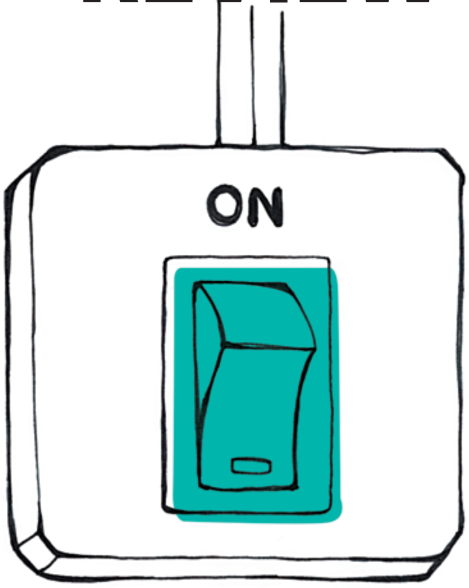
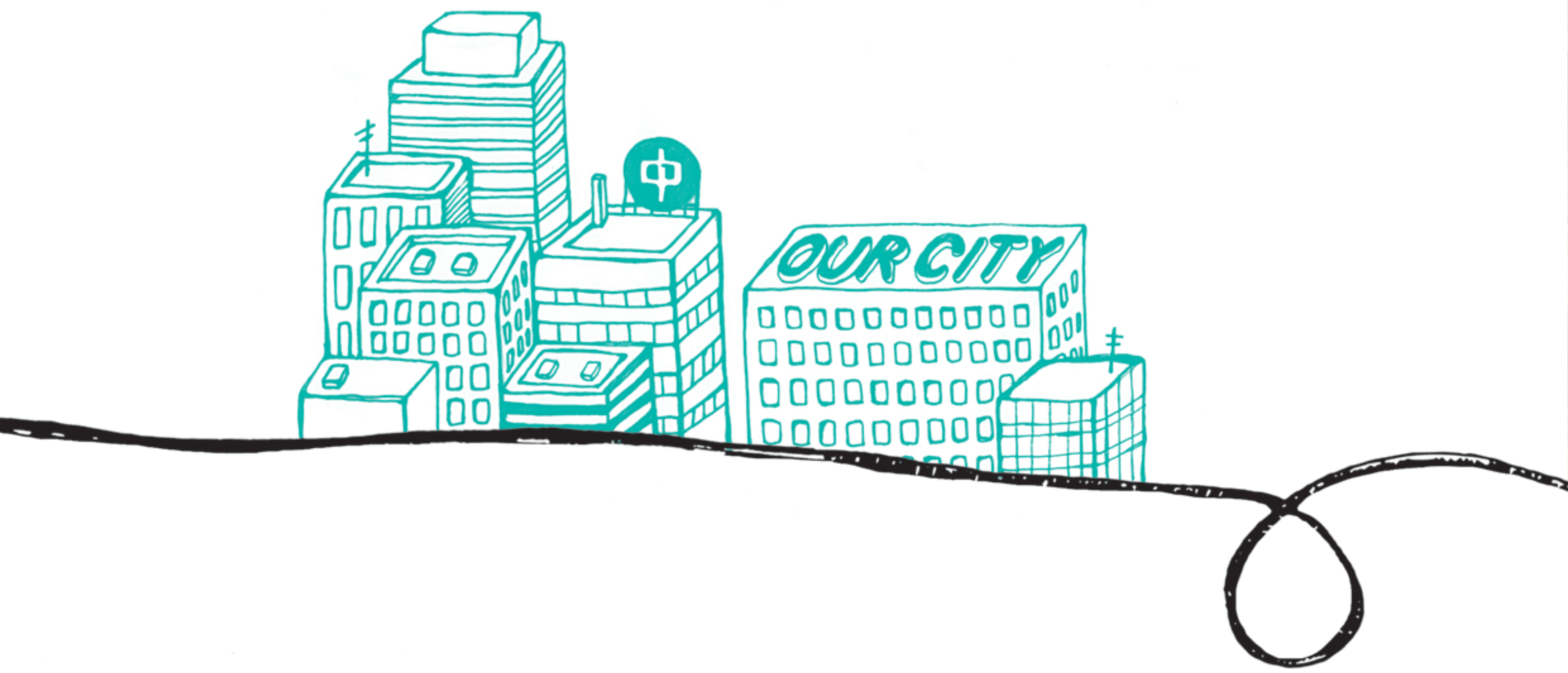
FINANCIAL REVIEW



How did our business performance create economic value for our capital providers?



Here we explain how the management and operation of our assets deliver economic value to our shareholders and lenders

Source: Airport Authority Hong Kong

Financial Review

CLP Group's Financial Results and Position at a Glance

Financial statements are the scorecard of a business and the window to a company's operations. The Group's strategy drives investment decisions and business performance, the results of which then translate into a set of numbers in the financial statements. This chart summarises how we delivered economic value in 2015.

Strategy – "Focus • Delivery • Growth"

CLP's updated strategy is to focus on business activities and initiatives that best utilise our core competencies; deliver on the potential of our investments and generate growth for the shareholders. As such, Hong Kong remains our core market and strategic focus. Mainland China and India are our primary growth markets but we will explore secondary growth opportunities in selective Southeast Asian countries. Our focus in Australia is to restore value.

