CLP 中電



# 中 電 控 股 有 限 公 司
# CLP Holdings Limited

**(incorporated in Hong Kong with limited liability)**
(Stock Code: 00002)

# Announcement of Interim Results as from 1 January 2020 to 30 June 2020, Dividend Declaration and Closure of Books

**Financial Highlights**

- Group operating earnings increased 12.0% to HK$6,129 million driven by the stable underlying performance of the Group and positive changes in the fair value of energy contracts in Australia.
- Total earnings were HK$6,010 million for the first half of 2020 as compared to a loss of HK$907 million in 2019 after an impairment of EnergyAustralia's retail goodwill.
- Consolidated revenue decreased 11.7% to HK$38,701 million.
- Second interim dividend declared of HK$0.63 per share, same as 2019.
- The outlook remains cautious and will depend on the evolution of the COVID-19 pandemic and its long-term impact on the markets in which we operate.

## CHAIRMAN'S STATEMENT

In last year's annual report, I wrote that 2019 had been "one of the most challenging years we have experienced". 2020 appears determined to continue in the same vein. COVID-19 is the greatest public health crisis in living memory. Many lives have been lost and our thoughts are with all those around the world who have been affected.

Throughout these challenging times we are maintaining our focus on operational excellence and continuing to put the safety and wellbeing of our own people and of the communities we serve at the heart of everything we do. My admiration and gratitude go to my CLP colleagues in all our markets who responded swiftly and professionally, showing great resilience. At times like these, our diversified portfolio and strategic commitments to digital transformation, long-term decarbonisation and targeted investments serve us especially well.

In the first half of 2020, the Group's operating earnings were HK$6,129 million, an increase of 12% compared to the same period of 2019. The underlying performance of our operations were in line with last year, while the increase in earnings is primarily due to positive changes in the fair value of energy hedging contracts in Australia. Total earnings were HK$6,010 million, while last year we reported a loss of HK$907 million following the impairment of goodwill in the Australian business. The Board, while conscious of margin and cash flow pressures associated with the ongoing pandemic, remains confident in the Group's ability to maintain the operational integrity of our assets and reliable delivery of energy and services to our customers. Our first and second interim dividends remain at HK$0.63 per share, unchanged from the same period in 2019.

COVID-19's impact on essential services like electricity has been less severe than on many other sectors. However, CLP's operations have not been immune. Restrictions on business and social activity in the first quarter dampened demand for electricity, affecting both our generation and retail businesses. The decline was somewhat balanced in the second quarter by the resumption of economic activity in the Asia-Pacific region where we operate. In Hong Kong, demand from the residential sector rose as people spent more time at home and the weather was hot and humid in the second quarter. In Mainland China, while the initial impact on our generation operations was significant, we are now seeing business activity recovering and demand increasing. Operations in India adjusted well to the national lockdown but we are mindful that COVID-19 may remain a significant challenge in the country for some time. In Australia, our performance was affected by lower demand resulting from lockdown measures as well as the new retail price regulation, lower customer numbers and continued margin pressure from competition.

Throughout the Group's response to COVID-19 we have proved ourselves a business that lives by its values of doing the right thing for its people, customers and the community at large. We were able to move thousands of our office-based colleagues to remote working quickly and securely thanks to our ongoing investment in digital technologies and solutions. For our site-based team members we reduced non-essential activity and changed working practices to ensure a safe environment. Throughout this, we displayed operational resilience and fulfilled our responsibility of providing a highly reliable electricity supply that our customers depend upon.

We have also offered significant support to our communities. Our initiatives have included donating hundreds of thousands of items of personal protective equipment to schools, restaurants, hospitals and underprivileged groups in Hong Kong and across the region. We have also expanded support schemes for residential and business customers facing challenging circumstances.

In a testament to our commitment to decarbonisation, progress on large projects has continued in spite of the severe disruption to global trade and logistics in recent months. These include the additional Combined Cycle Gas Turbine at Black Point Power Station and the new offshore LNG terminal in Hong Kong. Our supply chain has stood up well and, impressively, we found ways to mobilise people and move essential equipment to Black Point safely and securely, despite the necessary restrictions. These projects are a key part of our support to the Hong Kong Government's target of increasing the use of gas to around 50% of the total fuel mix for electricity generation this year, and of our strategic shift to gas as a lower-carbon alternative to coal, driven by our Climate Vision 2050.

Our digitalisation journey saw a further roll-out of smart meters along with the launch of a new customer app in Hong Kong. In Mainland China, our first electricity distribution business in Fangchenggang in the Guangxi Zhuang Autonomous Region started operations. This project represents a step forward in our development of smart energy solutions and we continue to look for opportunities to support China's energy transition further, especially in the Greater Bay Area.

The second half of 2020 is likely to remain highly uncertain for the world, for Hong Kong and for CLP. I hope that it will be a period where we come to live with the risks of COVID-19 and see a recovery which builds a better, more sustainable future. In everything we do - whether it's our commitment to decarbonisation or response to the pandemic - we stay true to our purpose and use that to guide our strategic decision making. History shows that both countries and companies that take this approach are rewarded in the future.

I have spoken often about the young people of today as guardians of that future; never has that been truer than today. I am delighted that in spite of the evolving uncertainty we were able to increase the number of graduate trainees and interns joining our business. We can give them outstanding training in and knowledge of our industry; in turn they can give us their passion, diversity of thinking, and commitment. My confidence in them, as well as the resilience of our city, has confirmed my belief in Hong Kong's future as a long-term financial, economic and tourism powerhouse, built on a stable social and political environment.

In these challenging times more than ever, I wish our shareholders, customers, business partners and my colleagues at CLP a healthy, successful and safe second half of 2020.

**The Honourable Sir Michael Kadoorie**

## FINANCIAL PERFORMANCE

Group operating earnings increased 12.0% to HK$6,129 million driven by the stable underlying performance of the Group and positive changes in the fair value of energy contracts in Australia. Total earnings were HK$6,010 million for the first half of 2020 as compared to a loss of HK$907 million in 2019 after an impairment of EnergyAustralia's retail goodwill.

| | Six months ended 30 June | | Increase/ |
|---|---|---|---|
| | **2020** | 2019 | **(Decrease)** |
| | **HK$M** | HK$M | **%** |
| Hong Kong electricity business | **3,751** | 3,587 | 4.6 |
| Hong Kong electricity business related* | **102** | 102 | |
| Mainland China | **1,253** | 1,174 | 6.7 |
| India | **108** | 120 | (10.0) |
| Southeast Asia and Taiwan | **183** | 140 | 30.7 |
| Australia | **1,194** | 824 | 44.9 |
| Other earnings in Hong Kong | **(112)** | (82) | |
| Unallocated net finance income/(costs) | **22** | (34) | |
| Unallocated Group expenses | **(372)** | (357) | |
| Operating earnings | **6,129** | 5,474 | 12.0 |
| Items affecting comparability | | | |
| Revaluation loss on investment property | **(119)** | - | |
| Impairment of retail goodwill | **-** | (6,381) | |
| Total earnings | **6,010** | (907) | N/A |

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

The financial performance of individual business segment is analysed as below:

**Hong Kong**: Higher permitted return on higher average net fixed assets

**Mainland China**: Higher contribution from Fangchenggang due to higher sent-out (due to lower competition from hydro projects) and lower coal costs; and higher profits from renewable projects, mainly from the commissioning of CLP Laizhou II in June 2019 and higher solar irradiance coupled with lower grid curtailments partially offset by lower water resource; a lower performance of the nuclear business as the result of Yangjiang's lower VAT refunds, higher service costs and higher tax rate (as tax benefits gradually expire) despite higher generation

**India**: Jhajjar operation remained stable; lower performance of renewables mainly due to lower wind resource and absence of delayed payment charge revenue, partly offset by the contribution from new solar projects; and full six-month profit from the transmission project during 2020

**Southeast Asia and Taiwan**: Higher results at Ho-Ping due to higher generation and lower coal costs, partly offset by a lower energy tariff; and lower results from Lopburi due to the expiry of its income tax exemption

**Australia**: Reduced contribution from customer segment reflected the impact of retail price caps imposed from July 2019, lower customer accounts, higher energy procurement costs and bad debt provisions; improved contribution from energy segment mostly due to effective generation portfolio management during volatile periods, such as extreme weather in January, and higher generation (mainly from Mount Piper after the improvement in its coal supplies); and favourable (2019: unfavourable) fair value movements on EnergyAustralia's energy contracts as a result of the decrease (2019: increase) in forward energy prices in our net sold position in Victoria

# BUSINESS PERFORMANCE AND OUTLOOK

**Hong Kong**

CLP ensured the continued reliability of the electricity supply in Hong Kong despite the impact of the COVID-19 outbreak in the first half of the year, supporting customers and the community in a city-wide effort to combat the pandemic.

As the COVID-19 situation developed, CLP rapidly adjusted operations and implemented stringent measures to safeguard the wellbeing of its employees and customers. Some services including customer service centres, hotlines and meter reading have been scaled back, and non-essential works were reduced, while work-from-home arrangements and flexible working hours have been in place since January to minimise the risks of coronavirus transmission. CLP responded quickly to ensure sufficient supplies of personal protection equipment to the workforce to maintain operational safety, and developed a more diversified procurement strategy for essential supplies to ensure sustainable supply in the long run.

