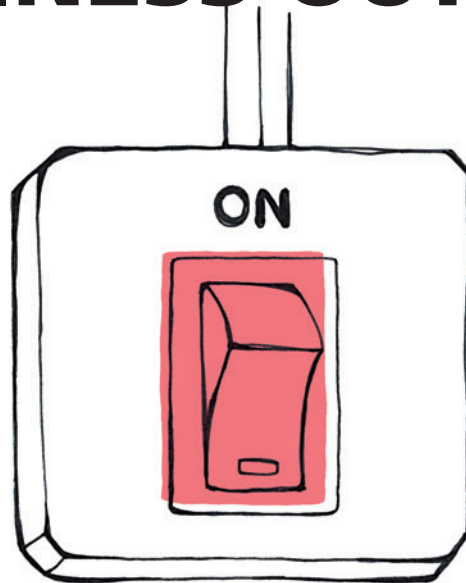
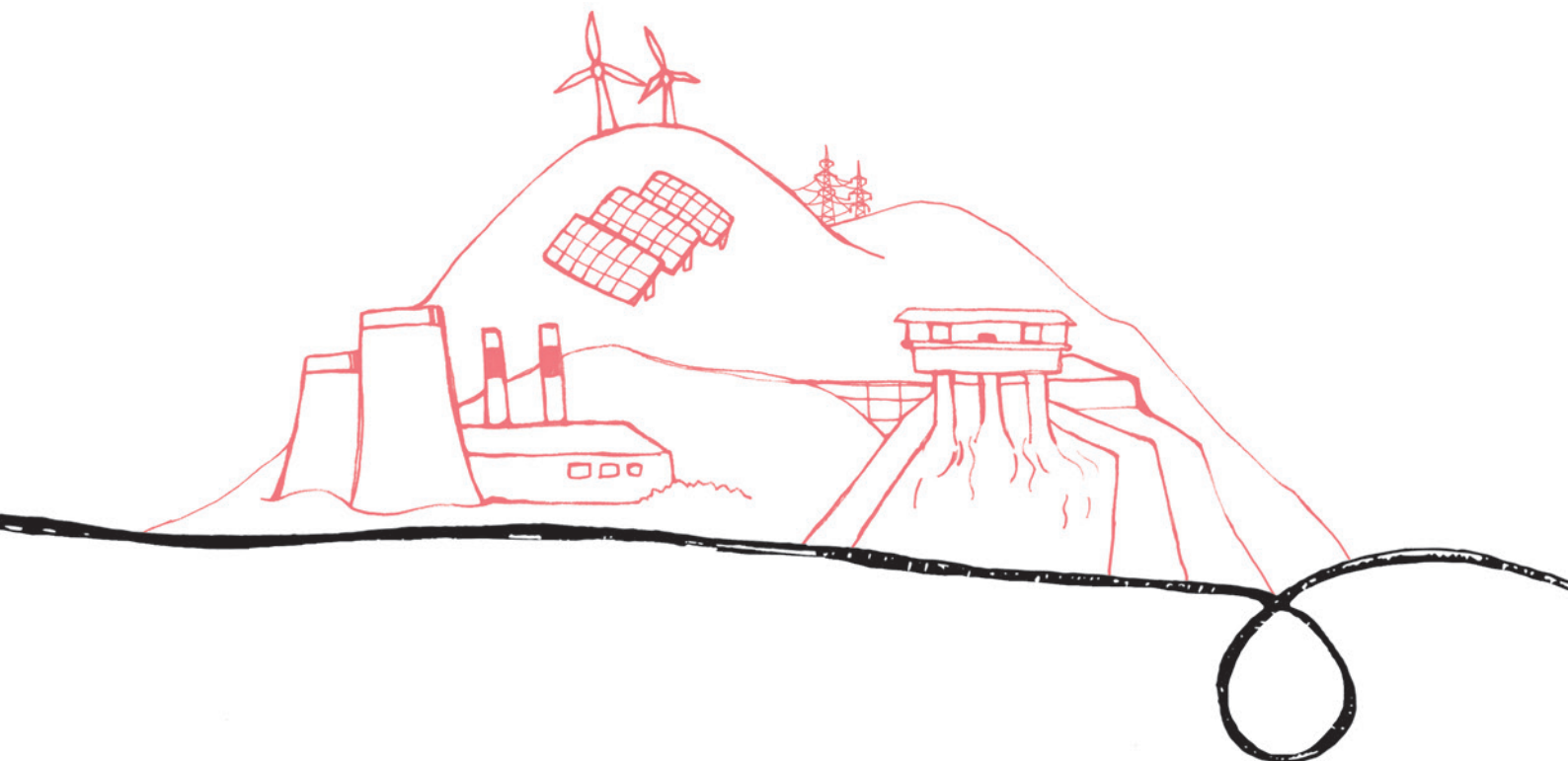


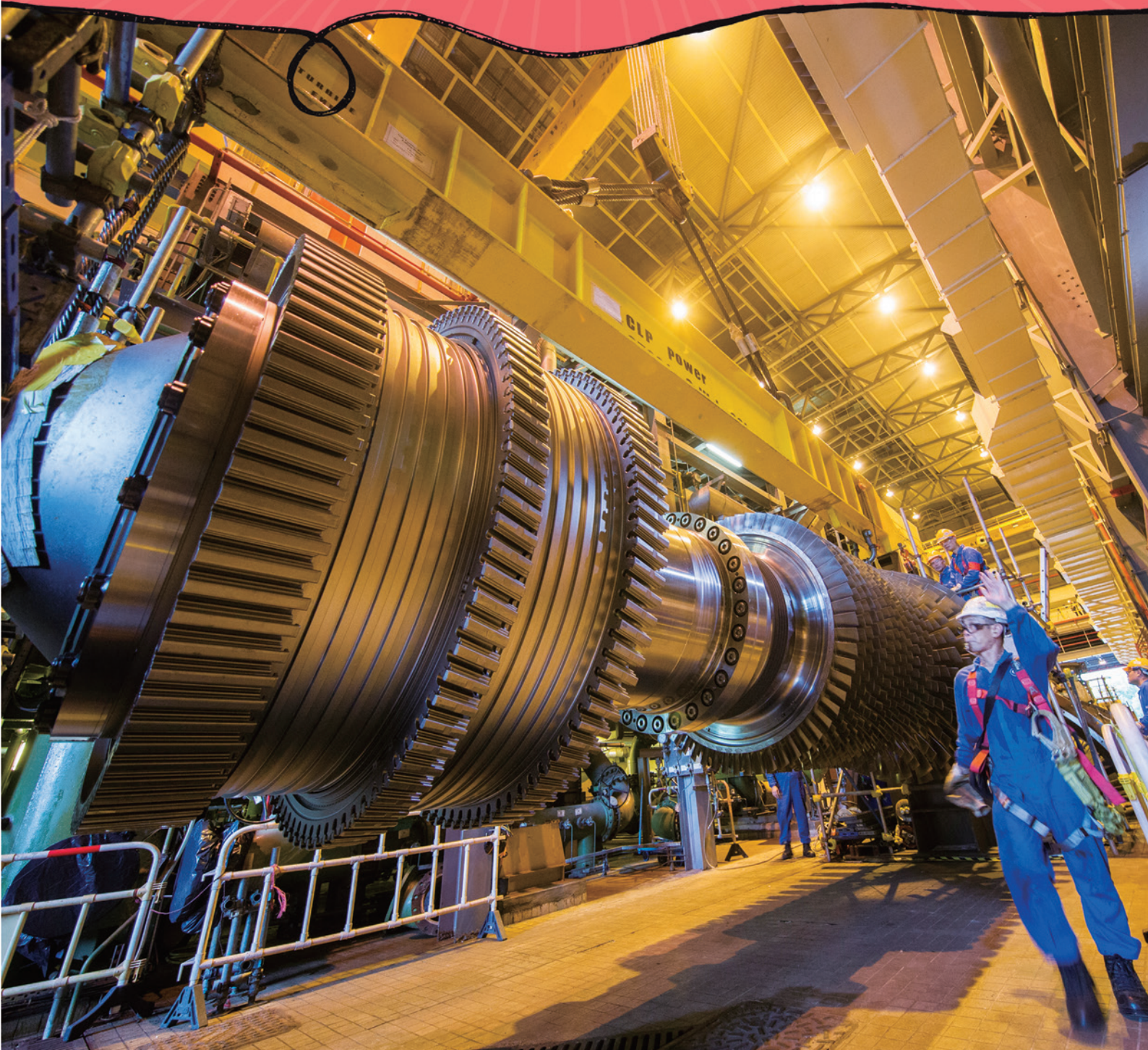
PERFORMANCE AND BUSINESS OUTLOOK



How have we performed against our strategy?
What opportunities and challenges will influence our
future performance?



*Here we offer an integrated and wide-ranging
view of CLP's financial, operational, environmental
and social performances in the five markets
where we operate*



Hong Kong

*CLP is a vertically integrated
regulated electricity provider
serving over 80% of the
population*



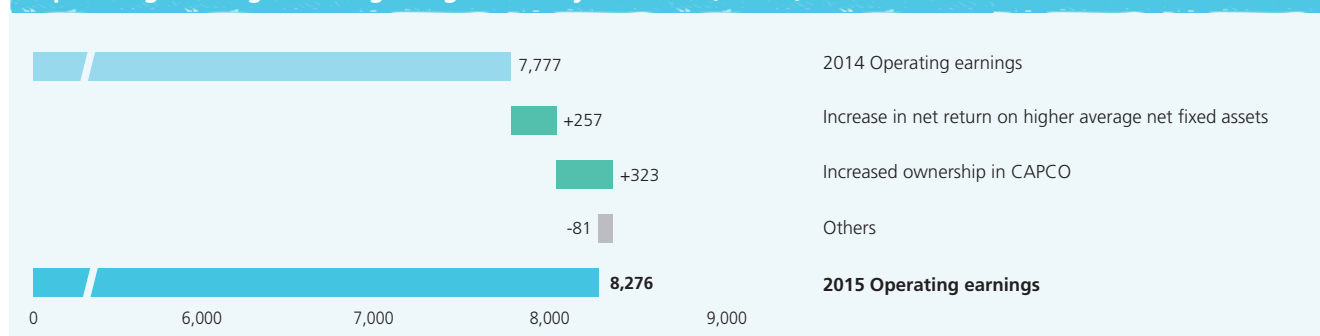
Financial Performance

Hong Kong Financial Performance at a Glance

	2015 HK\$M	2014 HK\$M	Increase / (Decrease)	
			HK\$M	%
Revenue	38,937	35,623	3,314	9.3
Total earnings	8,370	9,943	(1,573)	(15.8)
Operating earnings	8,271	7,745	526	6.8
Electricity business	8,276	7,777	499	6.4
Other businesses	(5)	(32)	27	84.4
EBITDAF	16,549	18,337	(1,788)	(9.8)
Fixed assets	100,508	97,372	3,136	3.2
Total assets	120,087	118,754	1,333	1.1
Bank loans and other borrowings	40,976	40,644	332	0.8
Total liabilities	77,616	77,537	79	0.1
Capital investments	7,614	8,164	(550)	(6.7)

Operating earnings from our Hong Kong electricity business were HK\$8,276 million, a 6.4% increase from HK\$7,777 million in 2014. This was mainly due to higher permitted return on a higher level of average net fixed assets and share of additional 30% of CAPCO's full-year earnings following its acquisition in May 2014.

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



Operational Performance

One of our most important objectives is to serve our customers in Hong Kong with a safe, reliable and clean electricity supply at a reasonable cost. We again achieved this in 2015.

Electricity Sales and Tariffs

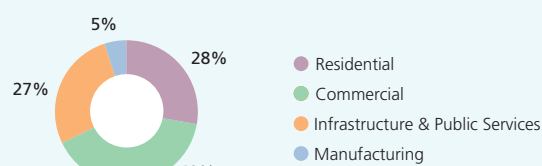
In 2015, local sales of electricity were 33,033 gigawatt hours (GWh), representing a slight increase of 0.3% over 2014.

A breakdown of the changes during the period by sector is shown in the table on the right.

Local Sales

		Increase / (Decrease)	
Residential	(222GWh)	↓	(2.3%)
Commercial	110GWh	↑	0.8%
Infrastructure & Public Services	220GWh	↑	2.6%
Manufacturing	(0GWh)	↔	(0.0%)

As Percentage of Total Local Sales



Note:
Figures include rounding adjustments.

Hong Kong

Compared with 2014, sales to the Residential sector recorded a decrease of 2.3%, mainly due to a lower heating load in the first quarter, followed by a lower cooling and dehumidifying load in the third quarter. This partially offset the increase in sales in the Commercial as well as the Infrastructure and Public Services sectors.

Sales to the Mainland amounted to 1,187GWh, a decrease of 3.2% from 2014, mainly attributed to a decline in electricity sales to Guangdong Power Grid Co., Ltd. in 2015.

Total electricity sales, including local sales and sales to the Mainland, increased by 0.2% to 34,220GWh.

