

Financial Review

Our transformation strategy guides our investments to grow the business sustainably and create value for our stakeholders.



CLP Group's Financial Results and Position at a Glance

Strategy for Becoming a Utility of the Future

Our transformation into a Utility of the Future continued during 2021 by growing our business in a sustainable manner, investing in the decarbonisation of our portfolio, leveraging new technologies and digitising our operations and customer services. As stated in our updated Climate Vision 2050, we are accelerating our plans to phase out coal-based assets by 2040, a decade earlier than previously pledged, while investing in other streams of business, including power transmission, distribution and retail, renewable and other non-carbon emitting energy, as well as energy and infrastructure services. At the same time, we have maintained our focus in ensuring a reliable and affordable supply of energy in the region, creating long-term value for our shareholders.



Progress on the Execution of Our Strategy

In 2021, CLP's transition to low-carbon energy focused on investments to decarbonise the electricity supply in Hong Kong. Construction of the second CCGT and the offshore LNG terminal progressed well. In addition, more than 1.2 million smart meters have been installed and 265MW of capacity has been approved or connected to the grid under the Renewable Energy Feed-in Tariff scheme by the end of 2021.

In Australia, we also progressed on our decarbonisation journey with earlier closure of Yallourn in 2028 and the earlier exit of Mount Piper in 2040. Additionally, we approved and commenced the preparation works of Australia's first net zero emissions power plant, Tallawarra B. In Mainland China, we completed the construction of Qian'an III Wind Farm, CLP's first grid-parity project, and in India, we acquired our second transmission project in late December and progressed the construction of Sidhpur Wind Farm, amid restrictions posed by COVID-19.



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 to remunerate equity and debt holders and to grow the business.

While a dependable operating inflow from the SoC business remained the key source of funds for our capital investment programme and dividend in 2021, our free cash flow outside Hong Kong was adversely impacted by challenging market conditions. Sustainable financing for our decarbonisation projects, such as the second CCGT and installation of smart meters, have been arranged under the Climate Action Finance Framework and through emission-reduction linked bank facilities.



Where We Stand

- ◆ Grow our business sustainably with capital investments in cleaner power and energy infrastructure
- ◆ Development of new business initiatives in the Greater Bay Area including the joint design and development of Hong Kong's largest battery energy storage system and operation of a centralised cooling system at a shopping centre in Guangzhou
- ◆ Expansion of our non-carbon emitting generation portfolio, now accounting for one quarter of our generation (including long-term capacity and energy purchase arrangements) with earnings increased to HK\$2,417 million
- ◆ Solid investment grade credit ratings maintained and emission-reduction linked facilities arranged for the first time



Earnings and Dividends

CLP's Dividends Policy aims to provide reliable and consistent ordinary dividends with steady growth when supported by our earnings whilst ensuring that a solid financial position can be maintained to fund our business growth.

The Group's financial performance and ultimately, the Group's operating earnings are of paramount importance in CLP's ability to adhere to the Group's Dividends Policy. Despite earnings reduction in 2021, dividend was maintained at the same level backed by a solid financial position and adequate financial resources. More analysis on the value we created for our shareholders can be found on pages 36 and 37.

Last Year's Statement of Financial Position

	2020	
	HK\$M	
Working capital		
Trade and other receivables	12,864	
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	(298)	
	<u>6,133</u>	
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	
	<u>200,840</u>	
Debts and other non-current liabilities		
Bank loans and other borrowings*	(54,348)	
Others	(26,653)	
	<u>(81,001)</u>	
Net assets	<u>125,972</u>	
Equity		
Shareholders' funds		
Share capital and other reserves	24,987	
Retained profits	91,747	
Translation reserve	(4,534)	
	112,200	
Non-controlling interests (NCI) and perpetual capital securities (PCS)	13,772	
	<u>125,972</u>	

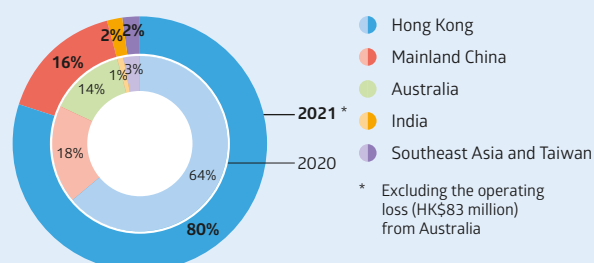
* Including current and non-current portions

