David Christopher Smales
- Yuen So Siu Mai Betty
- Geert Herman August Peeters
  (Biography is on page 115)
- Richard Kendall Lancaster
  (Biography is on page 115)
- Chiang Tung Keung
- Catherine Leigh Tanna
- Chan Siu Hung
- Rajiv Ranjan Mishra

Message from the Company Secretary

Over the years, we have seen corporate governance as a key asset in times of crisis and this view was further reinforced by our response to the challenges brought in 2020. CLP's commitment to good corporate governance practices enabled us to tackle, with conviction, many of the disruptions and changes brought about by COVID-19.

Crisis management preparation is a key element of good governance. In managing the challenges of COVID-19, we were able to draw on the experience and planning developed during the 2003 SARs crisis which had been refined and enhanced regularly over the years as part of our governance process. This enabled us to continue to deliver operational excellence for our customers right across the Group in 2020.

Sustainable business depends on a sustainable society and COVID-19 has driven home that point forcefully. Throughout the pandemic, CLP has maintained a focus on operational excellence, putting the safety and wellbeing of our own people and of the communities we serve at the heart of everything we do. The challenges of 2020 further emphasised the importance of a genuine focus on ESG and reinforced our long-term commitment to sustainable business practices.

Despite the disruptions caused by the pandemic, we continued with our ongoing efforts to gradually refresh our Board. In 2020, in line with the retirement age guideline we established in 2019, Mr Vernon Moore and Mr Vincent Cheng, our Independent Non-executive Directors retired and Ms Christina Gaw and Mr Chunyuan Gu were appointed as new Independent Non-executive Directors to our Board with skills and experience that will guide our transition towards a Utility of the Future.

In 2019, we conducted the first Hybrid Annual General Meeting (AGM) in Hong Kong as a way to allow more shareholders to participate in this important opportunity to engage with our Board and Senior Management. While a relatively small proportion of shareholders attended online in 2019, this experience saw us well prepared to run our 2020 AGM with social distancing measures and our hybrid meeting format allowed the vast majority of participating shareholders to attend and vote online. For more details, please see "2020 At a Glance".

At CLP, we believe that good corporate governance is an enabler of long-term value creation and we are committed to continually reviewing and evolving our governance policies and practices to ensure that they continue to serve us well in a changing environment. 2020 brought a year of dramatic change and once again highlighted the importance of this approach.

David Simmonds
Company Secretary

CLP has been honoured to receive a number of awards for our Corporate Governance and Annual Report. In 2020, we are most humbled to have received the Hong Kong Institute of Certified Public Accountant's Outstanding Achievement Award as a special one-off award for outstanding performance over the past 20 years of the Institute's Best Corporate Governance Awards.

Commenting on these recognitions, we acknowledge the unique role that CLP has in Hong Kong and in the words of our Chairman The Hon Sir Michael Kadoorie, "it is a role that CLP plays conscientiously".

Value Framework – Refreshed

The CLP Value Framework has been a strong foundation for our Corporate Governance. It articulates multiple layers of our corporate identity and culture, namely:

"Vision, Mission, Values, Commitments and Policies & Codes."

Background:

The Value Framework was first introduced in 2003 and reflects time-honoured principles and commitments that have been integral to CLP's success for 120 years.

Consistent with our approach of continuous review and improvement to our governance practice, in 2020, we made key changes to the Value Framework by fully integrating our Sustainability Principles in order to underscore the fundamental role of sustainability in our long-term development.

Other Key Changes:

- Integrating "Future Culture" into the Value Framework.
- Updating our Mission to "provide sustainable energy solutions".
- Strengthening innovation values and commitments.

The Sustainability Committee considered and endorsed the refreshed Value Framework; for more details, please refer to the Sustainability Committee Report.

Hybrid AGM

When COVID-19 hit Hong Kong in early 2020 and prior to the Government introducing the social distancing requirements for AGMs, we were able to draw from our experience in running a Hybrid AGM in 2019 to prepare for our 2020 AGM with social distancing measures in place.

What the Hybrid platform offered:

- Registered and non-registered shareholders were able to view the AGM live and to pose questions.
- Registered shareholders were able to vote online.
- The convenience of posing questions online.

Social distancing measures undertaken:

- A limit of 50 shareholders attending the AGM in person was imposed.
- As our AGMs have been well attended historically, we asked our shareholders to register their interest in attending as the 50 spaces were balloted in advance ensuring that the attendance on the day would be fair and orderly.

Follow up to External Board Review Recommendations

We implemented the following recommendations from our 2019 external Board Review:

- **Non-executive Director search for candidates who can add value on emerging strategic issues** – we were able to identify two candidates with strong experience in Mainland China and the Greater Bay Area and they were subsequently appointed as our new Independent Non-executive Directors.
- **Further strengthening the Sustainability Committee's role of overseeing the impact of longer-term sustainability issues on the Group's strategy** – the Sustainability Committee held extended meetings with dedicated sessions on innovation and digitalisation, and another session on climate change that included a briefing from a leading external climate change expert.
- **Reviewing the approach to the strategic talent agenda** – the Human Resources & Remuneration Committee has enhanced the oversight of strategic talent and succession planning with specific briefings on talent development at the organisational level and succession planning at the senior management level.
- **Access to Board Committee Papers** – Directors can now access all Board Committee minutes.

COVID-19 and a Challenging Risk Environment

COVID-19 brought about many challenges for CLP on the corporate governance front, these included COVID-19 related risks in the following areas:

- Completing the financial year-end closing process in early 2020 as COVID-19 hit Mainland China and Hong Kong.
- The convening of our 2020 AGM.

In addition to COVID-19, the risks that the CLP Group are faced with have become increasingly challenging and complex, these are some of the key risks that we have been actively monitoring in 2020:

- **Board level** – the Board examined the risks associated with the acceleration of energy transition, and digital technologies, along with the impact of changing geo-political dynamics and the rise of more protectionist trade and investment policies; the Board also considered the potential opportunities that could be captured from these developments.
- **Audit & Risk Committee** – this Committee closely monitored risk items that evolved rapidly during the course of the year, including geo-political related risks, regulatory risks, the bushfires in Australia and cybersecurity.
- **Sustainability Committee** – this Committee had a dedicated session to gain a deeper understanding of the risks (and opportunities) relating to innovation, technology developments and the increasing adoption of digital technologies; and another dedicated session on climate change with a briefing by a leading expert on how the progress of CLP's climate action was perceived.

The CLP Code: Compliance and more

The CLP Code on Corporate Governance (CLP Code) is our own unique code and it is built on CLP's own standards and experience, whilst respecting the benchmarks set by The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange). The CLP Code is on our website and available on request.

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 122.

We have made **further enhancements to our corporate governance practices in 2020** and some of these are highlighted in "**2020 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 including an expected level of time commitment.
- 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, such Director will not be considered for re-election, however, this may be waived if the Board considers such Director has skills, experience or capabilities that cannot be replaced at the relevant time. This applies to all Non-executive Directors other than the Chairman. In 2020, we appointed two new Independent Non-executive Directors, with two having retired.
- 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 Board Committee reports in our Annual Report 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.
- We disclose on our website minutes of our AGM; in addition, any questions or topics that are not specifically addressed at the AGM, full answers are provided and disclosed.

Our unique policies and practices

- CLP has established its own Corporate Governance Framework, the Value Framework and its own Code for Securities Transactions. Our Value Framework was refreshed in December 2020.
- 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. In 2020, we carried out a group-wide anti-fraud online training for our staff (see "Management and Staff" on page 138).
- General Representation Letters are issued by our CEO and CFO to the Audit & Risk Committee as verification of compliance.
- We conduct a group-wide Business Practice Review for our staff on a periodic basis to foster employees' understanding of our Code of Conduct (updated in May 2020) 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; two of which are joined by the independent auditor.
- For the Group's continuing connected transactions (CCTs), we engaged the Company's independent auditor, PwC to undertake an agreed-upon procedures (AUP) engagement on the Group's CCTs pricing policies. The AUP findings were provided to the Independent Non-executive Directors as part of their consideration of the CCTs for the purposes of giving the required confirmation under Rule 14A.55 of the Listing Rules.

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.

CLP's Approach to ESG Reporting

Governance Structure

- The CLP Board has overall responsibility for CLP's ESG strategy and reporting. The Directors' Report includes a statement from the CLP Board on the governance of ESG issues and how CLP approaches and manages our material ESG issues (page 193).
- The governance of sustainability is integrated into our corporate governance structure throughout the Group. Set out below is CLP's Sustainability Governance Structure.

- 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, meanwhile, retains oversight and responsibility for material risks and ensures the assurance of the sustainability data is appropriate.
- 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 – materiality threshold provides guidance on what is sufficiently important to stakeholders that should be reported; the identified key material topics in 2019 were examined in 2020, and the key material topics were reaffirmed to remain valid, current and relevant to CLP in 2020. Full details on the materiality assessment is provided in our Sustainability Report and in "Board's Statement on ESG" in the Directors' Report.
- Quantitative and Consistency – our ESG disclosures follow these guidelines and recommendations: the Hong Kong Stock Exchange's ESG Reporting Guide (ESG Reporting Guide); the integrated approach under the <IR> guidelines published by the International Integrated Reporting Council (IIRC); the Global Reporting Initiative Reporting Standards (GRI Standards); and the Taskforce for Climate-related Financial Disclosure (TCFD) recommendations. 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 impacts of our overall portfolio, and to better reflect these impacts, selected reporting scopes will be adjusted in different aspects and these are explained fully in our Sustainability Report.

ESG Information Disclosure in the 2020 Annual Report and Sustainability Report

- Details on how we report on the ESG issues in accordance with the ESG Reporting Guide "comply or explain" requirements and related Listing Rules are set out below.
- We regard materiality as fundamental to our ESG reporting. Hence, as explained in our Sustainability Report and on page 123, 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 2020 (page 4) Chairman's Statement (page 14) CEO's Strategic Review (page 18) Business Performance and Outlook (page 42) Capitals (page 74) Financials (page 210)	A Snapshot of CLP in 2020 (page 4) Chairman's Statement (page 14) CEO's Strategic Review (page 18) Business Performance and Outlook (page 42) Capitals (page 74) Governance (page 108) Financials (page 210)

Social	
B1. Employment B3. Development and Training	B2. Health and Safety
A Snapshot of CLP in 2020 (page 4) Capitals (page 74) Financials (page 210)	A Snapshot of CLP in 2020 (page 4) Chairman's Statement (page 14) CEO's Strategic Review (page 18) Business Performance and Outlook (page 42) Capitals (page 74) Financials (page 210)

- From our materiality assessment process, there are various aspects that **we regard as less material** and we have not reported on these 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 2020 (page 4)	Capitals (page 74)	Financials (page 210)

Social	
B4. Labour Standards B5. Supply Chain Management	B7. Anti-corruption
◉ Capitals (page 74)	◉ Governance (page 108) ◉ Financials (page 210)
B6. Product Responsibility	B8. Community Investment
◉ A Snapshot of CLP in 2020 (page 4) ◉ Chairman's Statement (page 14) ◉ CEO's Strategic Review (page 18) ◉ Business Performance and Outlook (page 42) ◉ Capitals (page 74) ◉ Financials (page 210)	◉ A Snapshot of CLP in 2020 (page 4) ◉ Chairman's Statement (page 14) ◉ CEO's Strategic Review (page 18) ◉ Business Performance and Outlook (page 42) ◉ Capitals (page 74) ◉ Financials (page 210)

- Our 2020 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 GRI Standards. SR
- PricewaterhouseCoopers (PwC) have conducted limited assurance on selected ESG KPIs as set out in the Five-year Summaries on pages 302 and 303 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 and Assurance Standards Board. The Sustainability Report also includes an independent assurance report from PwC. SR

Our Board

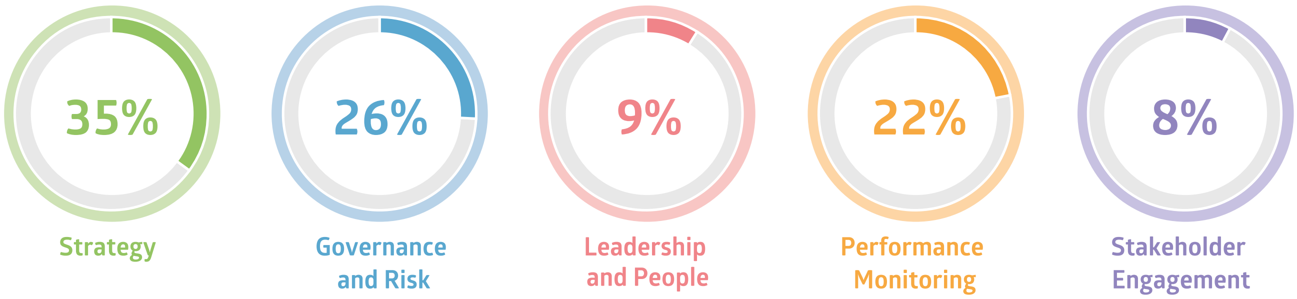
The Board's Roles and Responsibilities

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.

Dual Role of Governance Oversight &
Strategic Lead in Anticipating & Shaping the Future

Board's Focus

The Board recognises that effective oversight and leadership over the affairs of the Company are critical to promoting the success of the Company. The following illustrates the Board's focus during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period)*:



* We considered the number of agenda items, time spent on discussing the relevant items and the volume of supporting Board papers to determine the level of the Board's focus on these five categories.

Strategy	
Group strategy, business plan and budget review	The Board undertook an in-depth and comprehensive review of the Group's strategy. The review covered the Group's position in each of the CLP markets, key drivers of change in our industry and markets and the approach on decarbonisation, digitalisation and innovation. The Board, in conjunction with management, formulated the strategy of pursuing more diversified opportunities in the Greater Bay Area. As part of the usual business plan and budget review process, the Board considered and approved the CLP Group Business Plan and Budget 2021-2025.
Business opportunities	The Board received a deep dive briefing from management on the potential business opportunities in the Greater Bay Area. The Board Members analysed the regulatory landscape and strategic opportunities in the traditional energy infrastructure and energy-related services. Regarding India's new rules on foreign investments and the implications for CLP's future investment opportunities, the Board analysed the new rules and the application to CLP Holdings and CLP India. In addition, the Chairman and Directors provided guidance and support to management in navigating, and furnished supporting statements to meet, the regulatory requirements and requests.
Governance and Risk	
Risk management and internal controls	With the COVID-19 situation evolving rapidly, the Board examined the risks faced by each of the Group's business units and Group Operations. The Board also monitored the potential impact of COVID-19 on the Group's financial performance and was satisfied that the situation was being well managed by management in each of the business units. As a top tier risk, the Board continued to provide oversight of cybersecurity-related risks and management reported to the Board on the progress of the initiatives undertaken by the cybersecurity function.
Audit & Risk Committee activities	The Board received the important overview from the Chairman of the Audit & Risk Committee on the Committee's review of financial statements and oversight of risk management and internal control systems ahead of management's presentation of the full year and half year financial statements.

Leadership and People	
Refreshed Board and Board Committees	As part of the Board refresh, the Board oversaw a number of changes to the composition of the Board and Board Committees, for details, see "Board Committees Refresh" on page 130. The Board endorsed the engagement of a consulting firm to undertake a search process for potential candidates for the position of Independent Non-executive Director(s). The Chairman and Vice Chairman took part in the interview process which was led by the Nomination Committee. Having regard to the unique and extensive experience of Ms Gaw and Mr Gu in Mainland China and the Greater Bay Area, the Board considered the recommendations of the Nomination Committee and approved the appointments. In October, Ms Christina Gaw and Mr Chunyuan Gu were appointed as Directors and became Members of the Finance & General Committee; in addition, they became Members of the Sustainability Committee and the Audit & Risk Committee, respectively.
Chairman's sessions	The Chairman held an annual Non-executive Directors only meeting and an additional Chairman's meeting with the Independent Non-executive Directors only. These sessions provide an open agenda for the Non-executive Directors and Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.
People	The Board undertook a review of the enterprise leadership succession plan. The Board Members encouraged management to develop the future generation with the ability to navigate through the changing environment and to engage with important stakeholders of the Group. The Board closely monitored the appointment process for Mr Nicolas Tissot as the new incoming CFO and the change of role for Mr Geert Peeters as Chief Strategy & Transformation Officer. The Chairman and Vice Chairman were also involved in the interview process for Mr Nicolas Tissot.
Performance Monitoring	
Results and dividends	The Board approved the following: 2019 and 2020 Annual Reports; 2020 Interim Report; the quarterly statements; and the dividends for the financial years ended 31 December 2019 and 2020. In approving the Annual Reports and Interim Report, the Board also approved the financial statements and ensured that the statements give a true and fair view of the financial position of the Group.
Regular updates	The Board considered the matters covered in the CEO's Report where the CEO highlighted key issues on safety and business updates for each of the Group's markets. This enabled the Board to keep abreast of the material issues and developments of the CLP Group. In between Board meetings, the Directors received the CLP Group Management Report that provided updates on the Group's key financial information as well as reports on health, safety and environment.
Stakeholder Engagement	
CLP Power Hong Kong engagement initiatives	The Board received a briefing on the CLP Power engagement strategy. The Board considered the engagement strategy against the background of a changing local political landscape. The Board Members and management had a good exchange of views on the topic of engagement with the younger generation and how themes of sustainability could be introduced into the engagement.

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. In addition to our CEO and CFO Executive Directors, 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 and at times, Mr Alastair McKeown, Chief Financial Officer – EnergyAustralia;
- Chief Operating Officer – Mr David Smales;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant.

To complement the Board's responsibilities and focus, the Board's work is well supported by the Board Committees; see "Board Committees" on page 129.

Board and Board Committees meetings held during the Period

2020												2021	
				☑							Ⓘ		
				Ⓓ									
	Ⓑ			Ⓑ		▲	Ⓑ		Ⓑ		Ⓑ		Ⓑ
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Ⓐ	Ⓐ	Ⓕ	Ⓐ		Ⓐ	Ⓐ	Ⓕ		Ⓐ	Ⓕ	Ⓝ	Ⓐ	Ⓐ
	Ⓕ		Ⓕ		Ⓟ	Ⓕ	Ⓝ		Ⓢ	Ⓗ			Ⓕ
	Ⓗ					Ⓗ				Ⓟ			Ⓗ
	Ⓢ									Ⓢ			Ⓢ

Board

Ⓑ Board

Ⓓ Chairman and Non-executive Directors only

Ⓘ Chairman and Independent Non-executive Directors only

☑ AGM

▲ Expert Briefing

Board Committees

Ⓐ Audit & Risk Committee

Ⓕ Finance & General Committee

Ⓗ Human Resources & Remuneration Committee

Ⓝ Nomination Committee

Ⓟ Provident & Retirement Fund Committee

Ⓢ Sustainability Committee

Board Committees

The Board delegates some of its responsibilities, with appropriate oversight, to the respective Board Committees and the delegated Listing Rules Code Provisions corporate governance duties* are highlighted below. Terms of reference and membership of all Board Committees are disclosed in full on the websites of CLP and the Hong Kong Stock Exchange.

Audit & Risk Committee (see full report on page 158)

- Corporate governance, compliance and code of conduct*

Sustainability Committee (see full report on page 166)

- Governance of ESG issues*

Nomination Committee (see full report on page 171)

- Governance of Board-level matters and professional development of Directors*

Human Resources & Remuneration Committee (see full report on page 175)

- Professional development of management*

Finance & General Committee

- See below for responsibilities and work done during the Period

Provident & Retirement Fund Committee

- See page 130 for responsibilities and work done during the Period

Membership of Finance & General Committee

Mr William Mocatta (Chairman), Sir Rod Eddington, Mr Nicholas C. Allen, Ms May Siew Boi Tan, Mr Andrew Brandler, Ms Christina Gaw, Mr Chunyuan Gu, 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 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 2019 and 2020;
- the CLP Group Business Plan and Budget 2021-2025;
- the financial outlook of CLP's business units under COVID-19 stress testing scenarios;
- the capital expenditure and 2021 tariff strategy for the Hong Kong business;
- potential investment in specific projects in China and Australia;
- the progress update on the Vietnam projects and innovation projects;
- the business update and strategic plan for CLP*e* Solutions;
- the CLP Group funding requirements, financing initiatives 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.

Board Committees Refresh

A number of the Board Committees were refreshed in 2020. Details of the changes are set out below:

- New appointments of Members 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.
- Change of Committee Chair and Committee membership with effect from the conclusion of the AGM held on 8 May 2020:
  - Mr Vernon Moore retired as Chairman of the Audit & Risk Committee, and a Member of the Finance & General Committee and the Human Resources & Remuneration Committee;
  - Mr Vincent Cheng retired as Chairman of the Human Resources & Remuneration Committee, and a Member of the Finance & General Committee and the Nomination Committee; and
  - Mr Nicholas C. Allen took up the role of the Chairman of the Audit & Risk Committee and the Human Resources & Remuneration Committee.
- New appointments of Committee Members with effect from 20 October 2020 upon the appointment of new Directors:
  - Ms Christina Gaw was appointed as a Member of the Finance & General Committee and the Sustainability Committee; and
  - Mr Chunyuan Gu was appointed as a Member of the Audit & Risk Committee and the Finance & General Committee.

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 2020, seven Board meetings were held and the overall attendance rate of Directors at Board meetings was 97.56% (2019: 94.51%). Details of Directors' attendance at the AGM, Board and Board Committee meetings (**attended** / held) and development programme in the year 2020 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)				**1**/2 [4]			✓	A, B, C
Mr William Mocatta	**6**/6 (VC)		**6**/6 (C)	**3**/3			**2**/2 (C)	✓	A, B, C
Mr J. A. H. Leigh	**6**/6							✓	A
Mr Andrew Brandler	**6**/6		**6**/6			**3**/3		✓	A
Mr Philip Kadoorie [5]	**6**/6					**2**/3		✓	A, B
Independent Non-executive Directors									
Sir Rod Eddington	**7**/7		**6**/6					✓	A
Mr Nicholas C. Allen [6]	**7**/7	**6**/6 (C)	**6**/6	**3**/3 (C)	**2**/2 (C)	**3**/3		✓	A, C
Mrs Fanny Law [7]	**7**/7	**6**/6		**3**/3		**3**/3		✓	A, C
Mrs Zia Mody [8]	**6**/7			**2**/3				–	A
Ms May Siew Boi Tan [9]	**7**/7	**6**/6	**5**/6	**3**/3	**2**/2	**3**/3		✓	A, C
Ms Christina Gaw [10]	**2**/2		**1**/1			**1**/1		N/A	A, B
Mr Chunyuan Gu [11]	**2**/2	**1**/1	**1**/1					N/A	A, B
Mr Vernon Moore [12]	**1**/1	**3**/3	**3**/3	**1**/1				✓	N/A
Mr Vincent Cheng [13]	**1**/1		**3**/3	**1**/1	N/A			✓	N/A
Executive Directors									
Mr Richard Lancaster	**5**/5		**6**/6			**3**/3 (C)		✓	A, B, C
Mr Geert Peeters	**5**/5		**6**/6				**2**/2	✓	A, C

Notes:

1 Included (a) an annual meeting where the Chairman met with the Non-executive Directors only; 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 The Hon Sir Michael Kadoorie was unable to attend the August Committee meeting; Mr William Mocatta attended in his stead as he was involved in the interview process for the two Director candidates along with The Hon Sir Michael Kadoorie.

5 Mr Philip Kadoorie was appointed as a Member of the Sustainability Committee with effect from 1 January 2020.

6 Mr Nicholas C. Allen took up the role of the Chairman of the Audit & Risk Committee and the Human Resources & Remuneration Committee after the conclusion of the 2020 AGM held on 8 May 2020.

7 Mrs Fanny Law was appointed as a Member of the Human Resources & Remuneration Committee with effect from 1 January 2020.

8 Mrs Zia Mody was unable to attend the 2020 AGM due to other commitments.

9 Ms May Siew Boi Tan was appointed as a Member of the Nomination Committee and the Human Resources & Remuneration Committee with effect from 1 January 2020.

10 Ms Christina Gaw was appointed as an Independent Non-executive Director, and a Member of the Finance & General Committee and the Sustainability Committee with effect from 20 October 2020.

11 Mr Chunyuan Gu was appointed as an Independent Non-executive Director, and a Member of the Audit & Risk Committee and the Finance & General Committee with effect from 20 October 2020.

12 Mr Vernon Moore retired as an Independent Non-executive Director, Chairman of the Audit & Risk Committee, and a Member of the Finance & General Committee and the Human Resources & Remuneration Committee with effect from the conclusion of the 2020 AGM held on 8 May 2020.

13 Mr Vincent Cheng retired as an Independent Non-executive Director, Chairman of Human Resources & Remuneration Committee, and a Member of the Finance & General Committee and the Nomination Committee with effect from the conclusion of the 2020 AGM held on 8 May 2020.

14 Chairmen of the Board and Board Committees and the Vice Chairman of the Board are indicated by (C) and (VC) respectively.

*** 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 the focus in 2020 on anti-corruption;

B – meeting with local management and stakeholders, and visiting CLP's facilities and special projects with CLP's involvement; and

C – attending expert briefings / seminars / conferences relevant to the business or director's duties. In 2020, some of our Directors attended briefing on the future of globalisation in a post pandemic world affected by rising trade tensions. 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.

With their unique experience in Mainland China and the Greater Bay Area, Ms Christina Gaw and Mr Chunyuan Gu commenced their onboarding sessions with the Senior Management focusing on the Greater Bay Area opportunities.

As part of the onboarding sessions for newly appointed Independent Non-executive Directors, Ms Christina Gaw and Mr Chunyuan Gu accompanied by the Company Secretary and CLP management, visited CLP Power Hong Kong's System Control Centre, Black Point Power Station and Castle Peak Power Station.

Directors' Time and Directorship Commitments

Our Directors, Non-executive Directors in particular, have demonstrated a strong commitment to the CLP Board affairs and they 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 2020.

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 election or re-election at the 2021 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 page 110 of this Annual Report and on CLP website.

Board Evaluation

We undertook an external Board Review in 2019. In 2020, we implemented the recommendations from the review. Details of the initiatives implemented are highlighted in "2020 At a Glance" on page 119.

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 171.

CLP's process for appointing a Director

The diagram below presents the approach used by CLP to appoint our Directors. For the 2020 appointments, we engaged a consulting firm for the search for Non-executive Directors and this is highlighted below.

Search Process for New Directors

- A consulting firm was engaged to undertake an independent global search for potential new Independent Director candidate(s) having regard to the strategic needs of the Company and the Board.
- From the 2019 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 was conducted with the participation of the Nomination Committee Chairman before being formally put forward to the Nomination Committee for consideration.

Nomination Committee

- Considered the candidates and existing Directors based on merit having regard to the experience, skills and expertise as well as the overall board diversity.
- Made recommendations to the Board as appropriate.

Board

- New Directors were appointed by the Board.

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

- To 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 revised in 2019. This Policy incorporates Code Provisions of the Stock Exchange Code, the retirement age guideline (at the age of 72) for our Non-executive Directors (other than the Chairman) 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.

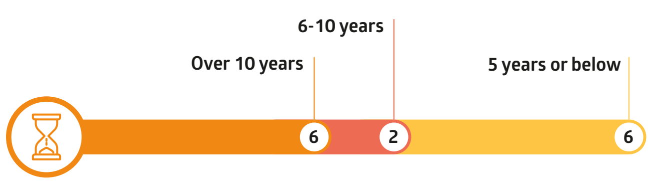
Our Board Diversity Policy also recognises that board diversity can be achieved without increasing the size of the Board and that a reduction in board size due to retirements without replacement can also be a way to further diversity.

The CLP Board Diversity Policy is available on the CLP website.

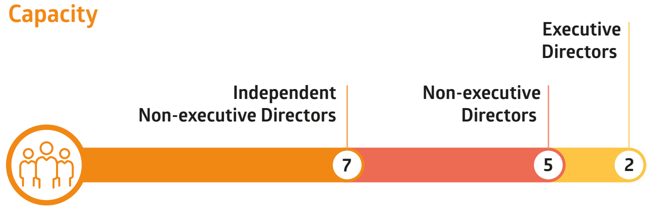
Board Composition & Diversity

Gender

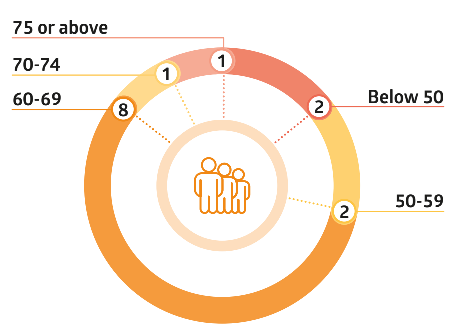
Length of service



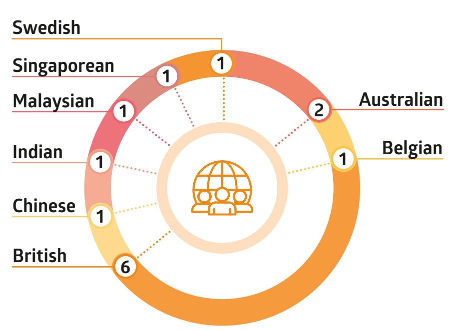
Capacity



Age group



Nationality



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)
Board / board committees leadership	Board and governance leadership experience are regarded as a strategic asset to the Board and Board Committees	6
CLP market experience (Hong Kong / Mainland China (including Greater Bay Area) / India / SEA & Taiwan / Australia)	Facilitates the review of CLP's business and financial operations and investments in the respective region	14
Company executive	Provides insights into executive leadership and the management of CLP's business and operations	8
Global market experience	Provides insights into the global economic trends and opportunities that CLP can explore	14
Other industries	Brings in other expertise applicable across different industries	11
Other listed board roles	Brings in good practices as a board and / or board committee member of listed companies	12
Public administration	Brings in experience in the areas of regulatory and stakeholder engagement	1
Related industry experience (Infrastructure / Power / Property / Retail)	Facilitates the review of CLP's business operations and investment opportunities in the related industries	14
Risk & compliance	Risk and compliance as key governance responsibilities of the Board	10
Technology	Provides insights into the technological developments and the governance of cyber risks	4
Professional	Brings in oversight, advisory and operational experience in the respective field of profession	10
Accounting		5
Engineering		4
Legal		2

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.