Sales of electricity in Hong Kong fell 1.2% to 15,729GWh compared with the same period in 2019. All sectors except for the Residential sector reported reduced sales, reflecting the impact of Government measures to contain the COVID-19 outbreak in the city. Electricity sales in the Commercial sector, especially from hotels and restaurants, were particularly hard-hit by travel curbs and social-distancing restrictions.

The temporary closure of many amenities including Government public services, schools, sports and recreational centres adversely affected sales in the Infrastructure and Public Services sector. However, demand from data centres was higher. Residential sector sales increased as people spent more time at home during COVID-19 outbreak and higher May and June temperatures led to a greater use of air-conditioners.

Here is a sector-by-sector analysis of electricity sales for the first half of 2020:

| | Increase / (Decrease) | | % of Total Local Sales |
|---|---|---|---|
| Residential | 384GWh | 9.7% | 28% |
| Commercial | (326GWh) | (5.0%) | 39% |
| Infrastructure & Public Services | (213GWh) | (4.6%) | 28% |
| Manufacturing | (32GWh) | (4.0%) | 5% |

CLP continued with its commitment to decarbonise Hong Kong's electricity generation and made progress in key capital projects, managing the challenges of COVID-19 to minimise delays. The new 550MW Combined-Cycle Gas Turbine (CCGT) unit at Black Point Power Station was put into operation as a baseload unit in early July with further testing progressed to the final stage. This will enable CLP to support the Government's target of increasing natural gas use to around 50% of Hong Kong's fuel mix for power generation this year. Front-End Engineering Design has meanwhile been completed and an environmental permit amendment application was approved for a second CCGT unit, which is targeted to start operation by the end of 2023.

Construction of the offshore LNG Terminal has begun this year after Engineering, Procurement, and Construction contracts were awarded in January for the offshore jetty facility and subsea pipelines. The project will give CLP access to competitive LNG sources from markets globally, enhancing the diversity and security of its fuel supply.

The power generation units installed at the West New Territories (WENT) landfill project, which make use of landfill gas as a renewable energy source, went into commercial operations in March. The units have been working smoothly and supplying electricity to the grid. The plant can generate 68GWh of electricity annually, enough to supply the needs of 17,000 typical households in Hong Kong.

As part of CLP's ongoing efforts to decarbonise its operations, investments in digitalisation have been made to help lead Hong Kong to a smarter, low-carbon future. By the end of June, more than 576,000 smart meters had been connected to CLP's customers in Hong Kong. The continuing rollout of smart meters will provide all customers with access to consumption data, enabling them to improve energy efficiency and participate in demand response programmes to reduce energy consumption. Demand response initiatives activated by commercial and residential customers helped CLP manage its system load on 14 July 2020, when local electricity demand reached a new peak of 7,264MW, compared with the previous record of 7,206MW. Had CLP not incentivised its key customers to activate those measures, the level of demand would have been more than 90MW higher. Cloud-based information technology systems are also helping CLP to provide innovative services for customers, as well as improving operation efficiency and supporting remote working for employees.

CLP launched a new mobile app designed to cover the whole digital customer journey, from new customer registration, providing access to billing information, to delivering advice on managing electricity use. It also supports online shopping and provides a selection of digital content such as cookery videos for customers spending more time at home due to the COVID-19 outbreak.

More than 9,900 applications had been made to the Renewable Energy Feed-in Tariff programme, which supports the development of green energy in Hong Kong, as at 30 June 2020. Around 86% of those – representing a total capacity of around 126MW – have been approved or connected to the grid.

The response to the Renewable Energy Certificates programme has been dampened by a challenging business environment this year, and CLP will continue to encourage more participation. Over 260,000 customers activated their community membership of the Power Connect programme, which allows them to earn rewards for saving energy while helping people in need.

With social distancing and travel restrictions affecting wide swathes of the economy, CLP provided support to customers who were most severely affected. An electricity bill payment deferral programme was offered for small and medium-sized enterprises in the catering, hotel, and retail sectors, easing the financial burden on eligible customers by deferring their May and June electricity bills for two months.

As social distancing rules were gradually relaxed in the second quarter of the year, CLP distributed disinfectant spray to around 12,000 restaurants – some 70% of all restaurants in Hong Kong – to help them give people more confidence to dine out. CLP also provided restaurant coupons to eligible customers to help generate more business. At the same time, CLP provided surgical masks, disinfectant sprays, and daily necessities to the Hospital Authority, schools, and underprivileged groups.

Outlook

CLP will continue to focus on ensuring the reliability of the electricity supply and supporting customers and communities as they deal with the issues arising from COVID-19. CLP is committed to ongoing innovation and enhancements to further strengthen its operational resilience at a time of uncertainty over the long-term impact of the global pandemic. CLP will continue efforts to minimise COVID-19-related delays in capital projects supporting the decarbonisation of Hong Kong, which remains the Group’s core market.

**Mainland China**

CLP’s operations in Mainland China were impacted in the first quarter of the year as COVID-19 caused a contraction in the economy and electricity demand, before a gradual recovery in the second quarter as the outbreak eased. Overall, first-half performance was solid. Throughout the crisis, CLP focused on protecting the health and safety of employees and their families, as well as maintaining the reliability of its generation portfolio.

The contribution from CLP’s nuclear investments remained stable, though was marginally below expectation. Generation from Yangjiang Nuclear Power Station in Guangdong Province was impacted by lower electricity demand caused by COVID-19 and unplanned plant shutdown. The operation of Daya Bay Nuclear Power Station remained strong as 80% of its output goes to Hong Kong.

Renewable energy operations recorded a stable performance during the six-month period. Despite greater grid curtailments for wind projects in the first quarter because of the COVID-19 outbreak, overall generation from wind projects increased compared with the same period in 2019 mainly due to the contribution from the CLP Laizhou II wind farm in Shandong Province which was commissioned in June 2019. CLP has meanwhile completed construction of the Laiwu III wind farm in the same province and connected all wind turbines to the grid on schedule despite some delays in construction works due to the outbreak.

Generation from solar projects increased from the same period in 2019, largely because of a reduction in grid curtailments at the Jinchang plant in Gansu Province and improved solar irradiance at the Meizhou plant in Guangdong Province. While the Dali Yang_er hydro plant in Yunnan Province was impacted by lower rainfall earlier in the year, the performance of the Huaiji hydro plants in Guangdong was affected by flooding in June, as landslides caused the outages of some generation units.

The cash flow of CLP’s wind and solar energy subsidiaries in Mainland China continued to be adversely affected by delayed national subsidy payments for renewable energy projects amounting to a total of RMB 1.45 billion (HK$1.59 billion) as at 30 June 2020. The situation is expected to improve in the second half of the year when CLP usually collects partial payments.

Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region saw an improved performance with lower coal costs and higher output resulting from reduced competition from hydro plants. It also benefitted from improved utilisation by supplying steam and carbon dioxide to nearby customers under an integrated energy provider business model. A decline in electricity demand because of COVID-19 led to lower contributions from CLP’s other minority-owned coal-fired assets.

The incremental distribution network project at Fangchenggang Hi-Tech Zone partly-owned by TUS-CLP Smart Energy Technology Co. Ltd., our joint venture with a company affiliated to Tsinghua University in Beijing, began operations in January and commenced supply to customers in April. The project has been successfully signing customers, opening a new avenue in the electricity distribution market in Mainland China for CLP.

Outlook

CLP will continue to focus on maintaining the integrity of its operations in Mainland China to support the national recovery from COVID-19. The pace of the recovery from COVID-19 restrictions and the rate of increase in electricity demand will play a major part in determining margins and financial contribution in the second half. In addition, the evolution of market regulations and reforms is continuing to put pressure on margins for many projects. Nonetheless growth in renewable energy will be pursued continuously by developing new grid parity projects to reduce dependence on national subsidy payments. CLP will also explore investment opportunities in smart energy businesses to diversify its operations and contribute to the ongoing energy transition, with a particular focus in the Greater Bay Area.

**India**

CLP India saw a stable overall business performance in the first half of 2020, despite the impact on its operations of the Government's national lockdown from March onwards to prevent the spread of COVID-19. The company implemented a range of safety precautions including work-from-home arrangements to protect employees, while continuing to maintain reliable operations in support of its customers and energy sector partners.

Despite a combination of the lockdown and challenging weather conditions, potential supply chain disruptions to CLP India's renewable energy and transmission operations were minimised due to the efforts of project teams and support of partners, as well as speedy processing of permissions by the Government for the transport of personnel and materials.

The performance of CLP India's renewable energy projects was mixed. Wind energy generation decreased compared with the same period in 2019 because of lower wind resources, while Cyclone Nisarga caused widespread damage to the transmission infrastructure at Andhra Lake Wind Farm in Maharashtra. Operations resumed to normal following repairs to the damaged transmission lines. A power purchase agreement for the new Sidhpur wind project in Gujarat was signed in July 2020. However, COVID-19 may delay the development of the project, and CLP India is seeking flexibility from the Government on the commissioning timeline.