CLP is very aware of the impact of tariff adjustments on people's livelihood and business, and we place great emphasis on managing costs. Thanks to the significant fall in fuel prices in 2015 and our efforts to control costs, we were able to reduce the Average Total Tariff by 0.9% from January 2016, despite the need to use significantly more gas to generate electricity to meet the Government's stringent environmental targets. A special one-off fuel rebate totalling HK\$1,264 million was made to our customers from August 2015. If fuel prices remain stable in the coming year, we are confident that our tariff in 2017 can be maintained at the 2016 level despite stricter emissions caps and increasing natural gas usage in 2017.

Investment and Reliability

During the year, we continued to make investments to enhance the reliability and security of our supply system amidst new demand growth arising from infrastructure development. CLP invested HK\$7.6 billion in generation, transmission and

distribution networks, as well as in customer services and supporting facilities. This included the commissioning of three new substations to support the development of Hong Kong's expanding road and railway networks, the Government's Harbour Area Treatment Scheme, and to meet demand from population growth in northwestern New Territories.

In 2015, we achieved a historic low level of 1.32 minutes of unplanned power interruptions per customer per year as we continued to deliver highly reliable electricity supply to our customers. Between 2013 and 2015, on average a CLP customer experienced 1.51 minutes of unplanned power interruptions per year, compared to 17-28 minutes in New York, Sydney and London (between 2012 and 2014).

Reliability Levels in Hong Kong, New York, Sydney, London and Singapore

Unplanned customer minutes lost per year



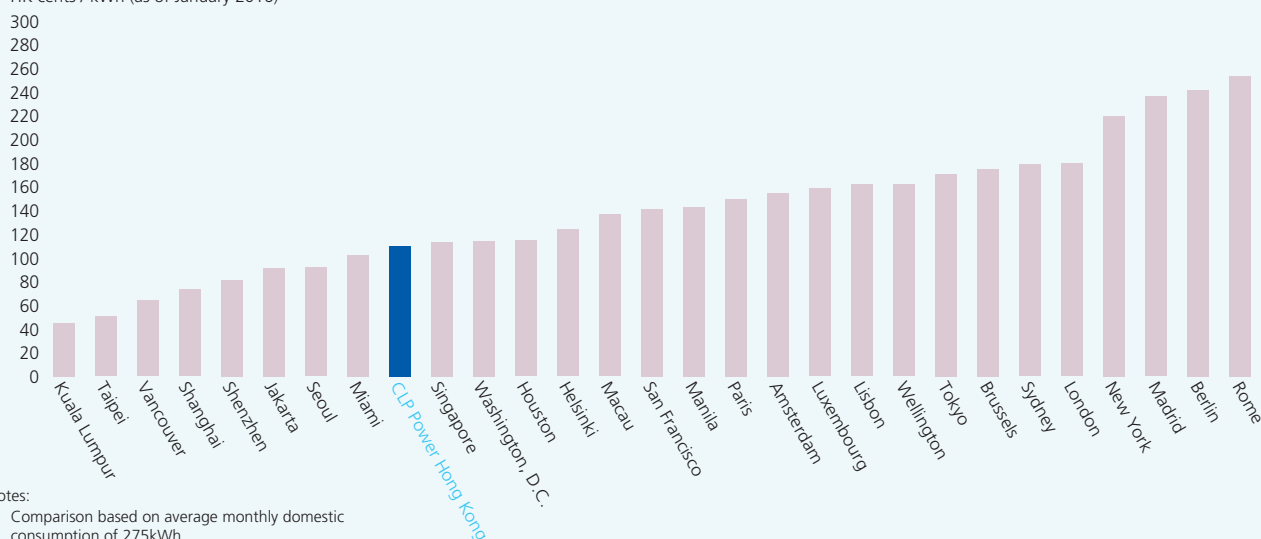
Notes:

- 1 2013 – 2015 average for CLP Power Hong Kong.
- 2 2012 – 2014 average for all other cities (the latest available data).
- 3 Singapore's power supply network is mostly underground, and is less exposed to the influence of weather and other external interferences than overhead lines.

Residential Tariff Comparison with Other Cities

Residential Tariff

HK cents / kWh (as of January 2016)



Source: Web Search

Regulatory Affairs

In November 2015, the Hong Kong Government announced the key findings of the public consultation on the future development of the electricity market. The majority of respondents recognised the effectiveness of the Scheme of Control (SoC) Agreement and supported the current contractual arrangements which they felt had met the four energy policy objectives of safety, reliability, reasonable tariffs and environmental protection. Respondents also generally agreed that the SoC Agreement has enabled electricity providers to provide customers with a reliable and safe electricity supply, which is considered to be of great importance. For the future, respondents wanted more emphasis on promoting renewable energy and energy conservation. We welcome the consultation results and we have commenced discussions with the Government on the new SoC Agreement.

Gas Supply

CLP has been actively engaging with key stakeholders on the proposal to build a new Combined Cycle Gas Turbine (CCGT) at Black Point Power Station to support the Government's policy of increasing the share of gas in the Hong Kong's fuel mix for power generation to around 50% in 2020. The new CCGT unit would adopt a technology that produces a comparatively higher efficiency and better emissions performance than our existing generation units. We are making

good progress and submitted a Development Plan to the Government at the end of 2015, followed by an environmental impact assessment study report in February 2016.

However, gas supply for our new power station will be a key issue. This was brought into sharp perspective when damage to a section of the 9,000-km Second West-East Gas Pipeline from a landslide in Shenzhen on 20 December 2015 led to temporary suspension of natural gas supplies to Hong Kong from this source. CLP immediately activated its contingency arrangements and ensured that the electricity supply to our customers was uninterrupted. Whilst permanent gas supply is expected to resume shortly, our contingency actions underscore the importance of ensuring that CLP, and Hong Kong as a whole, has access to multiple supplies of natural gas.

To do this, we continue to pursue new sources of gas supply as stipulated under the Memorandum of Understanding (MOU) on energy cooperation signed between the Hong Kong Government and the Central People's Government in 2008. As our gas source from the Yacheng gas fields in South China Sea is depleting and reaching the end of its life cycle, we have entered into a bridging agreement to purchase gas from the nearby small Wenchang gas field to supplement our supply needs in the medium term. Wenchang gas can be supplied to CLP through the same pipeline as Yacheng, providing a cost-effective solution. Based on our long-term gas demand

Is Hong Kong's SoC Agreement still the most preferred regulatory model for the electricity industry, and why?

Over the years, the SoC has provided power companies a stable environment allowing them to support Hong Kong's economic development and to serve customers with electricity of world-class reliability at reasonable cost and in an environmentally-friendly manner.

The SoC has proven to be the most preferred regulatory model for Hong Kong because it has delivered outstanding results for our customers. The public's response to the Government's consultation on the future development of the electricity market last year attested to this conclusion. Hong Kong should not move to emulate other regulatory models that have not been proven to work properly in the interests of our customers. We should continue with the current model, and refine it as appropriate to meet society's aspirations.



Hong Kong

and future fuel mix requirements, we are also commencing engagement with potential suppliers for additional gas requirements for 2020 and beyond.

In addition, to increase the diversity of gas supplies and broaden our access to liquefied natural gas (LNG), we are continuing to evaluate the feasibility of developing a Floating Storage and Regasification Unit – a ship-based LNG import terminal located offshore to store and regasify LNG to supply end users – in Hong Kong. Such a facility would enable our city to have access to a range of competitive LNG supplies directly from the international market and help minimise supply risks.

Customers

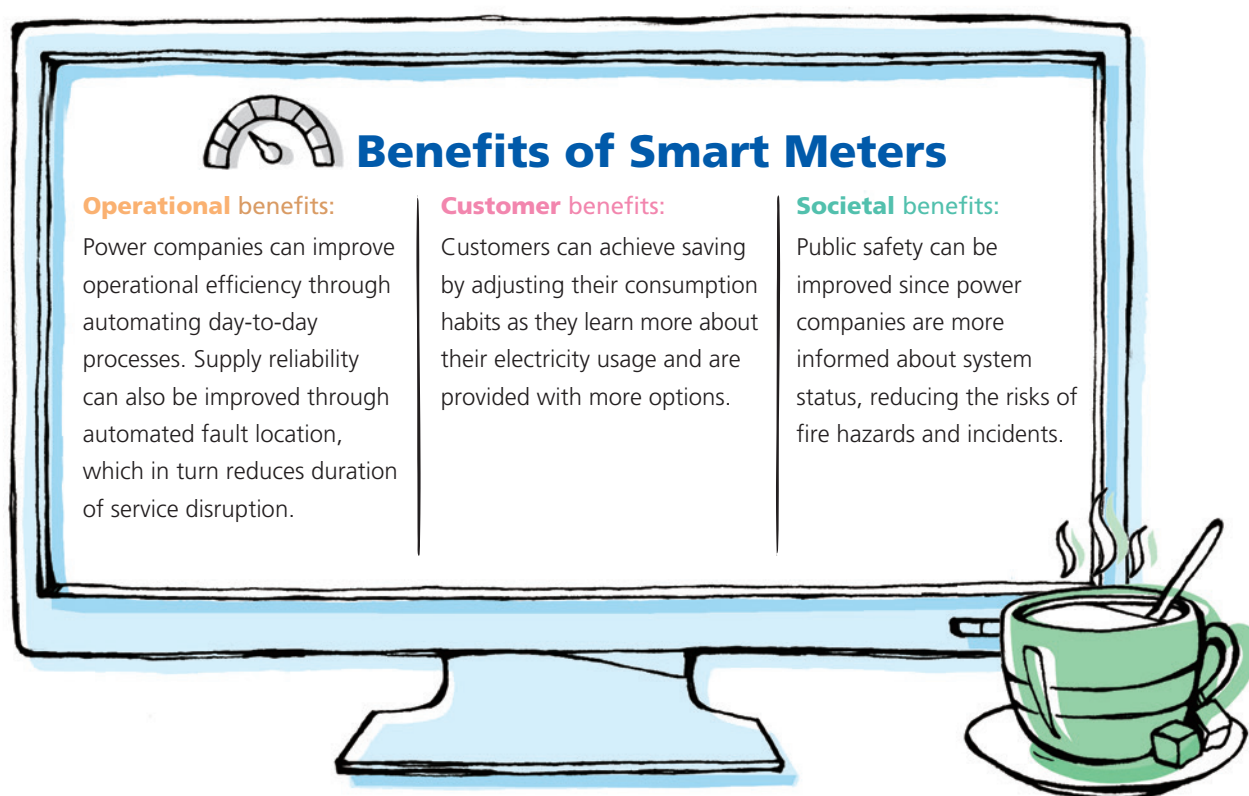
Customers are at the heart of our operations. In 2015, we continued to look for ways and invest in technologies to provide a greener and smarter electricity supply to our customers, enhance customer experience, and promote the smarter use of energy.

Although Hong Kong lacks available land supply and the best renewable energy resources, we continue to support renewable energy development such as the Government's Sludge Treatment Facility. We also welcome the installation of distributed renewable energy facilities. Currently, over

200 renewable energy systems are connected to CLP's grid. Throughout 2015, we improved customer support and streamlined the application process to encourage adoption of these facilities.

We support green motoring and were the first to set up charging stations across Hong Kong offering a variety of chargers for different models of electric vehicles. We have now established more than 140 charging points providing standard, semi-quick and quick charging services, including the first multi-standard quick charger in the city. We have extended our free charging services until the end of 2016 and introduced a new service in 2015 to facilitate the installation of private chargers by our customers in residential or commercial buildings.

Our efforts in promoting energy efficiency and conservation continued in 2015 as more programmes were rolled out to help our customers identify energy saving opportunities and better manage their electricity usage. During the year, we submitted the encouraging findings of myEnergy, a smart meter pilot programme for residential and small-to-medium commercial customers, to the Government. CLP is working with the Government to explore greater use of smart meters in the future.



In 2015, we also successfully conducted the first-of-its-kind “Power Your Love” programme, encouraging more than 200,000 of our residential customers to save energy and transfer the electricity they saved to people in need. When the programme ended in July 2015, 9.5 million kWh of electricity was saved. As a result, CLP donated HK\$6 million from a shareholders’ fund, together with some HK\$60,000 of public donation, to help pay for the electricity bills of about 20,000 underprivileged residential households. Other examples of our energy efficiency and conservation initiatives can be found below:

Demand Side Management

Our Demand Response programmes enable our commercial and industrial customers to save electricity by meeting their pre-agreed load reduction targets during demand peaks.



Promoting
Energy Efficiency
and Conservation

Awareness Building Campaign

- **Eco Building Fund**

The Eco Building Fund helped fund energy efficiency improvement projects in common areas of residential buildings. By the end of 2015, 36 applications involving HK\$16 million had been approved.

- **GREEN^{PLUS} Award 2015**

The Award encouraged business customers to practise energy efficiency and conservation.

- **Green Building Symposium**

The Green Building Symposium held in November 2015 provided a platform for our business customers and professionals in the building industry to share ideas and experiences.