Percentage of Directors having served the Board for over 10 years remained at 42% (gradual Board refresh is in progress with an increasing number of Directors serving the Board for five years or below during 2020)

Percentage of Directors aged 70 or above is on a downward trend (reduced from 21%)

Board is reasonably diverse in terms of nationality, with resident Directors in Hong Kong, India and Australia where CLP has major business and operations

Gender diversity (female representation) maintained at a high level amongst Hong Kong listed companies

Representation of Executive Directors in the Board remained at a relatively low level

Representation of Independent Non-executive Directors maintained at a strong 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 2020, 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, Mr Nicholas C. Allen holds cross-directorship with Ms May Tan, as both of them serve on the boards of the Company and Link Asset Management Ltd.

Given that each of 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 maintains 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. These attributes and desired behaviour have 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 110 to 115 and on our website.

Directors' Shareholding Interests

Directors' interests in CLP's securities as at 31 December 2020 are disclosed in the Directors' Report on page 192. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2020 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. The Value Framework was updated in 2020 and a number of labour-related commitments have been reinforced in the updated Value Framework.

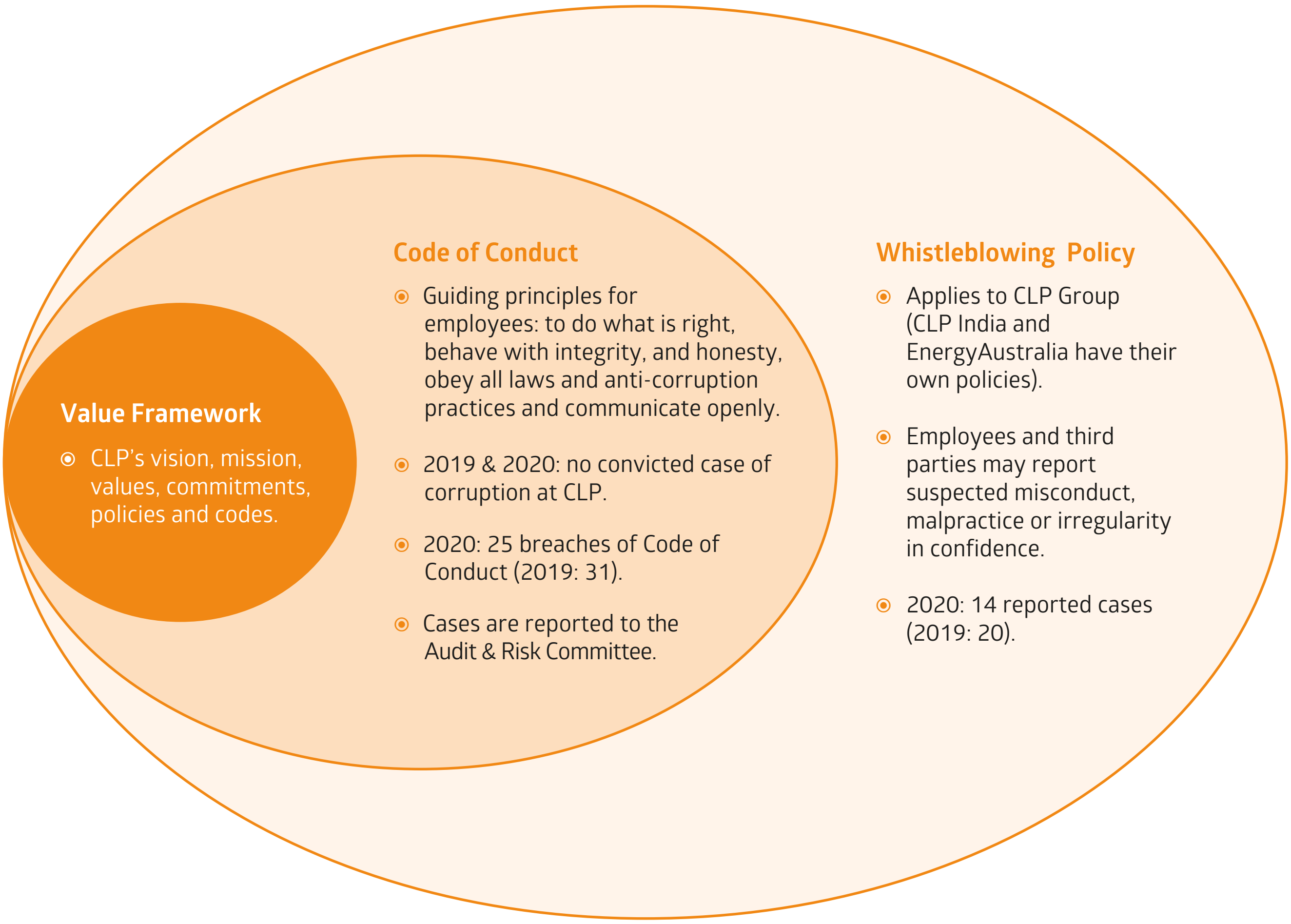
One of the key tasks of CLP's management and staff is the successful implementation of strategy and direction as determined by the Board under the leadership of our Chairman. This includes promoting and "living" the good corporate culture set by our Board over the years. In doing so, they must apply 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.

In 2020, we introduced the Fraud Risk Awareness e-learning course, a mandatory training for staff covering all regions, aimed at enhancing the fraud risk awareness across the CLP Group. The course focused on the importance of identifying different forms of potential fraud, and on how CLP staff can prevent, detect, respond to, and report cases of fraud. These are exceptionally relevant in light of the pandemic situation, unprecedented in many ways, where organisations could potentially be more vulnerable to the heightened risk of fraud.

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 potential 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 2020 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 206 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 2020.

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, 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 2020

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	●	●	●	●
Mr Geert Peeters	●	●		●
Mr David Smales	●	●		●
Mr David Simmonds [1]	●	●	●	●
Ms Quince Chong	●	●	●	●
Ms Eileen Burnett-Kant	●	●		●
Mrs Betty Yuen	●	●		●
Mr Chiang Tung Keung	●	●	●	●
Mr Chan Siu Hung	●	●	●	●
Mr Rajiv Mishra	●	●	●	●
Ms Catherine Tanna	●	●	●	●

Note:

1 During 2020, Mr David Simmonds, the Company Secretary, served as the Vice-President, the Chairman of the Membership Committee and the Company Secretaries Panel, he also led the Competition Law Interest Group and was a member of the Investment Strategy Task Force 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.

Shareholders

Shareholders are one of our key stakeholders and from a corporate governance perspective, the rights of our shareholders are well recognised and these include:

- The right to receive declared dividends and to vote and attend general meetings.
- The right to convene general meetings and to put forward proposals – details of which can be found in our explanatory notes to the 2021 Notice of AGM and on our website or on request.

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

2020 AGM

As highlighted in the "2020 At a Glance", special arrangements and precautions to minimise the risk of exposure to COVID-19 were put in place for our 2020 AGM which was held in a Hybrid format on 8 May 2020. Our Chairman, CEO and Company Secretary played host, and the representatives of the independent auditor attended in the physical meeting. Our CFO and other Directors attended the meeting online at an off-site venue.

The Hybrid AGM allowed shareholders to attend the meeting in person at the AGM venue through prior registration or to join through an online platform. The opportunity for shareholders to attend the AGM online and to send their questions in advance of the AGM as well as in real-time through the online platform allowed shareholders to express their views amid special circumstances.

Hybrid format held on **8 May 2020** at the **physical location** of the Grand Ballroom, Level 2, Kerry Hotel, Hong Kong, 38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong and **online**.

Highlights of the 2020 Hybrid AGM

- We placed a limit of 50 shareholders who could attend in person at the physical location and their attendance required confirmation through a balloting process.
- An attendance of over 600 shareholders participating in person or online.
- Registered shareholders who joined online can vote.
- A high level of votes approving the following major items:
  - The re-election of Directors ranging from over 94% to about 98%.
  - 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 (about 99%) and to repurchase shares of not more than 10% shares in issue (over 99%).
- Through the online platform, shareholders posed various questions and for questions that were not specifically addressed in the meeting, detailed answers and responses were provided and disclosed on our website.

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	2020 Highlights
Hybrid AGM	• Chairman keynote speech • Average attendance in the past five years: **over 1,600 shareholders** • **Over 600 shareholders** attended in person and online in 2020 • High voting approval rate on resolutions considered
2020 Investor Meetings (Led by CEO, CFO and Investor Relations Department)	• Over **80 investor meetings** mostly conducted online • **Non-deal roadshows** in Asia and Europe
2020 Shareholders' Visits (Hosted by representatives of the CLP management team)	• Three tours with 93 shareholders and guests in January 2020 • Due to COVID-19, most of the visit tours were cancelled in 2020, despite this, we continue to receive strong interest from shareholders
2020 Analyst Briefings (Led by CEO, CFO and Director – Investor Relations and attended by investment community)	• Covering the Company's **interim and annual results**
Reports and Announcements	• Annual Reports, Interim Reports and Sustainability Reports SR • Quarterly statements • Announcements and media releases
CLP Website	• Revamped CLP website to enhance stakeholders understanding on CLP's corporate governance approach • 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 2020 and the effectiveness of the Policy was confirmed. With the continuing COVID-19 situation, the manner of engagement with our shareholders will be monitored closely.

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 25 highly qualified professional staff.

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 International Federation of Accountants rules on independence of external auditors).
- The current lead audit partner, after having served the Company's statutory audits in that capacity since the 2014 financial year-end audit, will complete his seven years of service as the lead audit partner after the 2020 financial year-end audit. He will be replaced by a new lead audit partner who has not had any prior involvement in the CLP Group audit.
- 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:

	2020 HK$M	2019 HK$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, audits of CLP's provident funds and auditor's attestation)	**10**	7
Non-audit services (including tax advisory and other services)	**1**	2
Total	**50**	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 auditors are shown in Note 5 to the Financial Statements.

For the year ended 31 December 2020, the fees for permissible audit related and non-audit services accounted for 20% and 2% 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 explain how we discharge our responsibilities to employees, customers, lenders, the environment and the communities in which we operate. SR

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 146.

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 147.

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

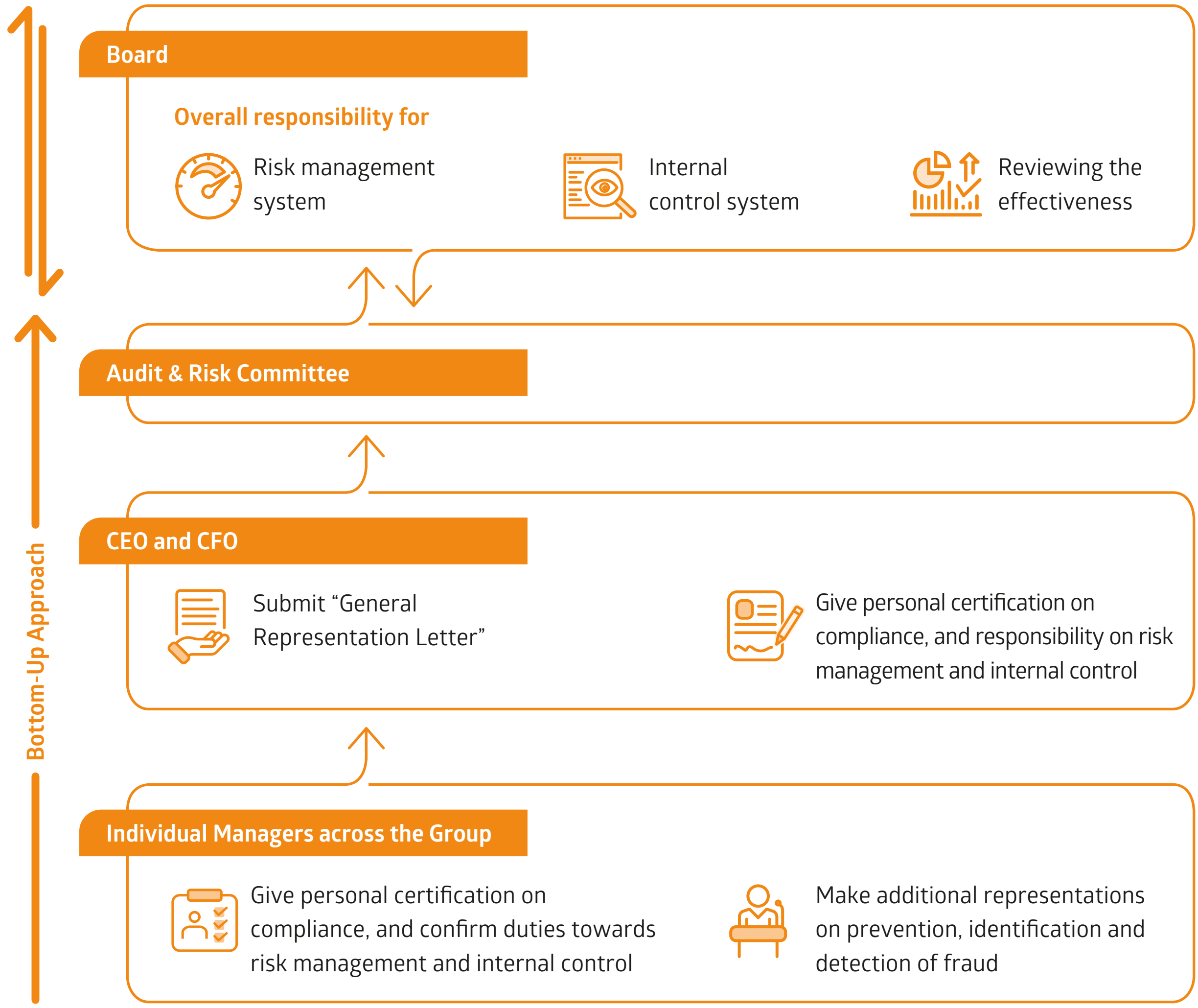
Management and designated staff evaluate the control environment and conduct risk assessments on business and processes. Material risks and associated controls, including mitigation when needed, are continually reviewed and updated. The Board is regularly informed of significant risks that may have an 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 158.

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 risk 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 2020, 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 including any possible impacts from COVID-19. The members of the committee include the CEO, CFO, the Company Secretary and the Director – Investor Relations. Please also see "Our disclosure" on page 121.

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.

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. Requests for formal engagement with our management and / or Directors are also welcome.

By Order of the Board

David Simmonds
Company Secretary
Hong Kong, 22 February 2021

Risk Management Report

Risk management is an integral part of all processes and the responsibility of everyone within CLP as it is critical to the long-term growth and sustainability of the company.

CLP's Risk Management Framework

Risk is inherent to 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:

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, the Group only takes reasonable risks that fit its strategy and capability, can be understood and managed, and do not expose the Group to:

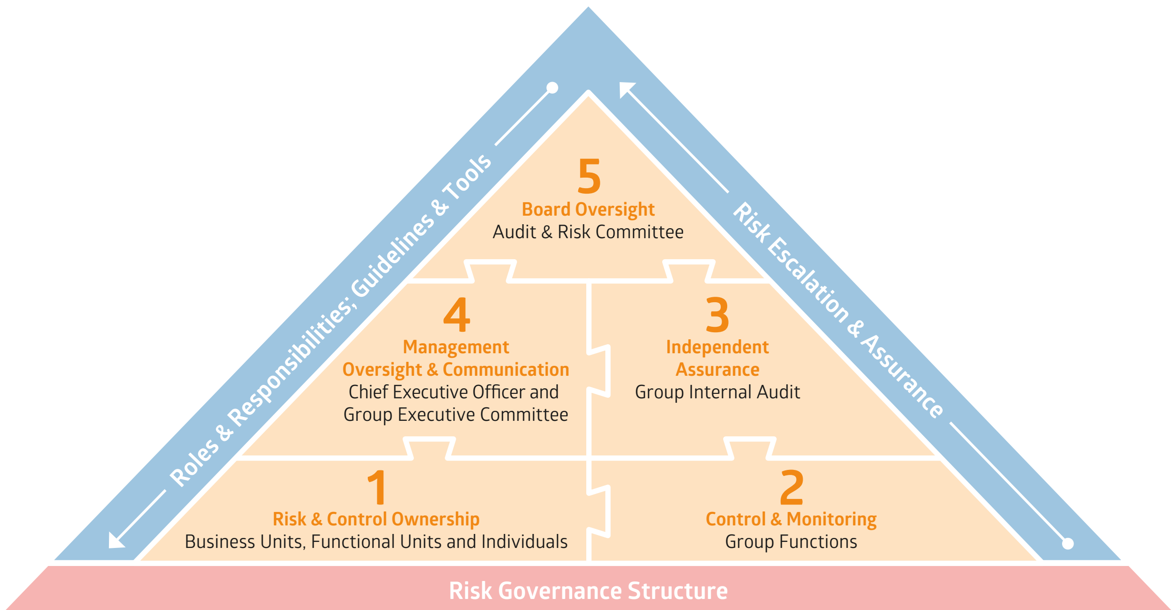
- Hazardous conditions affecting safety and health of employees, contractors, and / or the general public;
- Material financial loss impacting the financial viability and strategy execution of the Group;
- Material breach of external regulations that could lead to loss of critical operational and business licences, and / or substantial fines;
- Material damage to the Group's reputation and brand name;
- Business or supply interruptions that could lead to severe impact on the community;
- Severe environmental incidents.

CLP established risk profiling criteria in line with its risk appetite to help assess and prioritise each identified risk according to its consequence and likelihood. In assessing the consequence of a risk, CLP considers Financial consequences, in addition to non-financial ones, comprising Safety and Health, Environment, Regulatory and Governance, Reputation, and Operations and Systems.

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:



Five Lines of Assurance

1 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.
2 Control and Monitoring	**Group Functions:** Finance, Risk Management (see also the role of "Group Risk Management" below), 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.
3 Independent Assurance	**The Group Internal Audit:** • Carries out independent appraisal of the effectiveness of the risk management framework.
4 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 & 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 & Risk Committee.
5 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.

Group Risk Management

The 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 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.
- **Understanding the external environment and megatrends** which may have significant implications for CLP's business and markets (see also "Megatrends and Material Topics" below).

- **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 and Material Topics

CLP recognises that certain external global trends could have a significant impact on its operating and strategic environment. These megatrends encompass significant political, economic, social, environmental and technological changes which could evolve rapidly, changing the context in which the company operates.

Following a thorough review of transformative global megatrends, CLP identified decarbonisation and digitalisation as the key long-term drivers of change. This process resulted also in the definition of a set of material topics to be managed, of which the ones below are the most relevant for the Group:

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

Specific risks identified under each topic are assessed in the integrated risk management process. CLP's top-tier risk tables on pages 152 to 157 indicate the risks associated with these material topics.

Detailed discussions on CLP's responses to these material topics and future outlook are set out in the 2020 Sustainability Report. SR

CLP's Risk Management Process as an integral part of 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 appropriate 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 an 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 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 143 to 144.

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 151 to 157 have been laid out in CLP's 2021 business planning process.

Material Risks to the Group

As an investor and operator in the energy sector of the Asia-Pacific region, CLP's risk profile is categorised into six key risk areas: Operational, Commercial, Regulatory, Financial, Market and Human Resources. The top-tier risk profile is summarised on pages 152 to 157:

Case Study

How CLP Identifies, Assesses and Manages 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 an integral part of its Group-wide Risk Management Framework.

According to the recommendations of the Task Force on Climate Related Financial Disclosure (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.

CLP recognises the wide-ranging implications of climate change and considers climate change risks a combination of standalone risks and cross-cutting risk drivers of other material risks. As shown in CLP's top-tier risk tables on pages 152 to 157, climate change transition risk and physical risk have been identified as standalone risks and catergorised under Regulatory Risk and Operational Risk respectively. In addition, the tables illustrate other material risks with either **Transition** or **Physical** risk drivers, or both.

As with other material risks, CLP adopts the same set of risk profiling criteria in assessing the climate change risks. Climate change risks are managed across the Group according to CLP's risk governance structure and risk management process, with management oversight and assurance provided to the Board. In addition, Climate Vision 2050 is integrated into CLP's strategies on asset portfolio management, guiding the Group in managing climate-related risks as well as opportunities.

Additional references: Natural Capital on pages 102 – 103, 2020 Sustainability Report. SR

Material Risks to the Group (continued)

Operational Risk

CLP's operations are exposed to a variety of operational risks relating to health, safety and environment (HSE) incidents / compliance, physical security, plant performance, data privacy, cybersecurity attacks on operational technology (OT) and IT systems, project delivery, and extreme weather events as a result of climate change.

During 2020, the COVID-19 pandemic brought additional challenges to CLP's operations on issues related to staff health, operational efficiency and supply chain.

CLP manages operational risk by:

a) Implementing the HSE 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. Group-wide initiative on eliminating exposure to serious injuries and fatalities;

b) Implementing operations and system reinforcements to maintain high operational and emissions performance;

c) Maintaining appropriate response levels and control measures in response to the COVID-19 pandemic;

d) Strengthening security surveillance at high-risk facilities;

e) Maintaining emergency response, crisis management, disaster recovery and business continuity plans with regular drills;

f) Implementing Group-wide Project Management Governance System to facilitate the delivery of high-quality projects;

g) Implementing Group-wide cybersecurity policies and standards with appropriate controls, technologies and practices at all levels, while cultivating a cyber resilience culture across the Group.

Group Top Tier Risks – Operational	Changes in 2020	Additional References
1. Major HSE incidents	⟵ ⟶	Pages 82, 91 – 92, 104 – 106
2. COVID-19 outbreak	New	Pages 19 – 21, 82 – 85, 90 – 91, 98 – 99
3. Cybersecurity attack – OT systems	⟵ ⟶	Page 85
4. Cybersecurity attack – IT systems	⟵ ⟶	Page 85
5. Physical security breach (including social unrest)	↓	Page 85
6. Major failure – generation assets	⟵ ⟶	Pages 68, 83 – 84
7. Climate change – physical risk	⟵ ⟶	Pages 53, 59, 102, 159
8. Renewables – lower performance	⟵ ⟶	Pages 52 – 54, 59 – 60
9. Major projects delay / cost overrun	⟵ ⟶	Pages 46 – 47

↑ Risk level increased

↓ Risk level decreased

⟵ ⟶ Risk level remains broadly the same

Transition risk

Physical risk

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 (continued)

Commercial Risk

Commercial risk refers to potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties. Currently, commercial disputes, delay in collection of receivables, counterparties' financial health, fuel supply interruption, reduced energy margins and price volatility are key commercial risks impacting CLP.

Additionally, a number of digital transformation programs are being implemented to improve customer engagement and experience, cost effectiveness, and system flexibility and reliability.

CLP manages commercial risk by:

a) Diligently pursuing resolution of payment delays and commercial disputes;

b) Monitoring the financial health of 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 price;

e) Establishing strong leadership in driving digital transformation strategy, having formal governance over technology architect and design decisions as well as execution of major programmes, while developing a data-driven, innovation culture.

Group Top Tier Risks – Commercial	Changes in 2020	Additional References
10. Gas supply shortage – Hong Kong	↔	Pages 46, 50
11. Coal supply shortage – Australia (Mount Piper)	↓	Pages 68, 105
12. Litigation – EA Iona disposal	↔	Pages 223, 279
13. Tariff adjustment challenge – Hong Kong	↔	Pages 45 – 46
14. Delayed tariff payments in India and national renewable energy subsidies in Mainland China	↔	Pages 221, 264
15. Digital transformation risk	↑	Pages 21, 47, 50, 83, 88

Material Risks to the Group (continued)

Regulatory Risk

CLP's capability to achieve more stringent performance targets in Hong Kong presents a short-term regulatory risk exposure while there is possible risk of adverse regulatory changes in the medium to longer term.

The Group's Australian business continues to face regulatory challenges which may restrict its margin recovery, increase the complexity and cost of market operations, and present significant regulatory compliance challenges.

In Mainland China, the implementation of power sector reforms has been gathering pace, with continuous expansion of market sales. Geopolitical tensions between China and its major trading partners may bring new challenges to CLP's business, including its supply chain and overseas investments.

As CLP adjusts to climate change, the pace of changes in government policies, regulations, technologies and market structures could be faster than the Group's responses.

CLP manages regulatory risk by:

a) Close monitoring of regulatory development and market / public sentiment;

b) Working constructively with governments to advocate CLP's position on regulatory changes;

c) Mobilising internal resources to ensure timely responses to regulatory changes and maintaining regulatory compliance and oversight;

d) Communicating and highlighting the importance of a balance between a reliable and safe supply, care for the environment, and reasonable tariffs;

e) Reinforcing CLP's efforts to care for the community and promote energy efficiency;

f) Developing capacity and decarbonisation scenarios to progressively phase out our remaining coal-based assets before 2050;

g) Conducting extensive stakeholder engagement on regulatory matters and CLP strategy for long-term decarbonisation;

h) Conducting supply chain review for assets on imported equipment and spares, and exploring alternative sources and localisation opportunities.

Group Top Tier Risks – Regulatory	Changes in 2020	Additional References
16. Regulatory changes – Hong Kong	←→	Pages 45 – 50, 106
17. Regulatory changes – Australia	↓	Pages 67 – 73
18. Regulatory changes – Mainland China	←→	Pages 52 – 57
19. Climate change – transition risk	←→	Pages 69, 70, 102 – 103, 107
20. International sanctions risk	New	Pages 63, 159
21. Regulatory compliance – Australia	←→	Pages 67 – 68

Material Risks to the Group (continued)

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. Volatile foreign exchange and equity markets have further increased the cost of securing financing.

The enduring effects of the COVID-19 pandemic and geopolitical tensions have elevated financial market uncertainties.

The credit ratings of CLP Holdings, CLP Power Hong Kong and CAPCO remained unchanged in 2020 with stable outlooks.

CLP manages financial risk by:

a) Reviewing liquidity, maintaining investment grade credit ratings and preserving a healthy capital structure;

b) Taking pre-emptive action for early completion of major financings with preferential terms;

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 banks' credit standing, and ensuring non-recourse to CLP Holdings for counterparties of CLP Holdings' subsidiaries and affiliates;

h) Maintaining good, trustworthy relationships with lenders (banks and bondholders);

i) Ensuring transparency in financial communications and disclosures.

Group Top Tier Risks – Financial	Changes in 2020	Additional References
22. Financial market volatility	⟵ ⟶	Pages 76 – 81, 284 – 287, 290 – 292
23. Availability of competitive funding	⟵ ⟶	Pages 76 – 81, 287 – 289
24. Default of Group's financial counterparties	⟵ ⟶	Pages 76 – 81, 287

Material Risks to the Group (continued)

Market Risk

In Australia, the retail market remains intensely competitive while the wholesale prices have declined sharply and stayed low in 2020 largely due to increased renewable energy generation.

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 market risk 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 CLP's 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;
- Pursuing steam sales to increase plant usage.

Group Top Tier Risks – Market	Changes in 2020	Additional References
25. Australia – Customer competition and energy market volatilities	⟵ ⟶	Pages 67 – 68, 73, 285 – 286
26. Mainland China – Volume / tariff competition	⟵ ⟶	Pages 52 – 53

Material Risks to the Group (continued)

Human Resources Risk

Executing the decarbonisation and digital transformation agenda and realising current and potential non-SOC opportunities in Hong Kong and the Greater Bay Area will bring significant challenges in succession management, talent attraction and retention, leadership, structure and operating model change, and culture change. The organisation capability development challenge is likely to be exacerbated in coming years by continued geopolitical volatility, social issues, the pandemic situation and demographic shifts.

CLP manages human resources risk by:

a) Managing senior management succession, particularly ensuring continuity of stakeholder relationships, and managing heightened leadership complexity;

b) Resourcing with innovation, digital and business development skillsets in Hong Kong and Mainland China, together with accelerating the development of engineering talent in CLP Power Hong Kong to address retirement needs;

c) Evolving to more agile operating models and human resources management systems, and embedding significant organisation and business process changes;

d) Managing the culture agenda: embedding CLP's values and appropriate risk culture in an increasingly diverse workforce, building resilience, and evolving mindsets and behaviours to embrace change at pace, calculated risk-taking and collaboration among employees, customers and external partners.

Group Top Tier Risks – Human Resources	Changes in 2020	Additional References
27. Organisational capability development for growth and transformation	↑	Pages 90 – 97

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 147 to 148 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 145 and the Audit & Risk Committee Report on page 161.

Geert Peeters
Executive Director & Chief Financial Officer
Hong Kong, 22 February 2021

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. This Committee comprised the following Members during the Period:

- **Mr Nicholas C. Allen** (the Chairman) (appointed as Chairman following the retirement of Mr Vernon Moore)
- **Mrs Fanny Law**
- **Ms May Siew Boi Tan**
- **Mr Chunyuan Gu** (appointed in October 2020)
- **Mr Vernon Moore** (the Chairman, until his retirement as a Director at the conclusion of the 2020 AGM in May 2020)

Biographies of the current Members are set out in Board of Directors on page 110 and on our website.