Solar energy assets continued to perform well with a small increase in generation compared with the same period last year due to contributions of new projects. In February, CLP India signed an agreement to acquire three solar farms in the southern state of Telangana with a combined capacity of 122MW. Two of the facilities, with capacities of 30MW and 50MW, have already been transferred to CLP India. An extension to the completion date for the third project has been agreed with the seller because of delays in procedures caused by the COVID-19 outbreak.

Satpura Transco Private Ltd. (STPL), a 240 kilometres intra-state power transmission project in Madhya Pradesh acquired by CLP India in November 2019, contributed to first half earnings by maintaining 100% availability since its inception. STPL is one of three transmission assets that CLP India agreed to acquire in 2019. The owner of another asset, Alipurduar Transmission Limited, notified CLP India in May that the transaction had been terminated. The third asset is expected to be taken over by CLP India after the project is commissioned in the second half of 2020.

Jhajjar Power Station maintained strong performance, achieving its highest recorded level of availability after an overhaul of the plant's generation unit in 2019. The plant increased its generation to meet growing market demand as the lockdown was eased in the last week of May. It received an incentive payment for achieving an average annual availability of 90.9% for the year ended 31 March, exceeding its incentive threshold of 85%. The level of capacity tariff received by Jhajjar was lowered by about 10% with effect from 1 April under its long-term power purchase agreements. A planned outage at Jhajjar due to take place in the second quarter has been deferred to later in 2020 because of COVID-19.

Throughout the COVID-19 outbreak, CLP India has continued to support its suppliers by ensuring on-time payments, fulfilling its responsibility to partners in the power industry and helping to protect the livelihoods of Indian workers facing a difficult and unprecedented situation.

Outlook

CLP India will continue to focus on maintaining its operations and exploring potential new opportunities in the power sector on the back of a strong partnership between CLP and Caisse de dépôt et placement du Québec. The company will work towards completing pending solar energy and power transmission acquisitions and will review potential opportunities in new segments of the energy market. These include power distribution and captive power generation, as well as the Government's new plan to supply round-the-clock (RTC) power from renewable projects complemented with thermal projects.

During the first half, CLP India saw a reduction in outstanding receivables from local distribution companies from Rs 7,374 million (HK$805 million) on 31 December 2019 to Rs 5,935 million (HK$609 million) as at 30 June 2020. However, the financial health of these local distribution companies is expected to be further weakened as a result of the COVID-19 socio-economic impacts. The Government of India has announced plans for infusion of liquidity of about US$12 billion into the distribution companies, which when completed, will help in containing the impact of COVID-19.

**Southeast Asia and Taiwan**

Operations of the Ho-Ping coal-fired power station in Taiwan remained stable in the first half of 2020. In Thailand, the Lopburi solar plant continued to deliver steady generation. Both Ho-Ping and Lopburi implemented measures to protect the safety of its staff and to ensure uninterrupted operations during COVID-19.

Outlook

In line with the Group's undertaking under the updated Climate Vision 2050, CLP is exiting the Vung Ang II and Vinh Tan III legacy coal-fired projects in Vietnam. CLP is seeking potential new investment opportunities in renewable energy in Southeast Asia and Taiwan to support ongoing energy transition in these markets.

**Australia**

Devastating bushfires in Australia's eastern states in early 2020 were followed by the COVID-19 pandemic, tipping the national economy into its first recession for 29 years while significantly raising demand for customer support in the energy industry.

EnergyAustralia reacted swiftly and implemented a coordinated COVID-19 response plan which prioritised the health and safety of its people, the reliable operation of power stations, and caring, high quality service for all customers.

The EnergyAssist hardship programme was expanded with additional support staff to ensure vulnerable household customers received uninterrupted access to power as well as tailored assistance such as payment extension schemes. The Rapid Business Assist programme was meanwhile launched to provide support to small businesses.

Calls to contact centres from customers seeking support increased after the Government introduced pandemic-related restrictions on economic activity. While it is too early to judge the impact of those limits on customers' ability to pay, additional bad debt provisions were recognised to reflect the increase in credit risks.

Competition from new and existing energy suppliers intensified this year prior to the COVID-19 outbreak, and EnergyAustralia remains focused on meeting customers' needs for cost-effective electricity and gas services at a time when affordability is a top-of-mind consideration. To coincide with the onset of cooler weather and increased usage due to much greater working from home during COVID-19 isolation in the second quarter, new electricity and gas customers who switched to EnergyAustralia received upfront credits to help reduce their energy costs. Following positive initial results, the ongoing campaign aims to set EnergyAustralia on a new path of growth by continuing to deliver competitive offers and putting customers first.

Margins within the Customer business were under significant pressure during the first half of 2020. This was caused by the combined effects of the introduction of retail price regulation in Australia in July 2019, higher energy procurement costs compared with the first half of last year, strong competition, a 3% decline in accounts and demand reduction. As a result, the contribution to earnings from the Customer segment was negative for the first half.

The actual underlying energy procurement costs are now included within the Customer division, whereas previously they were reported within the Energy segment, providing a more accurate reflection of the costs of supplying energy to retail customers. The change has had no underlying impact on the earnings or profitability of EnergyAustralia, but ensured improved visibility of the cost of providing energy for customers, including expenses related to hedging instruments. The new practice will support EnergyAustralia's ongoing efforts to reduce supply costs in the Customer segment.

The National Electricity Market had a volatile start to the year as extreme weather both increased demand and caused supply disruptions in some areas during January. Wholesale prices have since dropped as a result of higher-than-usual coal-fired generation availability due to fewer plant outages, lower gas prices, increased renewable energy generation from utility-scale plants and rooftop solar installations, and a fall in business and industrial activity as a result of COVID-19.

In aggregate EnergyAustralia delivered increased plant availability during high-demand periods and slightly higher generation in the first half from a year earlier. Earnings from the Energy business increased, benefitting from higher realised prices during the summer months. EnergyAustralia also recognised a significant positive non-cash change in the fair value of some energy derivatives due to the fall in forward energy prices.

An issue with a boiler at Mount Piper Power Station in New South Wales led to an unplanned outage in March. The plant continues to pursue measures to enhance reliability including securing long-term coal supplies and upgrading its turbines. In Victoria, Yallourn Power Station maintained a stable performance following an extensive reliability programme ahead of the Australian summer and the completion of a programme to improve safety. In preparation for its largest ever maintenance programme starting in July, the Yallourn plant has added temporary buildings and lifts to ensure social distancing is maintained.

EnergyAustralia signed an Energy Storage Services Agreement with Genex Power Limited in March for full dispatch rights for the 250MW Kidston pumped storage hydro project in Queensland which will begin operation in 2024. The project is expected to reach financial close in 2020. In April, EnergyAustralia received approval from the New South Wales Government to expand its gas-fired Tallawarra Power Station. A further economic assessment will be conducted prior to an investment decision later in the year.

EnergyAustralia welcomes the Federal Government's Technology Investment Roadmap discussion paper released in May. The policy initiative affirms EnergyAustralia's focus on investing in flexible capacity to allow for the integration of more renewable energy. In addition to emissions reductions, the Roadmap also promotes technologies and industries that support job creation and regional economic growth, as well as Australia's research and development sector. These priorities highlight broader synergies, and EnergyAustralia will continue its constructive dialogue with Government officials over the roadmap.

The Prohibiting Energy Market Misconduct Act came into effect in June and provides a legislative framework consisting of new prohibitions and remedies in relation to electricity retail, contract, and wholesale markets, as well as stipulating interventionist penalties that can be applied. EnergyAustralia is continuing to engage with the Australian Competition & Consumer Commission on the new law's implementation as part of the company's ongoing efforts to contribute to a cleaner, more reliable and affordable power system in Australia.

Outlook

EnergyAustralia will continue to face challenging market conditions as the economy emerges from COVID-19 restrictions. 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 significant impact on margins for the Customer business. In the meantime, the continuing decline of forward prices in the wholesale market will put pressure on the margins in the Energy business.

In response EnergyAustralia will continue to focus on extending appropriate support to customers as well as safeguarding the wellbeing of its employees and maintaining operational and supply reliability. To maintain supply reliability, a major maintenance outage of Yallourn Unit 1 is being undertaken during the third quarter of 2020. While this will restrict output from Yallourn during 2020, it will help ensure that the plant is in the best possible operational condition for the coming summer and for its remaining life. A similar outage of Unit 2 will take place in 2021.

Looking further ahead the EnergyAustralia aims to become carbon neutral by 2050 and is committed to a national system which provides cleaner, more reliable, and affordable energy, underpinned by renewable generation. The potential expansion of Tallawarra is part of up to 1,000MW of potential new gas-fired generation options being assessed by EnergyAustralia to support the development of a decarbonised and modern energy system for Australia.

**Human Resources**

The CLP Group employed 7,959 full-time and part-time employees as at 30 June 2020, compared to 7,928 at the same time in 2019. Of these, 4,299 were employed by CLP's Hong Kong electricity and related businesses, 3,274 by the Group's businesses in Mainland China, India, Australia, Southeast Asia and Taiwan, and 386 by CLP Holdings. Total remuneration for the six months to 30 June 2020 was HK$3,052 million, compared with HK$2,992 million for the same period in 2019, including retirement benefit costs of HK$292 million, compared with HK$290 million in 2019.