Outcome

- Year 2015 is the first full year execution of CLP's updated strategy. Hong Kong as our core market contributed to 71.8% of Group operating earnings(1). Operating earnings from Mainland China and India grew by 25.2% and 126.7% respectively. Pending any further investment opportunities in Southeast Asia, its earnings remained stable. It is encouraging that operating earnings from Australia improved by 10.6% after our increased focus on customers, cost control and efficiency.
- Group revenue(2) mainly came from operations in Hong Kong and Australia. Despite the increase in revenue from Hong Kong on higher fuel cost recovery, Group revenue decreased to HK$80,700 million due to significant drop in Australia as a result of lower exchange rate, lower volumes for commercial and industrial customers, the impact of carbon tax repeal and reduced generation.
- In December 2015, the Group completed the sale of its entire interest in the Iona Gas Plant for a consideration of A$1,780 million (HK$9,991 million) with a gain of A$1,180 million (HK$6,619 million)(3). This divestment is consistent with our strategy to restore value in Australia. On the other hand, despite signs of short-term improvement seen this year, the wholesale electricity market in Australia remains significantly oversupplied which suppresses wholesale prices. The Group therefore has made impairment and onerous provisions for the generation assets in Australia (HK$1,480 million)(4). Impairment provision for Beijing Yire Power Station (HK$243 million)(5) has also been made following its closure in March 2015.
- The translation losses resulting from the depreciation of Australian dollar (-10.8%), Indian rupee (-4.6%) and Renminbi (-4.5%) accounted for the negative effect on other comprehensive income(6) for the year.
- Hong Kong still has the highest asset allocation amongst the Group because of its scale and scope of operation. Out of the fixed assets, leasehold land and land use rights under operating leases and investment property(7) of HK$136,012 million, 76.8% relates to our electricity business in Hong Kong. On the other hand, 61.8% of the goodwill and other intangible assets(8) of HK$28,257 million are attributed to EnergyAustralia because its business development was mainly through business acquisitions.

Last Year's Consolidated Statement of Financial Position

	HK$M
Assets	
Fixed assets, leasehold land and land use rights under operating leases and investment property	136,383
Goodwill and other intangible assets	31,129
Interests in joint ventures	11,176
Interest in an associate	786
Derivative financial instruments	3,779
Trade and other receivables	15,719
Cash and cash equivalents	4,036
Restricted cash and others	357
Bank balances, cash and other liquid funds	4,393
Other assets	11,298
	214,663
Equity and Liabilities	
Share capital and reserves	24,019
Retained profits	63,994
Shareholders' funds	88,013
Perpetual capital securities	5,791
Other non-controlling interests	2,155
Derivative financial instruments	3,771
Trade and other payables	21,620
Borrowings	67,435
SoC reserve accounts	1,131
Other liabilities	24,747
	214,663
Closing exchange rate	
Australian dollar / Hong Kong dollar	6.3540
Indian rupee / Hong Kong dollar	0.1227
Renminbi / Hong Kong dollar	1.2496

Beyond Last Year's Statement of Financial Position

	HK$M
Charges on assets	18,984
Contingent liabilities	1,362
Operating lease commitments	4,019
Capital commitments	5,859

Consolidated Statement of Profit or Loss and Other Comprehensive Income for Two Years

		2014 HK$M	2015 HK$M	Increase / (Decrease) %
Revenue	(2)	92,259	80,700	(12.5)
Expenses		(79,389)	(67,580)	
Other gain		2,025	8,900	
Operating profit		14,895	22,020	
Share of results of joint ventures and associate, net of tax		2,358	2,245	
Net finance costs		(4,049)	(3,920)	
Income tax expense		(1,268)	(3,582)	
Earnings attributable to perpetual capital securities holders		(152)	(247)	
Earnings attributable to other non-controlling interests		(563)	(846)	
Earnings attributable to shareholders		11,221	15,670	39.6
Analysed into:				
Hong Kong		7,777	8,276	6.4
Other investments / operations		2,907	3,883	33.6
Unallocated net finance (costs) / income		(36)	17	
Unallocated Group expenses		(586)	(643)	
Operating earnings	(1)	10,062	11,533	14.6
Items affecting comparability:				
Gain on sale of Iona Gas Plant	(3)	–	6,619	
Costs for debt prepayment	(16)	–	(858)	
Impairment for generation assets in 2015 / Narrabri Coal Seam Gas Project in 2014	(4)	(1,578)	(1,480)	
Gain on CAPCO / PSDC acquisitions		1,953	–	
Other items	(5)	784	(144)	
Earnings attributable to shareholders		11,221	15,670	39.6
Other comprehensive income	(6)	(4,000)	(3,870)	
Total comprehensive income		7,221	11,800	
Average exchange rate				
Australian dollar / Hong Kong dollar		6.9735	5.7916	(16.9)
Indian rupee / Hong Kong dollar		0.1272	0.1206	(5.1)
Renminbi / Hong Kong dollar		1.2573	1.2321	(2.0)

Consolidated Profits Retained for This Year

	HK$M
Retained profits at 31.12.2014	63,994
Earnings attributable to shareholders	15,670
Dividends paid for the year	
2014 fourth interim (HK$1.00 per share)	(2,526)
2015 first to third interim (HK$1.65 per share)	(4,169)
Other movements within equity	(16)
Retained profits at 31.12.2015	72,953
Fourth interim dividend declared for 2015, HK$ per share	1.05

From "Operating Profit" to "Cash Inflow from Operating Activities"

		HK$M
Operating profit		22,020
Depreciation and amortisation		6,765
Impairment and onerous provisions		2,536
Gain on sale of Iona Gas Plant		(8,900)
SoC items		(860)
Changes in working capital		(1,169)
Income tax paid		(1,987)
Others		763
Cash inflow from operating activities	(9)	19,168

Consolidated Statement of Cash Flows for This Year

		HK$M
Operating activities		
Cash inflow from operating activities		19,168
Investing activities		
Dividends received	(15)	3,356
Proceeds from sale of Iona Gas Plant	(14)	9,991
Capital expenditure		(10,871)
Investments in and advances to joint ventures		(930)
Additions of other intangible assets		(166)
Other net outflow		(314)
Financing activities		
Net decrease in borrowings		(8,769)
Interest and other finance costs paid		(3,841)
Dividends paid		(6,695)
Others		(1,200)
Net decrease in cash and cash equivalents		(271)
Cash and cash equivalents at 31.12.2014		4,036
Effect of exchange rate changes		(200)
Cash and cash equivalents at 31.12.2015		3,565