The Committee works closely with the auditors and management-level group functions and, in addition to the Members, regular attendees at the Committee's meetings are:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Financial Officer – Mr Geert Peeters;
- Deputy Chief Financial Officer – Mr Nicolas Tissot, appointed in September 2020;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds;
- Senior Director & Group Controller – Mr Pablo Arellano;
- Senior Director – Group Internal Audit (GIA) – Ms Kathy Liu; and
- Independent Auditor – 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 reported period (full year 2020 and for 2021 up to the date of this Report) (the Period), the Committee held six meetings in 2020 and another two meetings in 2021. The Chairman met regularly and individually with each of PwC, the Senior Director – GIA, the CFO and the Deputy CFO. The Committee commenced its meetings 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 six sessions for Committee Members only were held during the Period.

Individual attendance of Members for the 2020 meetings is set out in the Corporate Governance Report on page 131.

EnergyAustralia

CLP's wholly-owned subsidiary, EnergyAustralia, has its own board of directors that includes independent non-executive directors. The EnergyAustralia board has established an audit and risk committee (ARC) 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 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 former Chairman of the Committee, Mr Vernon Moore participated in two EnergyAustralia ARC meetings and the Chairman of the Committee, Mr Nicholas C. Allen participated in three EnergyAustralia ARC meetings.

Highlights of the Committee's Work

Leadership and Membership Refreshed

The Committee saw a change in leadership with the appointment of a new Chairman following the retirement of Mr Vernon Moore, the former Committee Chairman, at the conclusion of the 2020 AGM.

The Committee also welcomed the appointment of Mr Chunyuan Gu, a newly appointed Independent Non-executive Director in October. This brought the Committee back to a four-member Committee which was the size of the Committee before Mr Vernon Moore retired from the Board and the Committee.

A Risk-Focused Agenda in a Challenging Year

With the various challenges in a turbulent year, the Committee spent considerable time in understanding, analysing and monitoring the key risks that faced the Group; a highlight of these is set out below.

COVID-19 – The Committee first considered the impact of COVID-19 in the context of the closing process of the financial statements for the financial year ended 2019. As the pandemic situation continued in 2020, COVID-19 was regarded as a standalone risk item for the CLP Group on issues such as health, supply chain, workforce availability, regulatory compliance, financial position and tariff and debt collection. Throughout 2020 as the pandemic situation developed, the Committee examined contemporaneously the different and varying effects of the pandemic on the Group.

Geo-political situation – During the course of 2020, the geo-political tensions had heightened and this led to sanctions and restrictions being imposed against China and related interests. The Committee assessed the impact of the international sanctions risk concerning the Group's business units, in particular, Hong Kong, China and India.

Bushfires in Australia – In the Australian summer of 2019/2020, the eastern states of Australia were hit by widespread devastating bushfires. Part of the bushfires affected the nearby area of EnergyAustralia's Mount Piper power plant where the operations were threatened. Given the seriousness of the bushfires, the Committee requested management to provide a detailed briefing on the bushfires. The Committee assessed the potential impact of the bushfires on the EnergyAustralia's business with particular attention on the operation of the power plant and EnergyAustralia's customers.

Cybersecurity – The Committee had undertaken a regular deep dive examination into the topic of cybersecurity in recent years. With cybersecurity being kept at a high risk rating, the Committee requested that the periodic deep dive examination should continue and that a dashboard report on various key indicators should be presented to the Committee. The Committee was particularly focused in understanding and monitoring the progress on various cybersecurity initiatives.

The above topics were analysed by the Committee holistically and enabled the Committee Members to understand the issues, challenges and risks faced by the Group from both an operational perspective and a financial reporting perspective.

The following table provides an overview of how the Committee spent its time during the Period:

	2020						**2021**	
	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	●		●					
• cybersecurity			●			●	●	
• impact of bushfires on EnergyAustralia trade receivables			●					
Internal control review update		●		●		●		●
Management's general representation letter		●			●			●
Outstanding internal audit issues		●	●	●	●	●		●
Legal and regulatory compliance		●			●			●
Annual and Interim Financial Reports								
Annual and Interim financial statements and reports		●			●			●
Assessment of critical accounting judgements	●	●		●	●	●	●	●
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		●						●

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Risk Management, Internal Control and Compliance	
Effectiveness of risk management and internal control systems	The Committee perused management's periodic internal control reports and the Group's quarterly risk management reports. As part of the review of the interim and annual financial statements, the Committee examined and received the General Representation Letters from the CEO and CFO (see page 144 for further details regarding the General Representation Letters). The Committee's monitoring of the risk management and internal control systems was supported by the review work and reporting 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 analysed and was satisfied that the Group's risk management and internal control systems were effective and adequate for the Period.
Deep dive briefings	In addition to the deep dive topics examined by the Committee as explained in the Highlights of the Committee's Work, the Committee also considered the following deep dive topics: • **Health, Safety and Environment** – following from the Committee's review of GIA's special review report on the safety practices of the CLP India wind farms, the Committee requested for a briefing from the CLP India management regarding the recommended actions taken in response to the report; and • **EnergyAustralia outsourcing IT projects** – the Committee noted the challenges with EnergyAustralia's outsourcing projects over the years and requested for a deep dive examination of the recent projects for EnergyAustralia's retail business. A separate briefing was conducted outside of the Committee's scheduled meeting and this enabled the Committee Members to have an open dialogue on various aspects of the ongoing business services related projects.
Reporting on risk management	In addition to perusing the risk management reports, the Committee spent considerable efforts in analysing and monitoring the unique risks and challenges faced by the Group as explained in the Highlights of the Committee's Work.
Cybersecurity	Briefing on cybersecurity has been a regular feature on the Committee's meeting agenda for a number of years. This was also covered in the Highlights of the Committee's Work. In considering the update made by management, the Committee made a number of recommendations: • between the cybersecurity function and the IT staff, there should be stronger collaboration on the work plan for cybersecurity; and • cybersecurity initiatives should be implemented with the view of bringing synergies across the different functions and business units across the CLP Group.

Areas of Focus

Risk Management, Internal Control and Compliance	
Compliance	As part of the consideration of the full year and half year financial statements, the Committee reviewed and considered a comprehensive legal and regulatory report on the Group. This report is in relation to key regulatory compliance issues and legal cases for each region of the Group. 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); and continued to agree with the considered reasons for this exception (please refer to page 122).
Annual and Interim Financial Reports	
Annual Reports and Interim Report	The Committee reviewed the 2019 and 2020 Annual Reports and the 2020 Interim Report and on the recommendations from the Committee, these were approved by the Board.
2020 Financial Statements – accounting judgements	Management and PwC presented to the Committee the key judgements with material accounting impact. These included the assessment on the impact of COVID-19 pandemic on the 2020 Financial Statements, 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 2019 and 2020 Sustainability Reports. SR The Committee noted that the process of gathering sustainability statistics (and other non-financial data) had been strengthened and the metrics being assured had been expanded.
Internal and External Auditing	
Internal audit	The Committee received and considered reports from the Senior Director – GIA. GIA issues two types of reports: a) 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; and b) special review reports focus on new business areas and emerging risks, where control advisory is provided. For the year 2020, a total of 28 audit and seven special review were completed. All the audit reports carried a satisfactory audit opinion. During the year, site access to some of the plants were restricted due to the safety measures taken and travel restrictions imposed under COVID-19, but the overall impact of these limitations were considered as not material to the audit opinions rendered. None of the control weaknesses identified had a material impact on the financial statements.

Areas of Focus	
Internal and External Auditing	
Internal audit function	The Committee 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 reviewed and approved the updates to the Internal Audit Manual. The Committee took note that an independent peer review of GIA would be conducted this year. The review is expected to be completed in the first quarter of 2021.
Financial Statements – auditor's opinion	For both the 2019 and 2020 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.
Fees to independent auditor and its re-appointment	The Committee reviewed the following fees payable to PwC: • audit fees for 2019 and 2020 for approval by the Board; and • permissible audit related and non-audit services provided by PwC for 2019 and 2020. At the 2020 AGM, over 99% of the shareholders voting supported the re-appointment of PwC and they were re-appointed as independent auditor for 2020. Having considered PwC's performance and independence as independent auditor, 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 PwC lead audit partner has completed his seven years of service as the lead audit partner on completion of the 2020 audit in accordance with The International Federation of Accountants rules on independence of external auditors, Ms Yee Shia Yuen will become the new lead audit partner for the financial year 2021. 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 142.
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 noted the enhancements made to the CLP corporate governance practices, and some of the market and regulatory developments and trends that might have an impact on CLP's corporate governance practices. 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 confirmation of continuing connected transactions as required by the Listing Rules.

Areas of Focus	
Corporate Governance	
Culture-related	The Committee reviewed and commented on the proposed updates to the Code of Conduct. The Committee received and considered the periodic updates on the breaches of the Code of Conduct. None of the 25 breaches in 2020 were material to the Group's financial statements or overall operations. The breaches were mainly related to issues of workplace behaviour and individuals' ethics and integrity. Two of the reported Code of Conduct violations involved employees at the grade level of senior manager and above. The Committee analysed the 2019 findings on ethics and controls commitment survey for the employees. In comparison with previous year's findings, the ratings of Australia and Hong Kong were improving slightly, China was quite steady, and India was on a slight upward trend. There was an added focus on the company culture in the survey. The Committee also reviewed the 2020 results on the ethics and controls commitment survey for the Senior Management which is conducted every three years. The overall rating of the survey results was similar to the last survey in 2017, with China having slightly better results and the other regions remained relatively steady.

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 reports to the Board at the Board meetings in which the full year and half year financial statements are considered and this would cover key issues considered by the Committee in the course of the review of the preparation of the financial statements.

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 2020 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.

Looking Ahead

2020 was an unprecedent year in terms of the various material risks faced by the Group and in looking to 2021, the Committee will continue to be vigilant in overseeing that these risks and any new emerging risks will be appropriately monitored and addressed by management. In terms of the financial reporting and disclosures, the Group have always had a robust preparation and review exercise for the financial reporting and the Committee will work to ensure that these high standards will continue to be maintained.

Nicholas C. Allen
Chairman, Audit & Risk Committee
Hong Kong, 22 February 2021

Sustainability Committee Report

Members

The Members of the Sustainability Committee are appointed by CLP Holdings' Board of Directors to oversee CLP's sustainability issues. This Committee comprised the following Members during the Period:

- **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)
- **Ms Christina Gaw** (Independent Non-executive Director), appointed in October 2020
- **Mr Andrew Brandler** (Non-executive Director)
- **Mr Philip Kadoorie** (Non-executive Director), appointed in January 2020
- **Ms Quince Chong** (Chief Corporate Development Officer)

Biographies of the Members are set out in Board of Directors on page 110, Senior Management on page 116 and on our 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 123 of the Corporate Governance Report on CLP's Approach to ESG Reporting). In supporting the Committee, the management-level 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;
- Deputy Chief Financial Officer – Mr Nicolas Tissot, appointed in September 2020;
- Chief Operating Officer – Mr David Smales;
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds; and
- Chief Human Resources Officer – Ms Eileen Burnett-Kant.

Meetings and Attendance

The Committee meets as frequently as required and the Committee met four times during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period).

Highlights of the Committee's Work

Membership Refreshed

The Committee welcomed the appointment of Mr Philip Kadoorie and Ms Christina Gaw (a newly appointed Independent Non-executive Director). This brought the Committee membership to a 50% representation of both independent directors as well as female Members.

Continued Focus on Longer-Term Issues – Digitalisation, Innovation and Climate Change

A key focus of the Committee's work during the Period was overseeing the longer-term emerging sustainability issues and the impact on the Group's strategy. The Committee had extended meetings with dedicated deep dive sessions on innovation and digitalisation and on climate change.

In the innovation and digitalisation session, management provided the Committee with an overview of the impact of digitalisation and the associated changing competitive landscape along with a review of the actions being taken and investments made by CLP in this area.

In the climate change session, the Committee had the benefit of a briefing from a leading external expert on climate change which included a comprehensive update on developments in climate change and provided the Committee an external perspective on how CLP was performing and progressing on climate action. The expert session was complemented by management's briefing on the broader climate action landscape and the Committee and management had an open dialogue on the directional approach that CLP should be taking in line with the Climate Vision 2050 and the updating of CLP's decarbonisation targets.

The Committee considered how CLP could transform into a Utility of the Future and spent a considerable amount of time on discussing and deliberating on digitalisation, innovation and climate change-related issues. The Committee Members had a constructive exchange with members of the Innovation Team on a number of topics covering potential business opportunities in the areas of energy-related services and the critical success factors for developing data centres.

The following table provides an overview of how the Committee spent its time during the Period:

	2020 Feb	 Oct	 Nov	**2021** **Feb**
Sustainability Matters – risks, opportunities and emerging issues		●	●	
Sustainability Reporting / Indices performance	●	●	●	●
Health, Safety, Security and Environment				●
Community, Charitable and Environmental Partnerships and Initiatives	●			●

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Sustainability Matters	
Climate Vision 2050 targets review	The Committee examined the targets set in the Climate Vision 2050 against the science-based benchmarks and there were in-depth discussions on the impact of government policy initiatives and actions and potential technology developments to decarbonise CLP's portfolio. The Committee also considered the various scenarios put forward by management in updating the carbon intensity targets for the years 2030, 2040 and 2050, including the deliberation of setting a net-zero target for 2050.
Climate change-related developments and risks	The Committee considered the climate change policy landscape at the international level and in the CLP markets. The Committee had an engaging session with a leading climate change expert on the climate ambition at international level and covered topics such as the postponement of COP 26, the implications of a new Biden US administration and the impact of COVID-19 which had led to questions of how best to invest to protect nature and biodiversity.
TCFD	The Committee was briefed on the next steps in implementing the TCFD recommendations which involved assessing our portfolio's exposure in different scenarios, namely, a) physical risks / opportunities in the high carbon scenario; b) transitional risks / opportunities in the low carbon scenario; and c) deferred transition scenario. The Committee also discussed on how the financial impact of the climate risk and opportunities could be assessed in the analysis of these scenarios with the anticipation that regulatory standards on this would be developed over time.
CLP Value Framework refreshed	The Committee perused the proposed changes and approach to refreshing the CLP Value Framework. On the topic of corporate purpose, vision, mission and values, the Committee and management had an open discussion about the messages articulated in the revised Value Framework document and that this would be consistent and aligned with CLP's pre-existing statements and positions.
Digitalisation and innovation	The Innovation Team delivered a comprehensive briefing on "CLP's journey to be the Digital Utility of the Future" and explained CLP's approach and progress in the areas of digitalised operations, energy as a service, and energy infrastructure.
Sustainability Reporting / Indices Performance	
Sustainability Reporting Standards	The Committee considered the 2020 materiality identification exercise for the 2020 Sustainability Report. The Committee paid particular attention to the challenges in 2020 and whether this would require a change in CLP's material topics. The Committee was satisfied with the assessment and reaffirmed the material topics from the 2019 review. The Committee also considered and endorsed the presentation of the contents of the 2020 Sustainability Report and how it meets the 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.

Areas of Focus	
Sustainability Reporting / Indices Performance (continued)	
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.
Performance on external sustainability indices	As a standing item, the Committee was briefed on, and monitored, CLP's performance on external sustainability indices. 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 took note of the evolving ESG assessment and benchmarking initiatives and discussed the potential implications of CLP's performance in the indices. Further details of selected 2020 sustainability ratings for CLP's 2019 sustainability performance are shown in the following table. The scores reflected the performance of the year before.

Index Name	2020 Score	2019 Score	2018 Score
DJSI	77	73	69
CDP – Climate Change	B	B	B
Hang Seng Corporate Sustainability Index	AA–	AA–	AA–
FTSE4Good	3.6	3.7	4.0
MSCI ESG Leaders Indexes	AA	AA	AA
Sustainalytics ESG Risk Ratings*	29.9 Medium Risk	N/A	N/A

* Given the increasing prominence of Sustainalytics ratings, the Committee was updated on this score for the first time in 2020.

Areas of Focus	
Health, Safety, Security and Environment	
Operational Health, Safety, Security & Environment Standards	The Committee took note of management's ongoing work on the development of the Group's Labour Standards.
Community, Charitable and Environmental Partnerships and Initiatives	
Community initiatives	The Committee reviewed management's report on the community initiatives undertaken by CLP in 2020 and gave their support on the 2021 programme highlights for Hong Kong, China, India and EnergyAustralia.

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 focus on longer-term emerging sustainability issues concerning the Group. Following on from the deep dive session on Climate Change in 2020, the Committee is well positioned as the Group prepares for a review of the targets set out in our Climate Vision 2050. In addition, the pandemic has brought a sharp focus on ESG issues and the Committee, with the support of Management, will need to stay closely attuned to the evolving issues of ESG and sustainability.

Richard Lancaster
Chairman, Sustainability Committee
Hong Kong, 22 February 2021

Nomination Committee Report

Members

The Members of the Nomination Committee are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

Mr Nicholas C. Allen
(Independent Non-executive Director), as the Chairman

The Hon Sir Michael Kadoorie
(Non-executive Director)

Ms May Siew Boi Tan
(Independent Non-executive Director), appointed in January 2020

Mr Vincent Cheng
(Independent Non-executive Director), Member until his retirement as a Director at the conclusion of the 2020 AGM in May 2020

The Committee comprises a majority of Independent Non-executive Directors.

Biographies of the current Members are set out in Board of Directors on page 110 and on our 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 the Committee met twice during the reported period (full year 2020 and for 2021 up to the date of this Report) (the Period).

Highlights of the Committee's Work

Membership Refreshed

The Committee welcomed Independent Non-executive Director Ms May Tan as a new Member, she joined the Committee in January 2020. The Committee remained as a three Member Committee with the retirement of Mr Vincent Cheng at the conclusion of the 2020 AGM.

Dedicated Meeting for New Director Appointments

In addition to the scheduled meeting, the Committee held a dedicated meeting to consider the proposed appointment of two Independent Non-executive Directors. This meeting was convened to oversee the independent search process undertaken for the proposed appointment of new Independent Non-executive Directors.

Summary of Work Done

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.

Areas of Focus	
Board nominations and Board refresh	With the retirement of Mr Vernon Moore and Mr Vincent Cheng as Independent Non-executive Directors at the conclusion of the 2020 AGM, an independent search process was conducted by consulting firm, Korn Ferry, to undertake a global search for potential replacement candidates. The Committee Chair was involved in the search process and led the engagement with the consulting firm and participated in the interview of the candidates. After a robust interview process, the proposal for appointing two candidates in Ms Christina Gaw and Mr Chunyuan Gu was put to the Committee for consideration. In assessing the proposed candidates, the Committee took into account various factors, including attributes that were identified in the 2019 external Board Review exercise, namely: • an alignment of values and a high level of commitment to the CLP cause; • the availability to attend regularly Board and Committee meetings in Hong Kong; and • the ability to bring distinctive value-add aligned to the emerging strategic issues facing CLP and in navigating industry disruptions and leading transformation. As for the proposed two candidates, the Committee considered their unique experience, background and profile: • Ms Christina Gaw, who has extensive investment banking and management experience, a strong ESG belief and mindset and vast experience on the Mainland / the Greater Bay Area, Hong Kong and Australia markets; and • Mr Chunyuan Gu, who has strong engineering and technology background and extensive experience with disruption and transformation experiences along with a depth of experience on the Mainland / the Greater Bay Area. The Committee was of the view that the two appointments would be a good strategic fit for the Board and endorsed for approval by the Board the proposed appointments of Ms Christina Gaw and Mr Chunyuan Gu to take effect from 20 October 2020. The Committee was also satisfied that the appointments would enhance the diversity of the Board having regard to their expertise, background and experience.

Areas of Focus	
Board Committees refresh	The Committee considered the evolving demands of the Board Committees and having regard to the unique experience, expertise and background of the two new Directors, the Committee reviewed the Board Committees composition and endorsed the following new appointments, which were approved by the Board and became effective on 20 October 2020: • Ms Christina Gaw – as a Member of the Finance & General Committee and the Sustainability Committee; and • Mr Chunyuan Gu – as a Member of the Audit & Risk Committee and the Finance & General Committee. In endorsing the above appointments, 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.
Board Diversity Policy and diversity aspects of the Board	The Committee considered management's findings on the annual review of the existing Board Diversity Policy and the diversity aspects of the Board for 2020. It was noted that the Board refresh exercise together with the recent appointments enhanced various aspects of the Board's diversity in terms of gender diversity, length of service, age distribution, independence and alignment between strategic direction and Directors' skills and experience. Full analysis of the diversity aspects of the Board can be found in the Corporate Governance Report on pages 135 and 136.
Update on corporate governance developments on Board-related topics	In planning ahead, the Committee considered and took note of the various emerging corporate governance trends and issues concerning the Board including director tenure, gender diversity and independence of directors and Board refresh.
Regulatory-related	The Committee undertook the review and assessment of the following regulatory-related matters: • the nomination of Directors for election and re-election at the 2021 AGM; • the independence of Independent Non-executive Directors; • the training and continuous professional development of Directors; and • Directors' time commitment and the contribution required from Directors to discharge their responsibilities.

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 CEO; 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 continue to play a leading role in planning for the Board's succession and refreshment. The Committee is committed to ensuring that the Board will have the appropriate level of diversity and the right composition that aligns strategically with the organisation.

Nicholas C. Allen
Chairman, Nomination Committee
Hong Kong, 22 February 2021

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 covering the full year of 2020 and for 2021 up to the date of this Report (the Period) has been reviewed and approved by the HR&RC.

As stated in Note 32(C) to the Financial Statements on page 278, 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 2020";**
- **"Change of Remuneration – Executive Directors and Senior Management";**
- **"Executive Directors – Remuneration in 2020";**
- **"Total Directors' Remuneration in 2020";**
- **"Senior Management – Remuneration in 2020"; and**
- **"The Five Highest Paid Individuals in 2020".**

Members

The Members of the HR&RC are appointed by CLP Holdings' Board of Directors. This Committee comprised the following Members during the Period:

- **Mr Nicholas C. Allen** (Independent Non-executive Director), appointed as the Chairman following the retirement of Mr Vincent Cheng
- **Mr William Mocatta** (Non-executive Vice Chairman)
- **Mrs Zia Mody** (Independent Non-executive Director)
- **Mrs Fanny Law** (Independent Non-executive Director), appointed in January 2020
- **Ms May Siew Boi Tan** (Independent Non-executive Director), appointed in January 2020
- **Mr Vernon Moore** (Independent Non-executive Director), until his retirement as a Director at the conclusion of the 2020 AGM in May 2020
- **Mr Vincent Cheng** (Independent Non-executive Director), the Chairman, until his retirement as a Director at the conclusion of the 2020 AGM in May 2020

There are no Executive Directors on the HR&RC and the HR&RC comprises a majority of Independent Non-executive Directors.

Biographies of the current Members are set out in Board of Directors on page 110 and on our website.

In addition to the Members, the regular attendees at the HR&RC meetings include:

- Chief Executive Officer – Mr Richard Lancaster;
- Chief Human Resources Officer – Ms Eileen Burnett-Kant; and
- Group General Counsel & Chief Administrative Officer – Mr David Simmonds.

Meetings and Attendance

During the Period, the HR&RC held three meetings in 2020 and one meeting in 2021.

Highlights of the Committee's Work

Leadership and Membership Refreshed

The HR&RC saw a change in leadership with the appointment of Mr Nicholas C. Allen as the new Chairman following the retirement of Mr Vincent Cheng, the former HR&RC Chairman, at the conclusion of the 2020 AGM.

The HR&RC also welcomed the appointment of Mrs Fanny Law and Ms May Tan as new Members in January 2020.

Succession Planning

Based on the 2019 External Board Review's recommendations, the Committee spent considerable effort and time in reviewing and helping shape management's plan to refresh the approach to succession planning. The Committee paid particular attention to understand the roles and attributes that are required for CLP's future success and gained deeper insights into the organisation's succession readiness. The Committee enhanced its understanding of management efforts in reinforcing the organisation's culture and the wider workforce planning in transitioning CLP into the Utility of the Future.

The following table provides an overview of how the Committee spent its time during the Period:

	2020			**2021**
	Feb	Jul	Nov	**Feb**
Performance and Remuneration Review	●		●	●
Succession Planning and Organisation Capability Development		●	●	
Staff Policies and Benefits		●		
Governance	●		●	●

Responsibilities and Summary of 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.

In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the HR&RC and how it discharged its responsibilities for the Period.

Areas of Focus	
Performance and Remuneration Review	
Remuneration review	The Committee scrutinised and approved: • Group performance for 2019 and 2020 and Group targets for 2020 and 2021; • 2019 and 2020 organisation performance for CLP Power Hong Kong, CLP India and China, and targets for 2020 and 2021; • Base pay for 2020 and 2021 for Hong Kong payroll staff, CLP India and China; • CEO's remuneration; and • Remuneration of direct reports to the CEO, including annual incentive payments for 2019 and 2020 and pay review for 2020 and 2021. The Committee also reviewed a report on the peer groups used for executive remuneration benchmarking and approved changes to these peer groups to reflect recent developments in the international utilities sector including the shift to renewables and energy management solutions and shifts within Hong Kong-based industrials.

Areas of Focus	
Succession Planning and Organisation Capability Development	
Enterprise leadership succession	The Committee reviewed and endorsed the succession plan for the enterprise leadership team and reviewed progress of planned activities in this respect, in particular, initiatives to accelerate potential readiness for succession.
Talent development	The Committee reviewed CLP's holistic approach to development of young people, experienced staff and leaders to prepare them for the demands and challenges of energy transition, digitalisation, new business models and Greater Bay Area growth opportunities.
Diversity and inclusion	The Committee reviewed CLP's progress on the Group's gender diversity metrics of Women in Leadership and Women in Engineering that reflect UN Sustainable Development Goals.
Staff Policies and Benefits	
Human resources policies	The Committee reviewed the Human Resources Policy, initiatives implemented in the past 12 months driven by the purposes of supporting staff during COVID-19, supporting strategy, responding to demographic changes, meeting changing community obligations, developing people appropriately and responding to legislative changes.
Home Loan scheme	The Committee reviewed the progress of CLP's Home Loan Scheme and endorsed continuation of the scheme which is intended to support eligible staff in Hong Kong to purchase their first home.
Governance	
Training and professional development of Senior Management	The Committee considered the activities undertaken in 2019 and 2020 and the planned activities for 2020 and 2021 in respect of the training and continuous professional development of Senior Management.
Executive remuneration governance and disclosure	The Committee reviewed and approved the 2019 and 2020 HR&RC Reports. The Committee took note of management's findings from their regular reviews on the governance and disclosure requirements for executive remuneration and the associated trends and endorsed management's recommendation to strengthen CLP's remuneration disclosure.

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.

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 2020 (Audited)

The fees paid to each of our Non-executive Directors in 2020 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.

Despite an increase in the level of Non-executive Directors' fees which took effect on 7 May 2020, there was a small decrease in total Directors' fees compared to 2019, primarily due to the retirement of Directors in May 2020 and the appointment of new Directors in October 2020.

In HK$	Board	Audit & Risk Committee	Nomination Committee	Finance & General Committee	HR&RC	Provident & Retirement Fund Committee	Sustainability Committee	Total 2020	Total 2019
Non-executive Directors									
The Hon Sir Michael Kadoorie	830,877 (C)	-	18,053	-	-	-	-	848,930	803,691
Mr William Mocatta [1]	652,798 (VC)	-	-	449,900 (C)	81,401	14,000 (C)	-	1,198,099	1,155,216
Mr J. A. H. Leigh	593,502	-	-	-	-	-	-	593,502	564,972
Mr Andrew Brandler	593,502	-	-	319,400	-	-	90,929	1,003,831	967,890
Mr Philip Kadoorie [2]	593,502	-	-	-	-	-	90,929	684,431	564,972
Dr Y. B. Lee [3]	-	-	-	-	-	-	-	-	188,793
Independent Non-executive Directors									
Sir Rod Eddington	593,502	-	-	319,400	-	-	-	912,902	884,372
Mr Nicholas C. Allen [4]	593,502	523,206 (C)	25,285 (C)	319,400	103,547 (C)	-	90,929	1,655,869	1,422,265
Mrs Fanny Law [5]	593,502	412,152	-	-	81,401	-	90,929	1,177,984	1,015,157
Mrs Zia Mody	593,502	-	-	-	81,401	-	-	674,903	634,882
Ms May Siew Boi Tan [6]	593,502	412,152	18,053	319,400	81,401	-	90,929	1,515,437	1,334,557
Ms Christina Gaw [7]	120,390	-	-	63,705	-	-	18,669	202,764	-
Mr Chunyuan Gu [8]	120,390	85,486	-	63,705	-	-	-	269,581	-
Mr Vernon Moore [9]	202,647	188,956	-	112,575	25,972	-	-	530,150	1,469,360
Mr Vincent Cheng [10]	202,647	-	5,038	112,575	36,014	-	-	356,274	993,809
							Total	11,624,657	11,999,936

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 2019 and 2020.
2 Mr Philip Kadoorie was appointed as a Member of the Sustainability Committee with effect from 1 January 2020.
3 The fee paid to Dr Y. B. Lee (a former Director) was made on a pro rata basis in respect of his service up to 6 May 2019, and it is included in the table solely for the purpose of comparing the total fees paid to Non-executive Directors in 2019 with those in 2020.
4 Mr Nicholas C. Allen was appointed as Chairman of the Audit & Risk Committee and the HR&RC with effect from 8 May 2020 following the retirement of Mr Vernon Moore and Mr Vincent Cheng as Chairman of the respective Committees.
5 Mrs Fanny Law was appointed as a Member of the HR&RC with effect from 1 January 2020.
6 Ms May Siew Boi Tan was appointed as a Member of the Nomination Committee and the HR&RC with effect from 1 January 2020.
7 Ms Christina Gaw was appointed as an Independent Non-executive Director, and a Member of the Finance & General Committee and the Sustainability Committee with effect from 20 October 2020. The fee paid to Ms Gaw in respect of her service was made on a pro rata basis from 20 October 2020.
8 Mr Chunyuan Gu was appointed as an Independent Non-executive Director, and a Member of the Audit & Risk Committee and the Finance & General Committee with effect from 20 October 2020. The fee paid to Mr Gu in respect of his service was made on a pro rata basis from 20 October 2020.
9 Mr Vernon Moore retired as an Independent Non-executive Director, Chairman of the Audit & Risk Committee, and a Member of the Finance & General Committee and the HR&RC with effect from the conclusion of the 2020 AGM held on 8 May 2020. The fee paid to Mr Moore was made on a pro rata basis in respect of his service up to 8 May 2020.
10 Mr Vincent Cheng retired as an Independent Non-executive Director, Chairman of the HR&RC, and a Member of the Nomination Committee and the Finance & General Committee with effect from the conclusion of the 2020 AGM held on 8 May 2020. The fee paid to Mr Cheng was made on a pro rata basis in respect of his service up to 8 May 2020.