- **Eco Home Tour – Smart Living • Smart Use of Energy**

The new Eco Home Tour showcased an ingenious selection of home energy saving technology and devices from around the world to introduce low carbon living and energy saving tips to visitors. The customer service centre in Tai Po was refurbished as an Eco Home to provide green living tips to customers.

Energy Efficiency Education

- **Green Studio**

Green Studio, Hong Kong’s first 3D environmental education mobile studio, has been in service since 2009. It received over 13,000 visitors in 2015 and will reach its 100,000th visitor milestone in 2016.

- **CLP Junior Green Engineer Programme 2015**

Through field trips, talks and interactive workshops, primary four to six students who joined the CLP Junior Green Engineer Programme in the summer learned about science, environmental protection and the engineering profession. In 2015, the programme received over 1,000 applications.

- **Green Elites Campus Accreditation Programme**

We engaged with more than 8,000 students and teachers of primary schools under Po Leung Kuk through the Green Elites Campus Accreditation Programme. Together with Friends of the Earth (HK) and Green Power, we provided them with educational tools and daily tips to encourage them to practise green living. In addition, over 22,000 primary school students enrolled as Green Elites through our Green Elites Portal to learn more about green living.

Environmental Performance

Air Emissions

We have established a robust environmental management system to manage environmental issues for our generation portfolio in Hong Kong and conduct regular reassessment to ensure these environmental controls remain up to date. In terms of environmental issues, air emissions continue to be the most material.

In 2015, we faced a new set of emissions caps that required us to reduce our emissions by up to 65% from the tight base of 2014. We were able to meet these new requirements, largely due to increased gas consumption. In addition, we managed to optimise our diversified fuel mix, use more low-emissions coal, enhance the effectiveness of our emissions control facilities, and ensure good performance of our power generation. Significant reduction in the overall emissions levels was achieved, as shown in the chart below.

We concluded discussions with the Government on a new set of emissions caps for our power stations starting in 2020. Under the new Technical Memorandum, the allowances for air emissions of sulphur dioxide (SO₂), nitrogen oxides (NO_x) and respirable suspended particulates (RSP) in 2020 and afterwards will be reduced by 9%, 10% and 12% respectively, compared to the already stringent 2019 caps.

Environmental Regulatory Compliance

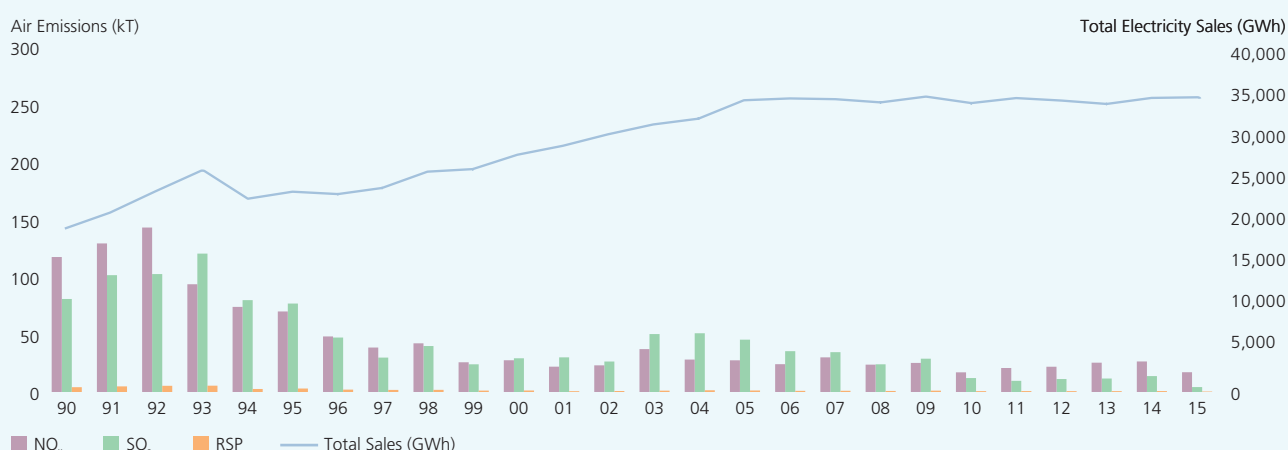
During 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our Hong Kong assets over which we had operational control.

Social Performance

Stakeholder Engagement

As a responsible public utility serving over 80% of Hong Kong's population, CLP is mindful of customers' expectations against the backdrop of the uniqueness and complexity of the energy industry. In 2015, we continued to engage a wide range of stakeholders through the organisation of seminars, workshops and visit programmes. We made use of information packs and videos to assist our stakeholders in gaining a better understanding of our business, particularly for the preparation of developing additional gas-fired generation capacity in support of the Government's 2020 fuel mix target. We also actively participated in the Government's consultation on the future development of the electricity market through attending forums, providing information to the Government and explaining CLP's response to our key stakeholders. CLP's efforts in stakeholder engagement have enabled us to gain a broader insight into the needs of our customers and to respond more promptly.

CLP Power Hong Kong Air Emissions and Total Electricity Sales since 1990



Note:

The electricity sales data from 1990 – 1998 is on a financial year basis ending 30 September. The 1998 data covers the period 1 October 1997 – 30 September 1998 and the 1999 data covers the period 1 January 1999 – 31 December 1999.

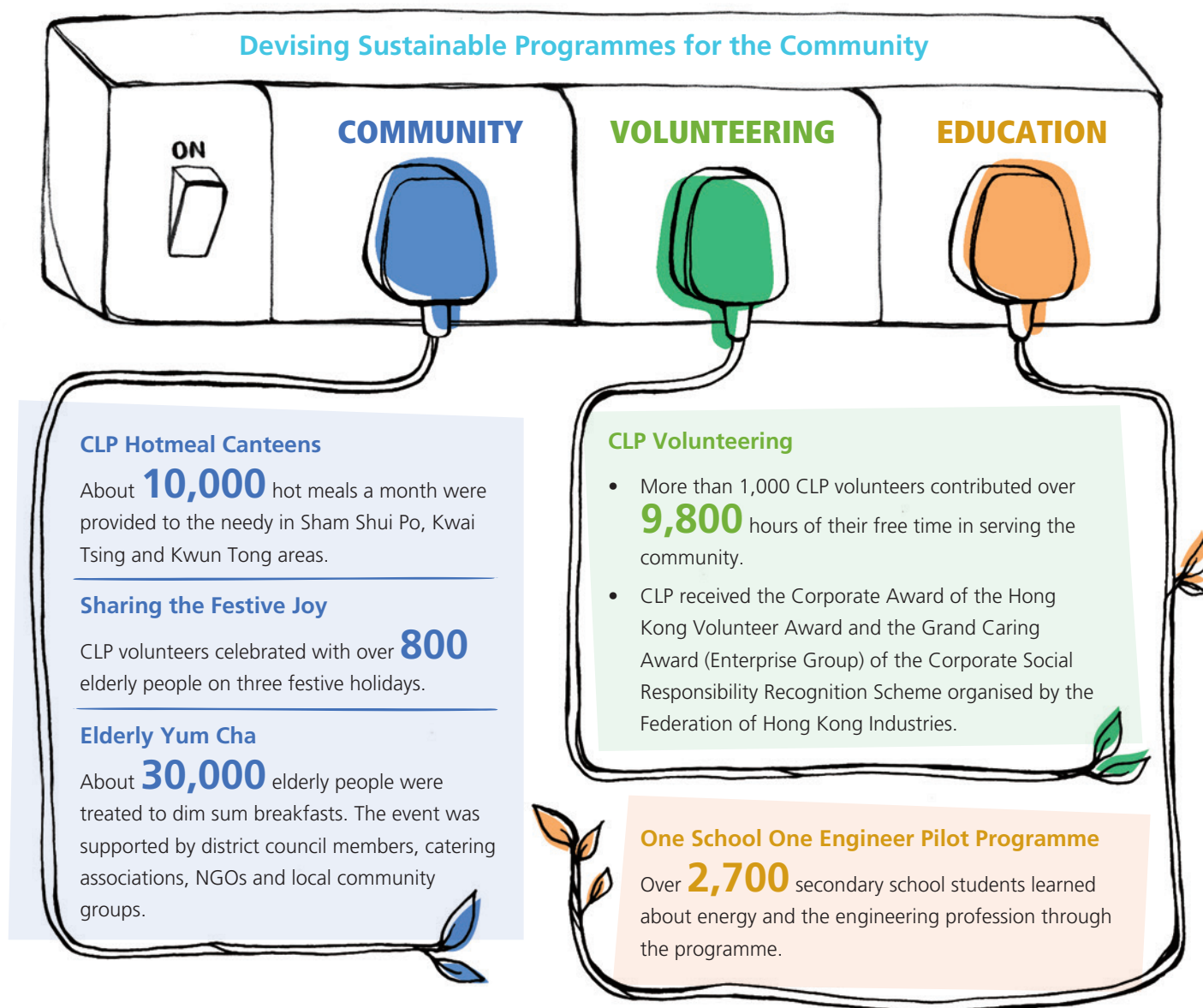
Community Initiatives

The success of our business is closely aligned with the well-being of the community we serve. In Hong Kong, our community initiatives focus on three areas: the environment, youth and education, and community well-being. We work closely with local non-governmental organisations and community groups to identify evolving needs in society and devise programmes that will bring an enduring impact. These collective efforts have brought fruitful outcomes in 2015.

During the year, we initiated and supported 392 community projects in Hong Kong. Some of the key projects are highlighted below:

Outlook

As discussed in the Chairman's Statement and CEO's Strategic Review, the Paris Agreement has laid down a clear direction and objectives for global cooperation to tackle climate change. To this end, the Hong Kong Government has pledged to take forward-looking mitigation measures. One of its first actions is setting up an inter-departmental committee to steer and coordinate the implementation work on this front. As Hong Kong's largest power company, we look forward to this opportunity and will work closely with the Government to help Hong Kong achieve a greener future.



Hong Kong

On our part, ensuring a reliable and stable power supply is our most important commitment to our customers. Over the years, we have undertaken various measures to improve the resilience of our power supply system and to counter extreme climate conditions of super typhoons and severe floods. These measures include enhancing the structure of our pylons and adoption of an Emergency Restoration System for the rapid construction of temporary pylons. We have set up a flood prediction system and put in place flood detection systems for substations, and conducted regular drills. We have also established a typhoon response protocol and coordinating system. Although power interruptions may be unavoidable during extreme natural events, we will continue to enhance our power system to alleviate the impact to our customers.

The future of Hong Kong's electricity sector and regulatory regime has far-reaching and important implications for our customers and the wider community. We are encouraged by the results of the public consultation on the future development of the electricity sector that recognised the importance of a stable regulatory framework and the contribution of the SoC. We are committed to continuing to serve our customers with an electricity supply of world-class

reliability at reasonable cost whilst making a steady improvement in environmental performance. To that end, we look forward to working closely with the Government on the post-2018 regulatory arrangement.

We are confident of keeping tariffs in 2017 at the 2016 level, provided fuel prices remain stable. At the same time, we are committed to reducing our emissions through increasing our gas consumption and making use of emissions control facilities. CLP will continue to liaise with the Government and other stakeholders on its proposed CCGT project with a view to receiving approval by mid-2016 to allow the new unit to be ready by 2020 to contribute to the community's environmental targets. The final investment decision on the project will however depend on factors such as electricity demand, technical feasibility and project economics in addition to regulatory and environmental considerations.

We will continue to support the Government's green initiatives to promote energy efficiency and conservation, and help customers manage their energy consumption. We are convinced that by working together with the community to ensure growth is achieved in a more sustainable manner, we can strengthen our customer base and build a stronger brand in the long term.