Breakdown of Capital Investments

		HK$M
Capital expenditure		10,871
Investments in and advances to joint ventures		930
Additions of other intangible assets		166
Accrual adjustments		446
		12,413
By business activity:		
Coal and gas		4,171
Renewables	(20)	3,042
Transmission, distribution and retail		5,307
Others		(107)
		12,413
By region:		
Hong Kong	(10)	7,614
Mainland China	(12)	2,568
India	(13)	1,396
Southeast Asia and Taiwan		10
Australia	(11)	825
		12,413

This Year's Consolidated Statement of Financial Position

		HK$M
Assets		
Fixed assets, leasehold land and land use rights under operating leases and investment property	(7)	136,012
Goodwill and other intangible assets	(8)	28,257
Interests in joint ventures		11,250
Interest in an associate		785
Derivative financial instruments	(18)	1,678
Trade and other receivables		13,812
Cash and cash equivalents		3,565
Restricted cash and others		234
Bank balances, cash and other liquid funds		3,799
Other assets		8,371
		203,964
Equity and Liabilities		
Share capital and reserves		20,165
Retained profits		72,953
Shareholders' funds		93,118
Perpetual capital securities		5,791
Other non-controlling interests		2,023
Derivative financial instruments	(19)	3,397
Trade and other payables		19,023
Borrowings	(17)	55,483
SoC reserve accounts		1,009
Other liabilities		24,120
		203,964
Closing exchange rate		
Australian dollar / Hong Kong dollar		5.6691
Indian rupee / Hong Kong dollar		0.1171
Renminbi / Hong Kong dollar		1.1935

Beyond This Year's Statement of Financial Position

	HK$M
Charges on assets	19,505
Contingent liabilities	1,315
Operating lease commitments	3,363
Capital commitments	4,586

Optimising Financial and Capital Structure

CLP's prudent financial management ensures that adequate resources are available to meet our operating, investing and financing needs.

Outcome

- Operating activities: Our cash flows from operating activities(9) remained strong on the back of steady growth in Hong Kong electricity business and improved operations for businesses outside Hong Kong.
- Investing activities: In Hong Kong(10), we continued to develop and enhance our generation, transmission and distribution and customer services facilities, in order to cater for the city's development needs and preserve the quality and reliability of our power supply. In Australia(11), capital investments mainly related to improvement works at generation plants. We also continued the construction of Fangchenggang Phase II and renewable projects in Mainland China(12) as well as wind projects in India(13). On the other hand, we sold the Iona Gas Plant in Australia for a cash proceed of A$1,780 million (HK$9,991 million)(14). There were also steady dividend streams(15) received from projects in Mainland China.
- Financing activities: Following the receipt of sale proceeds from Iona Gas Plant, EnergyAustralia repaid certain external debt to enhance its capital structure and to reduce finance costs. The costs associated with these early repayment and the close out of related hedging derivatives totalled HK$858 million(16). Overall, Group capital structure remains strong with our debt(17) kept at a healthy level of HK$55,483 million. Our total debt to total capital ratio decreased from 39.6% to 34.0% at 2015 year end. The credit rating agencies revised the outlooks of CLP Holdings (by Standard & Poor's (S&P) and Moody's) and CLP Power Hong Kong (by S&P) back to stable from negative after the annual credit rating review in May 2015. In parallel, both S&P and Moody's affirmed the credit ratings of CLP Holdings and CLP Power Hong Kong at A-/A2 and A/A1 respectively.

Managing Financial Risks

CLP's philosophy is to mitigate financial risks through the use of financial instruments to hedge our exposures to interest rate, foreign currency and energy portfolio risks.

Outcome

The derivative assets(18) and liabilities(19) refer to the fair value gains and losses of the financial instruments respectively at year end. At 31 December 2015, the Group had net derivative liabilities of HK$1,719 million which represented the net amount we would pay if these contracts were closed out at year end. The net derivative liabilities was mainly due to the settlement of the net derivative assets related to the close out of hedging derivatives in Australia as noted above and higher mark-to-market loss on fuel procurement related forward foreign exchange contracts and loans related cross-currency interest rate swaps in Hong Kong.