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 2020 are set out in the tables on page 182 (Executive Directors) and pages 189 and 190 (Senior Management).

The amounts disclosed consist of remuneration accrued or paid for service in 2020 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 182 and pages 189 and 190 the "Total Remuneration" column for 2020 includes the following recurring items:

(i) base compensation, allowances & benefits paid;

(ii) 2020 annual incentive accrued based on previous year's Company performance and the 2019 annual incentive adjustment. The adjustment is the difference between the actual annual incentive paid in 2020 for 2019 performance and the annual incentive accrual for 2019;

(iii) the 2017 long-term incentive award paid in January 2020 when the vesting conditions were satisfied (the comparative figures are the long-term incentive for 2016 paid in 2019). Approximately 24% of the increase in the value of the phantom shares portion of 2017 long-term incentive payments resulted from the change in CLP Holdings' share price between 2017 and 2019, with dividends reinvested; and

(iv) provident fund contribution made.

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

(i) relocation payments for newly hired Senior Management.

Performance Outcomes for the Year

In considering performance outcomes against the balanced scorecard of measures set for the 2020 performance year, the Committee reviewed progress made against a mix of financial, operational, safety, environmental, internal control and objectives reflecting strategic priorities and long-term sustainability.

In 2019, the Committee awarded a lower performance outcome than in prior years, reflecting the tragic fatality of a contract staff member and the need to improve operational safety and project delivery. 2020 brought unprecedented external challenges. Notwithstanding these challenges, financial and operational performance was resilient, with reliable operations maintained. There were no fatalities and project safety performance and delivery was improved. Management of critical risks was strengthened, and progress was maintained on major decarbonisation and digitalisation projects and initiatives underpinning growth. Having considered these outcomes, the Committee decided to award a performance outcome in line with average outcomes in the recent years prior to 2019.

The Committee considers that this outcome appropriately aligns management remuneration with shareholder outcomes.

Executive Directors – Remuneration in 2020 (Audited)

The remuneration paid to the Executive Directors of the Company in 2020 was as follows:

	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
2020							
CEO (Mr Richard Lancaster)	**10.1**	**7.6**	**6.3**	**2.6**	**26.6**	**–**	**26.6**
Executive Director & Chief Financial Officer (Mr Geert Peeters)	**7.8**	**5.9**	**5.0**	**1.4**	**20.1**	**–**	**20.1**
	17.9	**13.5**	**11.3**	**4.0**	**46.7**	**–**	**46.7**

		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

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 (2020 accrual and 2019 adjustment) and (b) long-term incentive (payment for 2017 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 2020 performance will be made in March 2021. These payments and awards are subject to the prior approval of the HR&RC after 31 December 2020. Details of these will be published on the CLP website at the time that the 2020 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 2020 (Audited)

The total remuneration of Non-executive and Executive Directors in 2020 was:

	2020 HK$M	2019 HK$M
Fees	**11.6**	12.0
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits [1]	**17.9**	17.2
Performance Bonus [2]		
– Annual Incentive	**13.5**	15.2
– Long-term Incentive	**11.3**	13.1
Provident Fund Contribution	**4.0**	3.9
Non-recurring Remuneration Items		
Other Payments	**–**	–
	58.3	61.4

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 182 for Executive Directors.

2 Refer to Note 2 on Performance Bonus on page 182 for Executive Directors.

Of the total remuneration paid to Directors, HK$11.0 million (2019: HK$11.5 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 116 and 117.

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 184 to 188. The pay structure of Managing Director - EnergyAustralia is aligned with Australian market practice and is addressed on pages 187 and 188.

<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>Purpose</td><td>Attract and retain the capabilities needed to lead and sustain a multi-jurisdictional business in a complex operating environment, without over-paying.</td><td>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.</td><td>Drive long-term value creation, support retention of Senior Management and encourage an owner's mindset.</td><td>Provide market-competitive and sustainable retirement benefits.</td></tr>
<tr><td>Delivery</td><td>Base salary.

Accounted for 34% of potential total remuneration in 2020.</td><td>Annual cash payment.

Accounted for 34% of potential total remuneration in 2020.</td><td>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 2020.</td><td>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 2020.</td></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.
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.

Annual Incentive	
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 2020.
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 2020. 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 2020. 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 2020 (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 2020").

	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
2020							
Chief Operating Officer (Mr David Smales) [3]	5.5	4.3	–	1.0	10.8	0.2	11.0
Group Director & Vice Chairman – CLP Power Hong Kong (Mrs Betty Yuen)	4.8	3.6	3.1	1.2	12.7	–	12.7
Managing Director – CLP Power (Mr Chiang Tung Keung)	5.6	4.2	3.1	1.5	14.4	–	14.4
Managing Director – EnergyAustralia (Ms Catherine Tanna) [4]	10.6	9.9	9.5	0.1	30.1	–	30.1
Managing Director – India (Mr Rajiv Mishra) [5]	4.1	3.3	2.2	1.0	10.6	–	10.6
Managing Director – China (Mr Chan Siu Hung)	4.7	3.5	2.9	1.2	12.3	–	12.3
Group General Counsel & Chief Administrative Officer (Mr David Simmonds)	5.5	4.1	3.5	1.4	14.5	–	14.5
Chief Corporate Development Officer (Ms Quince Chong)	5.5	4.1	3.5	1.2	14.3	–	14.3
Chief Human Resources Officer (Ms Eileen Burnett-Kant) [6]	4.8	3.8	–	0.7	9.3	–	9.3
Total	51.1	40.8	27.8	9.3	129.0	0.2	129.2

Notes 1 to 6 are set out on page 190.

Of the total remuneration paid to Senior Management, HK$42.6 million (2019: HK$43.8 million) has been charged to the SoC operation.

Senior Management – Remuneration in 2020 (Audited) (continued)

	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) [7]	4.2	3.7	3.9	0.7	12.5	–	12.5
Chief Operating Officer (Mr David Smales) [3]	1.3	1.2	–	0.2	2.7	0.5	3.2
Group Director & Vice Chairman – CLP Power Hong Kong	4.6	4.1	3.6	1.2	13.5	–	13.5
Managing Director – CLP Power	5.4	4.7	2.7	1.4	14.2	–	14.2
Managing Director – EnergyAustralia [4]	10.7	12.2	12.4	0.1	35.4	–	35.4
Managing Director – India [5]	4.2	3.4	2.4	1.1	11.1	–	11.1
Managing Director – China	4.4	3.9	3.3	1.2	12.8	–	12.8
Group General Counsel & Chief Administrative Officer	5.3	4.6	4.2	1.3	15.4	–	15.4
Chief Corporate Development Officer	5.2	4.6	4.2	1.2	15.2	–	15.2
Chief Human Resources Officer (Mr Roy Massey) [8]	2.2	2.0	2.7	0.5	7.4	8.2	15.6
Chief Human Resources Officer (Ms Eileen Burnett-Kant) [6]	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 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 182.
2 Refer to Note 2 on Performance Bonus on page 182. 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 David Smales joined the Company on 1 October 2019. The Other Payments reflected the relocation payments of HK$0.2 million paid in 2020 of which relocation expenses of HK$0.08 million were reimbursed to the staff (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).
4 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.
5 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.
6 Ms Eileen Burnett-Kant joined the Company on 3 September 2019. In 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) of which relocation expenses of HK$0.15 million were directly settled by CLP for Ms Eileen Burnett-Kant to the service providers.
7 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.
8 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).

The Five Highest Paid Individuals in 2020 (Audited)

The five highest paid individuals in the Group included two Directors (2019: two Directors) and three members of Senior Management (2019: three members of Senior Management). The total remuneration of the five highest paid individuals in the Group is shown below:

	2020 HK$M	2019 HK$M
Recurring Remuneration Items		
Base Compensation, Allowances & Benefits [1]	**39.6**	35.3
Performance Bonus [2]		
– Annual Incentive	**31.7**	34.0
– Long-term Incentive	**27.4**	32.4
Provident Fund Contribution	**7.0**	5.9
Non-recurring Remuneration Items		
Other Payments	**–**	8.2
	105.7	115.8

Notes:

1 Refer to Note 1 on Base Compensation, Allowances & Benefits on page 182.

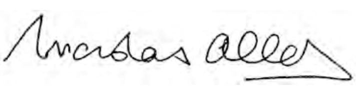
2 Refer to Note 2 on Performance Bonus on page 182.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals 2020	2019
HK$14,000,001 – HK$14,500,000	**1**	–
HK$14,500,001 – HK$15,000,000	**1**	–
HK$15,000,001 – HK$15,500,000	**–**	1
HK$15,500,001 – HK$16,000,000	**–**	1
HK$20,000,001 – HK$20,500,000	**1**	–
HK$20,500,001 – HK$21,000,000	**–**	1
HK$26,500,001 – HK$27,000,000	**1**	–
HK$28,500,001 – HK$29,000,000	**–**	1
HK$30,000,001 – HK$30,500,000	**1**	–
HK$35,000,001 – HK$35,500,000	**–**	1

Looking Ahead

The HR&RC remains committed to its core functions of the oversight of remuneration policies and levels. Continuing on from the Committee's work in the area of succession planning this year, the Committee will focus on succession planning, shaping the organisation's culture and wider workforce planning. The Committee will seek to place a strong emphasis in ensuring organisational alignment with the Group's strategy and in overseeing the building of organisational capability to execute Group's strategy, in particular, with respect to the opportunities in the Greater Bay Area.



Nicholas C. Allen
Chairman, Human Resources & Remuneration Committee
Hong Kong, 22 February 2021

Directors' Report

The Directors have pleasure in submitting their Report together with the audited Financial Statements for the year ended 31 December 2020.

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 (2019: HK$1.89) per share totalling HK$4,775 million (2019: HK$4,775 million) during the year.

On 22 February 2021, the Directors declared the fourth interim dividend of HK$1.21 (2019: HK$1.19) per share totalling HK$3,057 million (2019: HK$3,007 million).

This fourth interim dividend will be paid on 18 March 2021.

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) • Chairman's Statement (page 14) • CEO's Strategic Review (page 18) • Financial Review (page 28) • Business Performance and Outlook (page 42) • Capitals (page 74)
2 Description of the principal risks and uncertainties facing the Group	• Risk Management Report (page 146) • Financial Risk Management (page 284)
3 Particulars of important events affecting the Group that have occurred since the end of the 2020 financial year	• Chairman's Statement (page 14) • CEO's Strategic Review (page 18) • Business Performance and Outlook (page 42) • Capitals (page 74) • Risk Management Report (page 146)
4 Outlook of the Group's business	• Chairman's Statement (page 14) • CEO's Strategic Review (page 18) • Business Performance and Outlook (page 42)
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 42) • Capitals (page 74)
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 42) • Capitals (page 74) • Governance (page 108) • Financials – Five-year Summaries (pages 300)

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, and 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. In 2020, the Committee's role has been strengthened with a further focus on the impact of longer-term sustainability issues on the Group's strategy. The Sustainability Committee is supported by the Sustainability Executive Committee. The Audit & Risk Committee, meanwhile, retains oversight of material risks and assurance of the reported sustainability data. For further details on the governance structure, please see the section "CLP's Approach to ESG Reporting" in the Corporate Governance Report.

How does CLP approach and manage material ESG issues?

Our current approach in managing our material ESG issues is centred around identifying the most important ESG topics facing the Group, those that are strategic to our business in the medium- to long-term.

An extensive materiality assessment based on a megatrends analysis was conducted in 2018 and the following material ESG topics were identified: responding to climate change; harnessing the power of technology; reinforcing cyber resilience and data privacy; and building an agile, inclusive and sustainable workforce. In 2019, the assessment was conducted in conjunction with our external stakeholders and the results were validated by them.

For 2020, given the various unprecedented challenges from COVID-19, geo-political tensions and other key developments throughout the year, we examined the identified material ESG topics and reaffirmed that these remain valid, current and relevant to CLP. The assessment process was conducted by management with active executive-level participation. These topics were then presented to the Sustainability Committee for their analysis and endorsement. For further details on how other ESG issues are addressed by the Sustainability Committee, please see the Sustainability Committee Report.

Climate Vision 2050

Climate change remains one of the material topics and our Climate Vision 2050 publication is a pledge from CLP on our climate action which sets out clear climate-related targets for the Group. These commitments guide the Group in managing our climate-related risks and opportunities.

We have achieved the 2020 carbon intensity targets set out in our Climate Vision 2050, but we acknowledge that the demand for tougher climate action will only get stronger. Under our Climate Vision 2050, we have committed to strengthening our decarbonisation targets at least every five years and with the next review planned to be undertaken in 2021.

In 2020, through the oversight of the Sustainability Committee, we commenced the preparations for a review of our climate targets. The Committee had a dedicated session and undertook a comprehensive review of CLP's progress on climate action. In addition to reviewing the progress against the targets that we have set for ourselves, the Committee learned from a leading international expert as to how CLP's progress is perceived from an external perspective.

For the coming review of our climate targets, we will continue to track the Group's progress against the Science Based Targets initiative* (SBTi) to ensure that CLP will be able to stay on course to accelerate its decarbonisation trajectory.

We continue to strengthen our disclosures in line with the TCFD recommendations in our Sustainability Report and our total Scope 3 GHG emissions figure for 2020 was assured. This is part of our ongoing efforts to better manage our supply chain and engage our stakeholders to understand how we can further reduce these emissions. We also focused on enhancing climate-related risk assessment and developing bespoke climate scenarios for the markets where we operate. We believe that this will greatly assist us in analysing and managing the resilience of our Climate Vision 2050. SR

In 2020, we saw how the challenges of COVID-19 have further highlighted the importance of ESG issues and this has affirmed and reinforced our long-term commitment to sustainable business practices.

* 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$24,308 million as at 31 December 2020 (2019: HK$25,328 million).

Bank Loans and Other Borrowings

The total borrowings (including debentures) of the Group as at 31 December 2020 amounted to HK$54,348 million (2019: HK$52,349 million). Particulars of borrowings are set out in Note 23 to the Financial Statements and on pages 76 to 81 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 0.8% of the Group's total assets as at 31 December 2020.

Equity-linked Agreements

For the year ended 31 December 2020, the Company has not entered into any equity-linked agreement.

Donations

Donations by the Group for charitable and other purposes amounted to HK$27,088,000 (2019: HK$20,975,000).

Five-year Summary

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2020 and for the previous four financial years are on page 300. 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 116 and 117. Details of their remuneration are set out in the Human Resources & Remuneration Committee Report on page 175.

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 52.32% 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. 13.50% 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. 12.67% 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. 11.10% 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. 9.32% from CNOOC China Limited (CNOOC) in which the Group has no interest. CAPCO purchases natural gas from CNOOC for its electricity generation.
5. 5.73% 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.

As at 31 December 2020, 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

As at the date of this Report, the Directors of the Company together with their biographical details are set out on pages 110 to 115 of this Annual Report. With the exception of Ms Christina Gaw and Mr Chunyuan Gu who were appointed in October 2020, the Directors held their office for the whole year ended 31 December 2020. Details of Directors' remuneration are set out in the Human Resources & Remuneration Committee Report on page 175.

Mr Vernon Moore and Mr Vincent Cheng retired as Independent Non-executive Directors of the Company at the conclusion of the 2020 AGM held on 8 May 2020. Both Mr Moore and Mr Cheng confirmed that they had no disagreement with the Board and that they were not aware of any matter in relation to their retirement that should be brought to the attention of the shareholders of the Company.

With effect from 20 October 2020, Ms Christina Gaw and Mr Chunyuan Gu were appointed as Independent Non-executive Directors of the Company.

Under the Company's Articles of Association, Directors are subject to retirement by rotation and re-election at the AGM. In accordance with Article 125 of the Company's Articles of Association, Ms Christina Gaw and Mr Chunyuan Gu, appointed during 2020, will retire at the 2021 AGM. In accordance with Article 119 of the Company's Articles of Association, Mr J. A. H. Leigh, Mr Andrew Brandler, Mr Nicholas C. Allen, Mrs Fanny Law and Mr Richard Lancaster will retire by rotation at the 2021 AGM.

All the retiring Directors, being eligible, offer themselves for election or re-election. None of the Directors offering themselves for election or re-election at the 2021 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 2020, 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 2020 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 reported period (full year 2020 and for 2021 up to the date of this Report) (the Period) are available on the CLP website.

Permitted Indemnity Provisions

During the Period, 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) 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; and this makes CSG HK's parent entity China Southern Power Grid Co., Ltd. (CSG) and its subsidiaries, collectively the CSG Group, connected persons 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 2020, this was HK$1,600 million. The annual aggregate cap was approved by the Board of Directors in December 2019 and subsequently disclosed in the announcement dated 2 January 2020. The project level caps of the CCTs for 2020 set out in the table on pages 196 to 205 are for reference only and were used to derive the annual aggregate cap of HK$1,600 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 transaction consideration for 2020, unless otherwise stated, represented the actual transaction values of the relevant CCTs in the full twelve months of 2020.

	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 2020 HK$M
1	**CLP Power Hong Kong electricity sales to Mainland China**					
1.1	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	Guangdong Power Grid Co., Ltd., a subsidiary of CSG (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.	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. Where the consideration is settled by cash payment, it is based on the number of kWh 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.	(Note)
	Aggregated total consideration for CLP Power Hong Kong electricity sales to Mainland China *(Project level cap for 2020 was HK$420.00 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 2021.	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 kWh 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.	5.34
2.2	Supplemental Agreement to Zelian Hydro Station PPA Agreement entered into on 16 August 2019 for a one-year period from 19 April 2019 to 18 April 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 18 April 2021.	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.	0.18
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 2021.	CLP-GHX	CSG-ZPB	As in item 2.1 above	As in item 2.1 above	2.39
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 2021.	CLP-GHX	CSG-ZPB	CLP-GHX sells electricity to CSG-ZPB.	As in item 2.1 above	1.94
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 2021.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	5.82

	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 2020 HK$M
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 2021.	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	31.01
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 2021.	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	110.88
2.8	Supplemental Agreement to Baishuihe Four Hydro Stations PPA New agreement entered into on 9 December 2020 for a two-year period to 8 December 2022.	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX	CSG-ZPB	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell / purchase electricity to / from CSG-ZPB.	Payment is based on the number of kWh sold / purchased multiplied by a tariff pre-determined by the Zhaoqing Development and Reform Commission (Zhaoqing DRC). This tariff is published at the Zhaoqing DRC Document [2012] No. 67 and is updated from time to time.	–
2.9	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 2021.	CLP-GHX	CSG-ZPB	As in item 2.4 above	As in item 2.1 above	17.76
	Aggregated total consideration for Huaiji hydro project *(Project level cap for 2020 was HK$366.00 million)*					175.32
3	**Meizhou solar project**					
3.1	Meizhou Solar Project PPA Agreement entered into on 1 March 2019 for a one-year period from 1 February 2019 to 1 February 2020 with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 1 February 2021.	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 kWh 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.	50.22
3.2	Meizhou Solar Project High Voltage Electricity Supply Contract Agreement entered into on 10 July 2019 for a one-year period with automatic renewals for successive one-year periods. The latest renewal was for another one-year period to 9 July 2021.	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 2020 was HK$59.00 million)*					50.51

	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 2020 HK$M
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 renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2021.	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 renewals for successive one-year periods. The latest renewal was for another one-year period to 9 May 2021.	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 Agreement entered into on 23 March 2019 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	–
4.4	Power Exchange Sales Transactions entered into via Kunming Power Exchange Center Limited (Kunming PEC) on various dates in 2020 for electricity sales for various durations.	Dali Yang_er	CSG Yunnan, a subsidiary of CSG, and Kunming PEC which is 44% 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 kWh 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).	24.72
	Aggregated total consideration for Yang_er hydro project *(Project level cap for 2020 was HK$40.00 million)*					24.73
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 2021.	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 kWh sold multiplied by a tariff pre-determined by the National Development and Reform Commission (NDRC) and subject to adjustment in accordance with the 2020 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan PDRC and Yunnan Provincial Energy Administration and is updated from time to time.	46.52
5.2	Xicun Solar Project High Voltage 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. On 2 January 2020, a new agreement was entered into for a three-year period to 1 January 2023.	CLP Xicun	Dali Binchuan Power Bureau of CSG Yunnan, 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	–
5.3	Xicun Solar Project High Voltage Electricity Supply Contract Agreement entered into on 23 December 2019 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

	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 2020 HK$M
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. On 2 January 2020, a new agreement was entered into for a three-year period to 1 January 2023.	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 2020 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	86.84
	Aggregated total consideration for Xicun solar project (Phases I and II) *(Project level cap for 2020 was HK$146.00 million)*					133.79
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 2021.	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	14.38
6.2	Xundian Wind Project High Voltage 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. On 1 September 2020, a new agreement was entered into for a three-year period to 31 August 2023.	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 station consumption.	As in item 4.1 above	0.09
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) Agreement entered into on 8 July 2019 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)	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 2020 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	56.36
	Aggregated total consideration for Xundian wind project *(Project level cap for 2020 was HK$83.00 million)*					70.83
7	**Sandu wind project**					
7.1	Sandu Wind Project PPA Agreement entered into on 31 December 2019 for a two-year period from 1 January 2020 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 kWh 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.	163.07

	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 2020 HK$M
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 renewals for successive one-year periods. The latest renewal was for another one-year period to 17 August 2021.	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.	0.26
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 2020 was HK$165.00 million)*					163.33
Total Consideration for 2020						**618.51** (Note)

Note: CLP Power Hong Kong supplied electricity to CSG-GPG under this agreement during the year. The consideration for the power supply was settled in full by the supply of water to Guangzhou Pumped Storage Power Station to generate the same quantity of power equivalent to the power supplied by CLP Power Hong Kong without any cash settlement. For the purpose of disclosure for this particular project, the notional transaction value has been calculated as if all transactions had been settled in cash in accordance with this agreement. This is equivalent to HK$108.5 million for the power supply carried out in the year. This equivalent amount is disclosed herein for monitoring whether all transactions fall within the Annual Aggregate Cap only and is excluded from the above total consideration for 2020.

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 2020, 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 2020 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	410,526,125	16.24913
Mr William Mocatta	Note 2	400,000	0.01583
Mr J. A. H. Leigh	Note 3	218,816,853	8.66104
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	41,000	0.00162
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 410,526,125 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 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.

c 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.

d 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.

e 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 1e above. The spouse of The Hon Sir Michael Kadoorie was therefore deemed to be interested in 410,526,125 shares in the Company representing approximately 16.25% 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 410,524,882 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 410,524,882 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 218,816,853 shares in the Company. These shares were held in the following capacity:

   a 165,000 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 41,000 shares were held in a beneficial owner capacity and jointly with spouse.

Each of the other Directors, namely Sir Rod Eddington, Mrs Zia Mody, Ms Christina Gaw, Mr Chunyuan Gu 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 2020.

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 2020.

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 2020.

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 2020, 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 2020:

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	305,591,730	Note 1	12.10
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	226,011,664	Note 4	8.95
The Hon Sir Michael Kadoorie	Note 5	410,526,125	Note 5	16.25
Mr J. A. H. Leigh	Notes 6 & 7	218,816,853	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.

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 another company 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 2020, 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 2020, 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 2020, 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 118 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

The Honourable Sir Michael Kadoorie
Chairman
Hong Kong, 22 February 2021

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 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 a 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 purple gradient 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 purple 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 bell boxes

New Definition of Business in the Accounting Context

Mergers and Acquisitions are a way to keep growing a business while achieving instant results.

A company can secure an opportunity through a merger or acquisition allowing the business to enter new markets or offering new options to their existing markets. These transactions may take many forms, from acquisition or combination of target companies to acquisition of target assets. Interestingly, the accounting treatment of a merger or acquisition does not depend on the legal form, but whether the transaction falls into "business" as defined in the accounting context. As CLP also makes use of mergers and acquisitions to keep growing its business, we want to take this opportunity to introduce the new accounting definition of business and its application. Readers interested in the acquisition accounting under business combination can visit the Accounting Mini-series in our website where we have discussed this topic in detail in the past.

Why It Matters

The definition of business is used in determining whether a transaction should be accounted for as an asset acquisition or as a business combination. This distinction is important because the accounting for an asset acquisition significantly differs in certain respects from the accounting for a business combination. Business combinations require the assets acquired to be recognised at fair value with goodwill or gains from bargain purchase recognised. However, asset acquisitions allocate the purchase price to the assets acquired on a relative fair value basis among the assets and no goodwill or gain is recognised.

The application of the definition of business was a very complicated issue in the past, which also resulted in many transactions qualifying as business combinations. The new definition of business based on the HKFRS 3 (revised) does not change the accounting method for business combinations nor asset acquisitions. Instead, it provides a new and narrower definition of business, which will likely result in fewer acquired sets of assets to be identified as businesses.

Key Accounting Implications

Business Combinations		Asset Acquisitions
Fair valued	Identified assets (tangible and intangible) and liabilities	Purchase price allocated based on relative fair value
Expensed as incurred	Transaction costs	Capitalised as part of the purchase price
Recognised	Goodwill	Not recognised
Recognised (occur in occasion)	Bargain purchase	Not recognised
Recognised all resulting deferred tax liabilities and certain deferred tax assets	Deferred tax due to differences from original carrying amounts	Exempted to recognise

New Definition of Business

The new definition focuses on whether an input and a substantive process applied to the input together create outputs or have the ability to contribute to the creation of outputs. Despite most businesses having outputs, outputs are not necessary for an integrated set of assets and activities to qualify under the definition of business, such as early-stage companies that have not generated revenue.

Elements

Inputs

An economic resource that creates outputs, or has the ability to contribute to the creation of outputs

- Tangible fixed assets
- Right-of-use assets
- Intangible assets
- Intellectual property

Processes

A system that when applied to an input, creates or has an ability to contribute to the creation of outputs

Processes of:

- strategic management
- operation
- resource management

Outputs

The result of applying inputs and processes that provide goods or services to customers, generate investment income or other income from ordinary activities

- Revenue
- Dividend
- Interest income

Three Key Tests to Identify a Business

To determine if the acquired set of activities and assets is a business, three key tests were introduced under the new business definition. The first test is the concentration test, which is an optional simplified assessment. If the condition under the concentration test is **met**, a company can immediately reach the conclusion that the transaction is an asset acquisition. If the test is **not met**, the entity should go through the other two tests, which focus on assessing the existence of relevant skilled workforce and substantive processes.

Concentration Test	Workforce Test	Substantive Process Test
Is substantially all of the fair value of the gross assets acquired concentrated in a single (or group of similar) identifiable asset(s)?	Is there a workforce with skills that are critical for producing or developing into outputs?	Evaluate whether an input and a process together significantly contribute to create outputs

Applying the concentration test may save a lot of work; the most critical and complicated step of the test counts on the identification of the assets acquired

The Concentration Test

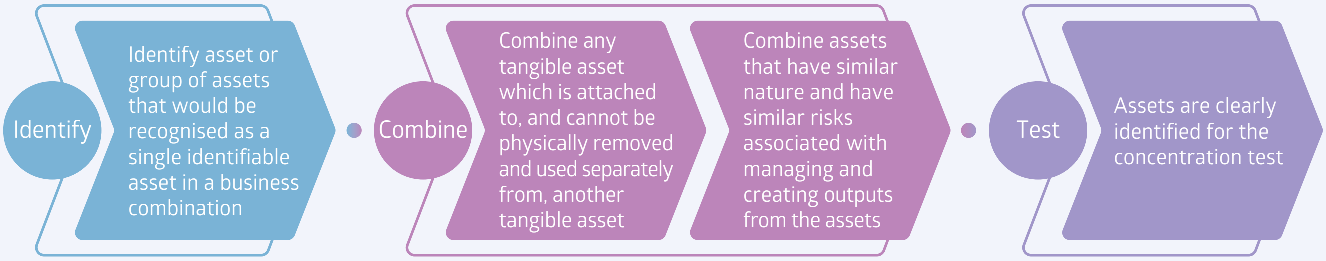
The concentration test is a newly added optional test that permits a simplified assessment for determining when a set of activities and assets is not a business. It reduces the cost and complexity by avoiding the need for a detailed assessment. When substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of activities and assets would not be considered a business. This test serves as a fast track to determine either an asset acquisition or a business combination.