About 10,000 hot meals are served each month at the CLP Hotmeal Canteens in Shum Shui Po, Kwai Tsing and Kwun Tong

Mainland China

*We are one of the largest
external independent power
producers, focusing on clean
energy generation*



Financial Performance

Mainland China Financial Performance at a Glance

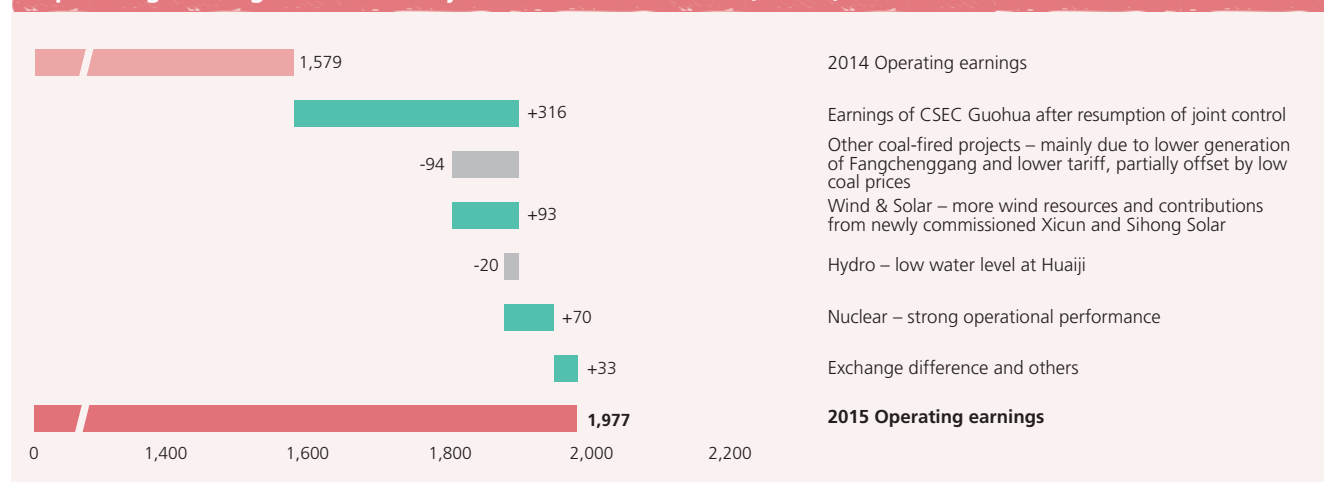
	2015 HK\$M	2014 HK\$M	Increase HK\$M	%
Revenue	937	909	28	3.1
Total earnings	1,885	1,458	427	29.3
Operating earnings	2,128	1,616	512	31.7
Power projects in Mainland China	1,977	1,579	398	25.2
PSDC and Hong Kong Branch Line	151	37	114	308.1
EBITDAF	2,705	2,188	517	23.6
Fixed assets	6,473	5,364	1,109	20.7
Total assets	26,653	25,917	736	2.8
Bank loans and other borrowings	4,402	3,516	886	25.2
Total liabilities	7,265	6,610	655	9.9
Capital investments	2,568	2,357	211	9.0

Operating earnings from Mainland China were up by 25.2% to HK\$1,977 million in 2015, as compared to HK\$1,579 million in 2014. The main contributions were as follows:

- Earnings from our 25% stake in the Daya Bay Nuclear Power Station rose by 11.6% as a result of the strong operational performance.
- Earnings from coal-fired projects improved mainly due to lower coal prices and the resumption of sharing of earnings from CSEC Guohua (HK\$316 million) after the lapse of Share Transfer Agreement at 31 December 2014, partly offset by lower contribution from Fangchenggang Power Station due to fewer units sold and reduction in tariff.
- Contributions from solar projects increased mainly attributable to Xicun I and Sihong projects, which were commissioned in late 2014 and early 2015 respectively. In addition, earnings from wind projects remained stable. On the other hand, earnings from hydro projects (in particular Huaiji Hydro) were lower due to lower water levels.

In view of the cessation of operation of Beijing Yire Power Station in March 2015, an impairment provision of HK\$243 million has been made.

Operating Earnings of Power Projects in Mainland China (HK\$M)



Operational Performance

In 2015, we continued to expand our generation portfolio concentrating on renewable energy and high efficiency coal-powered developments. This was despite a slowdown in overall electricity demand growth to 0.5% from 3.8% in 2014.

Underlining our commitment to developing renewable energy in Mainland China as a key growth market, 2015 saw the addition of 90MW of solar energy (Sihong and Xicun II) to our portfolio.

Performance of our solar projects was satisfactory. Xicun I, which was commissioned in December 2014, performed above our expectations due to better solar resources and higher plant efficiency. The success of Xicun I has helped CLP secure an additional capacity quota from the Yunnan Provincial Government to develop Phase II, adding a further 42MW of capacity. The second phase, of which the construction was completed in four months, was commissioned in November 2015.

Elsewhere, Jinchang reported higher sales after participating in a direct electricity sales scheme. Sihong reported solid performance after commencing operation in February 2015 with solar resources close to original expectations.

In 2015, operational performance of our wind projects was on par with last year. Oversupply led to grid curtailment and lower demand growth affected our projects in northeast China.

In the meantime, Xundian (49.5MW) commenced commercial operation in January 2016, whilst the construction of Sandu I, CLP Laizhou I and Laiwu II (198MW combined) continues. We have also obtained approval from Guizhou Energy Administration for the development of Sandu II (99MW).

On hydro, Jiangbian reported higher generation and more sales through direct contracts when compared to the previous year. It also received the Project Completion Acceptance approval in September 2015 from the National Development and Reform Commission fulfilling the national requirements of design, construction and operation. Jiangbian is the second hydropower project in the Mainland to achieve such qualification.

Dali Yang'er continued to suffer from lower rainfall resulting in reduced generation. Huaiji also generated less electricity due to lower rainfall in the region and lower reservoir water levels over the first half of 2015.

On the safety aspect, Fangchenggang, Jiangbian Hydro and Qian'an Wind achieved at the same time a platinum five-star rating from National Occupational Safety Association (NOSA) in 2015. It is the second consecutive year that Jiangbian Hydro and Qian'an Wind achieved such rating.

In July 2015, we shared CLP's work safety management experience and practices with Guangxi Work Safety Committee in Fangchenggang to enhance work safety management across various government departments and enterprises.



The giant blade of a wind turbine is on its way to the Sandu Wind Farm in Guizhou

Mainland China

During the year, we continued to benefit from the fall in international and domestic coal prices. The decline in coal prices helped offset the reduction of on-grid tariff rates which took effect in April 2015. Fangchenggang Power Station suffered from increased hydro generation in Guangxi and more subdued electricity demand, which resulted in lower dispatch. Meanwhile, the construction of Fangchenggang II is progressing on schedule. In March 2015, Beijing Yire Power Station ceased operation in support of Beijing Government's effort to combat air pollution although the coal-fired power station remained in full compliance with regulatory emissions requirements. We were allowed to transfer Yire's allocated generation quota to other power plants under CSEC Guohua in which CLP holds a 30% equity stake.

2015 marked the 30th anniversary of CLP's partnership with China General Nuclear Power Corporation (CGNPC) in Guangdong Daya Bay Nuclear Power Station (GNPS). During the year, GNPS continued to operate smoothly, achieving an utilisation rate of 89.5%, compared to 87.8% in 2014. It also completed an extensive planned maintenance outage during the year as required by the National Nuclear Safety Administration every 10 years. GNPS maintained an excellent safety record and its performance compared favourably vis-a-vis indices promulgated by the World Association of Nuclear Operators. A "Below-Scale" Licensing Operational Event (also known as a Level 0 event under the International Nuclear and Radiological Event Scale) occurred in October 2015. This event had no safety implications and caused no reduction to the supply of electricity to customers.

Environmental Performance

Air Emissions

Fangchenggang is currently our only fossil-fuel based power station under CLP's operational control in Mainland China. Its air emissions in 2015 were lower than 2014 due to low dispatch levels. In 2013, the Central People's Government issued emissions control enhancement requirements for coal-fired power stations for 2014-2020. Guangxi was originally not within the scope of these new requirements, but had since been included. In order to ensure Fangchenggang I and II meet these requirements within the required time frame, CLP has been working to enhance the environmental mitigation measures of both plants, including upgrading Fangchenggang I's desulphurisation, denitrification and dust emission equipment, to meet the higher air emissions standard imposed by the Chinese Government.

Environmental Regulatory Compliance

In 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for our assets in Mainland China in which we have operational control.

We are constructing a number of power stations in Mainland China including Fangchenggang II and several wind and solar projects. Over 2015, we continued to monitor the environmental performance of our construction sites through regular measurements, site supervision, and on-site audits by both CLP internal staff and independent parties. None of these sites experienced any regulatory environmental compliance issues throughout the year.

Wind Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Utilisation (%)	
		2015	2014 ¹	2015	2014 ¹
Wholly-owned					
Qian'an I and II	99.0	159.0	172.5	18.0	19.9
Penglai I	48.0	96.8	89.3	23.0	21.2
Laiwu I	49.5	67.6	68.3	15.6	n/a ²
Minority-owned					
21 projects	936.9	1,676.4	1,647.5	20.4	20.1
CGN Wind JV					
CGN Wind Portfolio ³	1,794.0	2,979.3	3,138.3	19.0	20.0

Notes:

- 1 Based on electricity sent-out.
- 2 n/a (not applicable): projects that had not been commissioned for a full year's operation.
- 3 Utilisation applies to projects with full-year operation in the JV.

Solar Projects – Performance

	Installed Capacity (MW) ¹	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	2015	2014	2015	2014	2015	2014
Jinchang	85	130	101	100	100	17	14	1,529	1,182
Sihong ^{2,3}	93	128	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Xicun I ^{2,4}	42	90	n/a	100	n/a	24	n/a	2,134	n/a
Xicun II ^{2,5}	42	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

1. Alternate Current (AC) capacity is used to align with the calculation method for other power plants under CLP portfolio.
2. n/a (not applicable): projects that had not been commissioned for a full year's operation.
3. The project entered commercial operation in February 2015.
4. The project entered commercial operation in December 2014.
5. The project entered commercial operation in November 2015.

Hydro Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	2015	2014	2015	2014	2015	2014
Dali Yang_er	50	124	140	86	84	28	32	2,494	2,816
Huaiji ¹	129	397	439	92	88	35	39	3,085	3,462
Jiangbian	330	1,277	1,151	89	87	44	40	3,869	3,487

Note:

- 1 A 1MW expansion to one of the hydropower stations was completed in 2015, bringing total installed capacity from 128MW to 129MW.

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	2015	2014	2015	2014	2015	2014
Majority-owned									
Fangchenggang	1,260	3,133	4,812	89	82	28	44	2,486	3,819
Minority-owned									
Shiheng I & II	1,260	6,607	6,577	94	95	60	60	5,244	5,220
Heze II	600	3,305	3,318	94	90	63	63	5,508	5,530
Liaocheng I	1,200	6,627	6,643	96	92	63	63	5,523	5,536
Panshan	1,060	5,410	6,263	95	92	58	69	5,104	6,050
Sanhe I and II	1,300	6,489	7,183	93	95	57	63	4,991	5,525
Suizhong I and II ¹	3,760	14,903	14,455	94	96	46	46	4,009	4,015
Yire ²	400	560	2,183	100	94	16	62	1,401	5,458
Zhungeer II and III	1,320	6,384	7,660	99	95	55	66	4,837	5,803
Shenmu	220	950	1,237	94	95	49	64	4,318	5,623

Notes:

- 1 Retrofit of Units I and II of Suizhong Power Station completed in 2015, which increased total installed capacity from 3,600MW to 3,760MW.
- 2 In accordance with the notice served by the Beijing municipal government, Beijing Yire Power Station ceased operation on 20 March 2015. The closure comes as part of the government's efforts to combat air pollution by reducing coal-fired generation in Beijing, despite the fact that the power station complies fully with the regulatory emissions requirements.

Social Performance

Stakeholder Engagement

We place importance on creating positive relationships with stakeholders through understanding and addressing their expectations. As one of the largest foreign investors in the Mainland's power industry, we continued to maintain close contacts with our stakeholders, including but not limited to the Mainland Chinese Government and local authorities, to facilitate their understanding of our business, operations and

development direction. In 2015, various meetings were held to engage key stakeholders from the National Development and Reform Commission, the National Energy Administration, Hong Kong and Macao Affairs Office, State Grid Corporation, China Southern Power Grid, CGNPC and provincial governments of Yunnan, Shandong, Sichuan, Guizhou, Guangdong and Guangxi. In particular, we have arranged visits to our power stations for Guangxi Party Secretary Peng Qinghua and Guangxi Vice-chairman Chen Gang.

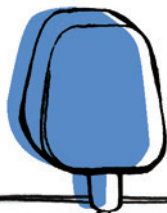
Improving the Learning Environment

- CLP donated over 60 computers to a secondary school in Sandu, Guizhou, enabling its **1,300** students to restart their computer classes.
- We sponsored three schools in Jiangbian, Sichuan to upgrade their facilities and funded two school libraries in Fangchenggang, benefiting about **1,200** students.
- Some **230** students from nine schools in three provinces benefited from our Support-a-student Programme, which is supported by CLP colleagues' donations and our company's one-to-one matching funds.
- Through the CLP Young Power Programme, **95** students from nine secondary schools in Nanning, Guangxi learned more about low carbon energy and energy conservation.

Engaging the Communities We Serve through Employee Volunteerism



COMMUNITY



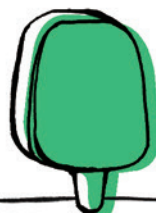
Community Infrastructure

- Over **1,100** villagers benefited from improved village roads and drainage sponsored by Sandu Wind Farm in Guizhou.
- CLP sponsored daily living necessities for **300** residents in Nanning, Guangxi.

Eradication of Poverty

Donated **RMB70,000** to the governments of Yunnan and Sichuan on Poverty Eradication Day.

VOLUNTEERING



CLP Volunteering

- CLP volunteers contributed over **700** hours of their free time to help organise charity events, and visit schools and elderly homes.
- Volunteers participated in tree planting activities near our power plants and nearby villages.