Reducing Carbon Intensity

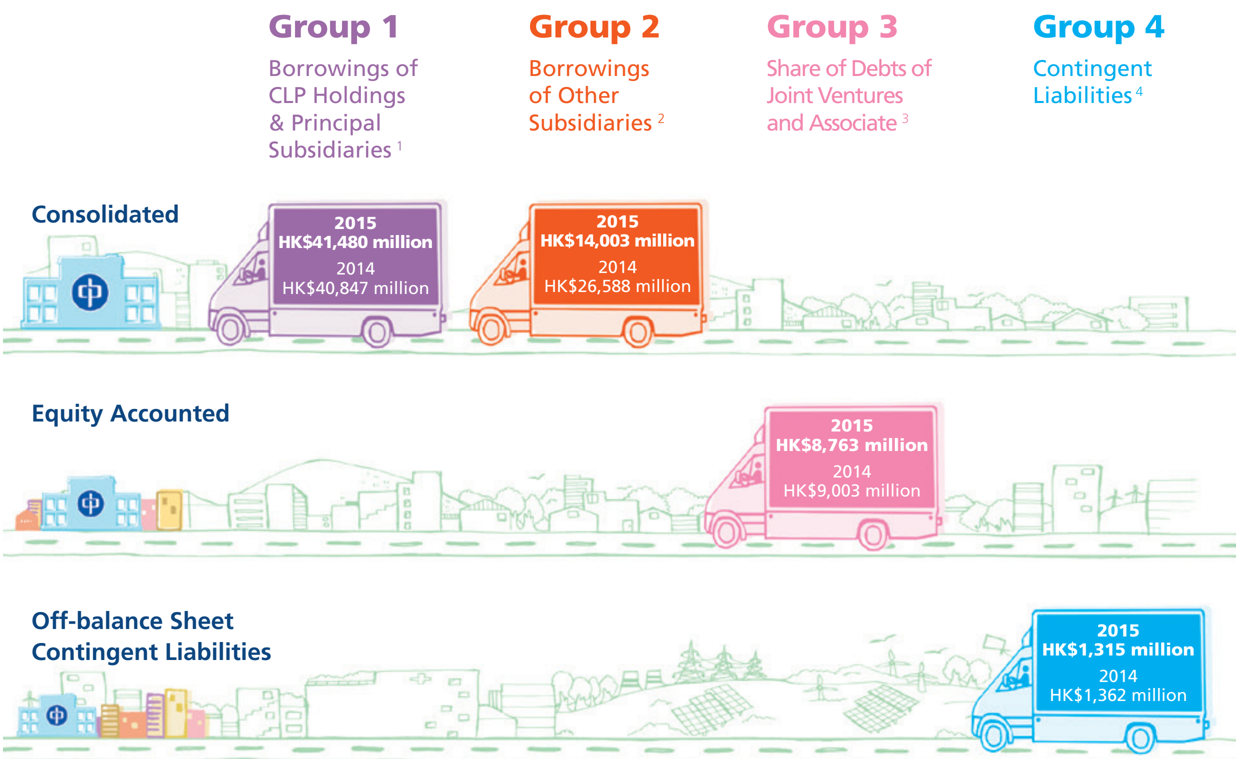
CLP continues to invest in renewable energy to reduce the carbon intensity of its generating portfolio and exploit the opportunities of low carbon emissions generation.

Outcome

- Operating earnings from renewable energy increased from HK$384 million in 2014 to HK$494 million in 2015 mainly due to the commissioning of new solar projects (e.g. Xicun and Sihong) and higher wind resources in Mainland China.
- HK$3,042 million(20) was invested in 2015 mostly in solar projects in Mainland China and wind farms across India and Mainland China.
- Renewable energy sources represented 16.8% of our total generating capacity.

CLP Group's Financial Obligations at a Glance

Consolidated financial statements are prepared to show the effect as if the parent and all of its subsidiaries were one entity by combining their financial statements on a line by line basis. In contrast, under the equity method of accounting, interests in joint ventures and interests in associates are accounted for on the basis of proportionate sharing of net assets (i.e. assets minus liabilities). As a result, the borrowings of our joint ventures and associate are not included as part of the debts shown in our consolidated statement of financial position. The financial risks associated with unconsolidated financial obligations and borrowings of these equity accounted entities are not transparent to the readers. Consistent with our practice of enhanced disclosure, the diagram below illustrates the financial obligations of the CLP Group, as well as those of our joint ventures and associate. These financial obligations are classified into four categories according to their degree of recourse to CLP Holdings.



Total debt to total capital [5] at CLP consolidated level (i.e. Group 1 and Group 2 together) in 2015 was 34.0% (2014: 39.6%). If the attributable portion of debts of Group 3 were also included, total debt to total capital would rise to 37.4% (2014: 42.7%).

Notes:

1 Principal subsidiaries include CLP Power Hong Kong, CAPCO and PSDC.

2 These debts are non-recourse to CLP Holdings. These debts mainly comprise debts of CLP India, subsidiaries in Mainland China and EnergyAustralia.

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

4 Details of the contingent liabilities of CLP Holdings and its subsidiaries are set out in Note 31 to the Financial Statements.

5 In calculating total debt to total capital, the non-controlling interests and shareholder's advances from the non-controlling interests of the non-wholly owned subsidiaries of the Group are included in the denominator to ensure consistency.

Financial Analysis

Group's Financial Results

Financial results	*Notes to the Financial Statements*	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Revenue	*2*	80,700	92,259	(11,559)	(12.5)
Expenses		(67,580)	(79,389)	(11,809)	(14.9)
Finance costs	*6*	(4,090)	(4,180)	(90)	(2.2)
Share of results of joint ventures	*12*	1,357	1,562	(205)	(13.1)
Income tax expense	*7*	(3,582)	(1,268)	2,314	182.5
Earnings attributable to shareholders		15,670	11,221	4,449	39.6
Adjusted current operating income (ACOI)		17,929	17,232	697	4.0

Earnings Attributable to Shareholders

	2015 HK$M	2015 HK$M	2014 HK$M	2014 HK$M	Increase HK$M	%
Hong Kong		8,276		7,777	499	6.4
Hong Kong related	206		71			
Mainland China	1,977		1,579			
India	612		270			
Southeast Asia and Taiwan	312		297			
Australia	836		756			
Other earnings	(60)		(66)			
Earnings from other investments / operations		3,883		2,907	976	33.6
Unallocated net finance income / (costs)		17		(36)		
Unallocated Group expenses		(643)		(586)		
Operating earnings		11,533		10,062	1,471	14.6
Items affecting comparability*						
Gain on sale of Iona Gas Plant		6,619		–		
Costs associated with the early termination of debt in Australia		(858)		–		
Impairment and onerous provisions for EnergyAustralia's generation assets		(1,480)		–		
Impairment provision for Beijing Yire Power Station in 2015 / Dali Yang_er in 2014		(243)		(158)		
Revaluation gain on Argyle Street site		99		245		
Net gain on CAPCO and PSDC acquisitions		–		1,953		
Impairment provision for Narrabri Coal Seam Gas Project		–		(1,578)		
Net tax credit from Australia		–		545		
Termination of Redbank Agreement		–		152		
Total earnings		15,670		11,221	4,449	39.6