In response to the COVID-19 outbreak, CLP promptly introduced a comprehensive range of measures to safeguard the wellbeing of employees and contractors. These included implementing special work arrangements such as reducing non-essential work, work-from-home and flexible working hours. CLP also provided necessary protective equipment and access to health and wellbeing support to all employees.

As the energy industry evolves amid profoundly challenging external circumstances, CLP remains focused on building an agile, sustainable workforce. This year, a revamped Graduate Trainee Scheme in Hong Kong was launched to prepare graduates for leadership roles in the Group's lower-carbon, digitalised future. In addition, recognising the challenges faced by students graduating during the COVID-19 outbreak, CLP is offering 61 twelve-month internships for new graduates to gain work experience, half of which are in environmental fields. In total, CLP is more than doubling the work opportunities for Hong Kong university and vocational college graduates in 2020, compared to 2019.

These initiatives reflect CLP's commitment to encourage the development of talent for the long-term as well as its determination to support its people and the communities in which it operates.

This year, CLP Power Hong Kong entered international human resources firm Randstad's Hall of Fame as one of the world's twelve most attractive employers in 2019, after having won 'Most Attractive Employer in Hong Kong' three times in five years. In addition, CLP has been named a Mental Health Friendly Supreme Organisation by the Advisory Committee of Mental Health and Department of Health in Hong Kong. The recognition is a testament to CLP's ongoing efforts to promote mental health awareness and employee resilience.

**Health & Safety**

CLP's relentless focus on health and safety is central to the Group's mission to deliver energy in a responsible manner. The Group has an uncompromising goal of zero harm to all employees, contractors, and members of the public in all its activities and operations. It provides tools and support on health, safety, and the environment (HSE) to all employees and contractors, ingraining these priorities into its day-to-day business activities and operations.

The Group-wide HSE improvement strategy continued to be implemented across CLP's regional operations in the first half of 2020 despite the challenges of COVID-19. Safety leadership programmes are being held in different business units to provide leaders with the skills to support their teams and spread best practices among employees and contract workers.

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 is being issued to support the revamped management system, with some documents released in the first half after extensive consultations. To reduce risks associated with larger-scale safety events, ongoing monitoring and assessments are conducted to ensure effective prevention and response.

Rethinking risk is a key pillar of the HSE improvement strategy, as CLP is committed to proactive measures to improve safety, moving beyond compliance. The Group has begun consultations over the introduction of a new Design for Safety (DfS) framework to incorporate safety considerations into the design of operational and business processes. The focus is on the design and its intended purpose, the materials to be used, and the methods to be implemented across the life cycle of an asset. The new framework will be customised to CLP, and will meet global standards and best practices, as well as legal frameworks.

The Total Recordable Injury Rate (TRIR) and Lost Time Injury Rate (LTIR) for employees in the first half of 2020 were higher compared with the same period in 2019. The number of recordable injuries to employees across the Group increased by four from a year earlier. With contractors taken into account, the TRIR decreased while the LTIR was unchanged. CLP is committed to reducing these rates through the implementation of the HSE improvement strategy across operating regions, with regular reviews and experience sharing between business units.

| | Employees | | Employees and Contractors | |
|---|---|---|---|---|
| | Jan – Jun 2020 | Jan – Jun 2019[1] | Jan – Jun 2020 | Jan – Jun 2019[1] |
| LTIR | 0.11 | 0.05 | 0.09 | 0.09 |
| TRIR | 0.23 | 0.14 | 0.26 | 0.34 |

Note:

1 Figures for 2019 were revised to reflect the reclassification of one case, as well as minor adjustments to the number of hours worked.

**Environment**

CLP is determined to manage and minimise the environmental impact of its operating assets and projects under development and construction. The Group is strengthening synergies between its different operations worldwide and continues to explore new ways to better fulfil its environmental commitments. CLP continually monitors new and upcoming regulations to ensure it is well prepared for new requirements and emerging challenges.

Compliance

CLP had no environmental regulatory non-compliance incidents resulting in fines or prosecutions in the first half of 2020.

Air Quality

Advanced technologies have been deployed in CLP's operations to support the Group's ongoing efforts to meet or exceed regulatory requirements on air emissions, which are becoming increasingly stringent in every jurisdiction.

In Hong Kong, the new 550MW Combined Cycle Gas Turbine (CCGT) unit at Black Point Power Station uses Selective Catalytic Reduction, an advanced active emissions control technology that significantly reduces nitrogen oxide (NOx) emissions. Construction is due to begin on another CCGT unit later in 2020, making a further important contribution to the improvement of air quality in Hong Kong. The start of commercial operations at the WENT landfill gas project will meanwhile help CLP reduce the carbon dioxide emissions of its generation activities in Hong Kong.

In India, the operation of the flue gas desulphurisation unit is continuing to support further reductions of sulphur dioxide emissions at the Jhajjar Power Station. The plant also implemented enhanced control and monitoring processes to improve NOx emissions performance. EnergyAustralia continued to monitor its operations in preparation for revised environmental regulations in Victoria which are expected to come into effect on 1 July 2021.

Water Usage & Risk

CLP is committed to using water resources responsibly and sustainably in all its operations, and continued to implement water conservation initiatives in the first half of 2020. The Fangchenggang Power Station in Mainland China, for instance, now uses an estimated 500$m^3$ of treated greywater a day to reduce the use of fresh water in its flue gas desulphurisation processes.

In Australia, a new 14-km pipeline went into operation in 2019 to support the long-term operation of Mount Piper Power Station, drawing water from the nearby Springvale mine to provide the plant with cooling water supplies. 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 going into rivers. The project is designed to supply more than 80% of Mount Piper's maximum daily water requirement.

**Climate Change**

CLP is committed to further decarbonising its asset portfolio under Climate Vision 2050, which guides the Group in investment decisions and supports the management of climate-related risks and opportunities. The Group progressed projects to enable the low-carbon transition of its business, including the new CCGT units at Black Point Power Station, the WENT landfill gas project in Hong Kong, the Laiwu III wind farm in Shandong Province, and the acquisition of solar farms by CLP India. However, the COVID-19 pandemic adversely affected progress in some areas and resulted in delays to renewable energy investments, including a wind farm in Sidhpur, India.

The Group continued scenario analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This work enables the Group to evaluate potential physical and transition changes associated with different scenarios, including one in which global temperatures increase by less than 2°C from pre-industrial levels.

CLP continued to participate in international and sectoral initiatives to support the low-carbon transition of the global economy, including two programmes by the World Business Council for Sustainable Development: SBT4Utilities, which offers electricity utilities a platform for understanding and setting science-based targets, and SOS 1.5, which aims to support companies to stay within the 1.5°C global temperature increase target.

**Sustainability Performance**

CLP's latest Sustainability Report published in March continued to focus on topics that are strategic to business sustainability in a changing operating environment. Based on a rigorous assessment on the megatrends affecting the energy industry, focus group workshops were organised and individual interviews with subject matter experts were conducted to gauge stakeholder feedback on CLP's performance and reporting on these topics.

To meet the expectations of stakeholders, in particular capital providers, for transparent and consistent climate-related information disclosure, the Sustainability Report followed the TCFD's recommendations for enhancement of climate-related reporting in four main areas, namely governance, strategy, risk management, and metrics and targets.

CLP's commitment to sustainability was again recognised by key indices, including the Dow Jones Sustainability Asia Pacific Index, the Hang Seng Corporate Sustainability Index, the MSCI ESG Leaders Index, and the FTSE4Good Index.

**Innovation**

CLP continued to invest in the development of innovative technologies and solutions to meet the increasing need for smarter, lower-carbon energy services in the Asia Pacific region. The Group is committed to capturing new opportunities emerging from the ongoing decarbonisaton and digitalisation of the energy sector such as corporate power purchase agreements, data centres, and microgrids.

CLP*e* Solutions, the Group's subsidiary focused on energy and infrastructure solutions, is supporting a growing number of commercial customers in the deployment of digitalised energy management systems. It was awarded a contract by the Airport Authority Hong Kong this year to provide an artificial intelligence-enabled building analytics system to optimise energy use at Terminal 1 of Hong Kong International Airport. CLP*e* Solutions' partners in the project include CLP's Smart Energy Connect (SEC) and R&B Technology, a specialist energy management software firm CLP has invested in.

Since its launch in 2019, SEC has expanded its digital solutions platform to offer energy management technologies for businesses and organisations to improve their energy efficiency and environmental performance. New technologies added this year include solutions for optimising heating, ventilation, and air-conditioning control, and advanced power consumption monitoring. SEC has continued to gain positive industry recognition, winning the Most Innovative Energy Solutions Platform prize for Asia in the annual FinTech Awards organised by British publisher AI Global Media.

To allow customers to benefit from the most promising energy digitalisation technologies, CLP continued to strengthen its partnerships with innovators. It announced a new cooperation with CYZone in June to help find companies in Mainland China with innovative energy technologies and business models to work on pilot projects for potential commercialisation.

CLP meanwhile participated again in the Free Electrons global energy accelerator programme, gaining access to the most innovative energy technologies from providers in Europe, the Americas, and Asia. EnergyAustralia continued its annual accelerator programme in partnership with Startupbootcamp, drawing on the best technologies and ideas from start-up companies around the world to drive innovation in the Australian energy sector.