EDUCATION



Community Initiatives

Our community initiatives are designed to complement and build upon measures undertaken by the local communities, non-governmental organisations and government services. These activities reinforce our relationships with the communities in which our assets are located. In 2015, focusing on our key areas of youth education and community well-being, we launched a range of initiatives to support underprivileged individuals in local communities, as shown on page 56.

Outlook

Mainland China's transition from an export-led, high growth model to a low carbon economy that emphasises sustainability and the services sector poses challenges to conventional power generators. We expect Fangchenggang's performance to remain under pressure in the near term. To help boost generation, we are exploring new sales channels such as direct sales contracts. More importantly, our three focus regions of Shandong, southwest China and the cross border area neighbouring Hong Kong are still amongst the fastest growing areas in the country. We remain confident of the long-term demand growth in these areas.

Meanwhile, we see more opportunities in the non-carbon and renewable fronts. CLP is focused on the development of renewables and high-efficiency coal projects and is therefore

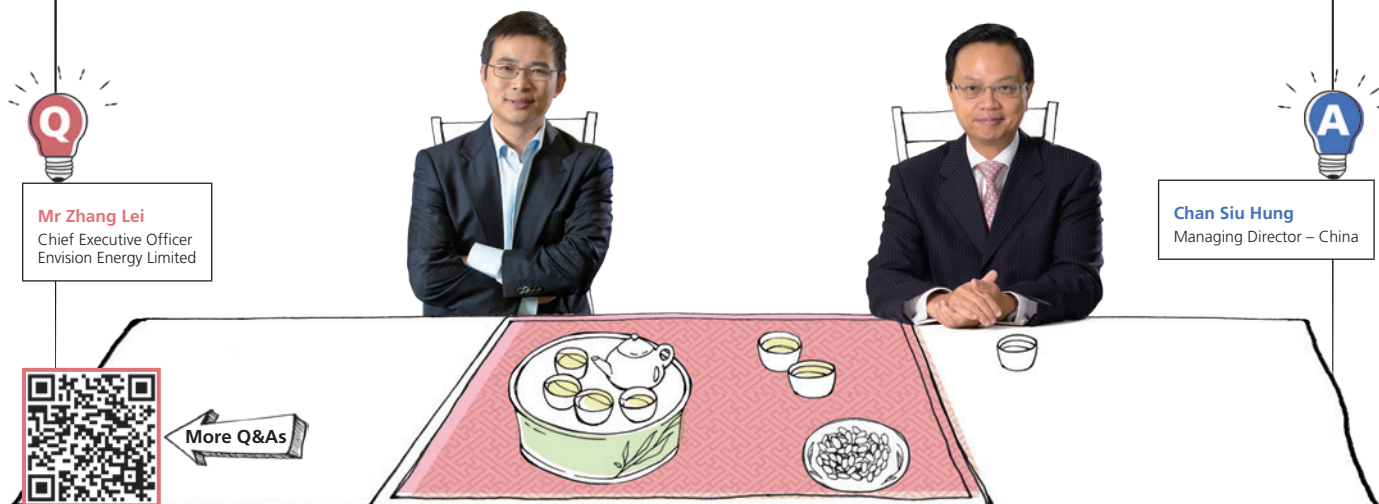
well-positioned to capitalise on these opportunities. We are encouraged by the Mainland government's green and air quality policies that provide strong impetus to investors such as CLP to make selective investments in the country.

We note that government subsidies on renewables will come down over time, and there is very keen competition in securing new renewable projects. This presents a key challenge to all developers including CLP and we will take proactive actions. On the other hand, technology advancement is expected to drive down costs creating opportunities for new projects. Hence we will focus on developing wholly- or majority-owned wind and solar projects in the country. These include the expansion of existing projects in Shandong, Guizhou and Yunnan, and new opportunities that we are exploring in eastern and southwest China. In 2016, we target to commission CLP Laizhou I Wind (49.5MW) and Laiwu II Wind (49.5MW) and start construction of Sandu II Wind (99MW). We also plan to expand our solar portfolio and currently have a number of projects in the pipeline.

China's 13th Five-Year Plan, which begins in 2016, has reaffirmed nuclear power as a primary source for non-fossil energy power generation in the long term. Drawing on our expertise in nuclear energy, we will continue to explore opportunities in the area. The electricity sector reform may also bring potential opportunities for CLP in areas such as distribution and retail.

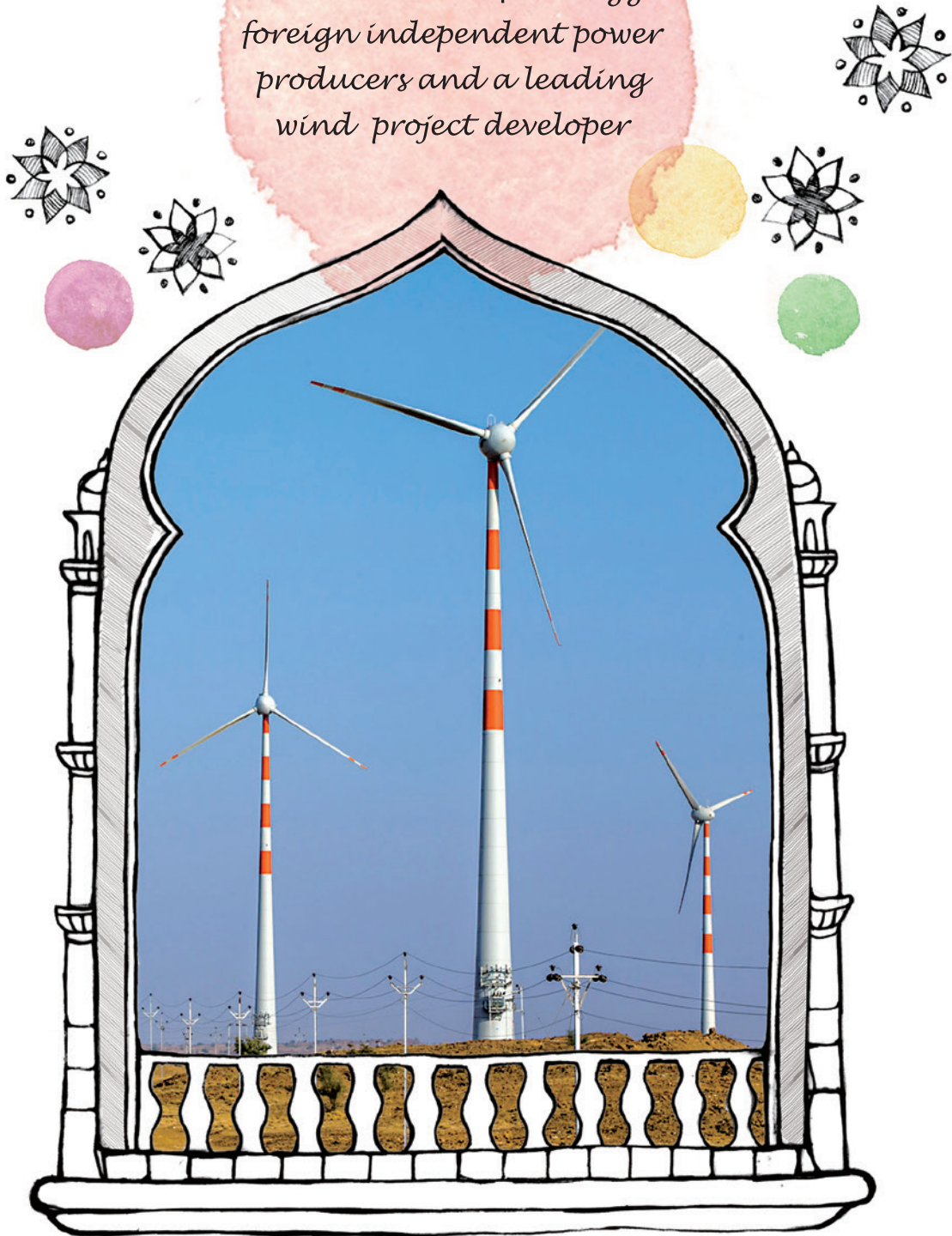
China pledges in its 13th Five-Year Plan (2016–2020) to embrace a "green" development model. What impact will it have on CLP's investment strategy in China?

We fully support the reform as outlined in the 13th Five-Year Plan. Mainland China is also a primary growth market where we will focus on renewable energy. As such, we will build on our past success and pursue more renewable projects in the future. Despite recent tariff cuts and growing competition, our solar projects remain robust thanks to our effective cost control and strategic selection of project regions. Besides, we will continue to explore opportunities in China's expansion of its nuclear capacity.



India

*CLP India is one of the biggest
foreign independent power
producers and a leading
wind project developer*



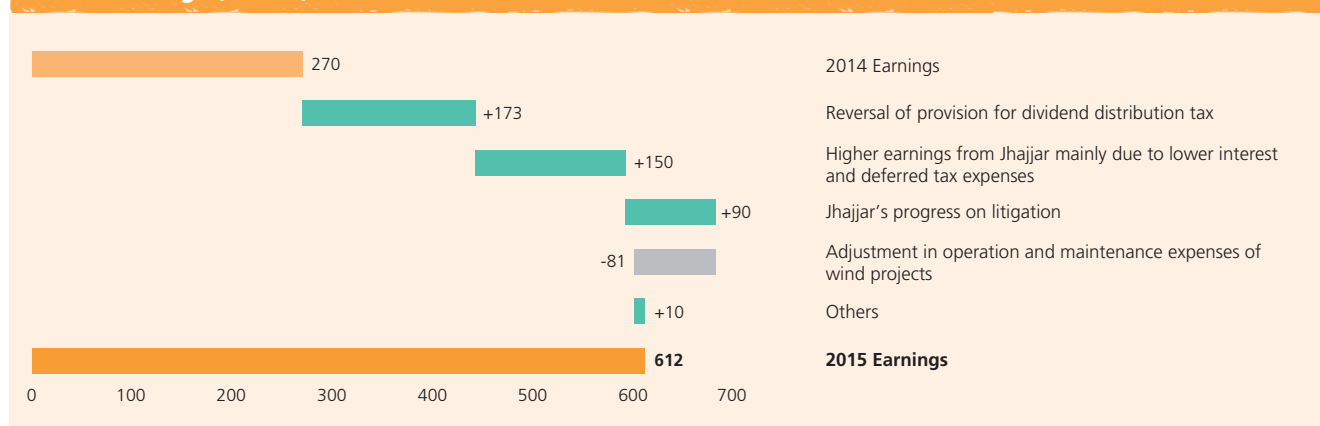
Financial Performance

India Financial Performance at a Glance

	2015 HK\$M	2014 HK\$M	Increase / (Decrease)	
			HK\$M	%
Revenue	5,104	4,821	283	5.9
Total earnings	612	270	342	126.7
Operating earnings	612	270	342	126.7
EBITDAF	1,985	1,934	51	2.6
Fixed assets	11,542	11,259	283	2.5
Total assets	16,777	16,635	142	0.9
Bank loans and other borrowings	8,835	8,656	179	2.1
Total liabilities	9,590	9,783	(193)	(2.0)
Capital investments	1,396	461	935	202.8

The performance of our India business has improved with operating earnings increased from HK\$270 million in 2014 to HK\$612 million in 2015. The increase was mainly attributable to the reversal of provision for dividend distribution tax, the turnaround of Jhajjar's performance from a loss in 2014 to a profit of HK\$146 million in 2015 and the progress on litigation at Jhajjar, partly offset by an adjustment in operation and maintenance expenses of wind projects.

India Earnings (HK\$M)



Operational Performance

Our operations in India continued their positive momentum in 2015. Even though the demand for power declined compared with previous years, we were able to report good performance in both conventional and renewable energy projects, and achieved new financial milestones. At the same time, the Indian Government has identified the power sector as a key area for sustainable growth, resulting in new opportunities especially in the field of renewable energy. We are well positioned to take advantage of these positive industry conditions and look forward to the continuing growth of our business in India.

Performance of our flagship Jhajjar coal-fired power plant improved in 2015 with plant availability exceeding 82%. This was due to an increase in domestic coal supply and our efforts to strengthen operations. Shortage in domestic coal has been a challenge for us until last year. The increase in domestic fuel supply has also significantly reduced our dependence on imported coal. For the current Indian fiscal year ending 31 March 2016, we expect availability to remain over the 80% contractual target level.

We have engaged with the domestic fuel supplier and put systems in place to resolve fuel quality issues. The Indian Government has also introduced initiatives to ensure better

India

quality of coal. Over time, these initiatives and efforts are expected to produce positive results.

Utilisation at the gas-fired Paguthan plant more than doubled from around 5% in 2014 to over 11% in 2015, largely due to CLP India winning two rounds of auctions by the Federal Government for subsidised imported gas. The supply commenced in June 2015 and will continue until March 2016, translating into lower costs for our customers and higher dispatches. To ensure a steady supply, we plan to participate in the next round of bidding for the 2016-2017 fiscal year.

On the renewable energy front, we commissioned more than 190MW of new wind capacity in 2015 after three wind farms (Chandgarh in Madhya Pradesh, and Bhakrani and

Tejuva in Rajasthan) became fully operational. Having resolved land acquisition issues, construction of Yermala wind farm (149MW) in Maharashtra has now started. Commissioning of the first 30MW is expected by April 2016.

