

Financial Review

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



CLP Group's Financial Results and Position at a Glance

Strategy for Becoming a Utility of the Future

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

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

How We Progress on the Execution of Our Strategy

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

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

Adequate Resources to Support Our Strategy

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

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

Where We Stand

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

Last Year's Statement of Financial Position

	2019	
	HK\$M	
Working capital		
Trade and other receivables	12,986	
Trade payables and other liabilities	(17,586)	
Bank balances, cash and other liquid funds		
Cash and cash equivalents	7,881	
Short-term deposits and restricted cash	445	
	8,326	
Others	(1,811)	
	1,915	
Non-current assets		
Capital assets		
Fixed assets, right-of-use assets and investment property	150,786	
Goodwill and other intangible assets	20,111	
Interests in joint ventures and associates	18,707	
	189,604	
Others	3,193	
	192,797	
Debts and other non-current liabilities		
Bank loans and other borrowings *	(52,349)	
Others	(23,034)	
	(75,383)	
Net assets	119,329	
Equity		
Shareholders' funds		
Share capital and other reserves	25,657	
Retained profits	88,080	
Translation reserve	(8,282)	
	105,455	
Non-controlling interests (NCI) and perpetual capital securities (PCS)	13,874	
	119,329	

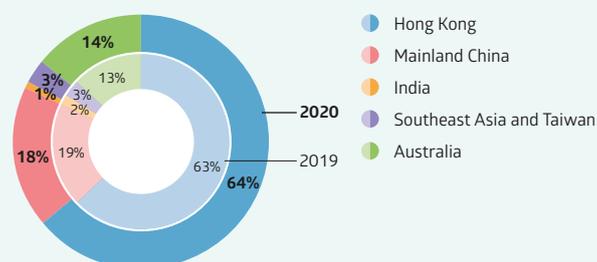
* Including current and non-current portions

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

Statement of Profit or Loss

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

Operating Earnings (Before Group Expenses) by Region



Statement of Changes in Equity

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

Statement of Cash Flows

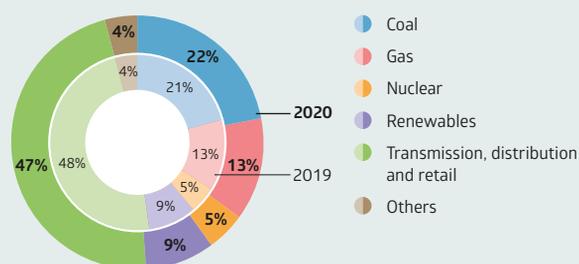
	2020 HK\$M
EBITDAF of the Group	22,732
SoC related movements	398
Working capital movements	913
Non-cash items	375
Funds from operations	24,418
Interest received	138
Tax paid	(2,182)
Cash inflow from operating activities	22,374
Capital investments	
Capital expenditure	(10,586)
Additions of other intangible assets	(451)
Investments in and loans to joint ventures	(458)
Acquisitions of subsidiaries	(196)
	(11,691)
Dividends from joint ventures and associates	2,320
Capitalised finance costs paid and others	(710)
Cash outflow from investing activities	(10,081)
Net proceeds from borrowings	736
Interest and other finance costs paid ^	(1,923)
Dividends paid to shareholders	(7,782)
Dividends to NCI and others	(1,242)
Cash outflow from financing activities	(10,211)
Net increase in cash and cash equivalents	2,082
Cash and cash equivalents at 1 January	7,881
Effect of exchange rate changes	195
Cash and cash equivalents at 31 December	10,158
Free Cash Flow	
Funds from operations	24,418
Less: tax paid	(2,182)
Less: net finance costs paid ^	(2,139)
Less: maintenance capital expenditure (capex)	(1,999)
Add: dividends from joint ventures and associates	2,320
	20,418
^ Including distributions paid to PCS holders	
Capital Investments	
SoC capex	8,686
Growth capex	452
Maintenance capex	1,999
Other capex	358
Acquisition of business	196
	11,691