* Items affecting comparability as defined on page 201 and have been audited by the Company's Auditor

Earnings from Hong Kong increased by 6.4% as a result of the share of additional 30% of CAPCO's full-year earnings after the acquisition in May 2014 and higher return on higher average net fixed assets. Earnings from Mainland China improved as a result of the resumption of sharing of earnings from CSEC Guohua (HK$316 million) after the lapse of the Share Transfer Agreement at 31 December 2014, lower coal prices for coal-fired projects, the commissioning of new solar projects (Xicun and Sihong) and more wind resources for wind projects. However, the increase was partly offset by lower contribution from Fangchenggang due to lower tariff and dispatch. Operations in India have improved. Higher earnings from India were mainly due to the reversal of dividend distribution tax provision, lower finance costs and the progress on litigation at Jhajjar. Earnings from Southeast Asia and Taiwan remained steady. Earnings from Australia increased from HK$756 million to HK$836 million mainly attributable to lower operating expenses and better retail gross margins, despite lower contribution from generation and unfavourable fair value movements on derivatives. Taking into account of all items affecting comparability, total earnings up 39.6% to HK$15,670 million. The performance of individual business is analysed on pages 42 to 73.

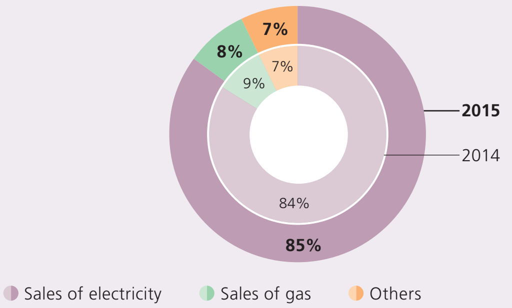
Revenue and Expenses

	Revenue				Expenses			
	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	38,937	35,623	3,314	9.3	26,586	23,663	2,923	12.4
India	5,104	4,821	283	5.9	3,675	3,454	221	6.4
Australia	35,707	50,895	(15,188)	(29.8)	35,981	50,828	(14,847)	(29.2)
Others	952	920	32	3.5	1,338	1,444	(106)	(7.3)
	80,700	92,259	(11,559)		67,580	79,389	(11,809)	

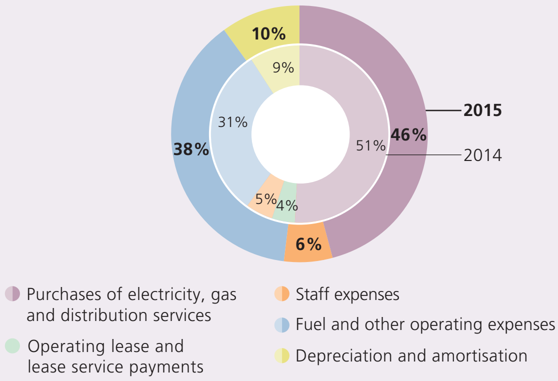
Revenue from Australia decreased by 29.8% mainly attributable to lower exchange rate, lower generation revenue due to less output from Mount Piper and lower pool prices, and lower retail revenue as a result of the carbon tax repeal and lower commercial and industrial volumes. In India, higher revenue was mainly attributable to higher dispatch from Paguthan and the commissioning of more wind farms, partly offset by lower revenue from Jhajjar due to lower generation. Revenue from Hong Kong increased with higher fuel cost recovery.

Lower expenses in Australia were mainly attributable to decrease in "Purchases of electricity, gas and distribution services expenses" as a result of lower purchase volume (in line with lower sales volume). In addition, "Fuel and other operating expenses" in Australia also decreased as a result of no more carbon tax expense in 2015 and the cessation of payments under Transition Services Agreement after its termination in 2014. The lower Australian dollar exchange rate also contributed to the decrease.

Analysis of Revenue



Analysis of Expenses



Finance Costs

The slight decrease in finance costs was mainly due to lower interest rates and the cessation of finance lease charges paid to CAPCO after its acquisition in May 2014, offset by the costs associated with the early termination of debt and the related hedging derivatives by EnergyAustralia.

Share of Results of Joint Ventures

The decrease in share of results of joint ventures was mainly due to the reclassification of CAPCO and PSDC from joint ventures to subsidiaries after their acquisitions in May 2014 and lower earnings from Fangchenggang as a result of fewer units sold, partly offset by the full-year earnings from ShenGang Natural Gas Pipeline (HK$144 million), and the resumption of sharing of earnings from CSEC Guohua after the lapse of Share Transfer Agreement at 31 December 2014.

Income Tax Expense

The increase in income tax expense was attributable to EnergyAustralia as a result of higher taxable profits with improved operations and the gain on sale of Iona Gas Plant.

Adjusted Current Operating Income (ACOI)

ACOI is a performance measurement which represents operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and net fair value gain / loss on derivatives relating to transactions not qualified as hedges and ineffectiveness of cash flow hedges. For its analysis, please refer to our website.

Group's Financial Position

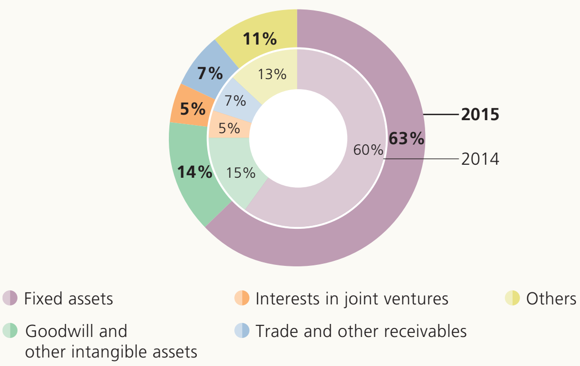
Non-current assets are assets which are held for the long-term, either for use in operations, or for investment (such as fixed assets and investments in joint ventures). They are not expected to be consumed or sold within the normal operating cycle (usually 12 months).