## FINANCIAL INFORMATION

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

***Consolidated Statement of Profit or Loss – Unaudited***
***for the six months ended 30 June 2020***

| | *Note* | **2020 HK$M** | 2019 HK$M |
|---|---|---|---|
| **Revenue** | 2 | **38,701** | 43,838 |
| Expenses | | | |
| Purchases of electricity, gas and distribution services | | **(13,583)** | (17,819) |
| Staff expenses | | **(2,262)** | (2,263) |
| Fuel and other operating expenses | | **(11,246)** | (12,885) |
| Depreciation and amortisation | | **(4,125)** | (4,007) |
| | | **(31,216)** | (36,974) |
| Other charge | 4 | **-** | (6,381) |
| Operating profit | 4 | **7,485** | 483 |
| Finance costs | | **(888)** | (973) |
| Finance income | | **77** | 102 |
| Share of results, net of income tax | | | |
| Joint ventures | | **545** | 425 |
| Associates | | **870** | 915 |
| Profit before income tax | | **8,089** | 952 |
| Income tax expense | 5 | **(1,576)** | (1,320) |
| Profit/(loss) for the period | | **6,513** | (368) |
| **Earnings/(loss) attributable to:** | | | |
| **Shareholders** | | **6,010** | (907) |
| Perpetual capital securities holders | | **69** | 125 |
| Other non-controlling interests | | **434** | 414 |
| | | **6,513** | (368) |
| **Earnings/(loss) per share, basic and diluted** | 7 | **HK$2.38** | HK$(0.36) |

***Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited for the six months ended 30 June 2020***

| | **2020** **HK$M** | 2019 HK$M |
|---|---|---|
| **Profit/(loss) for the period** | **6,513** | (368) |
| Other comprehensive income | | |
| Items that can be reclassified to profit or loss | | |
| Exchange differences on translation | **(1,455)** | (194) |
| Cash flow hedges | **(521)** | 679 |
| Costs of hedging | **(240)** | 29 |
| | **(2,216)** | 514 |
| Items that cannot be reclassified to profit or loss | | |
| Fair value changes on equity investments | **(68)** | 41 |
| Remeasurement losses on defined benefit plans | **(1)** | (10) |
| | **(69)** | 31 |
| **Other comprehensive income for the period, net of tax** | **(2,285)** | 545 |
| Total comprehensive income for the period | **4,228** | 177 |
| **Total comprehensive income attributable to:** | | |
| **Shareholders** | **3,947** | (392) |
| Perpetual capital securities holders | **69** | 125 |
| Other non-controlling interests | **212** | 444 |
| | **4,228** | 177 |

***Consolidated Statement of Financial Position – Unaudited***

| | Note | **30 June 2020 HK$M** | Audited 31 December 2019 HK$M |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | *8* | **143,949** | 143,615 |
| Right-of-use assets | *9* | **6,457** | 6,050 |
| Investment property | | **1,002** | 1,121 |
| Goodwill and other intangible assets | | **19,513** | 20,111 |
| Interests in and loans to joint ventures | | **10,326** | 9,999 |
| Interests in associates | | **7,738** | 8,708 |
| Deferred tax assets | | **722** | 524 |
| Derivative financial instruments | | **1,689** | 1,389 |
| Other non-current assets | | **1,179** | 1,280 |
| | | **192,575** | 192,797 |
| **Current assets** | | | |
| Inventories – stores and fuel | | **2,729** | 2,510 |
| Renewable energy certificates | | **564** | 996 |
| Property under development | | **2,974** | 2,973 |
| Trade and other receivables | *10* | **15,670** | 12,986 |
| Derivative financial instruments | | **1,359** | 1,035 |
| Short-term deposits and restricted cash | | **2,101** | 445 |
| Cash and cash equivalents | | **6,071** | 7,881 |
| | | **31,468** | 28,826 |
| **Current liabilities** | | | |
| Customers' deposits | | **(5,764)** | (5,679) |
| Fuel clause account | | **(467)** | (1,131) |
| Trade payables and other liabilities | *11* | **(16,240)** | (17,586) |
| Income tax payable | | **(915)** | (1,522) |
| Bank loans and other borrowings | | **(9,078)** | (13,551) |
| Derivative financial instruments | | **(874)** | (993) |
| | | **(33,338)** | (40,462) |
| Net current liabilities | | **(1,870)** | (11,636) |
| **Total assets less current liabilities** | | **190,705** | 181,161 |

### *Consolidated Statement of Financial Position – Unaudited (continued)*

| | Note | 30 June 2020 HK$M | Audited 31 December 2019 HK$M |
|---|---|---|---|
| **Financed by:** | | | |
| **Equity** | | | |
| Share capital | | **23,243** | 23,243 |
| Reserves | *13* | **81,562** | 82,212 |
| Shareholders' funds | | **104,805** | 105,455 |
| Perpetual capital securities | | **3,887** | 3,887 |
| Other non-controlling interests | | **9,758** | 9,987 |
| | | **118,450** | 119,329 |
| **Non-current liabilities** | | | |
| Bank loans and other borrowings | | **47,359** | 38,798 |
| Deferred tax liabilities | | **15,218** | 15,117 |
| Derivative financial instruments | | **2,486** | 1,305 |
| Scheme of Control (SoC) reserve accounts | *12* | **1,621** | 1,500 |
| Asset decommissioning liabilities and retirement obligations | | **3,600** | 3,513 |
| Other non-current liabilities | | **1,971** | 1,599 |
| | | **72,255** | 61,832 |
| **Equity and non-current liabilities** | | **190,705** | 181,161 |

***Notes:***

## 1. Basis of Preparation

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

The accounting policies adopted are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2019. A number of amendments to standards have been issued and are effective from 1 January 2020. The Group applies these amendments for the first time in 2020, but do not have a material impact on the interim financial statements of the Group.

The financial information relating to the year ended 31 December 2019 that is included in the 2020 Interim Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 3 August 2020.

## 2. Revenue

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$M** | HK$M |
| Revenue from contracts with customers | | |
| Sales of electricity in Hong Kong | **19,640** | 18,876 |
| Transfer for SoC (from)/to revenue (note) | **(46)** | 129 |
| SoC sales of electricity | **19,594** | 19,005 |
| Sales of electricity outside Hong Kong | **15,049** | 19,615 |
| Sales of gas in Australia | **2,297** | 2,733 |
| Others | **372** | 474 |
| | **37,312** | 41,827 |
| Other revenue | | |
| Power Purchase Agreements (PPAs) | | |
| Fixed capacity charge | **303** | 377 |
| Variable capacity charge | **151** | 170 |
| Energy charge | **744** | 1,312 |
| Others | **191** | 152 |
| | **1,389** | 2,011 |
| | **38,701** | 43,838 |

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

## 3. Segment Information

The Group operates, through its subsidiaries, joint ventures and associates, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. The operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

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

| | Hong Kong HK$M | Mainland China HK$M | India HK$M | Southeast Asia & Taiwan HK$M | Australia HK$M | Unallocated Items HK$M | Total HK$M |
|---|---|---|---|---|---|---|---|
| **Six months ended 30 June 2020** | | | | | | | |
| Revenue from contracts with customers | 19,876 | 814 | 519 | 3 | 16,100 | - | 37,312 |
| Other revenue | 58 | 26 | 1,239 | - | 63 | 3 | 1,389 |
| Revenue | 19,934 | 840 | 1,758 | 3 | 16,163 | 3 | 38,701 |
| EBITDAF* | 7,733 | 776 | 793 | (9) | 2,270 | (350) | 11,213 |
| Share of results, net of income tax | | | | | | | |
| Joint ventures | (8) | 364 | - | 192 | (3) | - | 545 |
| Associates | - | 870 | - | - | - | - | 870 |
| Consolidated EBITDAF | 7,725 | 2,010 | 793 | 183 | 2,267 | (350) | 12,628 |
| Depreciation and amortisation | (2,462) | (364) | (294) | - | (983) | (22) | (4,125) |
| Fair value adjustments | (15) | - | - | - | 412 | - | 397 |
| Finance costs | (464) | (124) | (253) | - | (43) | (4) | (888) |
| Finance income | 5 | 9 | 26 | - | 11 | 26 | 77 |
| Profit/(loss) before income tax | 4,789 | 1,531 | 272 | 183 | 1,664 | (350) | 8,089 |
| Income tax expense | (845) | (171) | (90) | - | (470) | - | (1,576) |
| Profit/(loss) for the period | 3,944 | 1,360 | 182 | 183 | 1,194 | (350) | 6,513 |
| Earnings attributable to | | | | | | | |
| Perpetual capital securities holders | (69) | - | - | - | - | - | (69) |
| Other non-controlling interests | (355) | (5) | (74) | - | - | - | (434) |
| Earnings/(loss) attributable to shareholders | 3,520 | 1,355 | 108 | 183 | 1,194 | (350) | 6,010 |
| Excluding: Items affecting comparability | 119 | - | - | - | - | - | 119 |
| Operating earnings | 3,639 | 1,355 | 108 | 183 | 1,194 | (350) | 6,129 |
| **At 30 June 2020** | | | | | | | |
| Fixed assets, right-of-use assets and investment property | 120,383 | 8,701 | 10,131 | - | 12,011 | 182 | 151,408 |
| Goodwill and other intangible assets | 5,545 | 4,056 | 26 | - | 9,886 | - | 19,513 |
| Interests in and loans to joint ventures | 451 | 7,633 | - | 2,141 | 101 | - | 10,326 |
| Interests in associates | - | 7,738 | - | - | - | - | 7,738 |
| Deferred tax assets | - | 88 | 27 | - | 607 | - | 722 |
| Other assets | 11,763 | 4,050 | 4,114 | 38 | 12,535 | 1,836 | 34,336 |
| Total assets | 138,142 | 32,266 | 14,298 | 2,179 | 35,140 | 2,018 | 224,043 |
| Bank loans and other borrowings | 45,398 | 5,441 | 5,598 | - | - | - | 56,437 |
| Current and deferred tax liabilities | 14,531 | 1,234 | 301 | - | 67 | - | 16,133 |
| Other liabilities | 21,662 | 984 | 440 | 2 | 9,616 | 319 | 33,023 |
| Total liabilities | 81,591 | 7,659 | 6,339 | 2 | 9,683 | 319 | 105,593 |

* EBITDAF stands for earnings before interest, taxes, depreciation and amortisation, and fair value adjustments.