This Year's Statement of Financial Position

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

* Including current and non-current portions

Capital Assets by Asset Type



Analysis on Financial Results

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

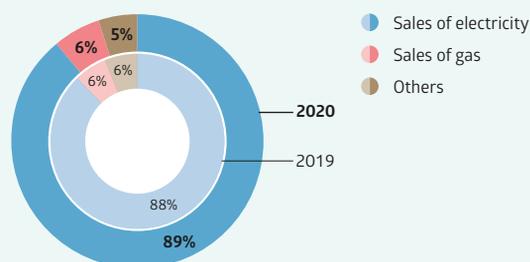
	2020 HK\$M	2019 HK\$M	Increase / (Decrease) HK\$M	%
Hong Kong	41,893	40,588	1,305	3.2
Australia	32,357	38,752	(6,395)	(16.5)
India	3,616	4,651	(1,035)	(22.3)
Mainland China and others	1,724	1,698	26	1.5
	79,590	85,689	(6,099)	

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

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

- India: Lower revenue from Jhajjar mainly from lower generation during the lockdown periods and reduced capacity charges effective April 2020; lower revenue from renewable projects due to lower wind resource and fewer delayed payment charges received partly offset by the revenue of newly acquired solar projects since the first half of 2020; full year contribution from the transmission project
- Mainland China: Higher revenue with more wind projects commissioned since the second half of 2019 (Laizhou II and Laiwu III) largely offset by the lower revenue from Huaiji hydro project due to lower water resource

Revenues by Nature



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

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

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

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

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

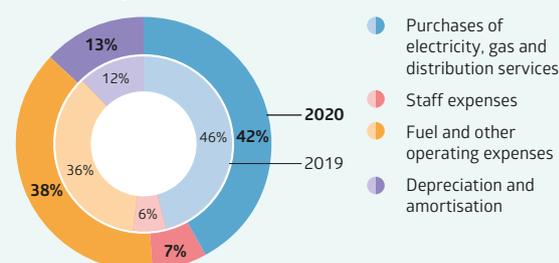
Fair Value Adjustments (2020: Gain of HK\$460 million; 2019: Loss of HK\$176 million)

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

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

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

Expenses by Nature



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

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

* Excluding the items affecting comparability

Items Affecting Comparability

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

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

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

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

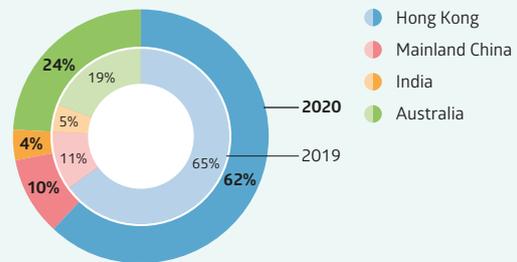
	2020 HK\$M	2019 HK\$M	Increase / (Decrease) HK\$M	%
Hong Kong	996	1,013	(17)	(1.7)
Mainland China	237	248	(11)	(4.4)
India	440	458	(18)	(3.9)
Australia	88	60	28	46.7
Corporate	(24)	42	(66)	N/A
	1,737	1,821	(84)	

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

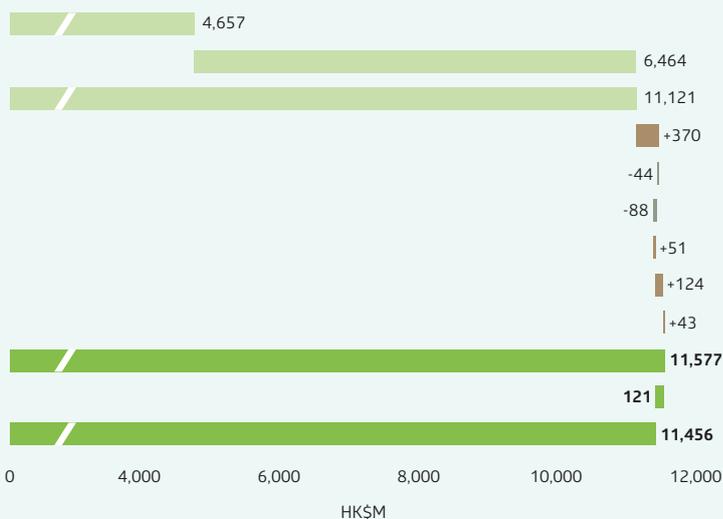
Income Tax Expense (2020: HK\$2,993 million; 2019: HK\$2,787 million; ↑ 7.4%)