However, wind power generation did decline in 2015, owing to multiple factors. First, wind speed was low and it was the second consecutive year that India experienced a low monsoon season. In addition, there has been power curtailment in Tamil Nadu and Rajasthan. Load restriction constraints were imposed on Theni wind farm in Tamil Nadu and generation of our wind farms in Sipla, Bhakrani and Tejuva in Rajasthan was affected due to unusual gusty winds. Their loss in generation was, however, partly made up by the early commissioning of Chandgarh as well as contractual protections.

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	2015	2014	2015	2014	2015	2014
Jhajjar	1,320.0	5,764.2	6,256.5	82.4	80.0	49.9	54.1	Unit-1 6,144.2 Unit-2 6,103.1 3,244.0	Unit-1 5,745.6 Unit-2 6,986.7 1,557.0
Paguthan	655.0	637.9	278.1	97.4	89.8	11.1	4.8		

Wind Projects – Performance

	Installed Capacity (MW)	Commissioned/To be Commissioned (MW)	Forecast Full Commissioning Date	Utilisation (%)	
				2015	2014
Andhra Lake	106.4	106.4	–	21.8	22.2
Bhakrani	102.4	102.4	–	16.6	n/a ¹
Chandgarh	92.0	92.0	–	20.4	n/a ¹
Harapanahalli	39.6	39.6	–	25.0	27.2
Jath	60.0	60.0	–	22.3	n/a ¹
Khandke	50.4	50.4	–	22.7	21.9
Mahidad	50.4	50.4	–	25.4	n/a ¹
Samana I	50.4	50.4	–	23.0	20.5
Samana II	50.4	50.4	–	25.0	22.2
Saundatti	72.0	72.0	–	20.9	21.8
Sipla	50.4	50.4	–	19.2	22.9
Tejuva	100.8	100.8	–	20.1	n/a ¹
Theni I	49.5	49.5	–	15.5	21.4
Theni II	49.5	49.5	–	15.0	20.7
Yermala	148.8	0.0 / 148.8	Dec 2017	–	n/a ¹
Total	1,073.0	924.2 / 148.8			

Note:

1 n/a (not applicable): projects that had not been commissioned for a full year's operation.

In 2015, we achieved a new milestone in financing with the issuance of bonds in the local market for the first time. In April, we issued the first asset-specific corporate bond in the Indian power sector and raised Rs.4.76 billion (HK\$591 million) to refinance debts for Jhajjar. This was followed in September where we issued the first green bond by a power company in South Asia and Southeast Asia, and raising Rs.6 billion (about HK\$700 million) for the development of wind projects in India. The proceeds from these bonds will be used for funding the capital expenditure of the renewable projects.

Environmental Performance

Air Emissions

Air (SO₂, NO_x and Particulate) emissions levels for both Jhajjar and Paguthan remained relatively low in 2015 due to low dispatch. However, since Paguthan increased power generation because of an improvement in fuel supply, overall net emissions levels were higher than that of 2014. We have previously reported particulates emissions issues at Jhajjar.

Plant operational issues have now largely been resolved, resulting in a significant reduction in overall particulates emissions.

Environmental Regulatory Compliance

During 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our India assets in which we had operational control.

Social Performance

Stakeholder Engagement

When building relationships with key stakeholders, CLP India works to achieve mutual trust with respect and integrity. This applies to all Government departments, elected bodies of neighbouring villages and community programme partners. From time to time, we engage State and Federal Government agencies responsible for policy decisions on areas affecting our business, and make joint representations on key issues with leading industry associations.

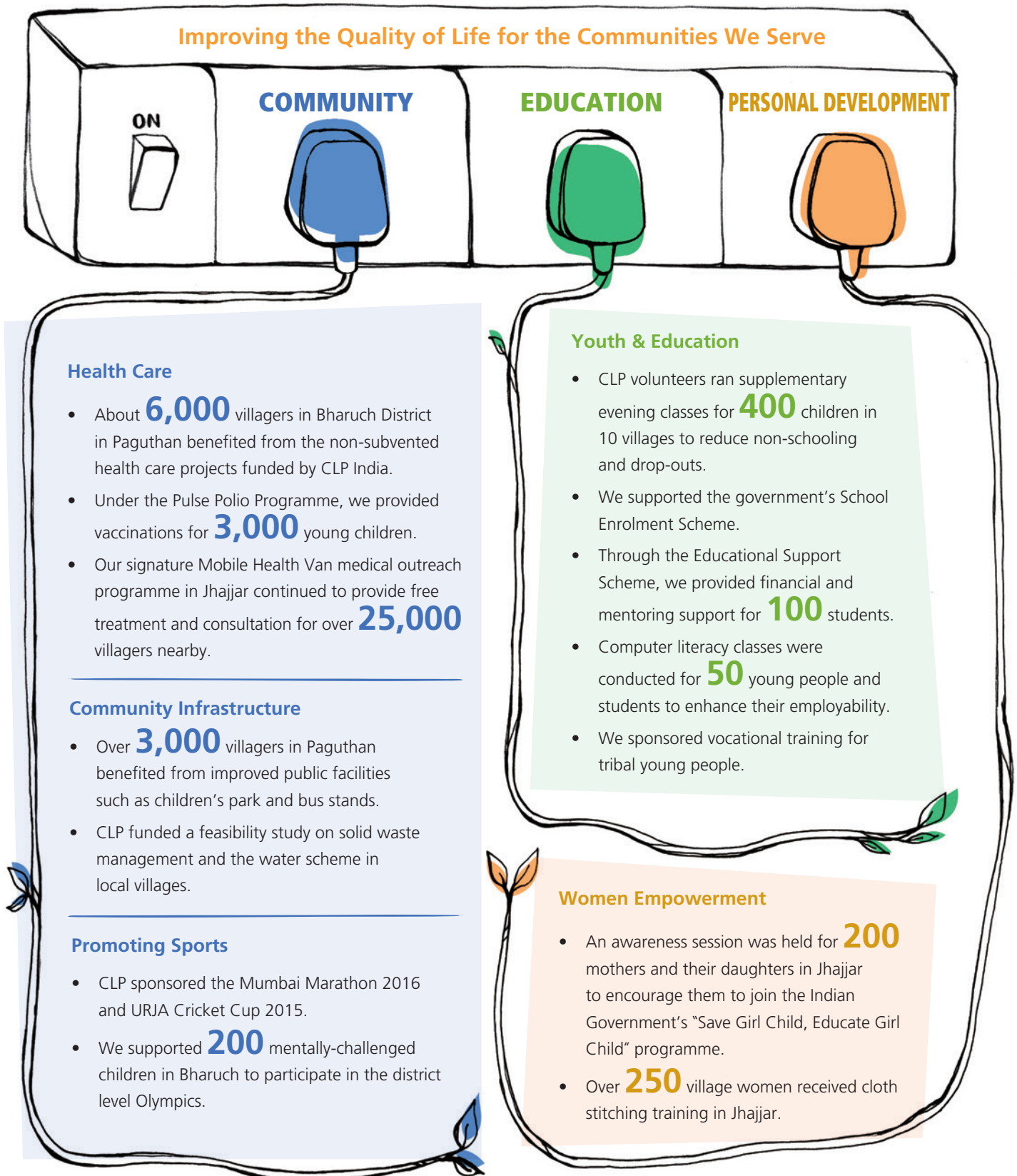


Medical care is one of the four focus areas of CLP India's community initiatives

Community Initiatives

CLP India believes in being an active participant in the social and economic development of the communities in which we operate. Our initiatives reflect the needs and expectations of the local communities. In 2015, we actively participated

in a wide range of community initiatives, focusing primarily on the areas of health care, youth education, community infrastructure support and the empowerment of women. Some of our notable initiatives are highlighted below:



Outlook

India is one of our key growth markets and we see significant opportunities in the country. The potential demand for electricity is large as electricity consumption per capita is significantly lower than that in the developed world. However, state-owned distribution companies (DISCOMS) are suffering from serious losses in their transmission and distribution businesses. Their depressed financial status has an adverse impact on dispatch and the healthy growth of the power sector. It is therefore vital for DISCOMS to regain their financial health so that the power sector can pick up momentum again. The Federal Government has announced a new scheme to revive the financial and operating health of DISCOMS but this will need the support of the state governments to make a positive impact.

Going forward, we will continue our discussion with relevant agencies to explore the possibility of building a new coal-fired plant after 2018 on the existing site of Paguthan using imported coal. We are also evaluating an expansion of the existing Harapanahalli wind farm in Karnataka. Final investment decisions for these projects will depend upon commercial feasibility.

Solar power generation has witnessed tremendous growth in India with over 5,000MW of generation capacity awarded over the last year alone. Although the low tariff for solar projects has been a challenge, it represents a potential area for CLP to expand into and we will continue to explore viable projects in this field. At the same time, we will continue to assess opportunities in electricity transmission projects should they arise.

What is CLP's vision towards youth empowerment in India? What opportunities does your company see as to how SEWA Rural can collaborate with CLP towards realisation of such a vision?

We believe in being an active participant in the social and economic development of the communities in which we operate, whilst meeting the interests of all stakeholders. To achieve this objective, one of our focus areas is education and skill training for the youth in the communities.

We believe it is important to support the youth with guidance and mentoring. Hence our employees and their spouses have volunteered to counsel young boys and girls from the communities who are keen on pursuing higher education.

We value the work done by SEWA Rural in this area and appreciate the head way you have made. We hope to continue working closely with SEWA Rural to facilitate the youth in India with the required knowledge and tools.



South East Asia and Taiwan

*We invest in and develop
solar and coal-fired
power projects*



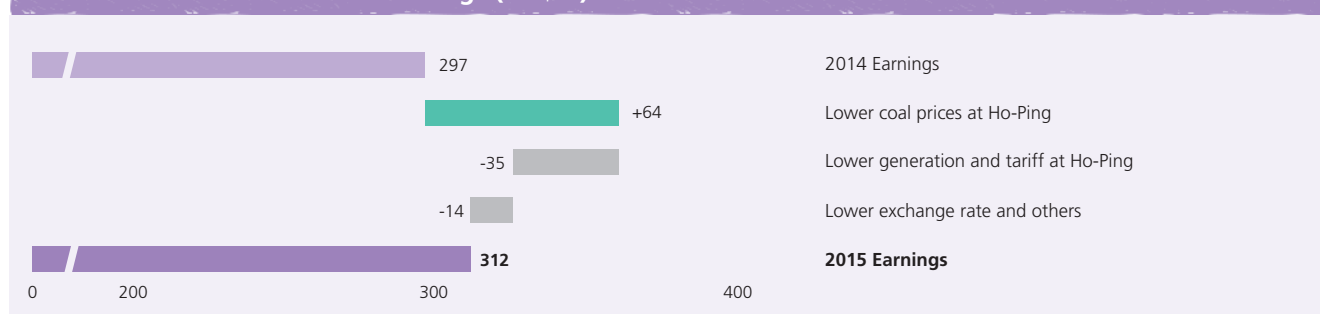
Financial Performance

Southeast Asia and Taiwan Financial Performance at a Glance

	2015 HK\$M	2014 HK\$M	Increase / (Decrease) HK\$M	%
Revenue	9	8	1	12.5
Total earnings	312	297	15	5.1
Operating earnings	312	297	15	5.1
EBITDAF	310	294	16	5.4
Total assets	1,780	1,793	(13)	(0.7)
Total liabilities	3	3	–	–
Capital investments / (repayment)	10	(178)	188	n/a

Operating earnings from our investments in Southeast Asia and Taiwan in 2015 increased to HK\$312 million, compared with HK\$297 million in 2014. Operational performance at Ho-Ping and Lopburi solar project remained stable. Ho-Ping's earnings increased mainly due to lower coal prices, partly offset by lower generation and lower tariff.

Southeast Asia and Taiwan Earnings (HK\$M)



Operational Performance

Throughout 2015, Ho-Ping in Taiwan and our Lopburi solar project in Thailand continued to perform strongly. Significant progress was also made in the development of our two coal-fired projects in Vietnam – Vung Ang II and Vinh Tan III.

Buoyed by low coal prices, and notwithstanding temporary suspension of operations due to strong typhoons in August and September 2015, Ho-Ping recorded another year of strong financial performance.

Ho-Ping continues to defend against an unjustified claim of NT\$5,266 million (CLP's share: HK\$249 million) by Taiwan Power Company (Taipower) relating to alleged losses by Taipower over tariffs prior to December 2012.

At Lopburi, reliable operation and high solar irradiance contributed to the solar plant's good financial results.

Work continues on the development of the Vung Ang II and Vinh Tan III coal-fired projects in Vietnam. Contracts for equipment supply and construction, and for the supply and transportation of coal, are largely settled, securing key linkages for construction and long-term importation of fuel. Negotiations for the key concession agreement and power purchase agreement (PPA) are in their final stages.