## 3. Segment Information (continued)

| | Hong Kong HK$M | Mainland China HK$M | India HK$M | Southeast Asia & Taiwan HK$M | Australia HK$M | Unallocated Items HK$M | Total HK$M |
|---|---|---|---|---|---|---|---|
| Six months ended 30 June 2019 | | | | | | | |
| Revenue from contracts with customers | 19,301 | 830 | 611 | 6 | 21,079 | - | 41,827 |
| Other revenue | 61 | 29 | 1,883 | - | 32 | 6 | 2,011 |
| Revenue | 19,362 | 859 | 2,494 | 6 | 21,111 | 6 | 43,838 |
| EBITDAF | 7,616 | 742 | 861 | 15 | (3,736) | (348) | 5,150 |
| Share of results, net of income tax | | | | | | | |
| Joint ventures | (9) | 299 | - | 125 | 10 | - | 425 |
| Associates | - | 915 | - | - | - | - | 915 |
| Consolidated EBITDAF | 7,607 | 1,956 | 861 | 140 | (3,726) | (348) | 6,490 |
| Depreciation and amortisation | (2,403) | (366) | (322) | - | (907) | (9) | (4,007) |
| Fair value adjustments | (2) | - | - | - | (658) | - | (660) |
| Finance costs | (465) | (140) | (267) | - | (55) | (46) | (973) |
| Finance income | - | 14 | 34 | - | 42 | 12 | 102 |
| Profit/(loss) before income tax | 4,737 | 1,464 | 306 | 140 | (5,304) | (391) | 952 |
| Income tax expense | (770) | (175) | (122) | - | (253) | - | (1,320) |
| Profit/(loss) for the period | 3,967 | 1,289 | 184 | 140 | (5,557) | (391) | (368) |
| Earnings attributable to | | | | | | | |
| Perpetual capital securities holders | (125) | - | - | - | - | - | (125) |
| Other non-controlling interests | (337) | (13) | (64) | - | - | - | (414) |
| Earnings/(loss) attributable to shareholders | 3,505 | 1,276 | 120 | 140 | (5,557) | (391) | (907) |
| Excluding: Items affecting comparability | - | - | - | - | 6,381 | - | 6,381 |
| Operating earnings | 3,505 | 1,276 | 120 | 140 | 824 | (391) | 5,474 |
| At 31 December 2019 | | | | | | | |
| Fixed assets, right-of-use assets and investment property | 119,272 | 9,021 | 10,454 | - | 11,873 | 166 | 150,786 |
| Goodwill and other intangible assets | 5,545 | 4,199 | 27 | - | 10,340 | - | 20,111 |
| Interests in and loans to joint ventures | 162 | 7,767 | - | 1,958 | 112 | - | 9,999 |
| Interests in associates | - | 8,708 | - | - | - | - | 8,708 |
| Deferred tax assets | - | 92 | 39 | - | 393 | - | 524 |
| Other assets | 8,099 | 3,252 | 3,951 | 41 | 12,163 | 3,989 | 31,495 |
| Total assets | 133,078 | 33,039 | 14,471 | 1,999 | 34,881 | 4,155 | 221,623 |
| Bank loans and other borrowings | 41,171 | 5,777 | 5,401 | - | - | - | 52,349 |
| Current and deferred tax liabilities | 15,150 | 1,214 | 267 | - | 8 | - | 16,639 |
| Other liabilities | 21,801 | 1,090 | 490 | 2 | 9,477 | 446 | 33,306 |
| Total liabilities | 78,122 | 8,081 | 6,158 | 2 | 9,485 | 446 | 102,294 |

## 4. Operating Profit

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$M** | HK$M |
| **Charging** | | |
| Retirement benefits costs | **220** | 221 |
| Net loss on disposal of fixed assets | **40** | 253 |
| Impairment of | | |
| Trade receivables | **292** | 148 |
| Goodwill (note) | **-** | 6,381 |
| Net fair value losses/(gains) on non-debt related derivative financial instruments | | |
| Reclassified from cash flow hedge reserve and costs of hedging reserves to | | |
| Purchases of electricity, gas and distribution services | **98** | 253 |
| Fuel and other operating expenses | **103** | (17) |
| Transactions not qualifying as hedges | **(525)** | 660 |
| Ineffectiveness on cash flow hedge | **66** | - |
| Revaluation loss on investment property | **119** | - |
| **Crediting** | | |
| Net exchange (gain)/loss | **(1)** | 8 |
| Rental income from investment property | **(14)** | (17) |
| Dividends from equity investments | **(13)** | (13) |

Note: In 2019, the Default Market Offer and Victorian Default Offer in Australia impacted the energy retail cash generating unit 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 cash generating unit was impaired and a loss of HK$6,381 million was recognised as other charge in the profit or loss in June 2019.

## 5. Income Tax Expense

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **HK$M** | HK$M |
| Current income tax | **1,408** | 1,231 |
| Deferred tax | **168** | 89 |
| | **1,576** | 1,320 |

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

## 6. Dividends

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **HK$ per Share** | **HK$M** | HK$ per Share | HK$M |
| First interim dividend paid | **0.63** | **1,592** | 0.63 | 1,592 |
| Second interim dividend declared | **0.63** | **1,592** | 0.63 | 1,592 |
| | **1.26** | **3,184** | 1.26 | 3,184 |

At the Board meeting held on 3 August 2020, the Directors declared the second interim dividend of HK$0.63 per share (2019: HK$0.63 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

## 7. Earnings/(Loss) per Share

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| Earnings/(loss) attributable to shareholders (HK$M) | **6,010** | (907) |
| Weighted average number of shares in issue (thousand shares) | **2,526,451** | 2,526,451 |
| Earnings/(loss) per share (HK$) | **2.38** | (0.36) |

Basic and fully diluted earnings/(loss) per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2020 and 2019.

## 8. Fixed Assets

| | **Freehold Land HK$M** | **Buildings HK$M** | **Plant, Machinery and Equipment HK$M** | **Total HK$M** |
|---|---|---|---|---|
| Net book value at 1 January 2020 | 1,181 | 21,264 | 121,170 | 143,615 |
| Acquisition of subsidiaries (note) | 50 | - | 525 | 575 |
| Additions | - | 302 | 4,164 | 4,466 |
| Transfers and disposals | (76) | (15) | (95) | (186) |
| Depreciation | - | (349) | (3,110) | (3,459) |
| Exchange differences | (59) | (95) | (908) | (1,062) |
| **Net book value at 30 June 2020** | **1,096** | **21,107** | **121,746** | **143,949** |
| Cost | 1,187 | 35,211 | 221,921 | 258,319 |
| Accumulated depreciation and impairment | (91) | (14,104) | (100,175) | (114,370) |
| **Net book value at 30 June 2020** | **1,096** | **21,107** | **121,746** | **143,949** |

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 30MW and 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.