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

Income Tax Expense by Region



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



- 2019 Total earnings
- Items affecting comparability for 2019
- 2019 Operating earnings
- Hong Kong: SoC ↑
 - Mainland China: Nuclear ↓ Renewables ↑ Coal-fired ↓
 - India: Paguthan ↓ Jhajjar ↔ Renewables ↓
 - Southeast Asia and Taiwan: Ho-Ping ↑ Lopburi ↓ Others ↑
 - Australia: Energy ↔ Customer ↓ Others ↑
 - Corporate and others
- 2020 Operating earnings
- Items affecting comparability for 2020
- 2020 Total earnings

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

Analysis on Financial Position

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

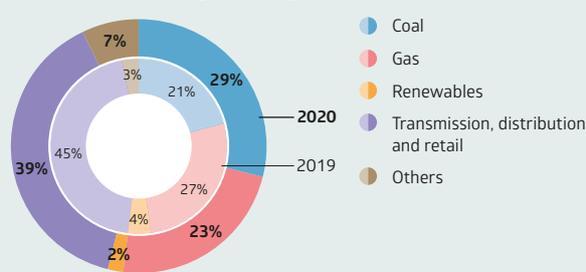
	Fixed Assets, Right-of-Use Assets and Investment Property HK\$M	Goodwill and Other Intangible Assets HK\$M	Total HK\$M	Breakdown	
				SoC Assets HK\$M	Non-SoC Assets HK\$M
Balance at 1 January 2020	150,786	20,111	170,897	117,042	53,855
Acquisitions of subsidiaries #	585	42	627	-	627
Additions	11,917	451	12,368	8,347	4,021
Depreciation and amortisation	(7,548)	(928)	(8,476)	(5,011)	(3,465)
Translation differences and others *	775	883	1,658	(505)	2,163
Balance at 31 December 2020	156,515	20,559	177,074	119,873	57,201

Mainly related to the acquisitions of two solar projects in India and the Echo Group in Australia (see "Interests in Joint Ventures and Associates" below)

* Mainly appreciation of Australian dollar and Renminbi offset by disposal of fixed assets

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

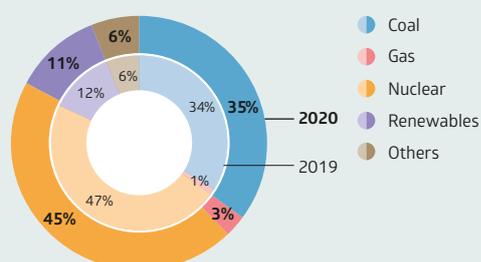
Capital Additions by Asset Type



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

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

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments

Assets: 2020: HK\$3,513 million; 2019: HK\$2,424 million; ↑ 44.9%

Liabilities: 2020: HK\$3,301 million; 2019: HK\$2,298 million; ↑ 43.6%

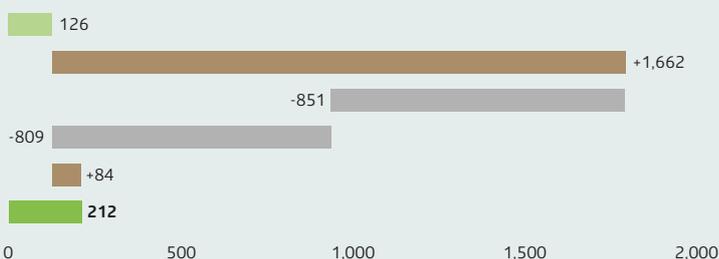
Derivative financial instruments are mainly used to hedge foreign exchange, interest rate and energy price risks. As at 31 December 2020, the fair value of these derivative instruments was a net surplus of HK\$212 million, representing the net amount receivable if these contracts were closed out at year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

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

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

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

Movements in Derivative Financial Instruments (HK\$M)



2019 Net derivative assets

Fair value gains* credited to profit or loss

Fair value losses charged to equity

Settlements received

Translation differences and others

2020 Net derivative assets

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

Trade and Other Receivables (2020: HK\$13,002 million; 2019: HK\$12,986 million; ↑ 0.1%)

Trade Payables and Other Liabilities (2020: HK\$18,141 million; 2019: HK\$17,586 million; ↑ 3.2%)

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

Trade Receivables / Payables by Region



Analysis on Financial Position (continued)