Meanwhile, the Vinh Tan III project received a significant boost in November when the project company signed a Memorandum of Understanding (MOU) with China's leading policy bank, China Development Bank, as part of the proposed lending group for the prospective development of the project. The signing of the MOU was witnessed by Xi Jinping, the President and General Secretary of the Communist Party of China, and Nguyen Phu Trong, the General Secretary of the Communist Party of Vietnam.

Environmental Performance

In 2013, the Taipei High Administrative Court (THAC) ruled in favour of Ho-Ping regarding a penalty of NT\$442 million (CLP's share: HK\$18 million after tax) imposed by the Hualien County Government (HCG) for Ho-Ping's exceedance of its coal consumption limit in 2009 and 2010. The HCG subsequently appealed and the THAC was instructed to re-examine the case. In December 2015, the THAC ruled in favour of the HCG but marginally reduced the penalty to NT\$436 million (CLP's share: HK\$18 million after tax). Ho-Ping has appealed against the verdict.

Social Performance

In Thailand, Natural Energy Development Co., Ltd. (NED) continued to support stakeholder engagement programmes and initiatives, focusing on youth and education and conservation of traditional culture. Its GreenNEducation Centre has served as an important platform in raising awareness about renewable energy in the community. Additionally, NED participated in the Innovation Expo to promote home solar energy system and renewable energy knowledge.

In Taiwan, Ho-Ping's community initiatives continued to focus on health, environment and cultural development. Throughout

2015, Ho-Ping supported numerous sports events and cultural activities, as well as a broad range of community events including beach cleaning and blood donation. Through these efforts, Ho-Ping successfully engaged with key stakeholders in Hualien and Yilan counties.

Outlook

Looking ahead, our strategy in Southeast Asia and Taiwan is to focus on our existing operations in Ho-Ping and Lopburi, and the development of Vung Ang II and Vinh Tan III.

With the support of its shareholders including CLP, Ho-Ping will strive to maintain good operational and safety performance, and contribute quality earnings to shareholders. Lopburi will focus on reliable and safe operation.

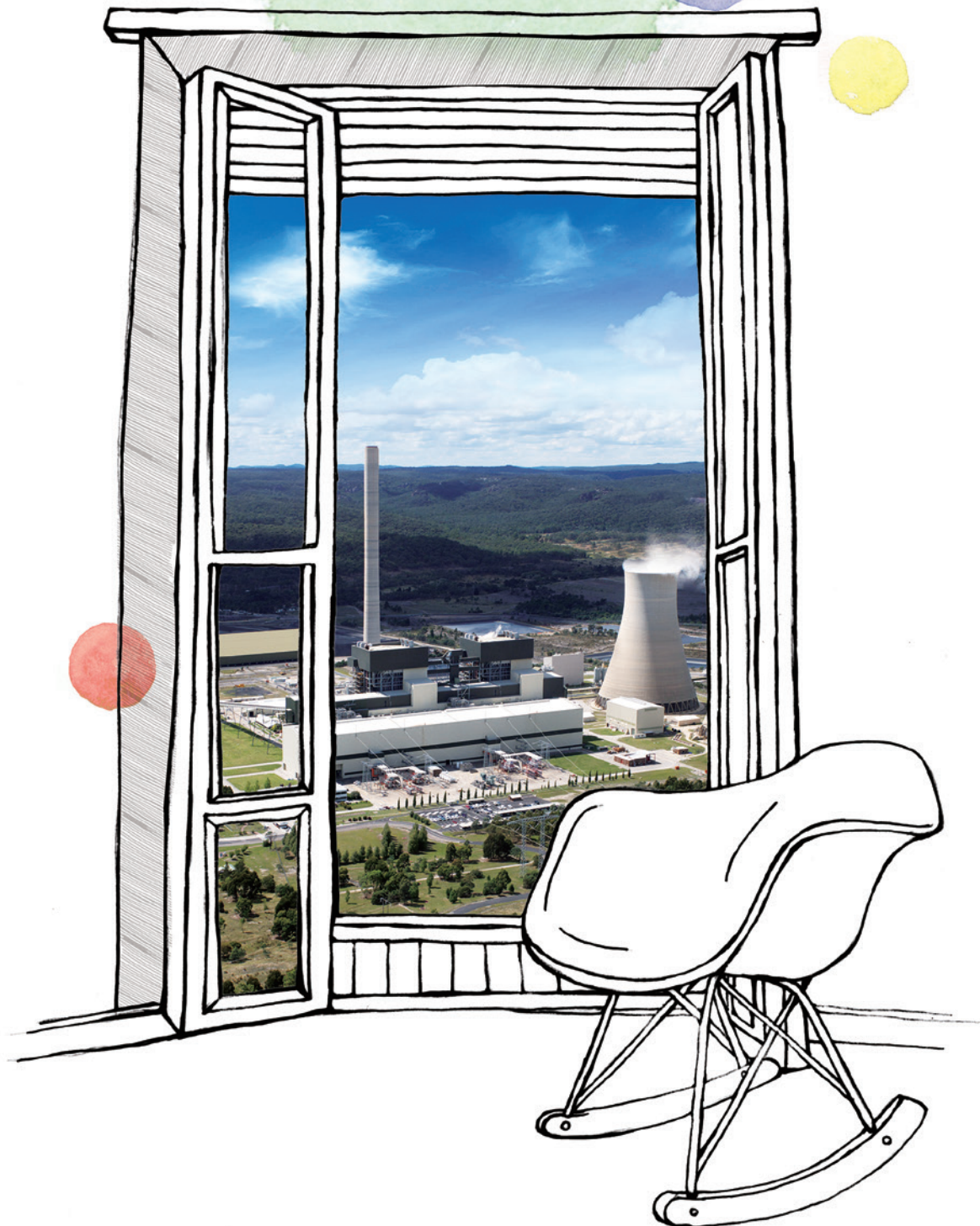
We are confident that we can contribute to Vietnam's economic growth by supplying the country with electricity that is reliable and competitively-priced. We are focusing on the advancement of our negotiations to allow the Vung Ang II and Vinh Tan III projects to proceed to a final investment decision.

In addition to managing our existing assets and development projects, we continue to monitor opportunities in the Southeast Asia and Taiwan markets, particularly where long-term PPAs are still available.



Australia

*EnergyAustralia is a
retail-focused energy business
serving 2.64 million accounts
across southeast Australia*



Financial Performance

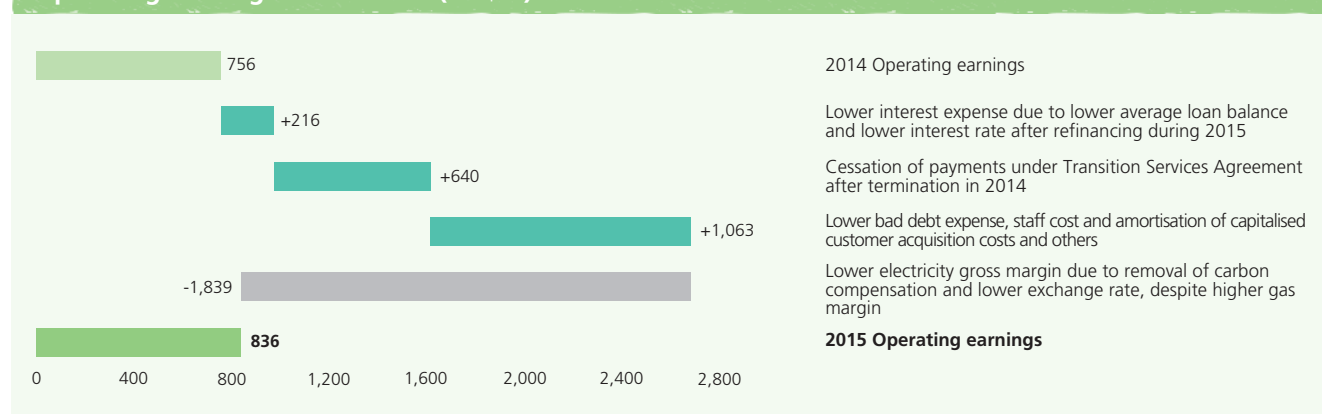
Australia Financial Performance at a Glance

	2015 HK\$M	2014 HK\$M	Increase / (Decrease) HK\$M	%
Revenue	35,707	50,895	(15,188)	(29.8)
Total earnings	5,117	(125)	5,242	n/a
Operating earnings	836	756	80	10.6
EBITDAF	10,318	1,231	9,087	738.2
Fixed assets	9,139	13,982	(4,843)	(34.6)
Total assets	36,551	50,302	(13,751)	(27.3)
Bank loans and other borrowings	964	14,619	(13,655)	(93.4)
Total liabilities	8,021	24,555	(16,534)	(67.3)
Capital investments	825	1,764	(939)	(53.2)

EnergyAustralia's operating earnings increased by 10.6% from HK\$756 million to HK\$836 million in 2015 despite a 16.9% decrease in the Australian dollar exchange rate during the year. The rise in earnings was attributable to lower operating costs as a result of the successful completion of migration of customers and the consequent termination of the Transition Services Agreement, lower bad debts, staff and amortisation expenses. Finance costs also reduced resulting from lower interest rates and a lower average loan balance. A higher contribution from retail business due to improved gross margin and favourable weather was offset by lower commercial and industrial volumes and lower exchange rate. On the other hand, contribution from wholesale was negatively impacted by the repeal of carbon tax and its compensation.

In December 2015, the Group completed the sale of Iona Gas Plant with proceeds of A\$1,780 million (HK\$9,991 million) and recorded a gain of A\$1,180 million (HK\$6,619 million). The proceeds were used to prepay external debt and terminate associated hedging derivatives leading to a total cost of HK\$858 million. In addition, impairment and onerous provisions for generation assets (HK\$1,480 million) have been made in view of the oversupplied wholesale electricity market in Australia.

Operating Earnings of Australia (HK\$M)



Operational Performance

In 2015, EnergyAustralia set a solid platform enabling us to become a leading, low-cost energy retailer and restore value to the business.

A new executive management team with proven experience in energy, retail and business transformation was appointed and successfully restructured EnergyAustralia around its new

strategy. The work refreshed and sharpened the business focus in key areas, in particular enhancing customer service, expanding its offer of next-generation products, reducing operational costs across the enterprise and making generation assets more reliable and efficient.

Whilst much work remains to be done, and external retail and wholesale energy markets remain challenging, good progress was made in critical areas during 2015.

Retail

EnergyAustralia ended the year with a modest net increase in mass market customer accounts to 2.62 million, or a market share of 21.5% in the states in which we operate (New South Wales (NSW), Victoria, South Australia and Queensland). The growth was the result of enhanced brand awareness, a focus on customer retention and new third-party sales channels. During the year, customer complaints made to the Ombudsman fell to a monthly average of 56 per 10,000 customers in 2015 from 298 in 2013. This represents one of the most satisfying achievements for EnergyAustralia in 2015.

Additionally, EnergyAustralia reduced its bad debt expense and successfully overhauled the telephony system in contact centres. The launch of a new major marketing campaign and improved analytical capacity allowed the business to target offers and campaigns at specific segments of the market.

Renewed focus on customer retention reduced customer losses, or "churn", which remains lower than the industry average. For example, EnergyAustralia's churn rate in NSW and Victoria was 14% and 20% respectively, against 16% and 24% in the broader market.

Midway through 2015 a new business function dedicated to identifying and developing next-generation products and services was established, whilst across the year online sales exceeded plan.

On costs, the successful integration of all mass market customer accounts onto a single billing platform in late 2014 continued to support refinement of EnergyAustralia's processes, making them simpler, more efficient and more reliable. The integration, together with the termination of the Transition Services Agreement with the NSW Government, has contributed significant savings. In total, EnergyAustralia delivered A\$100 million in savings (compared with a 2013 baseline) one year ahead of the 2016 target to which EnergyAustralia had committed.

In the fourth quarter of 2015, EnergyAustralia announced the difficult decision to close a call centre and relocate some services to the Philippines. The closure, scheduled for September 2016, will give EnergyAustralia additional flexibility to scale its operations, increase options for extending contact hours and reduce exposure to expensive Australian capital city real estate.

Wholesale

During the year, EnergyAustralia improved the efficiency of key assets. Yallourn Power Station in Victoria completed a five-year maintenance programme on time and on budget. The latest component of the work delivered a 2.7% improvement in generation efficiency at the plant's second generating unit.

Overall the programme will allow Yallourn to produce power for 100,000 extra homes from the same amount of coal.

Elsewhere in the generation portfolio, Mount Piper Power Station in NSW operated at reduced output due to uncertainty about coal supply. The outlook became clearer in October when the Springvale mine, the main source of supply for Mount Piper, received development approval from the relevant authorities.

In November 2015, EnergyAustralia complemented its operational improvements with the sale of the Iona Gas Plant in Victoria for A\$1,780 million (HK\$9,991 million). The transaction sets a solid financial foundation for the business, freeing funds for new projects, service enhancements and repaying loans extended by CLP Group and third-party debts. In addition to generating capital from the sale, EnergyAustralia entered into an agreement through which it has secured long-term access to gas storage services at the plant at competitive prices.