Fair value of a single identifiable asset or group of similar identifiable assets VS **Fair value of the gross assets acquired**

Determining All Identifiable Assets

In order to conduct the concentration test, all assets acquired shall first be identified. This asset identification would apply the same basis that is used for identifying assets recognised in a business combination. The assets identified may be a single asset or a group of similar assets.

Tangible assets and intangible assets (e.g. a nuclear power plant and a licence to operate it) that are combined for recognition in a business combination would also be considered as a single identifiable asset for the purposes of the concentration test.



Once the acquired assets are clearly identified, the rest of the concentration test should be simple and straight forward

Impact on CLP – Acquisition of Power Projects

For every power project acquisition, CLP shall determine whether the transaction is a business combination or an asset acquisition by applying the definition of business. In the past, the application of the definition was sometimes ambiguous. When a transaction was accounted for as business combination, it may have resulted in the recognition of goodwill (usually because of the recognition of deferred tax liabilities), which was difficult to explain from a commercial perspective, especially when acquiring a single power plant project.

CLP believes that the new business definition, which clarifies current vague areas, narrows down the number of transactions being identified as business, and at the same time coupled with the introduction of the concentration test, it provides a relief to companies by simplifying the assessment.

Usually, a power project would come together with a power purchase agreement (PPA) or a transmission service agreement (TSA). When applying the concentration test, CLP needs to identify assets which are qualified to combine. CLP considers the infrastructure and the PPA or TSA with similar useful lives as a single asset. PPA or TSA is not recognised separately from the infrastructure as an intangible asset as it is more in the nature of an embedded operation licence to the power plant. Therefore, PPA or TSA together with the infrastructure are treated as a single identifiable asset when applying the concentration test.

Below are acquisitions which the new business definition has been applied during the year.

Timing of Transaction	Interest Acquired	Acquiree	Asset Type	Consideration	Key Assets Identified	Substantially All of the Fair Value Concentrated?	Conclusion of the Concentration Test
March 2020	100%	Cleansolar Renewable Energy Private Limited	30 MW Solar Farm	HK$112 million (Rs1,084 million)	Solar plant (with PPA embedded)	Yes	Asset acquisition
April 2020	100%	Divine Solren Private Limited	50 MW Solar Farm	HK$126 million (Rs1,245 million)	Solar plant (with PPA embedded)	Yes	Asset acquisition

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 226 to 296, which comprise:

- the Consolidated Statement of Financial Position as at 31 December 2020;
- 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 2020, 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;
- Fixed asset accounting and the calculation of the Scheme of Control permitted return;
- Valuation of EnergyAustralia's energy retail business;
- Recoverability of trade receivables;
- Asset retirement obligations; 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 retail revenue of the Group totalled HK$3,478 million as at 31 December 2020. CLP Power Hong Kong Limited (CLP Power Hong Kong) calculates unbilled retail revenue using estimates including: consumption quantity based on the electricity sent-out adjusted by a loss factor, the pattern of residential and non-residential consumption, the weather and certain other factors. EnergyAustralia Holdings Limited (EnergyAustralia) calculates unbilled retail revenue based on the electricity purchased and the applicable tariffs for the mass market customer segment, as well as the actual meter readings and the 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: • Understanding the estimates made relating to volumes, loss factors and tariffs used in determining the level of unbilled revenue for both CLP Power Hong Kong and EnergyAustralia; • 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; • Assessing the reasonableness of estimates by comparing them against historical trends and against the weighted average tariff for prices; • Testing the volume of electricity sent-out by CLP Power Hong Kong to supporting information; and • 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. Based on the work performed, we found that the Group's unbilled retail revenue amount is supported by the available evidence.

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$155.5 billion at 31 December 2020. 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, the permitted return and the 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. The accuracy of SoC fixed asset additions, disposals and depreciation charges is important to ensure the SoC fixed asset balance is appropriate and the SoC permitted return is calculated correctly.

How our audit addressed the Key Audit Matter

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 SoC fixed assets additions, disposals and depreciation charges;
- Testing the SoC fixed asset additions in the year to supporting evidence on a sample basis and assessing whether the items have been appropriately capitalised;
- Validating the estimated useful lives of the SoC fixed assets for compliance with the SoC Agreement;
- Testing depreciation charges by performing depreciation reasonableness tests;
- Obtaining management's reconciliation of SoC 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*
Valuation of EnergyAustralia's energy retail business Refer to note 13 to the Group Financial Statements EnergyAustralia has goodwill of HK$9,308 million relating to the energy retail business in Australia. The recoverable amount of EnergyAustralia's energy retail business is determined based on a value in use calculation. Cash flow projections are derived from EnergyAustralia's approved business plan and reflect the future cash flows from potential legislative, regulatory and structural changes in the industry. The key assumptions used in the value in use calculation include: the retail tariffs, the electricity and gas volumes, the network distribution costs, the customer account growth rate and the discount rate. When undertaking the value in use calculation of EnergyAustralia's energy retail business at year end, the results indicate that minimal headroom remains. This is a Key Audit Matter because the key assumptions require significant management judgement. Changes in the 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 energy retail business included: • Assessing the appropriateness of the valuation methodology in the calculation of the recoverable amount; • Reconciling input data to supporting evidence, such as EnergyAustralia's approved business plan; • 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 rate used with the involvement of our in-house valuation experts; • Verifying the integrity of formulae and the mathematical accuracy of management's valuation models; • 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 Financial Statement disclosures. Based on the work performed, we found the carrying value of EnergyAustralia's energy retail business is 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*

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. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses.

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 there is limited recent history of default.

EnergyAustralia has trade receivables of HK$6,317 million at 31 December 2020 against which provisions for expected credit losses of HK$1,155 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.

As at 31 December 2020, the Group had receivables of HK$1,774 million relating to unpaid Renewable National Subsidies in its Mainland China business. The expected credit loss is close to zero 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.

CLP India Private Limited's (CLP India) renewable projects have trade receivables of HK$771 million of which HK$680 million are past due at 31 December 2020. Management has assessed the recoverability of past due amounts and concluded that the expected credit loss is close to zero as there is no recent history of default and continuous payments are received.

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 both 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 methodologies used by the Group;
- Assessing the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and assessing the reasonableness of forward-looking factors included in the expected credit loss model;
- 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;
- Discussion with management to understand the nature and the judgement involved in their determination that the expected credit loss on unpaid Renewable National Subsidies is close to zero, assessing the regulatory eligibility for the Group's projects and considering subsidies collected to-date; and
- Discussion 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.

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

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 asset retirement obligations (AROs) judgements are as follows:

- The Group's ARO provision of HK$2,704 million mainly relates to land remediation and decommissioning 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 2020.
- No provision for AROs has been recognised for the other generation units of CAPCO as the removal of CAPCO's other fossil-fuel generation units is possible and 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 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 and 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 of payments 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 judgments 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, the purchaser of the Iona Gas Plant, and certain related entities (together "the plaintiff"), commencing formal legal proceedings seeking damages (the Iona legal claim). In February 2021 the plaintiff has indicated that it now estimates: (a) its original claim to be in the range of A$457 million to A$1,449 million (approximately HK$2,719 million to HK$8,622 million); and (b) its alternative claim to be in the range of A$289 million to A$370 million (approximately HK$1,720 million to HK$2,202 million). EnergyAustralia has rejected the claim 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 has been required, based on external legal advice to conclude that no provision is required in the Group Financial Statements in relation to the Iona legal claim.	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 Iona legal claim and other contractual claims; • Discussing with management any material developments and the latest status of the Iona legal claim; • Reviewing the minutes of boards of directors' meetings in respect of discussions relating to the Iona legal claim; • Obtaining written confirmation from external legal counsel on the status of the Iona legal claim; • Reviewing written correspondence from both external and internal legal counsel documenting the status of the Iona legal claim; • Considering management's assessment of those legal 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; and • Reviewing the appropriateness of the Group's Financial Statement disclosures. Based on the work performed, we found management's measurement and disclosures 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, actions taken to eliminate threats or safeguards applied.

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, 22 February 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020

	Note	2020 HK$M	2019 HK$M
Revenue	3	**79,590**	85,689
Expenses			
Purchases of electricity, gas and distribution services		**(27,183)**	(32,967)
Staff expenses		**(4,844)**	(4,535)
Fuel and other operating expenses		**(24,371)**	(26,039)
Depreciation and amortisation		**(8,476)**	(8,118)
		(64,874)	(71,659)
Other charge	5	**–**	(6,381)
Operating profit	5	**14,716**	7,649
Finance costs	6	**(1,873)**	(1,983)
Finance income	6	**136**	162
Share of results, net of income tax			
Joint ventures	14	**797**	885
Associates	15	**1,725**	1,828
Profit before income tax		**15,501**	8,541
Income tax expense	7	**(2,993)**	(2,787)
Profit for the year		**12,508**	5,754
Earnings attributable to:			
Shareholders		**11,456**	4,657
Perpetual capital securities holders		**138**	212
Other non-controlling interests		**914**	885
		12,508	5,754
Earnings per share, basic and diluted	9	**HK$4.53**	HK$1.84

The notes and disclosures on pages 232 to 296 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 2020

	2020 HK$M	2019 HK$M
Profit for the year	**12,508**	5,754
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**3,651**	(936)
Cash flow hedges	**(820)**	423
Costs of hedging	**153**	10
Share of other comprehensive income of joint ventures	**2**	1
	2,986	(502)
Items that cannot be reclassified to profit or loss		
Fair value (losses) / gains on investments	**(58)**	31
Remeasurement losses on defined benefit plans	**(5)**	(4)
	(63)	27
Other comprehensive income for the year, net of tax	**2,923**	(475)
Total comprehensive income for the year	**15,431**	5,279
Total comprehensive income attributable to:		
Shareholders	**14,527**	4,263
Perpetual capital securities holders	**138**	212
Other non-controlling interests	**766**	804
	15,431	5,279

This statement of profit or loss and other comprehensive income includes not only the 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 232 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

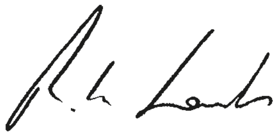
as at 31 December 2020

	Note	**2020 HK$M**	2019 HK$M
Non-current assets			
Fixed assets	*10*	**148,454**	143,615
Right-of-use assets	*11*	**7,061**	6,050
Investment property	*12*	**1,000**	1,121
Goodwill and other intangible assets	*13*	**20,559**	20,111
Interests in and loans to joint ventures	*14*	**11,017**	9,999
Interests in associates	*15*	**9,181**	8,708
Deferred tax assets	*24*	**571**	524
Derivative financial instruments	*16*	**1,697**	1,389
Other non-current assets	*17*	**1,300**	1,280
		200,840	192,797
Current assets			
Inventories – stores and fuel		**2,872**	2,510
Renewable energy certificates		**1,019**	996
Property under development	*18*	**2,976**	2,973
Trade and other receivables	*19*	**13,002**	12,986
Derivative financial instruments	*16*	**1,816**	1,035
Short-term deposits and restricted cash	*20*	**1,550**	445
Cash and cash equivalents	*20*	**10,158**	7,881
		33,393	28,826
Current liabilities			
Customers' deposits	*19(a)*	**(5,908)**	(5,679)
Fuel clause account	*21*	**(346)**	(1,131)
Trade payables and other liabilities	*22*	**(18,141)**	(17,586)
Income tax payable		**(1,699)**	(1,522)
Bank loans and other borrowings	*23*	**(8,747)**	(13,551)
Derivative financial instruments	*16*	**(1,166)**	(993)
		(36,007)	(40,462)
Net current liabilities		**(2,614)**	(11,636)
Total assets less current liabilities		**198,226**	181,161

	Note	2020 HK$M	2019 HK$M
Financed by:			
Equity			
Share capital	*27*	**23,243**	23,243
Reserves	*28*	**88,957**	82,212
Shareholders' funds		**112,200**	105,455
Perpetual capital securities	*29*	**3,887**	3,887
Other non-controlling interests	*29*	**9,885**	9,987
		125,972	119,329
Non-current liabilities			
Bank loans and other borrowings	*23*	**45,601**	38,798
Deferred tax liabilities	*24*	**15,429**	15,117
Derivative financial instruments	*16*	**2,135**	1,305
Scheme of Control (SoC) reserve accounts	*25*	**2,374**	1,500
Asset decommissioning liabilities and retirement obligations	*26*	**3,963**	3,513
Other non-current liabilities		**2,752**	1,599
		72,254	61,832
Equity and non-current liabilities		**198,226**	181,161

The Company's statement of financial position is presented in Note 34.

The Honourable Sir Michael Kadoorie
Chairman
Hong Kong, 22 February 2021



Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

The notes and disclosures on pages 232 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	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 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	–	(90)	(90)	(5,791)	–	(5,881)
Issue of perpetual capital securities	–	–	–	3,887	–	3,887
Balance at 31 December 2019	23,243	82,212	105,455	3,887	9,987	119,329
Balance at 1 January 2020	23,243	82,212	105,455	3,887	9,987	119,329
Profit for the year	–	11,456	11,456	138	914	12,508
Other comprehensive income for the year	–	3,071	3,071	–	(148)	2,923
Dividends paid						
2019 fourth interim	–	(3,007)	(3,007)	–	–	(3,007)
2020 first to third interim	–	(4,775)	(4,775)	–	–	(4,775)
Distributions to perpetual capital securities holders	–	–	–	(138)	–	(138)
Dividends paid to other non-controlling interests	–	–	–	–	(868)	(868)
Balance at 31 December 2020	**23,243**	**88,957**	**112,200**	**3,887**	**9,885**	**125,972**

The notes and disclosures on pages 232 to 296 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 HK$M	2020 HK$M	2019 HK$M	2019 HK$M
Operating activities					
Net cash inflow from operations	*30(A)*	**24,418**		23,502	
Interest received		**138**		165	
Income tax paid		**(2,182)**		(2,322)	
Net cash inflow from operating activities			**22,374**		21,345
Investing activities					
Capital expenditure		**(10,586)**		(10,448)	
Capitalised interest and other finance costs paid		**(324)**		(307)	
Proceeds from disposal of fixed assets		**220**		45	
Additions of other intangible assets		**(451)**		(775)	
Acquisitions of subsidiaries		**(196)**		(130)	
Increase in other financial assets		**(74)**		(121)	
Investments in and loans to joint ventures		**(458)**		(70)	
Proceeds from disposal/partial disposal of interest in a joint venture		**208**		44	
Investment in an associate		**–**		(352)	
Dividends received from					
Joint ventures		**578**		453	
Associates		**1,742**		1,653	
Equity investments		**13**		13	
(Increase)/decrease in bank deposits with maturities of more than three months		**(753)**		4,171	
Net cash outflow from investing activities			**(10,081)**		(5,824)
Net cash inflow before financing activities			**12,293**		15,521
Financing activities	*30(B)*				
Proceeds from long-term borrowings		**14,004**		6,410	
Repayment of long-term borrowings		**(12,309)**		(8,796)	
Redemption of perpetual capital securities		**–**		(5,874)	
Decrease in short-term borrowings		**(959)**		(968)	
Payment of principal portion of lease liabilities		**(200)**		(126)	
Interest and other finance costs paid		**(1,820)**		(1,771)	
Settlement of derivative financial instruments		**149**		(50)	
Decrease in advances from other non-controlling interests		**(323)**		(178)	
Issue of perpetual capital securities		**–**		3,887	
Distributions paid to perpetual capital securities holders		**(103)**		(250)	
Dividends paid to shareholders		**(7,782)**		(7,782)	
Dividends paid to other non-controlling interests		**(868)**		(809)	
Payment for acquisition of non-controlling interests		**–**		(86)	
Proceeds from disposal of interest in a subsidiary without loss of control		**–**		1,449	
Net cash outflow from financing activities			**(10,211)**		(14,944)
Net increase in cash and cash equivalents			**2,082**		577
Cash and cash equivalents at beginning of year			**7,881**		7,365
Effect of exchange rate changes			**195**		(61)
Cash and cash equivalents at end of year	*20*		**10,158**		7,881

The notes and disclosures on pages 232 to 296 are an integral part of these consolidated financial statements.

Significant Accounting Policies

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) Amendments of standards first time adopted in 2020

There have been a number of amendments to standards effective from 1 January 2020. Amendments which are applicable to the Group include:

- 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 – Phase 1 (the Reform – Phase 1)

In addition, the Group has elected to early adopt the amendments to HKFRS 16 Leases on COVID-19 Related Rent Concessions on 1 January 2020. The amendments to HKFRS 16 allow the Group as a lessee not to account for COVID-19 directly related rent concessions as lease modifications when certain criteria are met. These amendments are effective for annual reporting periods beginning on or after 1 June 2020.

The Group applied these amendments for the first time in 2020. The impact of these amendments to the Group is immaterial. The Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Details on the impact of the Reform – Phase 1 can be found in paragraph (C) below.

(B) Amendments to standards effective after 2020

The following amendments to standards, which may be applicable to the Group, have been issued and are effective after 2020. The Group has not elected to early adopt these amendments in 2020. The adoption of these amendments is not expected to have any significant impact on the results or the financial position of the Group.

- Amendments to HKFRS 3 Reference to the Conceptual Framework
- Amendments to HKFRS 9 Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to HKAS 1 Classification of Liabilities as Current or Non-current
- Amendments to HKAS 16 Proceeds before Intended Use
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

2. Changes in Accounting Policies (continued)

(C) Interest Rate Benchmark Reform

A number of concerns were raised regarding the integrity and reliability of major financial market benchmarks, particularly interest rate benchmarks that are considered to play the most fundamental role in the global financial system. In 2014, the Financial Stability Board published a report setting out recommendations to reform some major benchmarks. The global reform of interest rate benchmarks, which includes the replacement of some Interbank offered rates (IBOR) with alternative benchmark rates, is referred to as the interest rate benchmark reform. The Reform aims to have these new rates based on liquid underlying market transactions, and not be dependent on submissions based on expert judgement.

Phase 1 – The first phase of amendments to HKFRS 9, HKAS 39 and HKFRS 7, issued in November 2019, focuses on hedge accounting in the period before the Reform. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the Reform. The reliefs have the effect that the Reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by the Reform.

Phase 2 – The second phase of amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, issued in October 2020, focuses on the financial reporting issues that may arise once an existing IBOR is replaced with an alternative interest rate. These amendments adjust specific accounting requirements relating to modifications of financial instruments and lease liabilities, other reliefs for hedge accounting and disclosures. The amendments are effective from 1 January 2021 with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the Reform will be reinstated if certain conditions are met.

As a result of an ongoing reform of the interest rate reference benchmark and its replacement with a risk-free alternative interest rate, the Group has established a project team to manage the transition for any of its contracts that could be affected.

At 31 December 2020, the Group's assessment of primary exposure to the Reform is related to the debt related cash flow and fair value hedges with cross currency interest rate swaps and / or interest rate swaps based on hedged risk of US dollar London Interbank Offered Rate (LIBOR). There remain many uncertainties associated with the Reform. It is not known when hedged items and hedging instruments will be amended to alternative interest rates, or how this will change the fair values and cash flows on these instruments, which cast uncertainty on the prospective assessment of the effectiveness of hedge accounting. Therefore, in assessing the hedge effectiveness requirements on a forward-looking basis, the Group has assumed that US dollar LIBOR interest rates are not altered by the Reform and has not discontinued the hedges. The Group will continue to apply the first phase of amendments to deal with pre-replacement issues until the end of uncertainty arising from the Reform with respect to the timing and amount of the underlying cash flow and fair value that the Group is exposed. The Group has assumed that this uncertainty will not end until the Group's contracts and hedge documentations that reference IBORs are amended to specify the date on which it will be replaced, the cash flows of the alternative interest rate and the relevant spread adjustment. This will, in part, be dependent on the introduction or amendment of fallback clauses which have yet to be added or amended to the Group's contracts and the negotiation with counterparties.

The outstanding interest rate swaps and cross currency interest rate swaps of an aggregate notional amount of HK$7,019 million equivalent are impacted by the Reform. 88% of these will mature after 2021 when US dollar LIBOR might be discontinued.

3. 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 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.

(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.

3. Consolidation and Equity Accounting (continued)

(D) Change in ownership interests (continued)

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

4. 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 level 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 shall be reversed if, and only if, 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.

5. 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.

6. 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.

7. 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.

7. Employee Benefits (continued)

(A) Defined contribution obligations (continued)

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 that has created a constructive obligation.

8. 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.

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.

8. Foreign Currency Translation (continued)

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.

9. 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 a consideration. A contract conveys the right to control the use of an identified asset if the customer has both the right to obtain substantially all the economic benefits from the 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 representing the obligation to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to the Financial Statements

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 to as SoC Companies), are governed by a SoC Agreement entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the current SoC are summarised on pages 297 and 298, which are unaudited.

These financial statements were approved for issue by the Board of Directors on 22 February 2021.

2. The Impact of COVID-19 in the Current Reporting Year

The outbreak of COVID-19 has developed rapidly in 2020 and significantly affected entities and economic activities in varying scales globally. While there have been more immediate and pronounced disruptions in certain industries, its impact on the energy industry in the countries where we operate has been rather modest during the current reporting year. Nevertheless, as COVID-19 continues to evolve, it is challenging at this juncture to predict the full extent and duration of its impact to the business and the economy. Up to the date of this report, management has not identified any areas that could have a material impact on the financial performance or position of the Group as at 31 December 2020.

3. Revenue

Accounting Policy

(A) Revenue from contracts with customers

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

Revenue from power purchase agreements represents operating lease income comprising capacity charge and energy charge. Capacity charge is recognised to the extent that capacity has been made available to the offtakers during the year. Energy charge is recognised when electricity is supplied.

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$3,478 million at 31 December 2020 (2019: HK$3,459 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:

	2020 HK$M	2019 HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**41,798**	40,473
Transfer for SoC from revenue (Note 25(A))	**(660)**	(714)
SoC sales of electricity	**41,138**	39,759
Sales of electricity outside Hong Kong	**29,747**	35,801
Sales of gas in Australia	**5,077**	5,445
Others	**811**	995
	76,773	82,000
Other revenue		
Power purchase agreements (note)		
Fixed capacity charge	**607**	748
Variable capacity charge	**284**	308
Energy charge	**1,587**	2,319
Others	**339**	314
	2,817	3,689
	79,590	85,689

Note: Revenue from power purchase agreements (PPAs) relate to 25-year offtake contracts between Jhajjar Power Limited (JPL) and its offtakers. PPAs are accounted for as operating leases with contract prices mainly comprising capacity and energy charges. Certain capacity charge is considered as in-substance fixed payment as it is payable for maintaining availability of the plant for the dispatch of electricity. Energy charge varies according to the amount of fuel consumed in the production of electricity.

The following table sets out a maturity analysis of lease payments, showing the total undiscounted fixed capacity charge to be received by Jhajjar's PPAs after the reporting date:

	2020 HK$M	2019 HK$M
Within one year	**597**	633
Between one and two years	**426**	615
Between two and three years	**422**	439
Between three and four years	**415**	435
Between four and five years	**410**	428
Over five years	**4,115**	4,661
	6,385	7,211

4. 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.

4. Segment Information (continued)

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

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2020							
Revenue from contracts with customers	41,776	1,672	1,054	6	32,265	–	76,773
Other revenue	117	36	2,562	–	92	10	2,817
Revenue	41,893	1,708	3,616	6	32,357	10	79,590
EBITDAF	16,288	1,590	1,481	(13)	4,117	(731)	22,732
Share of results, net of income tax							
Joint ventures	(19)	493	–	399	(76)	–	797
Associates	–	1,725	–	–	–	–	1,725
Consolidated EBITDAF	16,269	3,808	1,481	386	4,041	(731)	25,254
Depreciation and amortisation	(5,082)	(747)	(597)	–	(2,000)	(50)	(8,476)
Fair value adjustments	20	–	–	–	440	–	460
Finance costs	(1,012)	(255)	(486)	–	(110)	(10)	(1,873)
Finance income	16	18	46	–	22	34	136
Profit / (loss) before income tax	10,211	2,824	444	386	2,393	(757)	15,501
Income tax expense	(1,870)	(314)	(106)	–	(703)	–	(2,993)
Profit / (loss) for the year	8,341	2,510	338	386	1,690	(757)	12,508
Earnings attributable to							
Perpetual capital securities holders	(138)	–	–	–	–	–	(138)
Other non-controlling interests	(744)	(7)	(163)	–	–	–	(914)
Earnings / (loss) attributable to shareholders	7,459	2,503	175	386	1,690	(757)	11,456
Excluding: Items affecting comparability	121	–	–	–	–	–	121
Operating earnings	7,580	2,503	175	386	1,690	(757)	11,577
Capital additions	8,322	238	42	–	3,649	117	12,368
Impairment provisions							
Fixed assets	–	–	68	–	–	–	68
Goodwill	–	–	12	–	–	–	12
Receivables and others	19	–	10	–	490	–	519
At 31 December 2020							
Fixed assets, right-of-use assets and investment property	121,874	9,375	10,118	–	14,917	231	156,515
Goodwill and other intangible assets	5,545	3,936	14	–	11,064	–	20,559
Interests in and loans to joint ventures	693	8,104	–	2,220	–	–	11,017
Interests in associates	–	9,181	–	–	–	–	9,181
Deferred tax assets	3	88	20	–	460	–	571
Other assets	10,337	3,699	4,316	40	14,147	3,851	36,390
Total assets	138,452	34,383	14,468	2,260	40,588	4,082	234,233
Bank loans and other borrowings	43,257	5,769	5,322	–	–	–	54,348
Current and deferred tax liabilities	15,515	1,204	305	–	104	–	17,128
Other liabilities	22,886	1,016	460	2	11,940	481	36,785
Total liabilities	81,658	7,989	6,087	2	12,044	481	108,261

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 for hedge accounting and ineffectiveness of cash flow hedges.

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

4. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
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, rights-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 loan 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

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 34.

5. Operating Profit

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

	2020 HK$M	2019 HK$M
Charging		
Retirement benefits costs [(a)]	**462**	451
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**39**	39
Other auditor [(b)]	**2**	2
Permissible audit related and non-audit services		
PricewaterhouseCoopers [(c)]	**11**	9
Other auditor [(b)]	**–**	–
Variable lease payments expenses	**10**	67
Net loss on disposal of fixed assets	**358**	424
Impairment of		
Fixed assets	**68**	7
Goodwill [(d)]	**12**	6,381
Inventories – stores and fuel	**8**	11
Trade receivables	**511**	383
Revaluation loss on investment property	**121**	83
Net fair value losses / (gains) on non-debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve and cost of hedging reserve to		
Purchases of electricity, gas and distribution services	**66**	(53)
Fuel and other operating expenses	**196**	(162)
Ineffectiveness of cash flow hedge	**(2)**	7
Not qualified for hedge accounting	**(579)**	292
Crediting		
Rental income from investment property	**(26)**	(35)
Dividends from equity investments	**(13)**	(13)
Net exchange (gain) / loss	**(102)**	33

Notes:

(a) Retirement benefits costs for the year amounted to HK$606 million (2019: HK$593 million), of which HK$144 million (2019: HK$142 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 (2019: HK$16 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, audits of CLP's provident funds, auditor's attestation and other advisory services.

(d) In 2019, the Default Market Offer and Victorian Default Offer (collectively the "default offers") in Australia impacted the energy retail CGU of EnergyAustralia Holdings Limited (EnergyAustralia) by lowering gross margin and resetting the market baseline for market offers. As a result, the goodwill included in the energy retail CGU was impaired and a loss of HK$6,381 million was recognised as other charge in the profit or loss.

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.

	2020 HK$M	2019 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**738**	811
Other borrowings	**1,106**	1,161
Tariff Stabilisation Fund [(a)]	**18**	22
Customers' deposits and fuel clause over-recovery	**32**	49
Lease liabilities	**37**	16
Net fair value changes on debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve	**(261)**	24
Reclassified from cost of hedging reserve	**5**	52
Ineffectiveness of cash flow hedges	**2**	–
Fair value hedge		
Net fair value gain on derivative financial instruments	**(303)**	(262)
Reclassified from cost of hedging reserve	**14**	15
Ineffectiveness of fair value hedges	**1**	3
Not qualified for hedge accounting	**36**	28
Net fair value loss on hedged items in fair value hedges	**303**	262
Net exchange loss / (gain) on financing activities	**247**	(55)
Finance charges	**204**	180
	2,179	2,306
Less: amount capitalised [(b)]	**(306)**	(323)
	1,873	1,983
Finance income		
Interest income on bank deposits and loans to joint ventures	**136**	162

Notes:

(a) In accordance with the provisions of the SoC Agreement, 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 2.92% – 4.81% (2019: 3.44% – 4.81%) 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:

	2020 HK$M	2019 HK$M
Current income tax	**2,529**	2,189
Deferred tax	**464**	598
	2,993	2,787

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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:

	2020 HK$M	2019 HK$M
Profit before income tax	**15,501**	8,541
Less: Share of results of joint ventures and associates, net of income tax	**(2,522)**	(2,713)
	12,979	5,828
Calculated at an income tax rate of 16.5% (2019: 16.5%)	**2,142**	962
Effect of different income tax rates in other countries	**529**	425
Effect of changes in tax rates	**–**	87
Income not subject to tax	**(90)**	(139)
Expenses not deductible for tax purposes	**286**	1,319
Revenue adjustment for SoC not subject to tax	**109**	118
Under-provision in prior years	**11**	9
Tax losses not recognised	**6**	6
Income tax expense	**2,993**	2,787

8. Dividends

	2020 HK$ per Share	**2020 HK$M**	2019 HK$ per Share	2019 HK$M
First to third interim dividends paid	**1.89**	**4,775**	1.89	4,775
Fourth interim dividend declared	**1.21**	**3,057**	1.19	3,007
	3.10	**7,832**	3.08	7,782

At the Board meeting held on 22 February 2021, the Directors declared the fourth interim dividend of HK$1.21 per share (2019: HK$1.19 per share). The fourth interim dividend is not reflected as a dividend payable in the financial statements.