Non-current assets	*Notes to the Financial Statements*	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Fixed assets	*10(A)*	**127,801**	128,133	(332)	(0.3)
Leasehold land and land use rights under operating leases	*10(B)*	**5,542**	5,696	(154)	(2.7)
Investment property	*10(C)*	**2,669**	2,554	115	4.5
Goodwill and other intangible assets	*11*	**28,257**	31,129	(2,872)	(9.2)
Interests in joint ventures	*12*	**11,250**	11,176	74	0.7
Deferred tax assets	*21*	**1,690**	3,828	(2,138)	(55.9)
Total assets		**203,964**	214,663	(10,699)	(5.0)
Net assets (total assets less total liabilities)		**100,932**	95,959	4,973	5.2

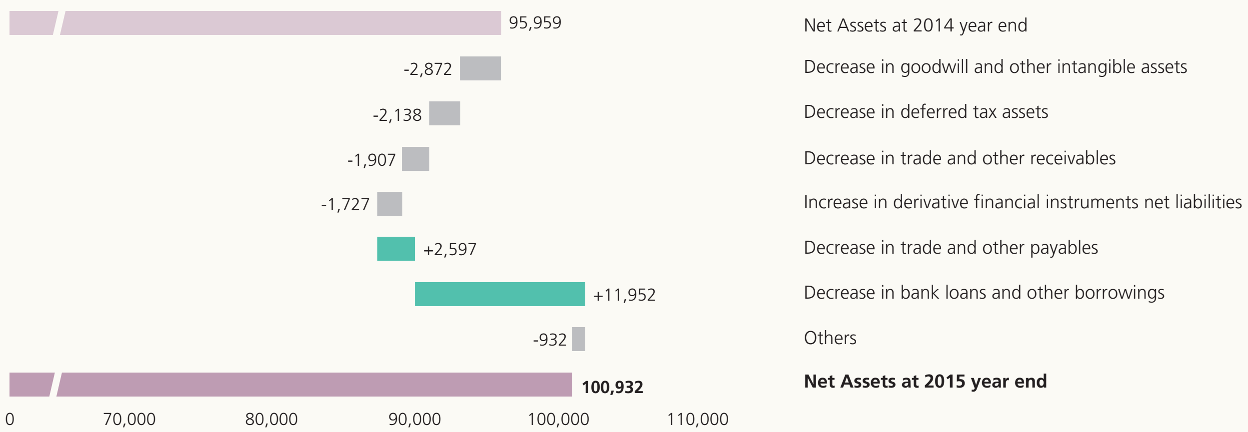
Total Assets and Net Assets

Power industry is a capital-intensive business. Fixed assets accounted for 63% of total assets. Goodwill and other intangible assets (mainly in Hong Kong and Australia) represented another 14%. Around 11% of total assets were current assets. Movements in the Group's net assets are illustrated in the chart below.

Total Assets



Net Assets (HK$M)



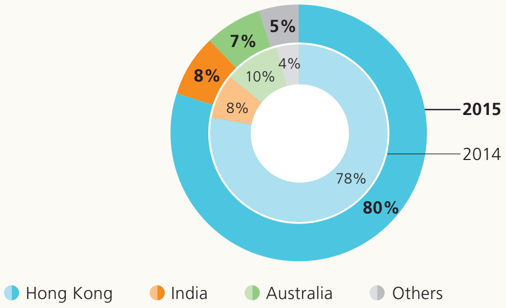
Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property

By nature of the power industry, continuous investment in capital assets is necessary to uphold the quality and reliability of electricity supply across all our operating regions. In addition, the Group continued to invest in renewable projects such as wind farms and solar projects.

In 2015, fixed asset additions amounted to HK$11,279 million. These mainly related to the development and enhancement of our generating plants, transmission and distribution network and customer services facilities in Hong Kong (HK$7.6 billion). Other additions included the construction of renewables projects in Mainland China (HK$1,637 million) and India (HK$1,396 million) and regular capital works on the power stations in Australia (HK$670 million).

Capital commitments at 31 December 2015 stood at HK$4,586 million, representing mainly capital works in Hong Kong and Australia, and the ongoing construction of wind farms in India and Mainland China.

Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property by Geographical Location



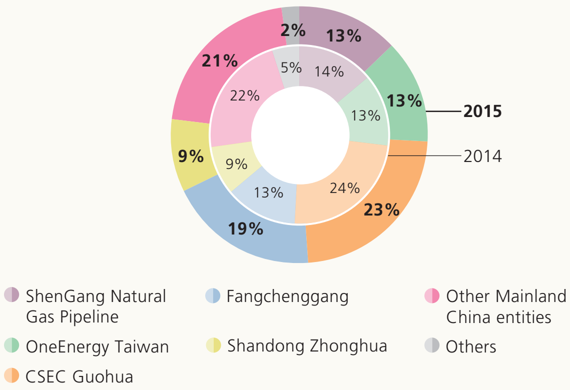
Goodwill and Other Intangible Assets

The decrease in goodwill and other intangible assets was mainly due to lower exchange rate of Australian dollar and amortisation charge of intangible assets for the year.

Interests in Joint Ventures

The slight increase in interests in joint ventures was mainly due to the capital injection for the construction of Fangchenggang Phase II (HK$1,006 million), offset by the sale of Waterloo wind farm in Australia, impairment provision for Beijing Yire Power Station and lower Renminbi exchange rate.