## 9. Right-of-Use Assets

| | **Prepaid Leasehold Land HK$M** | **Land and Buildings HK$M** | **Plant, Machinery and Equipment HK$M** | **Total HK$M** |
|---|---|---|---|---|
| Net book value at 1 January 2020 | 5,782 | 187 | 81 | 6,050 |
| Additions | - | 6 | 562 | 568 |
| Depreciation | (95) | (71) | (7) | (173) |
| Exchange differences | (4) | (6) | 22 | 12 |
| **Net book value at 30 June 2020** | **5,683** | **116** | **658** | **6,457** |

## 10. Trade and Other Receivables

| | **30 June 2020 HK$M** | 31 December 2019 HK$M |
|---|---|---|
| Trade receivables | **13,279** | 10,791 |
| Deposits, prepayments and other receivables | **1,413** | 1,985 |
| Dividend receivables from | | |
| Joint ventures | **113** | 80 |
| Associates | **726** | - |
| Equity investments | **12** | - |
| Loans to and current accounts with | | |
| Joint ventures | **126** | 129 |
| Associates | **1** | 1 |
| | **15,670** | 12,986 |

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

| | **30 June 2020 HK$M** | 31 December 2019 HK$M |
|---|---|---|
| 30 days or below* | **11,251** | 8,237 |
| 31 – 90 days | **590** | 869 |
| Over 90 days | **1,438** | 1,685 |
| | **13,279** | 10,791 |

* Including unbilled revenue

## 11. Trade Payables and Other Liabilities

| | 30 June 2020 HK$M | 31 December 2019 HK$M |
|---|---|---|
| Trade payables | **4,912** | 5,850 |
| Other payables and accruals | **6,030** | 6,743 |
| Lease liabilities | **184** | 99 |
| Advances from non-controlling interests | **1,379** | 1,344 |
| Current accounts with | | |
| Joint ventures | **1** | 1 |
| Associates | **620** | 468 |
| Deferred revenue | **3,114** | 3,081 |
| | **16,240** | 17,586 |

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

| | 30 June 2020 HK$M | 31 December 2019 HK$M |
|---|---|---|
| 30 days or below | **4,747** | 5,580 |
| 31 – 90 days | **83** | 172 |
| Over 90 days | **82** | 98 |
| | **4,912** | 5,850 |

## 12. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Refunds of the Group's major subsidiary, CLP Power Hong Kong Limited (CLP Power Hong Kong), are collectively referred to as SoC reserve accounts. The respective balances at the end of the period/year are:

| | 30 June 2020 HK$M | 31 December 2019 HK$M |
|---|---|---|
| Tariff Stabilisation Fund | **1,489** | 1,478 |
| Rate Reduction Reserve | **12** | 22 |
| Rent and Rates Refunds (note) | **120** | - |
| | **1,621** | 1,500 |

Note: CLP Power Hong Kong has been challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the appeals up to 2007/08 have been settled, final resolution for the remaining appeals for rating years from 2008/09 has not yet been completed.

## 12. SoC Reserve Accounts (continued)

Note (continued):

A further interim refund of HK$300 million was received in the period, bringing the total interim refunds paid by the Hong Kong Government on a without prejudice basis for the appeal years 2008/09 to 2017/18 to HK$1,057 million. Using the refunds received (totalling HK$2,354 million including the interim refunds), CLP Power Hong Kong has provided customers with the Rent and Rates Special Rebate. Including the rebate of HK$180 million paid during the first half of 2020, the Rent and Rate Special Rebate made by CLP Power Hong Kong has reached an aggregate of HK$2,234 million.

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

In the event that the final amount recovered on conclusion of the remaining appeals is less than the total amount rebated to customers in respect of these years, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, if the final amount recovered for the remaining years exceeds the special rebates paid out, the additional amounts will be returned to customers.

## 13. Reserves

| | Translation Reserves HK$M | Cash Flow Hedge Reserve HK$M | Costs of Hedging Reserves HK$M | Other Reserves HK$M | Retained Profits HK$M | Total HK$M |
|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | (8,282) | 831 | (39) | 1,622 | 88,080 | 82,212 |
| Earnings attributable to shareholders | - | - | - | - | 6,010 | 6,010 |
| Other comprehensive income | | | | | | |
| Exchange differences on translation of | | | | | | |
| Subsidiaries | (982) | (28) | - | - | 28 | (982) |
| Joint ventures | (143) | - | - | - | - | (143) |
| Associates | (133) | - | - | - | - | (133) |
| Cash flow hedges | | | | | | |
| Net fair value losses | - | (814) | - | - | - | (814) |
| Reclassification to profit or loss | - | 102 | - | - | - | 102 |
| Tax on the above items | - | 199 | - | - | - | 199 |
| Costs of hedging | | | | | | |
| Net fair value losses | - | - | (284) | - | - | (284) |
| Amortisation/reclassification to profit or loss | - | - | 17 | - | - | 17 |
| Tax on the above items | - | - | 45 | - | - | 45 |
| Fair value loss on equity investments | - | - | - | (68) | - | (68) |
| Remeasurement losses on defined benefit plans | - | - | - | - | (2) | (2) |
| Total comprehensive income attributable to shareholders | (1,258) | (541) | (222) | (68) | 6,036 | 3,947 |
| Transfer to fixed assets | - | 2 | (1) | - | - | 1 |
| Appropriation of reserves | - | - | - | (82) | 82 | - |
| Dividends paid | | | | | | |
| 2019 fourth interim | - | - | - | - | (3,006) | (3,006) |
| 2020 first interim | - | - | - | - | (1,592) | (1,592) |
| **Balance at 30 June 2020** | **(9,540)** | **292** | **(262)** | **1,472** | **89,600** | **81,562** |

## 14. Commitments

(A) Capital expenditure on fixed assets, leasehold land and intangible assets contracted for but not yet incurred at the end of the period amounted to HK$8,276 million at 30 June 2020 (31 December 2019: HK$6,580 million).

(B) At 30 June 2020, the total future lease payments for leases committed but not yet commenced in relation to land and building were HK$759 million (31 December 2019: land and building and a water treatment plant of HK$778 million and HK$694 million respectively).

(C) The Group has committed to purchase power transmission assets and a solar farm in India at a total consideration of approximately HK$908 million (31 December 2019: power transmission assets of approximately HK$1.3 billion). At 30 June 2020, the transactions remain subject to certain regulatory approvals. At 30 June 2020, outstanding committed shareholder's loan facilities to a joint venture amounted to HK$1,233 million (31 December 2019: HK$1,533 million). In addition, equity contributions to be made for joint ventures and private equity partnerships were HK$72 million (31 December 2019: HK$75 million) and HK$102 million (31 December 2019: HK$115 million) respectively.

(D) At 30 June 2020, the Group's share of capital, lease and other commitments of its joint ventures and associates were HK$4,033 million (31 December 2019: HK$3,135 million) and HK$623 million (31 December 2019: HK$1,317 million) respectively.

## 15. Contingent Liabilities

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

This is a dispute between CLP India Private Limited (CLP India) and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL) under the PPA for Paguthan Plant (Paguthan). GUVNL is required to make a "deemed generation incentive" payment to CLP India when plant availability is above a set threshold. GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest and tax with respect to the "deemed generation incentive" is Rs8,533 million (HK$876 million) as at 30 June 2020. CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

**15. Contingent Liabilities (continued)**

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

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the PPA. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs830 million (HK$85 million) (31 December 2019: Rs830 million (HK$91 million)).

In February 2009, the GERC found in favour of GUVNL on the "deemed generation incentive" but held that GUVNL's claim up to 14 September 2002 was time-barred under the Limitations Act of India. The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans". CLP India appealed the GERC's decision to the Appellate Tribunal for Electricity (APTEL). GUVNL also filed an appeal against the order for the time-barred claim. In January 2010, the APTEL upheld the decision of the GERC. Both CLP India and GUVNL then filed further cross appeals in the Supreme Court of India.

In view of the expiry of the PPA in December 2018 and uncertainty on the timing of recoverability, a provision of Rs3,796 million (HK$450 million) was made in 2018 against the amounts withheld by GUVNL.

In May 2020, the Supreme Court of India dismissed the appeals by CLP India and GUVNL and upheld the decision of the APTEL. Either party could file a petition to review the Supreme Court judgment. Based on advice from external counsel, the Group is of the view that the probability of the Supreme Court allowing a review petition by GUVNL in this matter is not very high. No provision has been made in respect of the time-barred portion of the claim totalling Rs4,737 million (HK$486 million) (31 December 2019: Rs4,737 million (HK$517 million)) in the financial statements.

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

CLP India and its subsidiaries (CLP India group) has invested in approximately 533MW of wind power projects developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 30 June 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.

**15. Contingent Liabilities (continued)**

(C) JPL – Disputed Charges with Offtakers

Jhajjar Power Limited (JPL) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. At 30 June 2020, total disputed amounts were Rs3,064 million (HK$314 million) (31 December 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 APTEL and JPL filed an appeal challenging certain findings of the CERC. The APTEL hearing concluded on 16 June 2020 and the matter is now reserved for judgment.

(D) EnergyAustralia – Disposal of Iona Gas Plant

In December 2015, EnergyAustralia completed the disposal of its entire interest in the Iona Gas Plant for a total consideration of A$1,780 million (HK$9,991 million). On 19 May 2017, EnergyAustralia received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd (Lochard), the purchaser of the Iona Gas Plant, and certain related entities (together "the plaintiff"), commencing formal legal proceedings seeking A$967 million (approximately HK$5,141 million) or alternatively A$780 million (approximately HK$4,147 million) in damages. The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the plaintiff claims to have relied to make its offer, were incomplete or misleading.

On 6 May 2019, an amended Statement of Claim was issued by the plaintiff which introduced (as a third alternative method of quantifying its damages) a damages claim based on the cost to fix the alleged issues with the plant as well as alleged associated losses and costs.

Following further amendments to its Statement of Claim in 2020, Lochard has indicated in particulars that it now estimates the amount of:

(a) its original claim to be in the range of A$840 million to A$1.2 billion (approximately HK$4,466 million to HK$6,380 million); and

(b) its alternative claim to be in the range of A$337 million to A$412 million (approximately HK$1,792 million to HK$2,191 million), each based on a range of specified assumptions.

EnergyAustralia has rejected the claims and is vigorously defending the legal proceedings. On the basis of currently available information, the Directors' view is that a material outflow of economic benefits is unlikely and no provision has been made in the financial statements.

## SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

CLP engaged in a range of new financing activities in the first half of 2020 in support of its operation and growth of its business. In view of the uncertainties of the COVID-19 pandemic and its impact on financial markets, CLP rigorously reviewed the liquidity position of its businesses and strengthened risk mitigation to ensure the Group's continued financial integrity. CLP took pre-emptive action to early complete major financings for all CLP entities in Hong Kong, and achieved preferential terms for issuances of new bonds with different medium-to-long-term maturities. Overall, CLP Group preserved strong liquidity with undrawn bank facilities of HK$22.6 billion and bank balances of HK$8.2 billion at the end of June.

CLP Holdings maintained HK$7.8 billion of liquidity as at 30 June 2020, and the high level of liquidity is expected to be maintained thanks to continuous dividend payments and inflows from subsidiaries, joint ventures and associates. CLP Power Hong Kong and CAPCO, both regulated by the Scheme of Control (SoC) agreement, successfully completed several landmark public bond transactions to finance capital and operating expenditures approved under the 2018-2023 Development Plan with outstanding results.

CAPCO successfully issued a US$350 million (HK$2.7 billion) Energy Transition Bond at 2.2% fixed rate on 15 June to partially fund 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 environment, social and governance (ESG) investors. This was the second Energy Transition Bond issued by CAPCO after a US$500 million (HK$3.9 billion) bond in 2017 to help fund the first combined-cycle gas turbine unit at Black Point Power Station. The new Energy Transition Bond was issued out of CAPCO's Medium Term Note (MTN) programme and the CLP Climate Action Finance Framework (CAFF). In addition, CAPCO executed an inaugural HK$3.3 billion medium-term Energy Transition Loan facility under the CAFF with a syndication of six banks at attractive interest rates to cover the remainder of the budget for the offshore LNG terminal project.

On 22 June 2020, CLP Power Hong Kong successfully issued US$750 million (HK$5.8 billion) of 10-year bonds, and US$250 million (HK$1.9 billion) of 15-year bonds. With respective coupons of 2.125% and 2.5%, the dual-tranche offering was priced at 1.6% and 1.9% credit spreads respectively over 10-year US Treasury Notes. Both tranches received strong support, with over US$3 billion and US$550 million orders respectively from global investors. The transactions enabled CLP Power Hong Kong to further diversify the sources of financing and optimise its debt maturity profile at favourable terms, with enhanced matching between the tenor of borrowings with the payback period of capital expenditures.

The full amount 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.

Both CLP Power Hong Kong and CAPCO have MTN programmes in place under which bonds in aggregate amounts of up to US$4.5 billion and US$2 billion respectively may be issued. As at 30 June, notes with an aggregate nominal value of around HK$29.3 billion were issued by CLP Power Hong Kong and HK$6.8 billion by CAPCO.

In the first half of 2020, CLP Holdings, CLP Power Hong Kong, and CAPCO also completed bank refinancing on preferential terms with an aggregate amount of HK$8 billion.

CLP entities have so far not encountered any adverse impact arising from COVID-19 associated with financial covenants or repayment. As at 30 June 2020, the Group maintained HK$79.1 billion in financing facilities, including HK$14.1 billion for subsidiaries in Mainland China and India. Of the facilities available, HK$56.4 billion had been drawn down, of which HK$11.0 billion related to subsidiaries in Mainland China and India. The Group's net debt to total capital ratio at the end of June was 28.7% (end 2019: 26.7%) and fixed-rate debt as a proportion of total debt was 61% (end 2019: 54%) without perpetual capital securities or 63% (end 2019: 57%) with perpetual capital securities. For the six months ended 30 June 2020, the FFO (Funds from operations) interest cover was 8 times (January – June 2019: 8 times).

Between May and July 2020, Standard & Poor's (S&P) and Moody's affirmed the credit ratings of CLP Holdings (A and A2), CLP Power Hong Kong (A+ and A1) and CAPCO (AA- and A1). All rating outlooks are stable. S&P views both CLP Power Hong Kong and CAPCO as insulated subsidiaries of CLP Holdings. The regulatory framework largely ringfences the companies' operations, and the financial performance and funding are highly independent from CLP Holdings. Moody's recognised the large earnings contribution from CLP Power Hong Kong with strong and highly predictable cash flow, the CLP Group's strong and adequate financial metrics despite moderation, well-managed debt maturities, sound liquidity profile and good access to the domestic and international banks and capital markets. Moody's also noted the significant business exposure outside Hong Kong, carbon transition risks and increasing capital spending of CLP Power Hong Kong with reduced regulatory rate of return.

As at 30 June 2020, the Group had notional value of outstanding derivative financial instruments amounting to HK$59.8 billion for hedging of foreign exchange and interest rate risks, and notional volumes of outstanding energy derivatives amounting to 191,254GWh and 9.8 million barrels for electricity and oil respectively. The fair value of these derivative instruments was a net deficit of HK$312 million, representing the net amount payable if these contracts were closed out at period end. However, changes in the fair value of derivatives have no impact on cash flows until settlement.

## CORPORATE GOVERNANCE

### Highlights for the First Half of 2020

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

- Hybrid Annual General Meeting (AGM): In light of the COVID-19 situation, the 2020 AGM of the Company was held in a hybrid format, allowing 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 real-time has provided a convenient platform for shareholders to express their views amid special circumstances.

- Board and Board Committees Refresh: At the 2020 AGM, Mr Vernon Moore and Mr Vincent Cheng stepped down from the Board through retirement. Mr Nicholas C. Allen became the Chair of the Audit & Risk Committee and the Human Resources & Remuneration Committee following the retirement of Mr Moore and Mr Cheng. New appointments were also made to the Human Resources & Remuneration Committee, the Nomination Committee and the Sustainability Committee with effect from 1 January.

### Corporate Governance Practices

The CLP Code on Corporate Governance (CLP Code) is our own unique code on corporate governance (available on our website or from the Company Secretary on request). The CLP Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations in The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) issued by the Hong Kong Stock Exchange.

During the six months ended 30 June 2020, the Company has met the Code Provisions and applied all the principles in the Stock Exchange Code. CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. We do not issue quarterly financial results, but we issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities. Our considered reasons for not issuing quarterly financial results have been set out in the Corporate Governance Report on page 114 of our 2019 Annual Report.

The Audit & Risk Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020.

At the Company's AGM held on 8 May 2020, the re-appointment of PricewaterhouseCoopers as the Company's independent auditor for the financial year ending 31 December 2020 was approved by our shareholders with strong support of over 99.45% of the votes.

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

**Remuneration – Non-executive Directors**

In our 2019 Annual Report, we set out the fees for our Non-executive Directors (including Independent Non-executive Directors) who serve on the Board and on the Board Committees of the Company for the period from 2019 to the date of the AGM in 2022 (see page 171 of the Company's 2019 Annual Report). For other details on the principles of remuneration for our Non-executive Directors, please refer to the Human Resources & Remuneration Committee Report of our 2019 Annual Report.

**Risk Management and Internal Control**

The Audit & Risk Committee has the delegated responsibility from the Board to assure that effective risk management and internal control systems are in place and followed. The Audit & Risk Committee has continued to oversee CLP Group's risk management and internal control approaches and consider the internal audit reports submitted by Group Internal Audit. Details of CLP's risk management and internal control systems were set out in the Corporate Governance Report on pages 138 to 140 of the Company's 2019 Annual Report.

During the six-month period ended 30 June 2020, Group Internal Audit issued a total of eight opinion audit and three special review reports and all the opinion audit reports carried satisfactory audit opinion. No significant areas of concern that might affect shareholders were identified.

**Interests in CLP Holdings' Securities**

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions (CLP Securities Code) throughout the period from 1 January to 30 June 2020. CLP Securities Code is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2020.

## INTERIM DIVIDEND

Today, the Board of Directors of the Company declared the second interim dividend for 2020 of HK$0.63 per share (2019: HK$0.63 per share) payable on 15 September 2020 to Shareholders registered as at 4 September 2020. The dividend of HK$0.63 per share is payable on the existing 2,526,450,570 shares in issue.

The Register of Shareholders will be closed on 4 September 2020. To rank for this second interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 3 September 2020.

By Order of the Board
**David Simmonds**
Company Secretary

Hong Kong, 3 August 2020

*The Company's Interim Report containing financial statements and notes to the financial statements will be published on the Company's website www.clpgroup.com and the website of the Stock Exchange of Hong Kong by 10 August 2020 and despatched to shareholders on 18 August 2020.*

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**中 電 控 股 有 限 公 司**
**CLP Holdings Limited**

**(incorporated in Hong Kong with limited liability)**
(Stock Code: 00002)

The Directors of CLP Holdings as at the date of this announcement are:

| | |
|---|---|
| **Non-executive Directors**: | The Hon Sir Michael Kadoorie, Mr William Mocatta, Mr J. A. H. Leigh, Mr Andrew Brandler and Mr Philip Kadoorie |
| **Independent Non-executive Directors:** | Sir Rod Eddington, Mr Nicholas C. Allen, Mrs Fanny Law, Mrs Zia Mody and Ms May Siew Boi Tan |
| **Executive Directors:** | Mr Richard Lancaster and Mr Geert Peeters |

*Energy for Brighter Tomorrows*