9. Earnings per Share

The earnings per share are computed as follows:

	2020	2019
Earnings attributable to shareholders (HK$M)	**11,456**	4,657
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**4.53**	1.84

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 2020 (2019: nil).

10. Fixed Assets

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 – 45 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 certain generating plants have been extended by 10 – 20 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 (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 with 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 increased renewable generation, emissions reduction and carbon pricing schemes, potential regulatory changes and the impact to the 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 amount.

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 Fixed Assets and Right-of-use 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 2020, after reviewing the business environment as well as the Group's strategies and past performance of the investments, management concluded that there were impairments for fixed assets of HK$68 million and goodwill of HK$12 million (Note 13) relating to power projects in India.

Apart from the assets impaired above, the impairment models 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 2020 year end.

10. Fixed Assets (continued)

The movements during the year are set out below:

	Freehold Land HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2019	1,203	20,562	119,131	140,896
Acquisition of a subsidiary	–	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
Net book value at 1 January 2020	1,181	21,264	121,170	143,615
Acquisitions of subsidiaries (note)	49	–	532	581
Additions	–	1,325	9,363	10,688
Transfers and disposals	(91)	(44)	(483)	(618)
Depreciation	–	(738)	(6,458)	(7,196)
Impairment charge	(11)	–	(57)	(68)
Exchange differences	6	181	1,265	1,452
Net book value at 31 December 2020	**1,134**	**21,988**	**125,332**	**148,454**
Cost	1,247	36,574	230,720	268,541
Accumulated depreciation and impairment	(113)	(14,586)	(105,388)	(120,087)
Net book value at 31 December 2020	**1,134**	**21,988**	**125,332**	**148,454**

Note: In March and April 2020, the Group acquired 100% interest in each of Cleansolar Renewable Energy Private Limited and Divine Solren Private Limited, which own and operate a 30MW and a 50MW solar farm in the southern state of Telangana, India, for a consideration of HK$112 million (Rs1,084 million) and HK$126 million (Rs1,245 million) respectively. These transactions are accounted for as asset acquisitions since substantially all of the fair value of the gross assets acquired in both acquisitions was primarily concentrated in the solar generation assets.

Assets under construction with book value of HK$9,924 million (2019: HK$15,754 million) included fixed assets and prepaid leasehold land (under right-of-use assets).

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 plant, 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	Plant, Machinery and Equipment [(b)] HK$M	Total HK$M
Net book value at 1 January 2019	5,789	165	46	6,000
Acquisition of a subsidiary	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
Net book value at 1 January 2020	5,782	187	81	6,050
Acquisition of a subsidiary	–	1	3	4
Additions	7	618	604	1,229
Depreciation	(196)	(129)	(27)	(352)
Exchange differences	10	51	69	130
Net book value at 31 December 2020	**5,603**	**728**	**730**	**7,061**

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 including a water treatment plant, 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 2 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)

	2020 HK$M	2019 HK$M
At 1 January	**1,121**	1,204
Revaluation loss	**(121)**	(83)
At 31 December	**1,000**	1,121

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 2020 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 3.9% to 4.15% (2019: 3.7% to 3.95%). The fair value is negatively correlated to the capitalisation rate.

The fair value measurement of the Group's investment property is categorised within Level 3 of the fair value hierarchy at 31 December 2020 and 2019.

13. Goodwill and Other Intangible Assets

Accounting Policy

(A) Goodwill

Goodwill arises from 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 cannot be 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 2020. 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 potential legislative, regulatory and structural changes in the industry.

Energy retail business in Australia

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. 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.
- The cash flow projections are discounted using a pre-tax discount rate of 9.9% (2019: 10.4%). 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 2.5% (2019: 2.0%) 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

When undertaking the value in use calculation of our retail CGU at year end, the results indicate that minimal headroom remains. 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 long term gross margin would decrease the recoverable amount by HK$1,779 million (A$299 million).
- A 1% decrease in long term annual customer growth rate would decrease the recoverable amount by HK$1,595 million (A$268 million).
- An increase in the discount rate of 0.5% would decrease the recoverable amount by HK$1,654 million (A$278 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. Up to the date of this report, there were no confirmed material changes in any of the key assumptions mentioned above that would have caused the recoverable amount to be less than its carrying value.

Hong Kong electricity business

Goodwill arising from the CAPCO acquisition in 2014 was allocated to CLP Power Hong Kong and CAPCO as a combined CGU as the acquisition is considered beneficial to the whole SoC business. The key assumptions used in the value in use calculation are as follows:

- 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 2030.
- The cash flow projections are discounted using a pre-tax discount rate of 9.80% (2019: 9.79%), or a post-tax return of 8.00% (2019: 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 this 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 2019	20,670	4,420	1,820	26,910
Additions	–	22	753	775
Amortisation	–	(276)	(732)	(1,008)
Impairment charge (Note 5(d))	(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
Net carrying value at 1 January 2020	14,128	4,166	1,817	20,111
Acquisition of a subsidiary	42	–	–	42
Additions	–	11	440	451
Disposals	–	–	(35)	(35)
Amortisation	–	(276)	(652)	(928)
Impairment charge	(12)	–	–	(12)
Exchange differences	788	–	142	930
Net carrying value at 31 December 2020	**14,946**	**3,901**	**1,712**	**20,559**
Cost	22,033	5,727	8,276	36,036
Accumulated amortisation and impairment	(7,087)	(1,826)	(6,564)	(15,477)
Net carrying value at 31 December 2020	**14,946**	**3,901**	**1,712**	**20,559**

Notes:

(a) Goodwill mainly arose from the acquisitions of energy retail business in Australia of HK$9,308 million (2019: HK$8,524 million) and the acquisition of CAPCO under Hong Kong electricity business of HK$5,545 million (2019: HK$5,545 million).

(b) The 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. 3(B)

The table below lists the material joint ventures of the Group at 31 December 2020:

Name	% of Ownership Interest at 31 December 2019 and 2020	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
OneEnergy Taiwan Ltd (OneEnergy Taiwan) [d]	50	British Virgin Islands / Taiwan	Investment holding
ShenGang Natural Gas Pipeline Company Limited (SNGPC) [b]	40	Mainland China	Natural gas transportation
Shandong Zhonghua Power Company, Ltd. (SZPC) [e]	29.4	Mainland China	Generation of electricity
Hong Kong LNG Terminal Limited (HKLTL)	49 [f]	Hong Kong	Development, construction, operation, maintenance and owning of LNG terminal and provision of related services

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

(f) HKLTL is 70% owned by CAPCO which is 70% owned by CLP Power Hong Kong.

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 joint ventures and the Group's share of results and net assets are as follows:

	CSEC Guohua HK$M	Fang-chenggang HK$M	OneEnergy Taiwan HK$M	SNGPC HK$M	SZPC HK$M	HKLTL HK$M	Others HK$M	Total HK$M
For the year ended 31 December 2020								
Revenue	**11,688**	**3,934**	**–**	**949**	**4,662**	**1**	**1,516**	**22,750**
Depreciation and amortisation	**(1,368)**	**(230)**	**–**	**(179)**	**(964)**	**–**	**(433)**	**(3,174)**
Interest income	**9**	**9**	**–**	**2**	**1**	**–**	**3**	**24**
Interest expense	**(198)**	**(242)**	**–**	**(29)**	**(101)**	**–**	**(63)**	**(633)**
Other expenses	**(9,933)**	**(3,025)**	**(2)**	**(163)**	**(3,525)**	**(1)**	**(789)**	**(17,438)**
Share of results of joint ventures	**–**	**–**	**732**	**–**	**–**	**–**	**(2)**	**730**
Profit before income tax	**198**	**446**	**730**	**580**	**73**	**–**	**232**	**2,259**
Income tax expense	**(77)**	**(113)**	**–**	**(145)**	**(105)**	**–**	**(119)**	**(559)**
Profit/(loss) for the year	**121**	**333**	**730**	**435**	**(32)**	**–**	**113**	**1,700**
Non-controlling interests	**(123)**	**–**	**–**	**–**	**–**	**–**	**–**	**(123)**
(Loss)/profit for the year attributable to shareholders	**(2)**	**333**	**730**	**435**	**(32)**	**–**	**113**	**1,577**
Profit/(loss) for the year	**121**	**333**	**730**	**435**	**(32)**	**–**	**113**	**1,700**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Total comprehensive income	**121**	**333**	**730**	**435**	**(32)**	**–**	**117**	**1,704**
Group's share								
(Loss)/profit for the year attributable to shareholders	**(1)**	**234**	**365**	**174**	**(9)**	**–**	**34**	**797**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Total comprehensive income	**(1)**	**234**	**365**	**174**	**(9)**	**–**	**36**	**799**
Dividend income from joint ventures	**43**	**252**	**9**	**140**	**52**	**–**	**125**	**621**
For the year ended 31 December 2019								
Revenue	12,384	4,038	–	957	5,703	1	1,613	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)	(3)	(203)	(4,399)	(1)	(397)	(18,210)
Share of results of joint ventures	–	–	544	–	–	–	(4)	540
Profit before income tax	519	519	541	534	66	–	557	2,736
Income tax expense	(180)	(143)	–	(135)	(101)	–	(98)	(657)
Profit/(loss) for the year	339	376	541	399	(35)	–	459	2,079
Non-controlling interests	(228)	–	–	–	–	–	–	(228)
Profit/(loss) for the year attributable to shareholders	111	376	541	399	(35)	–	459	1,851
Profit/(loss) for the year	339	376	541	399	(35)	–	459	2,079
Other comprehensive income	–	–	–	–	–	–	2	2
Total comprehensive income	339	376	541	399	(35)	–	461	2,081
Group's share								
Profit/(loss) for the year attributable to shareholders	33	263	271	160	(10)	–	168	885
Other comprehensive income	–	–	–	–	–	–	1	1
Total comprehensive income	33	263	271	160	(10)	–	169	886
Dividend income from joint ventures	17	–	225	83	–	–	156	481

14. Interests in and Loans to Joint Ventures (continued)

	CSEC Guohua HK$M	Fang-chenggang HK$M	OneEnergy Taiwan HK$M	SNGPC HK$M	SZPC HK$M	HKLTL HK$M	Others HK$M	Total HK$M
At 31 December 2020								
Non-current assets	20,619	7,780	3,459	3,796	3,490	699	5,613	45,456
Current assets								
Cash and cash equivalents	1,158	696	535	143	70	–	440	3,042
Other current assets	1,328	779	2	32	916	231	1,148	4,436
	2,486	1,475	537	175	986	231	1,588	7,478
Current liabilities								
Financial liabilities [a]	(1,991)	(421)	–	(323)	(1,314)	–	(424)	(4,473)
Other current liabilities [a]	(1,521)	(799)	–	(254)	(822)	(3)	(402)	(3,801)
	(3,512)	(1,220)	–	(577)	(2,136)	(3)	(826)	(8,274)
Non-current liabilities								
Financial liabilities [a]	(2,944)	(4,862)	–	–	(951)	–	(1,052)	(9,809)
Shareholders' loans	–	–	–	(161)	–	(927)	(18)	(1,106)
Other non-current liabilities [a]	(1,842)	(58)	–	(734)	(16)	–	(19)	(2,669)
	(4,786)	(4,920)	–	(895)	(967)	(927)	(1,089)	(13,584)
Non-controlling interests	(6,529)	–	–	–	–	–	–	(6,529)
Net assets	8,278	3,115	3,996	2,499	1,373	–	5,286	24,547
Group's share of net assets	2,483	2,181	1,997	999	404	–	2,188	10,252
Goodwill	–	–	–	–	–	–	43	43
Interests in joint ventures	2,483	2,181	1,997	999	404	–	2,231	10,295
Loans to joint ventures	–	–	–	65 [b]	–	649 [c]	8	722
	2,483	2,181	1,997	1,064	404	649	2,239	11,017
At 31 December 2019								
Non-current assets	20,435	7,514	3,070	3,711	4,207	165	6,504	45,606
Current assets								
Cash and cash equivalents	1,596	681	6	122	12	4	542	2,963
Other current assets	1,495	752	1	61	800	1	1,066	4,176
	3,091	1,433	7	183	812	5	1,608	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)	(29)	(447)	(3,408)
	(4,058)	(1,083)	–	(462)	(1,955)	(29)	(1,257)	(8,844)
Non-current liabilities								
Financial liabilities [a]	(3,809)	(4,862)	–	–	(1,555)	–	(1,146)	(11,372)
Shareholders' loans	–	–	–	(453)	–	(141)	(7)	(601)
Other non-current liabilities [a]	(1,699)	(56)	–	(719)	(21)	–	(27)	(2,522)
	(5,508)	(4,918)	–	(1,172)	(1,576)	(141)	(1,180)	(14,495)
Non-controlling interests	(6,069)	–	–	–	–	–	–	(6,069)
Net assets	7,891	2,946	3,077	2,260	1,488	–	5,675	23,337
Group's share of net assets	2,367	2,062	1,539	904	438	–	2,334	9,644
Goodwill	–	–	–	–	–	–	71	71
Interests in joint ventures	2,367	2,062	1,539	904	438	–	2,405	9,715
Loans to joint ventures	–	–	–	181 [b]	–	98 [c]	5	284
	2,367	2,062	1,539	1,085	438	98	2,410	9,999

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% (2019: 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$129 million (2019: HK$121 million) was included in the Group's trade and other receivables.

(c) Pursuant to the agreement between shareholders of HKLTL, shareholders' loan facilities are provided to HKLTL by the shareholders pro-rata to their shareholdings to finance the construction of the LNG terminal. The loans to HKLTL are unsecured, carry interest at rates which are benchmarked to market interest rates. Instalment repayment of the loans will commence after the commissioning of the LNG terminal with final maturity at the end of the related asset lives of the LNG terminal. As at 31 December 2020, the outstanding committed shareholder's loan facilities by the Group as a 70% shareholder of HKLTL amounted to HK$982 million (2019: HK$1,533 million).

The expected credit loss of loans to joint ventures is close to zero.

	2020 HK$M	2019 HK$M
Share of capital commitments	**952**	410
Share of lease and other commitments *	**2,713**	2,725
Share of contingent liabilities	**58**	55

* Representing the share of lease and other commitments in relation to the use and operation of a floating storage and regasification unit

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 31(B).

15. Interests in Associates Accounting Policy No. 3(B)

The table below lists the associates of the Group at 31 December 2020:

Name	**% of Ownership Interest at 31 December 2019 and 2020**	**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 2020		
Revenue	**7,979**	**16,861**
Profit and total comprehensive income	**3,926**	**4,370**
Group's share of profit and total comprehensive income	**982**	**743**
Dividend income from associates	**977**	**726**
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
At 31 December 2020		
Non-current assets	**6,608**	**104,555**
Current assets	**7,553**	**13,136**
Current liabilities	**(2,373)**	**(15,218)**
Non-current liabilities	**(4,763)**	**(58,796)**
Net assets	**7,025**	**43,677**
Group's share of net assets	**1,756**	**7,425**
At 31 December 2019		
Non-current assets	5,579	100,420
Current assets	7,795	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 2020, the Group's share of capital commitments of its associates was HK$692 million (2019: HK$465 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 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. Fair value gain or loss arising from derivatives not designated or not qualified for hedge accounting are recognised immediately in profit or loss.

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).

As mentioned in Note 2(A) and Note 2(C) of Significant Accounting Policies, the Group has adopted the Reform – Phase 1, as a result, it is assumed that cash flows associated with designated hedge relationships will continue to be highly probable after LIBOR is replaced with alternative interest rate.

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.

For cash flow hedges affected by the Reform, the Group retains the cumulative gain or loss in the cash flow hedge reserve, even though there is uncertainty arising from the Reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider that the hedged future cash flows are no longer expected to occur due to reasons other than the Reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

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 recorded in equity is reclassified to profit or loss immediately.

16. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(C) 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. 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.

(D) 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.

	2020		2019	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	**22**	**115**	38	77
Foreign exchange options	**7**	**–**	19	–
Cross currency interest rate swaps	**230**	**1,144**	206	756
Interest rate swaps	**–**	**166**	26	44
Energy contracts	**2,108**	**1,412**	1,701	931
Fair value hedges				
Cross currency interest rate swaps	**279**	**68**	–	142
Interest rate swaps	**55**	**17**	–	44
Not qualified for hedge accounting				
Forward foreign exchange contracts	**107**	**60**	242	44
Interest rate swaps	**14**	**2**	20	1
Energy contracts	**691**	**317**	172	259
	3,513	**3,301**	2,424	2,298
Current	**1,816**	**1,166**	1,035	993
Non-current	**1,697**	**2,135**	1,389	1,305
	3,513	**3,301**	2,424	2,298

At 31 December 2020, the contractual maturity profile of the hedging instruments from the end of the reporting period is summarised below:

Forward foreign exchange contracts	Up to 5 years
Foreign exchange options	Up to 2 years
Cross currency interest rate swaps	Up to 15 years
Interest rate swaps	Up to 12 years
Energy contracts	Up to 10 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. Cumulative gains and losses recognised in other comprehensive income are transferred to retained profits on disposal of an equity investment. 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 deducted from the carrying amounts of the equity investments directly.

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.

	2020 HK$M	2019 HK$M
Contract acquisition costs	**154**	136
Defined benefit asset	**130**	134
Investments at fair value through other comprehensive income	**273**	331
Investments at fair value through profit or loss	**291**	247
Service concession receivables (note)	**243**	255
Others	**209**	177
	1,300	1,280

Note: Satpura Transco Private Limited 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$7 million (2019: HK$10 million) is included under the Group's trade and other receivables. The expected credit loss is close to zero.

18. Property under Development

Accounting Policy

Property under development comprises leasehold land and construction-in-progress and is carried at the lower of cost and net realisable value. Property under development is included in 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 to 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.

If there has no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses.

Critical Accounting Estimates and Judgements: Recoverability of Trade Receivables

Provision for expected credit losses is made when the Group does not expect to 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.

19. Trade and Other Receivables (continued)

	2020 HK$M	2019 HK$M
Trade receivables [a]	10,868	10,791
Deposits, prepayments and other receivables	1,860	1,985
Dividend receivables from joint ventures	139	80
Loans to and current accounts with [b]		
Joint ventures	134	129
Associates	1	1
	13,002	12,986

Notes:

(a) Trade receivables

The ageing analysis of the trade receivables at 31 December based on invoice date is as follows:

	2020 HK$M	2019 HK$M
30 days or below *	8,559	8,237
31 – 90 days	601	869
Over 90 days	1,708	1,685
	10,868	10,791

* Including unbilled revenue

Movements in provision for impairment

	2020 HK$M	2019 HK$M
Balance at 1 January	1,583	1,532
Provision for impairment	512	384
Receivables written off during the year as uncollectible	(564)	(302)
Amounts reversed	(1)	(1)
Exchange differences	72	(30)
Balance at 31 December	1,602	1,583

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, electricity bills are due within two weeks after issuance. 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 2020, such cash deposits amounted to HK$5,895 million (2019: HK$5,677 million) and the bank guarantees stood at HK$854 million (2019: HK$834 million). For all the deposits held, customers are paid a floating market interest rate equivalent to the HSBC bank saving 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 45 days after issue. EnergyAustralia has policies in place to ensure that sales of products and services are made to 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 issuance 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.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

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 and forward looking assumptions.

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 2020				
Active accounts				
Provision on individual basis	**100%**	**7**	**(5)**	**2**
Provision on collective basis	**0%***	**1,960**	**(8)**	**1,952**
Terminated accounts				
Provision on individual basis	**100%**	**6**	**(6)**	**–**
Provision on collective basis	**25%**	**5**	**(1)**	**4**
		1,978	**(20)**	**1,958**
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

* Expected credit loss is close to zero as these trade receivables are mostly secured by cash deposits or bank guarantees from customers and there is limited recent history of default.

EnergyAustralia

EnergyAustralia categorises its trade receivables based on their 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.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Expected credit losses (continued)

EnergyAustralia (continued)

In light of COVID-19, additional provisions have also been recognised at the reporting date, requiring management to apply significant judgement in assessing the impact to recoverability of the Group's receivables caused by the pandemic.

	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 2020				
Current	**1%**	**3,886**	**(22)**	**3,864**
1 – 30 days	**7%**	**466**	**(34)**	**432**
31 – 60 days	**17%**	**218**	**(37)**	**181**
61 – 90 days	**26%**	**165**	**(43)**	**122**
Over 90 days	**64%**	**1,582**	**(1,019)**	**563**
		6,317	**(1,155)**	**5,162**
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

Mainland China

As at 31 December 2020, the Group had total receivables of HK$1,774 million (2019: HK$1,268 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 wind and solar 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. The expected credit loss is close to zero 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

(i) Renewable receivables

At 31 December 2020, CLP India's renewable projects have trade receivables of HK$771 million (2019: HK$805 million) of which HK$680 million (2019: HK$704 million) were past due. The expected credit loss is close to zero as there are no history of default and continuous payments received. In addition, the offtakers are state-owned enterprises and the exposure is therefore considered a sovereign credit risk. Trade receivables in dispute are assessed individually for impairment allowance in order to determine whether specific provisions are required.

(ii) JPL – Disputed charges with offtakers

JPL has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit losses. At 31 December 2020, total disputed amounts were Rs3,105 million (HK$329 million) (2019: Rs3,034 million (HK$331 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

In September 2013, JPL filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers. In 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 in the Appellate Tribunal for Electricity (APTEL) and JPL filed an appeal challenging certain findings of the CERC. The APTEL hearing concluded on 16 June 2020 and the matter was reserved for judgment. However, the tenure of the Technical Member on the APTEL bench expired before the judgment was passed and the APTEL's bench had to be reconstituted. The matter will be reheard by the APTEL and is now listed for hearing in April 2021.

Other disputed receivables of HK$165 million (2019: HK$163 million) were provided in full as there is no reasonable expectation of recovery.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Expected credit losses (continued)

India (continued)

(iii) Paguthan – Deemed generation incentive payment

The Supreme Court in India pronounced its judgment in May 2020 on the dispute for the "deemed generation incentive payments" between CLP India and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL). Both appeals by CLP India and GUVNL were dismissed. Accordingly, the amounts withheld by the offtaker of Rs3,796 million, for which a full provision was made, were written off in 2020. There was no financial impact to the Group's results and financial position, and no related contingent liabilities in respect of the time-barred portion of Rs4,737 million.

(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.

	2020 HK$M	2019 HK$M
Trust accounts restricted under TRAA [(a)]	**536**	279
Deposits with banks	**8,627**	6,318
Cash at banks and on hand	**2,545**	1,729
Bank balances, cash and other liquid funds [(b)]	**11,708**	8,326
Excluding:		
Cash restricted for specific purposes [(a)]	**(536)**	(279)
Bank deposits with maturities of more than three months	**(1,014)**	(166)
Short-term deposits and restricted cash	**(1,550)**	(445)
Cash and cash equivalents	**10,158**	7,881

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$352 million (2019: HK$380 million) which was mostly denominated in Renminbi (2019: 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

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.

	2020 HK$M	2019 HK$M
Trade payables [(a)]	**6,077**	5,850
Other payables and accruals	**7,136**	6,743
Lease liabilities [(b)]	**219**	99
Advances from non-controlling interests [(c)]	**1,021**	1,344
Current accounts with [(d)]		
Joint ventures	**1**	1
Associates	**583**	468
Deferred revenue [(e)]	**3,104**	3,081
	18,141	17,586

Notes:

(a) The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2020 HK$M	2019 HK$M
30 days or below	**5,852**	5,580
31 – 90 days	**123**	172
Over 90 days	**102**	98
	6,077	5,850

At 31 December 2020, trade payables denominated in currencies other than the functional currencies of the corresponding Group entities amounted to HK$941 million (2019: HK$660 million), of which HK$786 million (2019: HK$488 million) were denominated in US dollar (2019: US dollar).

(b) At 31 December 2020, the non-current portion of lease liabilities of HK$1,192 million (2019: HK$208 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. The advances are unsecured, interest free and repayable on demand. The advances are denominated in Hong Kong dollar.

22. Trade Payables and Other Liabilities (continued)

Notes (continued):

(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 (2019: HK$3 billion) (Note 18) and payments received in advance for other services. Non-current deferred revenue of HK$1,434 million (2019: HK$1,295 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.

The Group's bank loans and other borrowings at 31 December were repayable as follows:

	Bank Loans		Other Borrowings*		Total	
	2020	2019	**2020**	2019	**2020**	2019
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Within one year	**5,299**	9,331	**3,448**	4,220	**8,747**	13,551
Between one and two years	**4,321**	4,957	**1,536**	3,332	**5,857**	8,289
Between two to five years	**4,708**	4,395	**7,755**	6,015	**12,463**	10,410
Over five years	**3,115**	3,423	**24,166**	16,676	**27,281**	20,099
	17,443	22,106	**36,905**	30,243	**54,348**	52,349

* Other borrowings mainly included Medium Term Notes of HK$35,587 million (2019: HK$28,677 million) and bonds of HK$1,296 million (2019: HK$1,539 million).

Another presentation of the Group's liquidity risk is set out on pages 287 to 289.

Total borrowings at 31 December included secured liabilities of HK$10,676 million (2019: HK$10,654 million), analysed as follows:

	2020	2019
	HK$M	HK$M
CLP India group [(a)]	**5,322**	5,402
Subsidiaries in Mainland China [(b)]	**5,354**	5,252
	10,676	10,654

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$11,918 million (2019: HK$11,878 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$10,014 million (2019: HK$9,328 million).

At 31 December 2020 and 2019, 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 2020, the Group had undrawn bank loans and overdraft facilities of HK$25,737 million (2019: HK$18,854 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:

	2020 HK$M	2019 HK$M
Deferred tax assets	**571**	524
Deferred tax liabilities	**(15,429)**	(15,117)
	(14,858)	(14,593)

Deferred tax asset = income tax recoverable in the future
Deferred tax liability = income tax payable in the future

The gross movement on the deferred tax account is as follows:

	2020 HK$M	2019 HK$M
Balance at 1 January	**(14,593)**	(13,815)
Acquisition of subsidiaries	**(9)**	(9)
Charged to profit or loss (Note 7)	**(464)**	(598)
Credited / (charged) to other comprehensive income	**164**	(166)
Exchange differences	**44**	(5)
Balance at 31 December	**(14,858)**	(14,593)

24. Deferred Tax (continued)

The movements in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year are as follows:

Deferred tax assets (prior to offset)

	Tax Losses [a]		Accruals and Provisions		Others [b]		Total	
	2020 HK$M	2019 HK$M	**2020 HK$M**	2019 HK$M	**2020 HK$M**	2019 HK$M	**2020 HK$M**	2019 HK$M
Balance at 1 January	**489**	844	**1,303**	1,394	**834**	867	**2,626**	3,105
Acquisition of subsidiaries	**3**	–	**–**	–	**–**	–	**3**	–
(Charged)/credited to profit or loss	**(63)**	(339)	**177**	(74)	**520**	(24)	**634**	(437)
Credited to other comprehensive income	**–**	–	**4**	1	**5**	8	**9**	9
Exchange differences	**(14)**	(16)	**125**	(18)	**77**	(17)	**188**	(51)
Balance at 31 December	**415**	489	**1,609**	1,303	**1,436**	834	**3,460**	2,626

Deferred tax liabilities (prior to offset)

	Accelerated Tax Depreciation		Withholding Tax		Intangibles		Others [b]		Total	
	2020 HK$M	2019 HK$M	**2020 HK$M**	2019 HK$M	**2020 HK$M**	2019 HK$M	**2020 HK$M**	2019 HK$M	**2020 HK$M**	2019 HK$M
Balance at 1 January	**(15,339)**	(15,177)	**(284)**	(183)	**(795)**	(934)	**(801)**	(626)	**(17,219)**	(16,920)
Acquisition of subsidiaries	**(12)**	(9)	**–**	–	**–**	–	**–**	–	**(12)**	(9)
(Charged)/credited to profit or loss	**(833)**	(187)	**(32)**	(102)	**74**	138	**(307)**	(10)	**(1,098)**	(161)
(Charged)/credited to other comprehensive income	**–**	–	**(1)**	–	**–**	–	**156**	(175)	**155**	(175)
Exchange differences	**(52)**	34	**(5)**	1	**1**	1	**(88)**	10	**(144)**	46
Balance at 31 December	**(16,236)**	(15,339)	**(322)**	(284)	**(720)**	(795)	**(1,040)**	(801)	**(18,318)**	(17,219)

Notes:

(a) The deferred tax asset arising from tax losses related to the electricity business in India of HK$407 million (2019: HK$485 million). There is no expiry on tax losses recognised.

(b) Others mainly related to temporary differences arising from derivative financial instruments and lease accounting, and Minimum Alternate Tax credit in India.