Externally, electricity market conditions improved but remain challenging. The trend since 2010 of declining demand in the National Electricity Market (NEM) abated in 2015. Overall, demand increased by 1.0% compared with 2014, mainly due to the electricity needs of three large liquefied natural gas projects in Queensland. In contrast, demand in Victoria and South Australia was lower in 2015 compared to the year before whilst in NSW it was broadly the same.

Whilst demand was lower in aggregate across the southern states of Australia, there was greater volatility. State capitals Sydney and Melbourne experienced their hottest weather in the July-to-December period of the last 20 years, whilst for Adelaide it was the second-warmest second half in the past two decades. These factors, together with concerns about the El Nino weather pattern and lower hydroelectric generation, led to higher average electricity spot prices across the southern states compared with 2014.

Despite signs of short-term improvement, the wholesale electricity market remains significantly oversupplied with prices well below the level required to provide adequate long-term returns on generation investments. That has been reflected in announcements of plans to shut down power stations, particularly in southern states, following EnergyAustralia's closure of Wallerawang Power Station in NSW.

Detailed analysis of the economic prospects of EnergyAustralia's generation assets indicates a return to more sustainable wholesale prices will take longer than previously anticipated, resulting in a decision to impair and make provisions for some of those assets totalling A\$261 million (HK\$1,480 million).

Australia

To support the development of renewable energy projects and secure a supply of large-scale generation certificates to meet the requirements of the federal government's Renewable Energy Target scheme, EnergyAustralia has signed four PPAs with new wind farm developments. Under these PPAs, EnergyAustralia buys output from the Mortons Lane, Taralga, Boco Rock and Gullen Range wind farms. These four wind farms have all been commissioned and have started commercial operations, with Taralga the most recent to come online, in June 2015.

Environmental Performance

Air Emissions

The air emissions levels of our Australian fossil fuel power stations were at intensity levels similar to that in previous years, but the net amount was affected by specific situations at individual power plants. Mount Piper was affected by coal supply issues and had therefore been operating at low dispatch, resulting in lower overall net emissions.

Environmental Regulatory Compliance

As at 31 December 2015, there was one environmental non-compliance case resulting in fines at Yallourn Power Station and a penalty infringement notice. There was also one case of licence limit exceedance at Tallawarra Power Station.

We also report below an environmental incident at Mount Piper Power Station which the local authority requested a formal incident report. However, the incident constituted

neither a licence exceedance nor non-compliance case, and no penalty was imposed.

Yallourn

EnergyAustralia was fined A\$7,584 by the Environment Protection Authority Victoria for the Yallourn Power Station breaching the Environment Protection Act 1970. The incident in February 2015 involved a discharge of ash slurry into the Morwell River. Around 8,600 kilolitres of salt water entered into the river after a welded point joint failed, causing the pipeline to rupture. The spill was diluted by river flows, minimising its impact on the environment. To prevent repeat incidents, EnergyAustralia has introduced process improvements including upgrades to alarms to automatically shut down ash line pumps and alert site staff to ruptures, installing CCTV cameras in high-risk areas and requiring hydraulic testing of new pipework prior to commissioning.

Tallawarra

Dead fish were found near a water inlet. Water samples showed that dissolved oxygen content in the water was below the statutory limit. Tallawarra Power Station has developed and implemented a plan to minimise the risk of any impact as a result of activating the Main Cooling Water and Attenuation pumps.

Mount Piper

At Mount Piper, cooling water was discharged into Neubecks Creek in November 2015 when a drain valve was left open on a cooling water conduit that was being refilled during an outage. Approximately 250 to 750 kilolitres of water flowed down a



CEO Richard Lancaster (second right) and Independent Non-executive Director of EnergyAustralia Christine O'Reilly (second left) visit Mount Piper Power Station in New South Wales

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Availability ¹ (%)		Utilisation ¹ (%)		Operating Hours ² (Hours)	
		2015	2014	2015	2014	2015	2014	2015	2014
Hallett	203	31	30	87	93	2	2	3,135	2,925
Tallawarra	420	2,539	2,480	91	82	69	67	7,662	6,193
Yallourn	1,480	11,172	10,697	85	83	86	83	30,335	29,944
Mount Piper	1,400	5,523	8,270	87	89	45	67	12,275	15,521
Wilga Park ³	16	–	–	–	–	–	–	–	–
Ecogen	966	240	311	83	68	3	4	981	1,052

Notes:

- 1 In this table and elsewhere, “availability” is the extent to which a generating unit is made available by its operator for generation to the grid system, whereas “utilisation” is the extent to which the unit actually generates as compared to its rated capacity applied over the period in question. Since historical rated capacity is used in the calculation and may not reflect recent increases in generation efficiencies, it is possible to achieve utilisation greater than 100%.
- 2 Reflects the total hours in operation by all units at the station in the year.
- 3 Wilga Park is not used for commercial purposes by EnergyAustralia. It is used to burn waste gas from the Narrabri coal seam gas exploration project (of which EnergyAustralia has a 20% equity stake) which is in negligible quantities.

Wind Projects – Performance

	Installed Capacity (MW)	Generation at Farm Gate (GWh)		Availability (%)		Utilisation (%)	
		2015	2014	2015	2014	2015	2014
Cathedral Rocks	66	171	180	89	92	30	31

Generating Capacity under Contract to EnergyAustralia

	Installed Capacity (MW)	Net Generation (at node) (GWh)	
		2015	2014
Boco Rock	113	298	21
Gullen Range	166	428	–
Mortons Lane	20	63	62
Taralga	107	143	–
Waterloo	111	269	304

storm water drain, and into Neubecks Creek. An assessment found there was no material harm to the environment. We have advised the Environment Protection Authority and will submit a formal incident report.

Social Performance

Stakeholder Engagement

EnergyAustralia recognises the importance of engaging with external stakeholders so that it is transparent in how

it conducts its business and is able to identify issues of importance to stakeholders for consideration in business planning. EnergyAustralia stakeholders include customers, employees, governments, regulators, local communities, non-government organisations, consumer advocacy groups, suppliers, the media and business partners.

Engagement in 2015 included community liaison group meetings and site visits, tendering submissions on government policy reviews, presentations as keynote speakers at industry

Australia

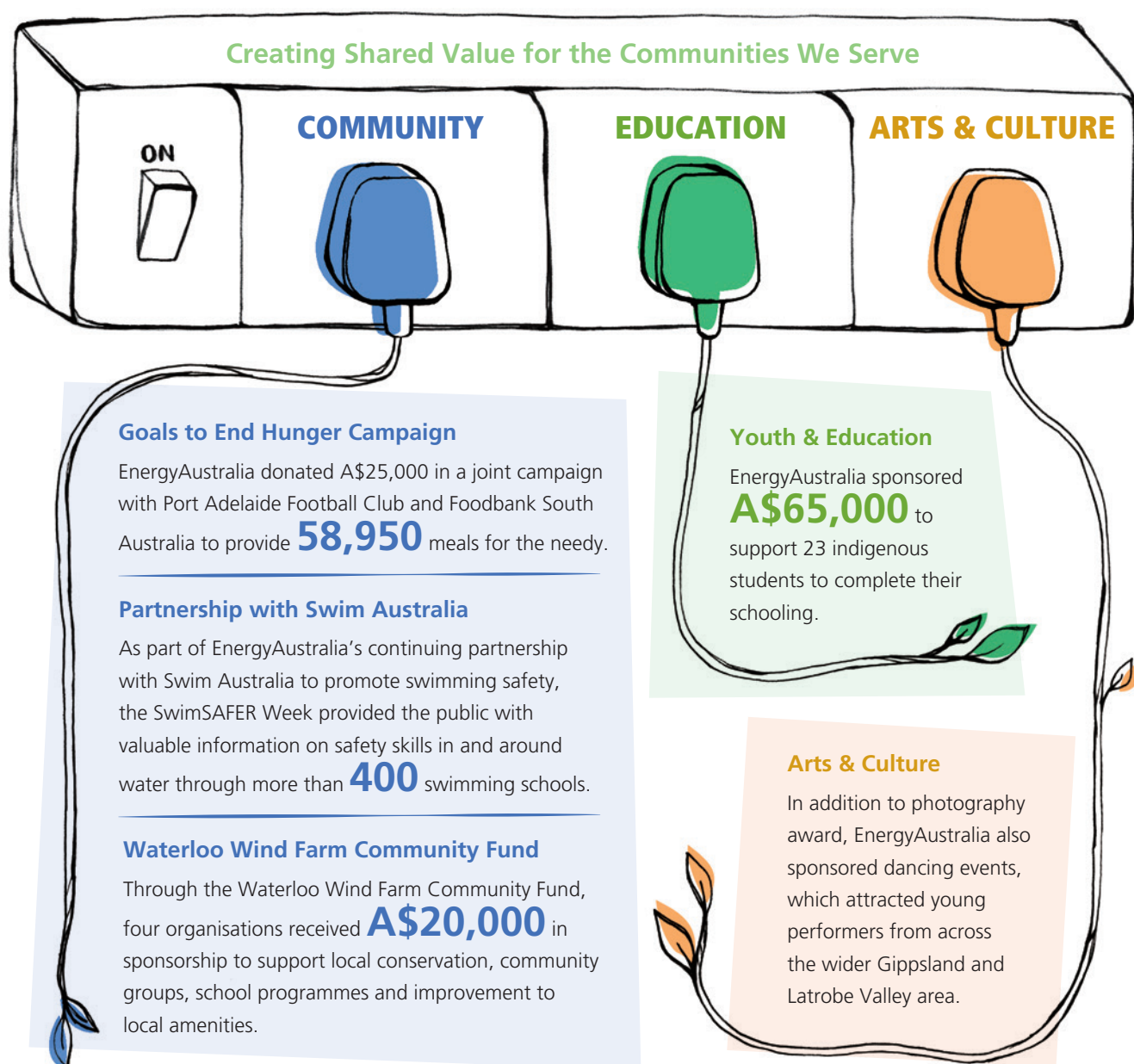
forums and active participation in policy committees of relevant industry associations.

In July 2015, EnergyAustralia conducted research to better understand stakeholder expectations of its role and responsibilities in supporting customers struggling to pay energy bills. This involved surveying customers in addition to a variety of stakeholders such as regulators, government agencies, customer advocacy support services and social services providers. Through this work stakeholders were able to appreciate changes EnergyAustralia is making to better support customers. The exercise enabled EnergyAustralia to identify

areas for improvement in its hardship programme. This will be a priority area for stakeholder engagement during 2016.

Community Initiatives

EnergyAustralia works closely with the local communities in which it operates with the aim of building a reputation as a trusted local operator. Consistent with this approach, in 2015 EnergyAustralia formed a dedicated Social Enterprise team. The team focuses on community engagement, arts & culture, local community infrastructure enhancement works and sporting sponsorships. Some of the highlights of our works in 2015 are listed below:



Outlook

At the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, the Australian Government committed to reduce Australia's emissions to between 26 and 28 per cent on 2005 levels by 2030. The Australian Government's policy of "Direct Action" – funding projects to reduce emissions – remains its primary mechanism to meet the target, with a review of Australia's emission reduction policies flagged for 2017-18.

EnergyAustralia is well placed to contribute to Australia's emission reduction goals. Since 2008 the business has reduced the emissions intensity of its generation portfolio by more than 20%. Additionally, EnergyAustralia is pursuing a range of initiatives to further reduce emissions. These include maximising the efficiency of its generating assets and investing in renewable energy. Government policies will play a key role in driving innovation and lowering emissions from Australia's electricity sector and EnergyAustralia remains committed to working with authorities and other stakeholders to achieve these goals.

We anticipate wholesale market conditions will remain challenging. EnergyAustralia maintains that industry-led and government-supported action is needed to resolve market over-supply issues and to make a step change in the aggregate emissions across the NEM.

At the same time, EnergyAustralia is managing its emissions by improving the efficiency of its power stations so that they produce more energy from the same amount of fuel. Additionally, EnergyAustralia invests in and supports the development of large-scale renewables (underpinning A\$1 billion of investment in wind projects to date), and assists its customers to manage their energy use according to their budgets.

EnergyAustralia intends to build on the progress it made in 2015 by continuing to focus on its transformation, in particular measures which enhance customer service, improve efficiency and reduce costs.

The Aboriginal AFL Academy, supported by EnergyAustralia through its sponsorship of the Port Adelaide Football Club, focuses on educational success for its Aboriginal students whilst teaching them football and leadership skills. How does this align with EnergyAustralia's values?

Our involvement reflects the importance EnergyAustralia places on a fair and inclusive society, including for indigenous Australians. EnergyAustralia is developing a Reconciliation Action Plan which sets out actions we will take to improve indigenous engagement and participation in our business.

At EnergyAustralia, we are all about leading change, just as the Aboriginal AFL Academy, which is the first of its type in the Australian Football League. Another example is that both EnergyAustralia and the Academy share a common value of treating people equally, and with fairness and respect.