The Group's Major Joint Ventures



Deferred Tax Assets

The decrease in deferred tax assets was mainly due to EnergyAustralia's tax losses under deferred tax assets being fully utilised to set off against the gain on sale of Iona Gas Plant and other taxable profits for the year.

Group's Financial Position

Working capital comprises current assets and current liabilities which are continuously circulating in the business operations (such as bank balances, trade receivables and payables).

Working capital, debts and other non-current liabilities and equity	*Notes to the Financial Statements*	2015 HK$M	2014 HK$M	Increase / (Decrease) HK$M	%
Derivative financial instruments assets*	*15*	1,678	3,779	(2,101)	(55.6)
Derivative financial instruments liabilities*	*15*	3,397	3,771	(374)	(9.9)
Trade and other receivables	*17*	13,812	15,719	(1,907)	(12.1)
Trade and other payables	*19*	19,023	21,620	(2,597)	(12.0)
Bank loans and other borrowings*	*20*	55,483	67,435	(11,952)	(17.7)
Shareholders' funds		93,118	88,013	5,105	5.8

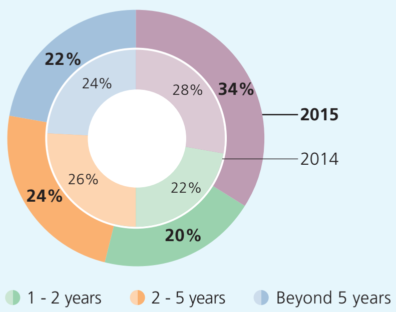
* Including current and non-current portions

Derivative Financial Instruments and Hedging

Other than very limited price discovery trading activities by EnergyAustralia, CLP only uses derivative financial instruments for hedging purposes. The type and maturity profile of the derivative financial instruments are set out below:

	Notional Amount 2015 HK$M	Notional Amount 2014 HK$M	Fair Value Gain / (Loss) 2015 HK$M	Fair Value Gain / (Loss) 2014 HK$M
Forward foreign exchange contracts and foreign exchange options	73,255	100,926	488	891
Interest rate swaps / cross currency interest rate swaps	33,838	46,820	(1,565)	(402)
Energy contracts	10,289	12,196	(642)	(481)
Total	117,382	159,942	(1,719)	8

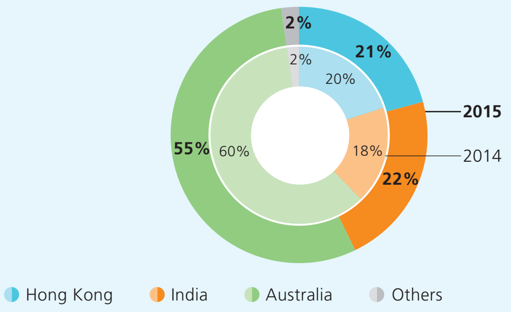
Maturity Profile



Trade and Other Receivables

The decrease in trade and other receivables was mainly attributable to the receipts of dividend receivables during the year, lower electricity sales debtors on lower sales at EnergyAustralia and the decrease in Australian dollar exchange rate.

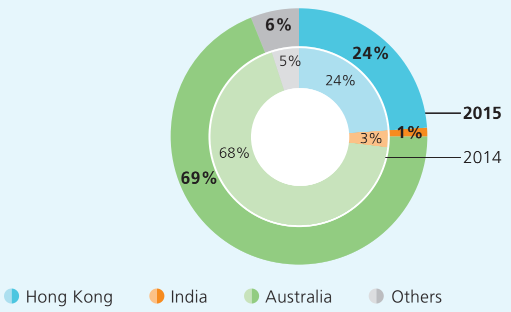
Trade Receivables by Segment



Trade and Other Payables

Trade and other payables in Australia decreased as a result of lower network charges and green liabilities which was in line with lower sales volume, and settlement of carbon tax liabilities after the carbon tax repeal. The decrease in exchange rate of Australian dollar also led to the decrease.

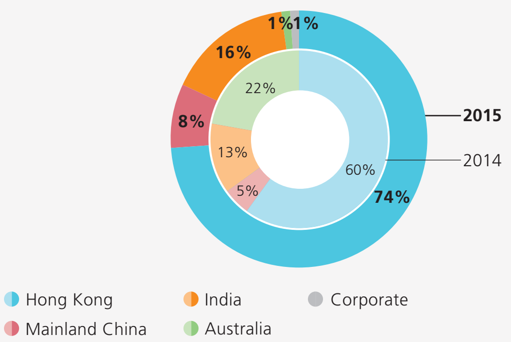
Trade Payables by Segment



Bank Loans and Other Borrowings

The decrease in bank loans and other borrowings was mainly attributable to EnergyAustralia's early repayment of external debt using the cash proceeds from the sale of Iona Gas Plant. CLP Power Hong Kong arranged HK$4.5 billion financing under the MTN programme and other banking facilities. In India, bonds of HK$591 million and green bonds of HK$706 million were issued in April and September 2015 respectively. In Mainland China, loans of HK$2.4 billion were arranged to support the development of renewable projects.

Bank Loans and Other Borrowings by Segment



Shareholders' Funds

Shareholders' funds increased mainly due to earnings retained for the year offset by the translation losses (HK$3.7 billion) on our Mainland China, India and Australia businesses as a result of the decreases in the respective exchange rates.

A Broader Perspective

An Annual Report necessarily concentrates on only one year's financial performance, with a comparison against the previous year. A broader perspective on CLP's financial performance can be helpful.