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 these account balances 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:

	2020 HK$M	2019 HK$M
Tariff Stabilisation Fund (A)	**2,019**	1,478
Rate Reduction Reserve (B)	**18**	22
Rent and Rates Refunds (C)	**337**	–
	2,374	1,500

25. SoC Reserve Accounts (continued)

The movements in SoC reserve accounts during the year are shown as follows:

(A) Tariff Stabilisation Fund

	2020 HK$M	2019 HK$M
At 1 January	**1,478**	941
Transfer from Rate Reduction Reserve	**22**	11
Transfer under the SoC [(a)]		
– transfer for SoC from revenue (Note 3)	**660**	714
– charge for asset decommissioning [(b)]	**(141)**	(188)
At 31 December	**2,019**	1,478

Notes:

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

(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$1,320 million (2019: HK$1,179 million) (Note 26) recognised under the SoC represents a liability of the Group.

(B) Rate Reduction Reserve

	2020 HK$M	2019 HK$M
At 1 January	**22**	11
Transfer to Tariff Stabilisation Fund	**(22)**	(11)
Interest expense charged to profit or loss (Note 6)	**18**	22
At 31 December	**18**	22

(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. Following the settlement of appeals up to 2007/08 in 2018, CLP Power Hong Kong reached settlement with the Hong Kong Government in 2020 in respect of the appeals for rating years from 2008/09 to 2017/18, with final resolution for the remaining appeals from 2018/19 onwards still to be completed.

In addition to the interim refund of HK$300 million received earlier in 2020 for the appeal years 2008/09 to 2017/18, a further refund of HK$437 million was received later this year from the Hong Kong Government in full and final settlement for those years. These additional refunds bring the total amount of refunds received for all appeal years up to 2017/18 to HK$2,791 million. Using these refunds, CLP Power Hong Kong has provided customers with the Rent and Rates Special Rebate. Including the rebate of HK$400 million paid during the year, the Rent and Rates Special Rebate made by CLP Power Hong Kong has reached an aggregate of HK$2,454 million.

The refunds are classified within the SoC reserve accounts. The Rent and Rates Special Rebate paid to customers was offset against the refunds received.

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, it is currently considered 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.

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 2020. 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$2,704 million (2019: HK$2,411 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)

	2020 **HK$M**	2019 HK$M
Asset decommissioning liabilities (Note 25(A)(b))	**1,320**	1,179
Provisions for land remediation and restoration costs (note)	**2,643**	2,334
	3,963	3,513

Note: The movements of the balances, including the current portion of HK$61 million (2019: HK$77 million) under the Group's trade payables and other liabilities, are as follows:

	2020 **HK$M**	2019 HK$M
Balance at 1 January	**2,411**	2,630
Additional provisions	**59**	11
Effect of changes in discount rate	**16**	3
Amounts used	**(40)**	(43)
Unused amounts reversed	**(27)**	(228)
Unwinding of discount	**56**	71
Exchange differences	**229**	(33)
Balance at 31 December	**2,704**	2,411

27. Share Capital

	2020		2019	
	Number of Ordinary Shares	**Amount HK$M**	Number of Ordinary Shares	Amount HK$M
Issued and fully paid, at 31 December	**2,526,450,570**	**23,243**	2,526,450,570	23,243

28. Reserves

The movements in reserves attributable to shareholders during the year are shown as follows:

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve 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)
Reclassification to profit or loss	–	–	79	–	–	79
Tax on the above items	–	–	(1)	–	–	(1)
Fair value gains on 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

Translation reserve – exchange rates movements arising from the consolidation of Group entities with different reporting currencies

Cash flow hedge / Cost of hedging reserve – deferred fair value gains / losses on derivative financial instruments which are qualified for hedge accounting; reclassify to profit or loss when settlement of derivatives or when 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 Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2020	(8,282)	831	(39)	1,622	88,080	82,212
Earnings attributable to shareholders	–	–	–	–	11,456	11,456
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	2,655	35	–	–	(35)	2,655
Joint ventures	647	–	–	–	–	647
Associates	446	–	–	–	–	446
Cash flow hedges						
Net fair value losses	–	(886)	–	–	–	(886)
Reclassification to profit or loss	–	(41)	–	–	–	(41)
Tax on the above items	–	176	–	–	–	176
Costs of hedging						
Net fair value gains	–	–	132	–	–	132
Reclassification to profit or loss	–	–	31	–	–	31
Tax on the above items	–	–	(26)	–	–	(26)
Fair value losses on investments	–	–	–	(58)	–	(58)
Remeasurement losses on defined benefit plans	–	–	–	–	(7)	(7)
Share of other comprehensive income of joint ventures	–	2	–	–	–	2
Total comprehensive income attributable to shareholders	3,748	(714)	137	(58)	11,414	14,527
Transfer to fixed assets	–	1	(1)	–	–	–
Appropriation of reserves	–	–	–	(35)	35	–
Dividends paid						
2019 fourth interim	–	–	–	–	(3,007)	(3,007)
2020 first to third interim	–	–	–	–	(4,775)	(4,775)
Balance at 31 December 2020	**(4,534)**	**118**	**97**	**1,529**	**91,747** (note)	**88,957**

Note: The fourth interim dividend declared for the year ended 31 December 2020 was HK$3,057 million (2019: HK$3,007 million). The balance of retained profits after the fourth interim dividend of the Group was HK$88,690 million (2019: HK$85,073 million).

29. Perpetual Capital Securities and Redeemable Shareholder Capital

(A) Perpetual Capital Securities

A total of US$500 million perpetual capital securities was issued by the wholly owned subsidiary, CLP Power HK Finance Ltd. (CLPPHKFL) on 6 November 2019. The 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 CSGHK's pro-rata share of HK$5,115 million (2019: 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 regarded as part of non-controlling interests for accounting purpose.

30. Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of profit before income tax to net cash inflow from operations

	2020 HK$M	2019 HK$M
Profit before income tax	**15,501**	8,541
Adjustments for:		
Finance costs	**1,873**	1,983
Finance income	**(136)**	(162)
Dividend income from equity investments	**(13)**	(13)
Share of results of joint ventures and associates, net of income tax	**(2,522)**	(2,713)
Depreciation and amortisation	**8,476**	8,118
Impairment charge	**599**	6,782
Net loss on disposal of fixed assets	**358**	424
Revaluation loss on investment property	**121**	83
Fair value changes of non-debt related derivative financial instruments and net exchange difference	**(1,150)**	(230)
SoC items		
Increase in customers' deposits	**218**	203
(Decrease) / increase in fuel clause account	**(817)**	186
Net increase / (decrease) in rent and rates refunds	**337**	(46)
Transfer for SoC	**660**	714
	398	1,057
(Increase) / decrease in trade receivables and other current assets	**(144)**	341
(Increase) / decrease in cash restricted for specific purposes	**(257)**	119
Changes in non-debt related derivative financial instruments	**660**	(56)
Increase / (decrease) in trade and other payables	**535**	(725)
Increase / (decrease) in current accounts due to joint ventures and associates	**119**	(47)
Net cash inflow from operations	**24,418**	23,502

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 2019	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)
Payment of principal portion of lease liabilities	–	–	(126)	–	–	(126)
Interest and other finance costs paid	–	(1,771)	–	–	–	(1,771)
Settlement of derivative financial instruments	–	–	–	(50)	–	(50)
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 charged to equity	–	–	–	138	–	138
Additions of leases	–	–	164	–	–	164
Net exchange and translation differences	(28)	–	(4)	6	–	(26)
Interest and other finance costs charged/(credited) 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
Balance at 1 January 2020	52,349	225	307	574	1,344	54,799
Cash flows changes						
Proceeds from long-term borrowings	14,004	–	–	–	–	14,004
Repayment of long-term borrowings	(12,309)	–	–	–	–	(12,309)
Decrease in short-term borrowings	(959)	–	–	–	–	(959)
Payment of principal portion of lease liabilities	–	–	(200)	–	–	(200)
Interest and other finance costs paid	–	(1,820)	–	–	–	(1,820)
Settlement of derivative financial instruments	–	–	–	149	–	149
Decrease in advances from non-controlling interests	–	–	–	–	(323)	(323)
Non-cash changes						
Acquisitions of subsidiaries	473	5	5	–	–	483
Fair value losses of derivative financial instruments charged to equity	–	–	–	424	–	424
Additions of leases	–	–	1,146	–	–	1,146
Net exchange and translation differences	754	3	124	(24)	–	857
Interest and other finance costs charged/(credited) to profit or loss	–	1,684	37	(293)	–	1,428
Other non-cash movements	36	37	(8)	–	–	65
Balance at 31 December 2020	**54,348**	**134**	**1,411**	**830**	**1,021**	**57,744**

31. Commitments

(A) Capital expenditure contracted for but not yet incurred at the end of the year is as follows:

	2020 HK$M	2019 HK$M
Fixed assets and leasehold land	**7,909**	6,571
Intangible assets	**21**	9
	7,930	6,580

(B) The Group has committed to purchase power transmission assets in India at a consideration of approximately HK$800 million (2019: HK$1.3 billion). At 31 December 2020, the transaction remains subject to certain regulatory approvals. In addition, equity contributions to be made for joint ventures and private equity partnerships at 31 December 2020 were HK$71 million (2019: HK$75 million) and HK$183 million (2019: HK$115 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$5,582 million (2019: HK$5,643 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$798 million (2019: HK$813 million).

(B) The loans and shareholder's loan facilities to joint ventures are disclosed under Note 14. Other amounts due from and to the related parties at 31 December 2020 are disclosed in Notes 19 and 22 respectively. At 31 December 2020, the Group did not have any guarantees which were of a significant amount given to or received from these entities (2019: 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 (2019: two) Executive Directors and nine (2019: nine) senior management personnel.

	2020 HK$M	2019 HK$M
Fees	**12**	12
Recurring remuneration items (note)		
Base compensation, allowances & benefits	**69**	66
Performance bonus		
Annual incentive	**55**	61
Long-term incentive	**39**	53
Provident fund contribution	**13**	13
Non-recurring remuneration items (note)		
Other payments	**–**	9
	188	214

Note: Refer to remuneration items on page 181 of Human Resources & Remuneration Committee Report.

At 31 December 2020, the CLP Holdings' Board was composed of twelve Non-executive Directors and two Executive Directors. Remuneration of all Directors for the year totalled HK$58 million (2019: HK$61 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 (2019: two Directors) and three members (2019: three members) of Senior Management. The total remuneration of these five highest paid individuals amounted to HK$106 million (2019: HK$116 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 180 to 183 and 189 to 191. These sections 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 body corporates and connected entities (2019: 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 (2019: 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 in finance costs.

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.

33. Contingent Liabilities (continued)

Critical Accounting Estimates and Judgements

The Group is exposed to the risk of litigation, regulatory judgments 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) 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$5,754 million) or alternatively A$780 million (approximately HK$4,641 million) in damages (plus interest and costs). 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. The plaintiff made further amendments to its Statement of Claim in 2020. In further particulars filed in February 2021, the plaintiff has indicated that it now estimates the amount of:

(a) its original claim to be in the range of A$457 million to A$1,449 million (approximately HK$2,719 million to HK$8,622 million); and

(b) its alternative claim to be in the range of A$289 million to A$370 million (approximately HK$1,720 million to HK$2,202 million),

(plus interest and costs). Each estimate is based on a range of specified assumptions.

The trial for this proceeding has been set down to commence in May 2021. Prior to this, the parties are required to participate in a mediation which is scheduled in March 2021.

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.

(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 2020, the Group considers 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.

Details relating to the disputed receivables of Jhajjar and Paguthan can be found in Note 19(a) on pages 264 to 265.

34. Statement of Financial Position of the Company

	2020 HK$M	2019 HK$M
Non-current assets		
Fixed assets	**175**	112
Right-of-use assets	**89**	113
Investments in subsidiaries	**45,260**	46,857
Other non-current assets	**12**	14
	45,536	47,096
Current assets		
Trade and other receivables	**82**	81
Dividend receivable	**2,500**	1,950
Cash and cash equivalents	**7**	8
	2,589	2,039
Current liabilities		
Trade payables and other liabilities	**(525)**	(487)
Net current assets	**2,064**	1,552
Total assets less current liabilities	**47,600**	48,648
Financed by:		
Equity		
Share capital	**23,243**	23,243
Retained profits	**24,308**	25,328
Shareholders' funds	**47,551**	48,571
Non-current liabilities		
Lease and other liabilities	**49**	77
Equity and non-current liabilities	**47,600**	48,648
The movement of retained profits is as follows:		
Balance at 1 January	**25,328**	27,133
Profit and total comprehensive income for the year	**6,762**	5,977
Dividends paid		
2019/2018 fourth interim	**(3,007)**	(3,007)
2020/2019 first to third interim	**(4,775)**	(4,775)
Balance at 31 December	**24,308**	25,328

The fourth interim dividend declared for the year ended 31 December 2020 was HK$3,057 million (2019: HK$3,007 million). The balance of retained profits after the fourth interim dividend of the Company was HK$21,251 million (2019: HK$22,321 million).

The Honourable Sir Michael Kadoorie
Chairman
Hong Kong, 22 February 2021

Richard Lancaster
Chief Executive Officer

Geert Peeters
Chief Financial Officer

35. Subsidiaries

The table below lists the principal subsidiaries of the Group at 31 December 2020:

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2019 and 2020	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	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 2019 and 2020	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:

	CAPCO		CLP India	
	2020	2019	**2020**	2019
	HK$M	HK$M	**HK$M**	HK$M
Results for the year				
Revenue	**17,674**	16,814	**3,616**	4,651
Profit for the year	**2,859**	2,745	**357**	267
Other comprehensive income for the year	**(121)**	57	**(282)**	(259)
Total comprehensive income for the year	**2,738**	2,802	**75**	8
Dividends paid to non-controlling interests	**855**	785	**–**	–
Net assets				
Non-current assets	**35,461**	34,151	**10,476**	10,828
Current assets	**7,051**	5,580	**3,984**	3,636
Current liabilities	**(8,666)**	(11,785)	**(2,057)**	(1,835)
Non-current liabilities	**(15,967)**	(9,953)	**(4,028)**	(4,321)
	17,879	17,993	**8,375**	8,308
Cash flows				
Net cash inflow from operating activities	**3,127**	3,843	**1,381**	1,570
Net cash (outflow) / inflow from investing activities	**(1,769)**	50	**(267)**	(140)
Net cash outflow from financing activities	**(656)**	(3,373)	**(742)**	(1,352)
Net increase in cash and cash equivalents	**702**	520	**372**	78

Financial Risk Management

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 Group'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 their debt repayment obligations denominated in foreign currencies for the full tenor, and a significant portion of their 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:

	2020 HK$M	2019 HK$M
Increase/(decrease) in the cash flow hedge reserve		
Hong Kong dollar against US dollar		
If Hong Kong dollar weakened by 0.6% (2019: 0.6%)	**92**	98
If Hong Kong dollar strengthened by 0.6% (2019: 0.6%)	**(92)**	(98)

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 2020, the Group's net investment subject to translation exposure was HK$65,577 million (2019: HK$60,664 million), arising mainly from our investments in Mainland China, India, Southeast Asia and Taiwan and Australia. This means that, for each 1% (2019: 1%) average foreign currency movement, our translation exposure will vary by about HK$656 million (2019: HK$607 million). All the translation exposures are recognised in other comprehensive income and therefore have no impact on our profit or loss.

1. Financial Risk Factors (continued)

Foreign exchange risk (continued)

The Group's Asia-Pacific Investments (continued)

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:

	2020 HK$M	2019 HK$M
US dollar		
If US dollar strengthened by 3% (2019: 3%)		
Post-tax profit for the year	**17**	25
Equity – cash flow hedge reserve	**13**	21
If US dollar weakened by 3% (2019: 3%)		
Post-tax profit for the year	**(17)**	(25)
Equity – cash flow hedge reserve	**(13)**	(21)
Renminbi		
If Renminbi strengthened by 3% (2019: 3%)		
Post-tax profit for the year	**12**	13
Equity – cash flow hedge reserve	**–**	–
If Renminbi weakened by 3% (2019: 3%)		
Post-tax profit for the year	**(12)**	(13)
Equity – cash flow hedge reserve	**–**	–

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 prices of certain agreements comprise 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.

1. Financial Risk Factors (continued)

Energy portfolio risk (continued)

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 (2019: 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 2020 was HK$430 million (2019: HK$550 million). The change in risk exposure is the result of the decrease in 2021 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.

	2020 HK$M	2019 HK$M
Hong Kong dollar		
If interest rates were 0.1% (2019: 0.7%) higher		
Post-tax profit for the year	**(10)**	(98)
Equity – cash flow hedge reserve	**5**	30
If interest rates were 0.1% (2019: 0.7%) lower		
Post-tax profit for the year	**10**	98
Equity – cash flow hedge reserve	**(5)**	(30)

1. Financial Risk Factors (continued)

Interest rate risk (continued)

	2020 HK$M	2019 HK$M
Indian rupee		
If interest rates were 0.3% (2019: 0.3%) higher		
Post-tax profit for the year	**(4)**	(3)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.3% (2019: 0.3%) lower		
Post-tax profit for the year	**4**	3
Equity – cash flow hedge reserve	**–**	–
US dollar		
If interest rates were 0.05% (2019: 0.3%) higher		
Post-tax profit for the year	**–**	–
Equity – cash flow hedge reserve	**2**	9
If interest rates were 0.05% (2019: 0.3%) lower		
Post-tax profit for the year	**–**	–
Equity – cash flow hedge reserve	**(2)**	(9)
Renminbi		
If interest rates were 0.2% (2019: 0.1%) higher		
Post-tax profit for the year	**(9)**	(5)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.2% (2019: 0.1%) lower		
Post-tax profit for the year	**9**	5
Equity – cash flow hedge reserve	**–**	–

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 bank 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 2020					
Non-derivative financial liabilities					
Bank loans	5,758	4,681	5,149	3,531	19,119
Other borrowings	4,612	2,510	10,070	26,805	43,997
Customers' deposits	5,908	–	–	–	5,908
Fuel clause account	346	–	–	–	346
Trade payables and other liabilities	15,039	260	574	578	16,451
SoC reserve accounts	–	–	–	2,374	2,374
Asset decommissioning liabilities	–	–	–	1,320	1,320
	31,663	7,451	15,793	34,608	89,515
Derivative financial liabilities – net settled					
Interest rate swaps	63	55	50	22	190
Energy contracts	677	618	512	27	1,834
	740	673	562	49	2,024
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	17,028	329	4,022	–	21,379
Cross currency interest rate swaps	1,366	952	2,712	12,568	17,598
	18,394	1,281	6,734	12,568	38,977
Gross contractual amounts receivable					
Forward foreign exchange contracts	(16,954)	(304)	(3,953)	–	(21,211)
Cross currency interest rate swaps	(1,053)	(768)	(2,478)	(12,310)	(16,609)
	(18,007)	(1,072)	(6,431)	(12,310)	(37,820)
Net payable	387	209	303	258	1,157
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	705	183	361	–	1,249
Cross currency interest rate swaps	2,683	287	5,410	7,319	15,699
	3,388	470	5,771	7,319	16,948
Gross contractual amounts receivable					
Forward foreign exchange contracts	(760)	(206)	(465)	–	(1,431)
Cross currency interest rate swaps	(2,802)	(366)	(5,546)	(7,417)	(16,131)
	(3,562)	(572)	(6,011)	(7,417)	(17,562)
Net receivable	(174)	(102)	(240)	(98)	(614)
Total payable	213	107	63	160	543

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 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

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 committed and highly probable forecast transactions.

EnergyAustralia uses electricity spot-price-linked forward contracts and oil-price-linked forward contracts to mitigate exposures arising from the fluctuations in electricity spot price 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.

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 2020 and 2019:

			Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness				Amount reclassified from cash flow hedge reserve and credited / (charged) to profit or loss [a]	
Cash Flow Hedges	Notional amount of hedging instruments HK\$M	Carrying amount of hedging instrument assets / (liabilities) HK\$M	Hedging instruments HK\$M	Hedged items HK\$M	Fair value losses / (gains) recognised in cash flow hedge reserve HK\$M	Hedge ineffectiveness recognised in profit or loss [a] HK\$M	Hedged items affected profit or loss HK\$M	Hedged future cash flows no longer expected to occur HK\$M
At 31 December 2020								
Debt related transactions								
Interest rate risk [b]	**28,211**	**(1,080)**	**(620)**	**627**	**618**	**2**	**225**	**-**
Foreign exchange risk	**631**	**(37)**	**34**	**(34)**	**(34)**	**-**	**36**	**-**
Non-debt related transactions								
Foreign exchange risk	**16,447**	**(49)**	**(111)**	**111**	**111**	**-**	**(77)**	**-**
Energy portfolio risk – electricity [c]	**N/A**	**1,309**	**546**	**(544)**	**(544)**	**(2)**	**122**	**(121)**
Energy portfolio risk – gas [c]	**N/A**	**(613)**	**(834)**	**834**	**834**	**-**	**(158)**	**-**
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	-

2. Hedge Accounting (continued)

Effects of hedge accounting (continued)

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$M	Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness		Hedge ineffectiveness charged to finance costs HK$M
				Hedging instruments HK$M	Hedged items HK$M	
At 31 December 2020						
Debt related transactions						
Interest rate risk [b]	**5,481**	**(5,804)**	**(340)**	**302**	**(303)**	**1**
At 31 December 2019						
Debt related transactions						
Interest rate risk [b]	5,502	(5,497)	(37)	333	(336)	3

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 88,331GWh (2019: 87,405GWh) and 7.9 million barrels (2019: 6.3 million barrels) for electricity and oil, respectively.

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 2019	237	53	84	374
Fair value (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
Balance at 1 January 2020	284	14	500	798
Fair value losses	(618)	(77)	(290)	(985)
Reclassification to profit or loss				
Hedged items affect profit or loss	(225)	41	36	(148)
Hedged future cash flows no longer expected to occur	–	–	121	121
Transfer to hedged assets	–	1	–	1
Related deferred tax	145	7	40	192
Exchange difference	–	(1)	36	35
Balance at 31 December 2020	**(414)**	**(15)**	**443**	**14**

2. Hedge Accounting (continued)

Effects of hedge accounting (continued)

Cost of Hedging Reserve	Time Value of Options HK$M	Forward Element HK$M	Foreign Currency Basis Spread HK$M	Total HK$M
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)
Reclassification 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)
Balance at 1 January 2020	2	8	(63)	(53)
Changes due to transaction related hedged items				
Fair value losses	–	–	(25)	(25)
Reclassification to profit or loss	–	–	27	27
Amount transferred to hedged assets	–	–	(2)	(2)
Changes due to time-period related hedged items				
Fair value (losses) / gains	(6)	(39)	203	158
Reclassification to profit or loss	4	32	(16)	20
Related deferred tax	1	3	(31)	(27)
Exchange difference	–	(1)	(1)	(2)
Balance at 31 December 2020	**1**	**3**	**92**	**96**

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)

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

(A) Fair value hierarchy

The following table presents the Group's financial instruments that are measured at fair value at 31 December:

	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total HK$M
At 31 December 2020				
Financial assets				
Investments at fair value through other comprehensive income	**238**	**–**	**35**	**273**
Investments at fair value through profit or loss	**–**	**–**	**291**	**291**
Forward foreign exchange contracts	**–**	**129**	**–**	**129**
Foreign exchange options	**–**	**7**	**–**	**7**
Cross currency interest rate swaps	**–**	**509**	**–**	**509**
Interest rate swaps	**–**	**69**	**–**	**69**
Energy contracts	**783**	**824**	**1,192**	**2,799**
	1,021	**1,538**	**1,518**	**4,077**
Financial liabilities				
Forward foreign exchange contracts	**–**	**175**	**–**	**175**
Cross currency interest rate swaps	**–**	**1,212**	**–**	**1,212**
Interest rate swaps	**–**	**185**	**–**	**185**
Energy contracts	**7**	**922**	**800**	**1,729**
	7	**2,494**	**800**	**3,301**
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

The Group's policy is to recognise transfers into / out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer. During 2020 and 2019, there were no transfers between Level 1 and Level 2.

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

(B) Valuation techniques used to determine fair values

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

Financial Instruments	Valuation Techniques	Significant Inputs
Investments at fair value through profit or loss	Recent arm's length transactions or net asset value of funds	Not applicable
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.

(C) Movements and sensitivity analysis of Level 3 financial instruments

	2020			2019		
	Investments HK$M	**Energy Contracts HK$M**	**Total HK$M**	Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	**282**	**1,077**	**1,359**	136	339	475
Total (losses)/gains recognised in						
Profit or loss and presented in fuel and other operating expenses (note)	**(16)**	**7**	**(9)**	9	(157)	(148)
Other comprehensive income	**2**	**(650)**	**(648)**	–	741	741
Purchases	**58**	**–**	**58**	137	–	137
Settlements	**–**	**(42)**	**(42)**	–	106	106
Transfer out of Level 3	**–**	**–**	**–**	–	48	48
Closing balance	**326**	**392**	**718**	282	1,077	1,359

Note: Out of which, unrealised losses recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period was HK$3 million (2019: gains of HK$64 million).

At 31 December 2020 and 2019, the valuation of long tenure energy contracts is sensitive to electricity pool price assumptions. A favourable and unfavourable change of 15% (2019: 15%) would cause the balance of the energy contracts to rise by HK$802 million (2019: HK$859 million) and decline by HK$806 million (2019: HK$860 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 2020						
Financial assets						
Bank balances, cash and other liquid funds	**536**	**–**	**536**	**(536)**	**–**	**–**
Trade receivables and service concession receivables	**5,413**	**–**	**5,413**	**(3,623)**	**(1,790)**	**–**
Derivative financial instruments	**4,052**	**(788)**	**3,264**	**(444)** [b]	**–**	**2,820**
	10,001	**(788)**	**9,213**	**(4,603)**	**(1,790)**	**2,820**
Financial liabilities						
Customers' deposits	**5,895**	**–**	**5,895**	**(1,790)**	**–**	**4,105**
Bank loans and other borrowings	**10,706**	**–**	**10,706**	**–**	**(4,159)**	**6,547**
Derivative financial instruments	**3,823**	**(788)**	**3,035**	**(444)** [b]	**–**	**2,591**
	20,424	**(788)**	**19,636**	**(2,234)**	**(4,159)**	**13,243**
At 31 December 2019						
Financial assets						
Bank balances, cash and other liquid funds	279	–	279	(279)	–	–
Trade receivables and service concession receivables	5,149	–	5,149	(3,134)	(2,015)	–
Derivative financial instruments	2,976	(883)	2,093	(172) [b]	–	1,921
	8,404	(883)	7,521	(3,585)	(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	–	(3,413)	7,273
Derivative financial instruments	3,063	(883)	2,180	(172) [b]	–	2,008
	19,426	(883)	18,543	(2,187)	(3,413)	12,943

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; (2) trade receivables related to Hong Kong electricity business where customers' deposits are served as security for payments; (3) trade receivables and service concession 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 2020 and 2019.

The Group monitors capital using "total debt to total capital" and "net debt to total capital" ratios. These ratios are as follows:

	2020 HK$M	2019 HK$M
Total debt [(a)]	**54,348**	52,349
Net debt [(b)]	**42,640**	44,023
Total equity [(c)]	**126,993**	120,673
Total capital (based on total debt) [(d)]	**181,341**	173,022
Total capital (based on net debt) [(e)]	**169,633**	164,696
Total debt to total capital (based on total debt) ratio (%)	**30.0**	30.3
Net debt to total capital (based on net debt) ratio (%)	**25.1**	26.7

Moderate decrease in the Group's net debt to total capital is mainly attributable to lower net debt from higher cash inflow.

Certain entities of the Group are subject to loan covenants. For both 2020 and 2019, 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 owned 70%. 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 and covers a term of over 15 years ending on 31 December 2033. 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 SoC is 8% of the SoC Companies' average net fixed assets.
- The net return under the SoC is the permitted return after the deduction or adjustment of the following items:

(a) Interest up to a maximum of 7% per annum on borrowed capital arranged for financing fixed assets;

(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 of 8% less an allowed interest charge up to 7% per annum on the average related excess capacity expenditure;

(d) interest up to 7% per annum on the increase in average balance of the customers' deposits in excess of the balance as at 30 September 1998; and

(e) performance-linked incentives / penalties adjustments

Category	% incentive (+) / penalties (-)
Operation performance related incentives / penalties	in the range of -0.05% to +0.05% on average net fixed assets
Energy efficiency and renewable performance incentives	• a maximum of 0.315% on average net fixed assets • 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
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.

Under the SoC, 65% of the energy efficiency incentives earned by the SoC Companies 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.