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

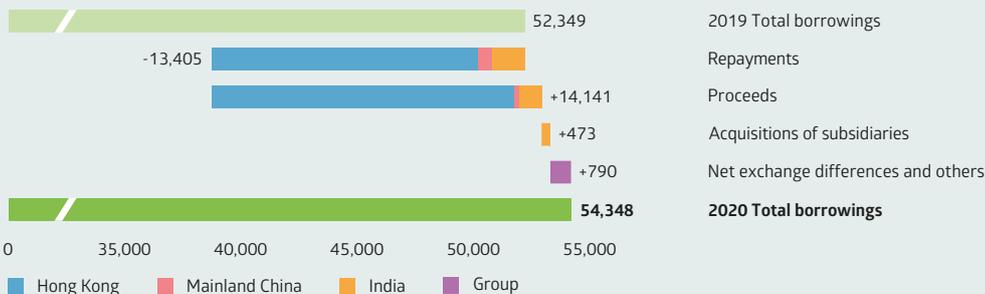
Major financing activities during the year included:

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



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

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



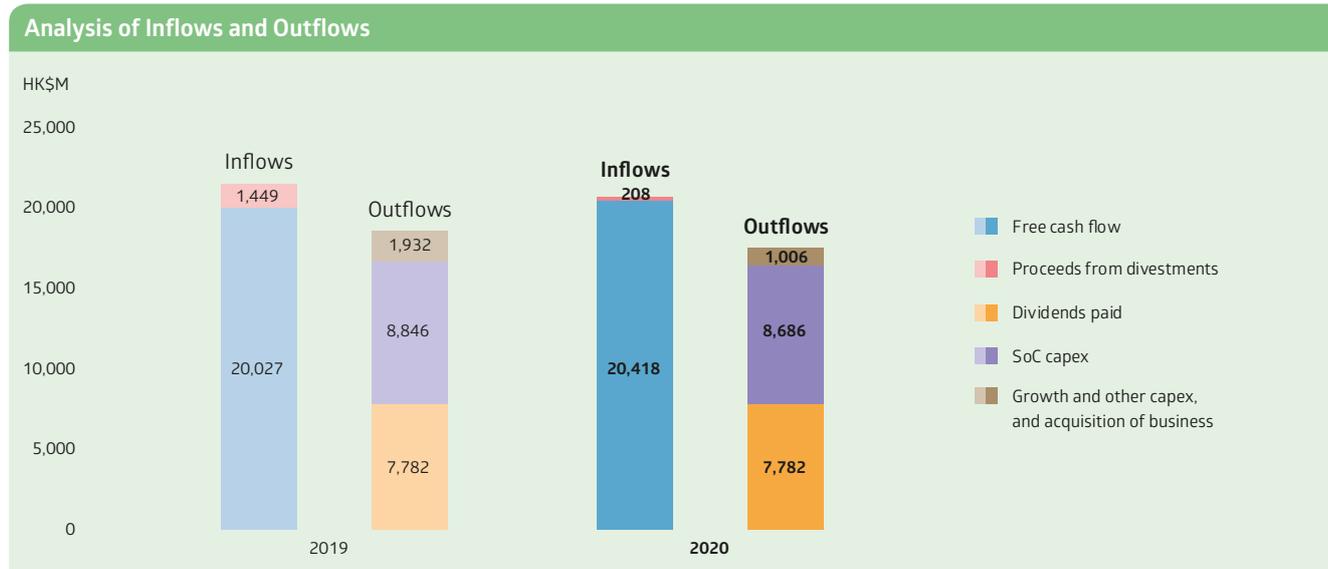
Analysis of Financial Obligations

Financial Obligations at a Glance

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

Category		2020	2019		
CLP	1 Consolidated	Debts and Borrowings of CLP Holdings and Subsidiaries	HK\$54,348 million	HK\$52,349 million	Borrowings of subsidiaries are non-recourse to CLP Holdings.
	2 Equity Accounted	Share of Debts of Joint Ventures and Associates	HK\$16,363 million	HK\$16,551 million	These debts are non-recourse to CLP Holdings and its subsidiaries. The share of debts is calculated by reference to the Group's shareholdings in the relevant joint ventures and associates.
	3 Off-balance Sheet	Contingent Liabilities	HK\$8,622 million	HK\$6,208 million	Details of the contingent liabilities are set out in Note 33 to the Financial Statements.