	2015	2014	2013	2012	2011
Performance Indicators					
EBITDAF [1], HK$M	**31,267**	23,442	19,689	23,602	23,392
ACOI, HK$M	**17,929**	17,232	16,935	18,179	18,891
Operating earnings, HK$M	**11,533**	10,062	9,307	9,406	10,312
Total earnings, HK$M	**15,670**	11,221	6,060	8,312	9,288
Return on equity, %	**17.3**	12.8	6.8	10.1	11.5
Financial Health Indicators					
Undrawn facilities, HK$M	**29,685**	32,533	33,218	33,073	24,377
Total borrowings, HK$M	**55,483**	67,435	56,051	66,198	65,521
Fixed rate borrowings to total borrowings, %	**57**	58	67	57	64
FFO interest cover [2], times	**9.2**	9.1	8.1	7.3	6.0
Net debt to total capital, %	**32.4**	38.0	36.7	36.8	43.1
Shareholders' Return Indicators					
Dividends per share, HK$	**2.70**	2.62	2.57	2.57	2.52
Dividend yield, %	**4.1**	3.9	4.2	4.0	3.8
Total returns to shareholders [3], %	**8.4**	8.8	9.9	12.6	13.7
Cash Flows and Capital Investments					
FFO [2], HK$M	**20,994**	23,431	21,798	24,438	18,717
Free cash flow [4], HK$M	**17,290**	19,027	16,664	18,215	13,533
Capital investments (on a cash basis), HK$M					
SoC capex [5]	**7,328**	6,837	5,600	5,508	4,872
Growth capex [6]	**2,795**	1,747	1,755	2,176	5,740
Maintenance capex [7]	**748**	812	1,223	1,581	1,654
Others [8]	**1,096**	2,918	1,213	1,048	439

Notes:

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

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

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

4 Free cash flow = FFO - income tax paid + interest received - interest and other finance costs paid - maintenance capital expenditure + dividend received from joint ventures and associate

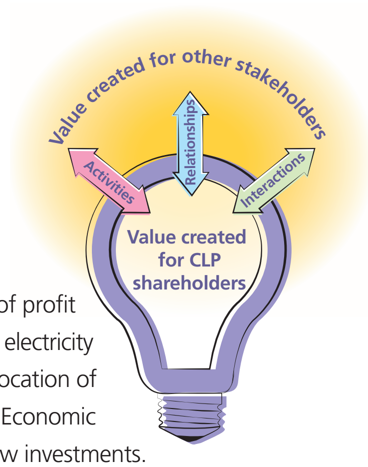
5 Capital expenditure related to SoC business in Hong Kong

6 Non-SoC related capital expenditure for additional generation capacity

7 Non-SoC related capital expenditure other than for additional generation capacity

8 Capital investment on intangible assets and investments in and advances to joint ventures

Allocation of Economic Value Created



While CLP creates economic value for delivering financial returns to the shareholders, CLP also creates value to other stakeholders, both financial and others, and society at large through a wide range of activities, interactions and relationships. A visual representation of the flows of economic value and other non-financial metrics can be found in our Sustainability Report. SR Here we would like to demonstrate how CLP creates economic value and benefits to our stakeholders over time.

From an accounting perspective, economic value created and allocated are reflected in our statement of profit or loss. On the one hand, revenue can be viewed as the economic value CLP created for the provision of electricity and gas supply to our customers. On the other hand, the payment of expenses is considered as the allocation of economic value to our various stakeholders – suppliers, employees, governments and the community. Economic value retained in CLP represents the reinvestment made to preserve operating capacity and to fund new investments. The table below illustrates how this "economic value" perspective of a traditional statement of profit or loss looks like:

An "Economic Value" Perspective		A Financial Perspective	2015 HK$M	2015 %	2014 HK$M	2014 %	Remarks
Economic value generated for	Customers	Revenue	80,700	*100*	92,259	*100*	Serving 5.1 million customer accounts in Hong Kong and Australia, as well as our offtakers in Mainland China and India.
Economic value distributed to	Suppliers and Business partners	Operating costs [1]	46,682	*58*	64,655	*70*	Excluding other gain of HK$8,900 million (2014: HK$2,025 million), about 84% (2014: 78%) related to purchases of electricity, gas and distribution services and fuels. Included share of results from joint ventures and associate of HK$2,245 million (2014: HK$2,358 million), which represented our share of economic value created together with our business partners.
	Employees	Staff expenses	3,649	*5*	3,980	*4*	Another HK$1,046 million (2014: HK$973 million) of staff costs incurred were capitalised. There were 7,360 (2014: 7,387) people employed by CLP at year end.
	Capital providers: Lenders and Perpetual capital securities holders	Finance costs and Distributions to perpetual capital securities holders	4,337	*5*	4,332	*5*	In addition, finance costs of HK$302 million (2014: HK$296 million) were capitalised.
	Capital providers: Shareholders	Dividends	6,822	*8*	6,619	*7*	There were over 20,000 registered shareholders at the end of 2014 and 2015.
	Governments	Income tax [2]	1,818	*2*	1,571	*2*	Apart from this, rent and rates of HK$638 million (2014: HK$536 million) was included under operating costs above.
	Community	Donations	15	-	12	-	Sponsorship of HK$25 million (2014: HK$23 million) was included under operating costs above. Staff volunteered 11,675 hours (2014: over 17,500 hours) during the year.
			63,323	*78*	81,169	*88*	
Economic value retained [3]			17,377	*22*	11,090	*12*	

Notes:
1 For simplicity sake, operating costs included earnings attributable to other non-controlling interests and netted with other gain, finance income and share of results (net of income tax) from joint ventures and associate.
2 Represents current income tax but excluding deferred tax for the year.
3 Represents earnings attributable to shareholders (before depreciation, amortisation and deferred tax) for the year retained.

Realising the relationships between our operations and the capitals that CLP uses or affects, our mission is to produce and supply energy with minimal environmental impact to create value for shareholders, employees, and the wider community.