For the year ended 31 December

	2020 HK$M	2019 HK$M
SoC revenue	**41,905**	40,633
Expenses		
Operating costs	**5,170**	5,036
Fuel	**13,790**	13,150
Purchases of nuclear electricity	**5,582**	5,643
Provision for asset decommissioning	**141**	188
Depreciation	**5,011**	4,753
Operating interest	**976**	978
Taxation	**1,904**	1,853
	32,574	31,601
Profit after taxation	**9,331**	9,032
Interest on increase in customers' deposits	**–**	4
Interest on borrowed capital	**1,111**	1,100
Adjustment for performance incentives	**(416)**	(392)
Profit for SoC	**10,026**	9,744
Transfer to Tariff Stabilisation Fund	**(519)**	(526)
Permitted return	**9,507**	9,218
Deduct interest on / Adjustment for		
Increase in customers' deposits as above	**–**	4
Borrowed capital as above	**1,111**	1,100
Performance incentives as above	**(416)**	(392)
Tariff Stabilisation Fund to Rate Reduction Reserve	**18**	22
	713	734
Net return	**8,794**	8,484
CESF contribution	**(201)**	(195)
Net return after CESF contribution	**8,593**	8,289
Divisible as follows:		
CLP Power Hong Kong	**5,769**	5,582
CAPCO	**2,824**	2,707
	8,593	8,289
CLP Power Hong Kong's share of net return after CESF contribution		
CLP Power Hong Kong	**5,769**	5,582
Interest in CAPCO	**1,977**	1,895
	7,746	7,477

Five-year Summary: CLP Group Statistics

Economic

	2020	2019	2018	2017	2016
Consolidated Operating Results, HK$M					
Revenue					
Hong Kong electricity business	**41,325**	40,025	40,872	39,485	37,615
Energy businesses outside Hong Kong	**37,687**	45,088	49,793	52,101	41,459
Others	**578**	576	760	487	360
Total	**79,590**	85,689	91,425	92,073	79,434
Earnings					
Hong Kong electricity business	**7,818**	7,448	8,558	8,863	8,640
Hong Kong electricity business related	**270**	211	227	335	203
Mainland China	**2,233**	2,277	2,163	1,238	1,521
India	**175**	263	572	647	469
Southeast Asia and Taiwan	**386**	335	162	160	274
Australia	**1,690**	1,566	3,302	2,738	1,849
Other earnings in Hong Kong	**(238)**	(199)	(92)	(65)	62
Unallocated net finance income/(costs)	**24**	(42)	(54)	(2)	33
Unallocated Group expenses	**(781)**	(738)	(856)	(607)	(717)
Operating earnings	**11,577**	11,121	13,982	13,307	12,334
Impairment and provision reversal	**–**	(6,381)	(450)	–	(203)
Property revaluation and transaction	**(121)**	(83)	18	369	497
Reversal of tax provision	**–**	–	–	573	83
Total earnings	**11,456**	4,657	13,550	14,249	12,711
Dividends	**7,832**	7,782	7,630	7,352	7,074
Depreciation and amortisation, owned and leased assets	**8,476**	8,118	8,005	7,368	6,909
Consolidated Statement of Financial Position, HK$M					
SoC fixed assets	**119,873**	117,042	113,295	109,824	106,886
Other fixed assets	**36,642**	33,744	34,650	33,914	32,535
Goodwill and other intangible assets	**20,559**	20,111	26,910	29,087	27,653
Interests in joint ventures	**11,017**	9,999	9,674	10,383	9,971
Interests in associates	**9,181**	8,708	7,746	8,081	813
Other non-current assets	**3,568**	3,193	2,739	3,152	4,837
Current assets	**33,393**	28,826	35,500	33,710	23,538
Total assets	**234,233**	221,623	230,514	228,151	206,233
Shareholders' funds	**112,200**	105,455	109,053	108,697	98,010
Perpetual capital securities	**3,887**	3,887	5,791	5,791	5,791
Other non-controlling interests	**9,885**	9,987	10,088	7,019	1,972
Equity	**125,972**	119,329	124,932	121,507	105,773
Bank loans and other borrowings	**54,348**	52,349	55,298	57,341	51,646
SoC reserve accounts	**2,374**	1,500	998	977	860
Other current liabilities	**27,260**	26,911	28,099	27,962	26,944
Other non-current liabilities	**24,279**	21,534	21,187	20,364	21,010
Total liabilities	**108,261**	102,294	105,582	106,644	100,460
Equity and total liabilities	**234,233**	221,623	230,514	228,151	206,233

A ten-year summary is on our website.

	2020	2019	2018	2017	2016
Consolidated Statement of Cash Flows, HK$M					
Funds from operations	**24,418**	23,502	26,584	26,506	25,353
Net cash inflow from operating activities	**22,374**	21,345	23,951	24,417	23,676
Net cash outflow from investing activities	**(10,081)**	(5,824)	(11,259)	(16,735)	(8,296)
Net cash outflow from financing activities	**(10,211)**	(14,944)	(11,505)	(5,863)	(14,288)
Capital expenditure, owned and leased assets	**(10,586)**	(10,448)	(10,327)	(9,538)	(9,756)
Per Share Data, HK$					
Shareholders' funds per share	**44.41**	41.74	43.16	43.02	38.79
Earnings per share	**4.53**	1.84	5.36	5.64	5.03
Dividends per share	**3.10**	3.08	3.02	2.91	2.80
Closing share price					
Highest	**84.20**	96.85	96.95	85.30	83.90
Lowest	**65.00**	78.40	75.35	72.55	62.45
As at year-end	**71.70**	81.90	88.50	79.95	71.25
Ratios					
Return on equity, %	**10.5**	4.3	12.4	13.8	13.3
Operating return on equity, %	**10.6**	10.4	12.8	12.9	12.9
Total debt to total capital, %	**30.0**	30.3	30.4	31.8	31.5
Net debt to total capital, %	**25.1**	26.7	25.5	27.8	29.5
FFO interest cover, times	**13**	12	13	15	14
Price / Earnings, times	**16**	45	17	14	14
Dividend yield, %	**4.3**	3.8	3.4	3.6	3.9
Dividend cover, times	**1.5**	1.4	1.8	1.8	1.7
Dividend pay-out, %					
Total earnings	**68.4**	167.1	56.3	51.6	55.7
Operating earnings	**67.7**	70.0	54.6	55.2	57.4
Total return to shareholders [1], %	**5.2**	8.7	9.6	8.4	6.4
Group Generation Capacity [2] (owned / operated / under construction), MW					
– by region					
Hong Kong	**8,143**	7,568	7,543	7,483	7,483
Mainland China	**7,905**	7,905	7,869	7,985	7,181
India	**1,890**	1,842	1,796	2,948	2,978
Southeast Asia and Taiwan	**285**	285	285	285	285
Australia	**4,511**	4,508	4,478	4,505	4,505
	22,734	22,108	21,971	23,206	22,432
– by status					
Operational	**22,184**	21,468	21,127	22,118	21,560
Construction	**550**	640	844	1,088	872
	22,734	22,108	21,971	23,206	22,432

Notes:

1 Total return 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 (2016 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	2020	2019	2018	2017	2016	GRI Standard	HKEx ESG Reporting Guide Reference
Greenhouse Gas Emissions								
CLP Group[1]								
Total CO_2e emissions – on an equity basis[2,3]	kt	**62,138**	71,720	N/A	N/A	N/A		A1.2
CO_2e – Scope 1[4]	kt	**45,105**	50,047	N/A	N/A	N/A	305-1	
CO_2e – Scope 2	kt	**244**	250	N/A	N/A	N/A	305-2	
CO_2e – Scope 3	kt	**16,790**	21,424	N/A	N/A	N/A	305-3	
CLP Group's generation and energy storage portfolio[3,4,5,6]								
CO_2 – on an equity basis	kt	**44,987**	N/A	N/A	N/A	N/A	102-48, 305-1, 305-2	A1.2
CO_2 – on an equity plus long-term capacity and energy purchase basis[7]	kt	**48,621**	N/A	N/A	N/A	N/A	102-48, 305-1, 305-2	A1.2
CO_2 – on an operational control basis	kt	**43,808**	50,412	52,052	47,921	46,518	102-48, 305-1, 305-2	A1.2
CO_2e – on an operational control basis	kt	**44,023**	50,676	52,306	48,082	46,681	102-48, 305-1, 305-2	A1.2
Climate Vision 2050[3,4,5,6]								
Performance against targets - on an equity basis /an equity plus long-term capacity and energy purchase basis[7]								
Carbon dioxide emissions intensity of CLP Group's generation and energy storage portfolio	kg CO_2 /kWh	**0.65/ 0.57**	0.70/ 0.62	0.74/ 0.66	0.80/ 0.69	0.82/ 0.72	305-4	A1.2
Renewable energy generation capacity	% (MW)	**12.8 (2,517)/ 13.5 (3,342)**	12.8 (2,469)/ 13.7 (3,294)	12.5 (2,387)/ 12.8 (3,039)	14.2 (2,751)/ 13.1 (3,211)	16.6 (3,090)/ 14.9 (3,551)		
Non-carbon emitting generation capacity	% (MW)	**20.9 (4,110)/ 24.4 (6,017)**	21.1 (4,069)/ 24.9 (5,979)	20.9 (3,987)/ 24.1 (5,724)	22.4 (4,350)/ 23.2 (5,699)	19.2 (3,582)/ 20.7 (4,931)		
Operations[2,8]								
Generation and energy storage capacity by asset type on an equity basis /an equity plus long-term capacity and energy purchase basis[7]								
Coal	% (MW)	**54.7 (10,765)/ 48.6 (11,997)**	56.0 (10,765)/ 50.0 (11,997)	56.3 (10,765)/ 50.6 (11,997)	58.8 (11,401)/ 51.4 (12,633)	61.2 (11,396)/ 53.1 (12,628)		
Gas	% (MW)	**23.4 (4,600)/ 23.2 (5,717)**	21.8 (4,194)/ 21.4 (5,139)	21.7 (4,147)/ 21.4 (5,084)	17.7 (3,434)/ 21.7 (5,322)	18.4 (3,434)/ 22.4 (5,322)		
Nuclear	% (MW)	**8.1 (1,600)/ 10.9 (2,685)**	8.3 (1,600)/ 11.2 (2,685)	8.4 (1,600)/ 11.3 (2,685)	8.2 (1,600)/ 10.1 (2,488)	2.6 (492)/ 5.8 (1,380)		
Renewables	% (MW)	**12.8 (2,517)/ 13.5 (3,342)**	12.8 (2,469)/ 13.7 (3,294)	12.5 (2,386)/ 12.8 (3,039)	14.2 (2,751)/ 13.1 (3,211)	16.6 (3,090)/ 14.9 (3,551)		
Energy Storage	% (MW)	**0.0 (0)/ 2.7 (655)**	N/A N/A	N/A N/A	N/A N/A	N/A N/A		
Others	% (MW)	**1.1 (210)/ 1.2 (300)**	1.1 (210)/ 3.7 (900)	1.1 (210)/ 3.8 (900)	1.1 (210)/ 3.7 (900)	1.1 (210)/ 3.8 (900)		
Total	% (MW)	**100 (19,691)/ 100 (24,696)**	100 (19,238)/ 100 (24,015)	100 (19,108)/ 100 (23,705)	100 (19,395)/ 100 (24,554)	100 (18,622)/ 100 (23,781)		
Energy sent out[3,9] **by asset type on an equity basis /an equity plus long-term capacity and energy purchase basis**[7]								
Coal	% (GWh)	**57.4 (39,438)/ 47.8 (41,118)**	62.9 (44,596)/ 54.8 (48,512)	N/A 60	N/A 61	N/A 63		
Gas	% (GWh)	**18.0 (12,390)/ 20.0 (17,157)**	14.1 (9,979)/ 14.8 (13,073)	N/A 12	N/A 15	N/A 14		
Nuclear	% (GWh)	**16.3 (11,192)/ 23.2 (19,923)**	15.3 (10,888)/ 21.9 (19,400)	N/A 20	N/A 15	N/A 14		
Renewables	% (GWh)	**8.3 (5,678)/ 9.1 (7,855)**	7.7 (5,487)/ 8.7 (7,699)	N/A 8	N/A 9	N/A 9		
Energy Storage	% (GWh)	**0.0 (0)/ -0.1 (-118)**	N/A N/A	N/A N/A	N/A N/A	N/A N/A		
Others	% (GWh)	**0.0 (1)/ 0.0 (1)**	0 (0)/ -0.1 (-109)	N/A 0	N/A 0	N/A 0		
Total	% (GWh)	**100 (68,699)/ 100 (85,937)**	100 (70,949)/ 100 (88,573)	N/A 100	N/A 100	N/A 100		
Resource Use & Emissions[3,10,11]								
Nitrogen oxides (NO_x) emissions	kt	**43.2**	47.0	60.9	59.3	58.1	305-7	A1.1
Sulphur dioxide (SO_2) emissions	kt	**48.0**	44.7	76.1	81.6	71.2	305-7	A1.1
Particulates emissions	kt	**6.9**	7.7	8.5	8.3	8.5	305-7	A1.1
Sulphur hexafluoride (SF_6)	kt	**0.003**	N/A	N/A	N/A	N/A	305-7	A1.1
Non-hazardous waste produced[12]	t (solid)/kl (liquid)	**17,901/3**	13,344/59	11,471/52	20,334/103	8,317/84	306-2	A1.4
Non-hazardous waste recycled[12]	t (solid)/kl (liquid)	**4,458/3**	4,986/57	3,990/52	3,790/103	2,963/84	306-2	
Hazardous waste produced[12]	t (solid)/kl (liquid)	**1,503/1,901**	862/1,578	1,435/1,685	857/1,420	1,302/1,251	306-2	A1.3
Hazardous waste recycled[12]	t (solid)/kl (liquid)	**523/1,069**	201/1,536	631/1,648	469/1,384	260/1,149	306-2	
Total water withdrawal	Mm^3	**5,229.2**	5,377.4	5,153.6	4,480.6	4,256.9	303-3	A2.2
Total water discharge	Mm^3	**5,200.3**	5,337.1	5,103.2	4,437.7	4,219.3	303-4	

Notes:
1. Refers to a range of businesses, including generation and energy storage portfolio, transmission and distribution, retail and others.
2. Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
3. Paguthan Power Station, the power purchase agreements of which expired in December 2018, was not included in the 2019 and 2020 numbers.
4. In accordance with the Greenhouse Gas Protocol, WE Station, which makes use of landfill gas from waste for power generation, is not included in CLP's Scope 1 CO_2 emissions and reported separately in the Asset Performance Statistics. Its non-CO_2 GHG emissions (i.e. CH_4 and N_2O) is included in CLP's Scope 1 CO_2e emissions.
5. Starting from 2020, the portfolio includes energy storage assets and generation assets. Energy storage assets include pumped storage and battery storage. In previous years, the portfolio included generation assets only.
6. CO_2 emissions of Yallourn and Hallet Power Stations have been used since 2018. Prior to 2018, CO_2e emissions data of these assets were used.
7. Numbers include assets with majority and minority share, and those under "long-term capacity and energy purchase" arrangements with CLP. Starting from 2018, "long-term capacity and energy purchase" has been defined as a purchase agreement with duration of at least five years, and capacity or energy purchased being no less than 10MW.
8. Starting from 2020, a new "Energy Storage" asset category is added, under which pumped storage and battery storage are included. In previous years, assets under the "Others" category included oil-fired generation assets and pumped storage.
9. Only percentages are available for the years 2016-18.

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.

Performance Indicators	Units	2020	2019	2018	2017	2016	GRI Standard	HKEx ESG Reporting Guide Reference
Fuel Use								
Coal consumed (for power generation)	TJ	**403,379**	485,453	521,568	471,976	453,904	302-1	A2.1
Gas consumed (for power generation)	TJ	**134,776**	107,183	83,364	91,426	86,787	102-48, 302-1	A2.1
Oil consumed (for power generation)	TJ	**2,243**	2,620	3,807	5,069	4,162	102-48, 302-1	A2.1
Environmental Compliance								
Environmental regulatory non-compliances resulting in fines or prosecutions	number	**0**	0	0	0	0	307-1	
Environmental licence limit exceedances & other non-compliances	number	**4**	10	2	13	2	307-1	

Social

Performance Indicators	Units	2020	2019	2018	2017	2016	GRI Standard	HKEx ESG Reporting Guide Reference
Employees [13]								
Employees by region							102-7	B1.1
Hong Kong	number	**4,689**	4,604	4,538	4,504	4,450		
Mainland China	number	**609**	607	596	577	560		
India	number	**442**	469	458	463	435		
Australia	number	**2,320**	2,280	2,042	1,998	1,983		
Total	number	**8,060**	7,960	7,634	7,542	7,428		
Employees eligible to retire within the next five years [14]							EU15	
Hong Kong	%	**20.4**	19.5	20.0	18.6	17.3		
Mainland China	%	**13.4**	14.5	13.2	10.6	12.1		
India	%	**5.1**	4.8	4.0	2.4	0.9		
Australia [15]	%	**5.7**	5.4	12.8	12.2	11.4		
Total	%	**14.5**	13.9	16.4	15.1	14.1		
Voluntary staff turnover rate [16, 17]							401-1	B1.2
Hong Kong	%	**3.1**	2.4	2.3	1.9	2.3		
Mainland China	%	**1.3**	2.0	4.7	3.0	3.4		
India	%	**4.7**	6.6	5.6	3.5	8.4		
Australia	%	**7.7**	12.9	13.6	13.8	12.6		
Average training hours per employee	hours	**42.5**	40.1	46.1	46.9	49.2	404-1	B3.2
Safety [18]								
Fatalities – employees only [19]	number	**0**	0	1	0	0	403-2	B2.1
Fatalities – contractors only [19]	number	**0**	1	1	4	3	403-2	B2.1
Fatality Rate – employees only [19, 20]	rate	**0.00**	0.00	0.01	0.00	0.00	403-2	B2.1
Fatality Rate – contractors only [19, 20]	rate	**0.00**	0.01	0.01	0.03	0.02	403-2	B2.1
Lost Time Injury – employees only [21]	number	**12**	7 [22]	11	11	3	403-2	
Lost Time Injury – contractors only [21]	number	**10**	19	11	16	10	403-2	
Lost Time Injury Rate – employees only [20, 21]	rate	**0.13**	0.07	0.13	0.13	0.04	403-2	
Lost Time Injury Rate – contractors only [20, 21]	rate	**0.09**	0.14	0.09	0.14	0.07	403-2	
Total Recordable Injury Rate – employees only [20, 23]	rate	**0.25**	0.19	0.19	0.21	0.11	403-2	
Total Recordable Injury Rate – contractors only [20, 23]	rate	**0.37**	0.52	0.29	0.36	0.19	403-2	
Days Lost – employees only [21, 24]	number	**443** [25]	464 [26]	249	252	9	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	**25**	31	20	28	21		

Notes:
10. Numbers include operating assets where CLP has operational control during the calendar year.
11. Since 2019, numbers at the asset level have been aggregated and then rounded.
12. Waste categorised in accordance with local regulations.
13. Starting from 2019, numbers have included full-time and part-time employees. Numbers in the previous years included full-time employees only.
14. The percentages given refer to permanent employees within each region, who are eligible to retire within the next five years.
15. There is no mandatory retirement age in Australia. Since 2019, retirement age assumption has been adjusted 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: 2016 – Australia: 4.6%/Group total: 12.0%; 2017 – Australia: 4.8%/Group total: 12.9%; 2018 – Australia: 4.6%/Group total: 14.0%.
16. Voluntary turnover is employees leaving the organisation voluntarily and does not include dismissal, retirement, company-initiated termination or end of contract.
17. Includes permanent employees only except for Mainland China, which includes both permanent and fixed-term contract employees due to local employment legislation.
18. 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.
19. 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.
20. All rates are normalised to 200,000 worked hours, which approximately equals to the number of hours worked by 100 people in one year.
21. Refers to 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.
22. The health-related lost-time-injury in Australia was reported as lost time injury. It can also be categorised as occupational disease in Australia.
23. 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.
24. 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.
25. 188 out of 443 days were carried forward from one incident in the past.
26. 158 out of 464 days were carried forward from three incidents in the past.

All 2020 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

	2020	2019	2018	2017	2016
SoC Financial Statistics					
Combined Profit & Loss Statement, HK$M					
Profit for SoC	**10,026**	9,744	10,756	10,783	10,407
Transfer (to)/from Tariff Stabilisation Fund	**(519)**	(526)	(191)	42	151
Permitted return	**9,507**	9,218	10,565	10,825	10,558
Less: Interest on/Adjustment for					
Borrowed capital	**1,111**	1,100	1,055	976	952
Increase in customers' deposits	**–**	4	1	–	–
Performance incentives	**(416)**	(392)	(105)	(54)	(53)
Tariff Stabilisation Fund	**18**	22	11	4	2
Net return	**8,794**	8,484	9,603	9,899	9,657
Combined Balance Sheet, HK$M					
Net assets employed					
Fixed assets	**120,523**	117,157	113,295	109,824	106,886
Non-current assets	**351**	213	198	268	440
Current assets	**6,350**	4,231	6,559	7,606	4,061
	127,224	121,601	120,052	117,698	111,387
Less: current liabilities	**23,046**	28,115	24,699	22,565	21,474
Net assets	**104,178**	93,486	95,353	95,133	89,913
Exchange fluctuation account	**555**	9	81	(21)	(279)
	104,733	93,495	95,434	95,112	89,634
Represented by					
Equity	**47,807**	46,205	46,569	44,736	42,147
Long-term loans and other borrowings	**37,146**	29,792	32,274	34,251	28,885
Deferred liabilities	**17,761**	16,020	15,650	15,379	17,816
Tariff Stabilisation Fund	**2,019**	1,478	941	746	786
	104,733	93,495	95,434	95,112	89,634
Other SoC Information, HK$M					
Total electricity sales	**41,798**	40,473	40,982	39,161	37,120
Capital expenditure	**8,882**	9,097	8,922	8,068	7,292
Depreciation	**5,011**	4,753	4,931	4,706	4,375
SoC Operating Statistics					
Customers and Sales					
Number of customers (thousand)	**2,672**	2,636	2,597	2,556	2,524
Sales analysis, millions of kWh					
Commercial	**12,878**	13,584	13,425	13,220	13,234
Manufacturing	**1,616**	1,663	1,704	1,740	1,751
Residential	**10,298**	9,451	9,191	9,217	9,394
Infrastructure and Public Services	**9,171**	9,586	9,342	8,987	8,858
Local	**33,963**	34,284	33,662	33,164	33,237
Export	**–**	–	556	1,341	1,205
Total Electricity Sales	**33,963**	34,284	34,218	34,505	34,442
Annual change, %	**(0.9)**	0.2	(0.8)	0.2	0.6
Renewable Energy Certificate Sold, millions of kWh	**5**	3	–	–	–
Local consumption, kWh per person	**5,404**	5,459	5,433	5,397	5,451
Local sales, HK¢ per kWh (average)					
Basic Tariff	**92.3**	90.7	93.3	91.8	88.9
Fuel Cost Adjustment [1]	**28.4**	27.9	23.2	21.0	24.3
Total Tariff	**120.7**	118.6	116.5	112.8	113.2
Rent and Rates Special Rebate [2]	**(1.2)**	(0.1)	(1.1)	–	–
Net Tariff [3]	**119.5**	118.5	115.4	112.8	113.2
Annual change in Basic Tariff, %	**1.8**	(2.8)	1.6	3.3	2.1
Annual change in Total Tariff, %	**1.8**	1.8	3.3	(0.4)	(0.8)
Annual change in Net Tariff, %	**0.8**	2.7	2.3	(0.4)	(0.8)

A ten-year summary is on our website.

	2020	2019	2018	2017	2016
Generation (Including Affiliated Generating Companies)					
Installed capacity, MW	**9,573**	8,988	8,963	8,913	8,913
System maximum demand					
Local, MW [4]	**7,264**	7,206	7,036	7,155	6,841
Annual change, %	**0.8**	2.4	(1.7)	4.6	(0.5)
System load factor, %	**57.3**	59.8	58.8	53.0	57.7
Generation by CAPCO stations, millions of kWh	**23,752**	24,952	24,642	25,032	26,056
Sent out, millions of kWh –					
From own generation	**22,605**	23,369	23,032	23,456	24,362
Net transfer from GNPS/GPSPS/Others	**12,583**	12,276	12,504	12,428	11,505
From Feed-in Tariff customers	**45**	9	–	–	–
Total	**35,233**	35,654	35,536	35,884	35,867
Fuel consumed, terajoules –					
Oil	**1,538**	1,711	2,714	3,894	3,452
Coal	**63,505**	141,830	150,310	148,065	160,661
Gas	**131,244**	80,695	72,969	75,807	74,559
Total	**196,287**	224,236	225,993	227,766	238,672
Cost of fuel, HK$ per gigajoule – Overall	**65.94**	55.47	54.79	49.30	43.77
Thermal efficiency, % based on units sent out	**40.8**	37.5	36.7	37.1	36.7
Plant availability, %	**87.5**	86.4	86.4	84.6	84.1
Transmission and Distribution					
Network, circuit kilometres					
400kV	**555**	555	555	555	555
132kV	**1,679**	1,671	1,642	1,646	1,656
33kV	**22**	22	22	22	24
11kV	**13,990**	13,782	13,643	13,455	13,046
Transformers, MVA	**69,131**	68,251	67,607	66,938	65,834
Substations –					
Primary	**235**	232	232	232	230
Secondary	**15,028**	14,867	14,685	14,483	14,254
Employees and Productivity					
Number of SoC employees	**3,861**	3,815	3,798	3,831	3,808
Productivity, thousands of kWh per employee	**8,849**	9,007	8,825	8,683	8,718

Notes:

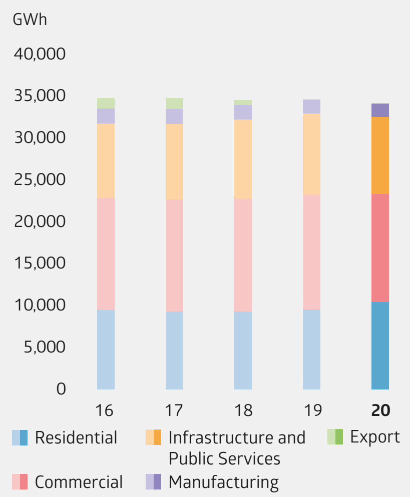
1 The Fuel Cost Adjustment has replaced the Fuel Clause Charge effective from October 2014. Commencing 1 October 2018, the Fuel Cost Adjustment is automatically adjusted on a monthly basis to reflect changes in actual price of fuel used.

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 and 1.2 cents per unit in 2020, returning to customers the refunds received from the Government in relation to CLP Power's claims against the Government's overcharged rent and rates.

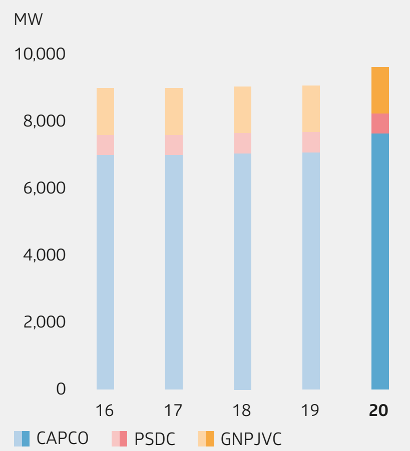
3 Effective net tariffs including one-off special fuel rebates in 2017 was 110.5 cents per unit.

4 Taking into account the effect of the customer programme of demand response pursued to reduce electricity usage, the maximum demand would have been higher at 7,268 MW in 2019 and 7,368 MW in 2020.

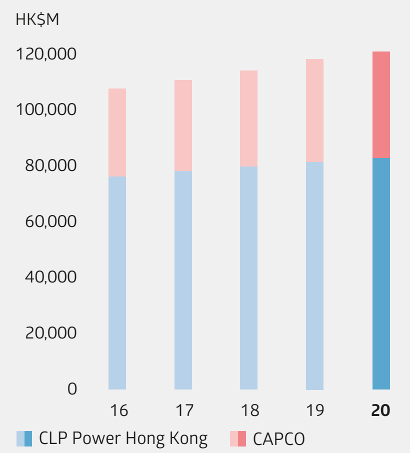
Electricity Sales by Sector



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	Additional third-party owned power generation capacity contracted by CLP under long-term agreements to meet customer demand. Some of these agreements may confer CLP rights to use the generation assets and exercise dispatch control as if they belonged to the Group.
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, and Renewable Energy Certificates.
Climate Action Finance Framework (CAFF)	Launched in 2017, CAFF supports the transition to a low-carbon economy by attracting socially responsible, sustainable financings, and to support CLP's investments that reduce the carbon content of energy generated and increase the efficiency of energy usage. The CAFF formalises and governs project evaluation, management of proceeds and reporting for Climate Action Finance Transactions, including bonds, loans and other forms of finance.
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-as-a-service	Evolution in the business strategy of energy companies to provide a more diverse range of value-adding energy services and solutions such as consultancy, energy management and distributed energy resources to customers, in addition to basic utility services.
Energy purchase	Electricity purchased by CLP to meet customer demand under long-term agreements with power plants not owned by CLP, and without existing capacity purchase agreements with the Group.
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.
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 sulphur oxides 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)	Independent Power Producers (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 wind, solar, hydro and nuclear energy. It does not include waste-from-energy and other forms of biomass.

Term	Definition
Offshore LNG terminal	Offshore LNG terminals receive cargos of 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 panels	Photovoltaic (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, waste-to-energy and various forms of biomass.
Renewable Energy Certificates (RECs)	In Hong Kong, 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 (SoC) Agreement	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 in Australia 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.
Waste-to-energy	A form of renewable energy generation using waste such as landfill gas.
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: 8 March 2021

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

Hard copies posted to shareholders 24 March 2021

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/or 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.

If you cannot access the corporate communications electronically, please ask us for a printed form and we will send these to you 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 14 May 2021. 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 24 March 2021.

Register of Shareholders

To be closed for the following corporate actions:

- 9 March 2021 – 2020 fourth interim dividend; and
- 11 to 14 May 2021 (inclusive) – the 2021 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
Enquiries:	www.computershare.com/hk/en/online_feedback

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)

The Future is On
未來始於現在

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, Sustainability Report and online snapshot** on or before 30 June 2021 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 a mid-sized gasoline car in Hong Kong over 18 months; or
- energy consumption of an average person in Hong Kong in nine months.

Send us your feedback and receive four carbon credits!

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Stock Code: 00002