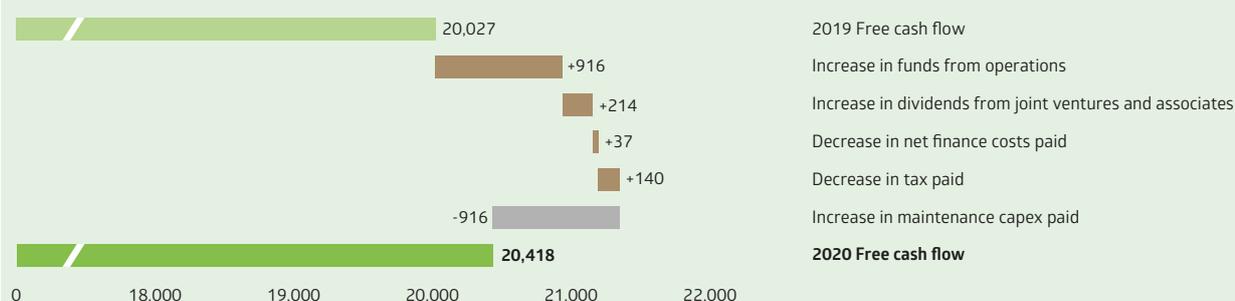
Analysis of Cash Flow



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

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

Movements in Free Cash Flow (HK\$M)



Broader Perspective

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



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

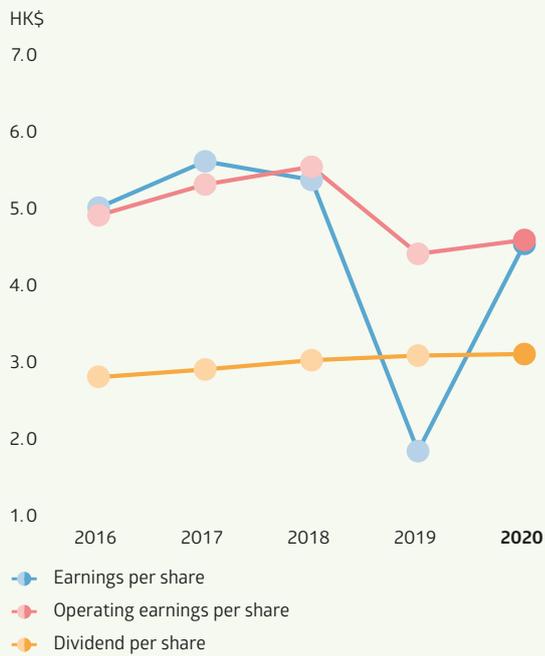
Cash Flows and Capital Investments

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

Notes:

- 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.
- ACOI (Adjusted Current Operating Income) represents operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and fair value adjustments.
- Operating return on equity = Operating earnings / Average shareholders' funds
- FFO to debt = FFO / Average debt; debt = bank loans and other borrowings
- Capitalisation = Closing share price on the last trading day of the year x number of issued shares at the end of the year
- Dividend cover = Operating earnings per share / Dividend per share
- Total return to shareholders represents the 10-year annualised rate of return from the combination of share price appreciation and dividend payments.
- Price / Earnings (operating earnings) = Closing share price on the last trading day of the year / Operating earnings per share
- Free cash flow = FFO – income tax paid + interest received – interest and other finance costs paid – maintenance capital expenditure paid + dividends received from joint ventures and associates

Earnings and Dividend Per Share

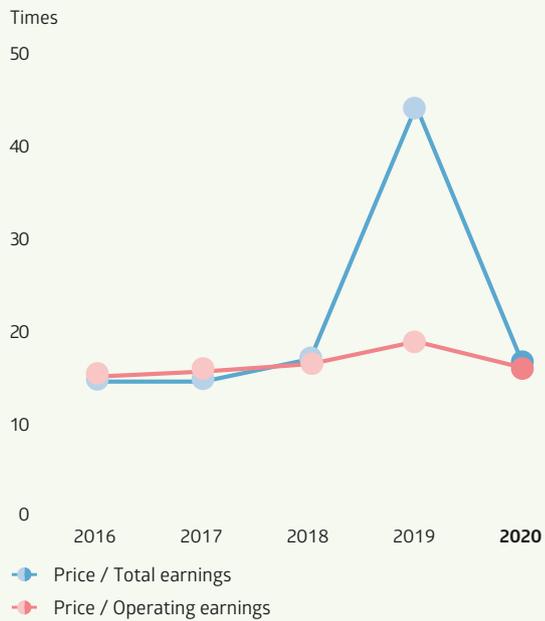


Loan Balance – Maturity



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

Price / Earnings



Capital Investments