	2020	2021	Change
Closing exchange rate			
A\$ / HK\$	5.9503	5.6601	↓ 4.9%
INR / HK\$	0.1060	0.1048	↓ 1.1%
RMB / HK\$	1.1921	1.2234	↑ 2.6%
Average exchange rate			
A\$ / HK\$	5.3799	5.8286	↑ 8.3%
INR / HK\$	0.1047	0.1053	↑ 0.6%
RMB / HK\$	1.1237	1.2057	↑ 7.3%

Statement of Profit or Loss

	2020	2021
	HK\$M	HK\$M
Revenue	79,590	83,959
Operating expenses	(56,858)	(61,943)
Other charge	-	(1,110)
EBITDAF of the Group	22,732	20,906
Share of results of joint ventures and associates, net of tax	2,522	1,974
Consolidated EBITDAF	25,254	22,880
Depreciation and amortisation	(8,476)	(9,308)
Fair value adjustments	460	(497)
Net finance costs	(1,737)	(1,636)
Income tax expense	(2,993)	(1,965)
Profit for the year	12,508	9,474
Attributable to NCI and PCS holders	(1,052)	(983)
Earnings attributable to shareholders	11,456	8,491
Excluding: Items affecting comparability	121	1,026
Operating earnings	<u>11,577</u>	<u>9,517</u>

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 2021	112,200	13,772
Total comprehensive income		
Profit for the year	8,491	983
Exchange differences on translation	(838)	(41)
Other comprehensive income and others	1,013	(7)
	8,666	935
Dividends and distributions paid	(7,832)	(1,032)
Balance at 31 December 2021	<u>113,034</u>	<u>13,675</u>

Statement of Cash Flows

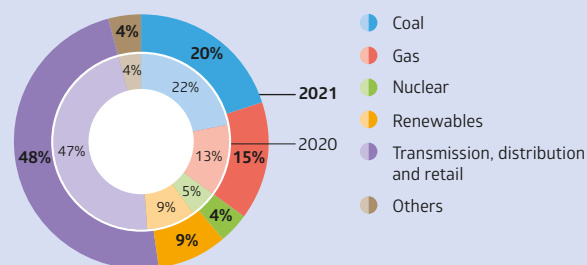
	2021 HK\$M
EBITDAF of the Group	20,906
SoC related movements	75
Working capital movements	101
Non-cash items	(587)
Funds from operations	20,495
Interest received	104
Tax paid	(2,521)
Cash inflow from operating activities	18,078
Capital investments	
Capital expenditure	(12,431)
Additions of other intangible assets	(512)
Investments in and loans to joint ventures	(219)
Acquisitions of subsidiaries / assets	(1,036)
	(14,198)
Dividends from joint ventures and associates	2,556
Capitalised finance costs paid and others	(180)
Cash outflow from investing activities	(11,822)
Net proceeds from borrowings	2,781
Interest and other finance costs paid ^	(1,713)
Dividends paid to shareholders	(7,832)
Dividends to NCI and others	(1,720)
Cash outflow from financing activities	(8,484)
Net decrease in cash and cash equivalents	(2,228)
Cash and cash equivalents at 1 January	10,158
Effect of exchange rate changes	(30)
Cash and cash equivalents at 31 December	7,900
Free Cash Flow	
Funds from operations	20,495
Less: tax paid	(2,521)
Less: net finance costs paid ^	(1,961)
Less: maintenance capital expenditure (capex)	(1,504)
Add: dividends from joint ventures and associates	2,556
	17,065
^ Including distributions paid to PCS holders	
Capital Investments	
SoC capex	10,347
Growth capex	1,044
Maintenance capex	1,504
Other capex	267
Acquisitions of business / asset	1,036
	14,198

This Year's Statement of Financial Position

	2021 HK\$M
Working capital	
Trade and other receivables	15,404
Trade payables and other liabilities	(18,381)
Bank balances, cash and other liquid funds	
Cash and cash equivalents	7,900
Short-term deposits and restricted cash	360
	8,260
Others	1,319
	6,602
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	162,154
Goodwill and other intangible assets	19,710
Interests in joint ventures and associates	19,371
	201,235
Others	4,686
	205,921
Debts and other non-current liabilities	
Bank loans and other borrowings *	(58,215)
Others	(27,599)
	(85,814)
Net assets	126,709
Equity	
Shareholders' funds	
Share capital and other reserves	25,893
Retained profits	92,513
Translation reserve	(5,372)
	113,034
NCI and PCS	13,675
	126,709

* Including current and non-current portions

Capital Assets by Asset Type



Analysis on Financial Results

Revenue (2021: HK\$83,959 million; 2020: HK\$79,590 million; ↑ 5.5%)

	2021 HK\$M	2020 HK\$M	Increase / (Decrease)	
			HK\$M	%
Hong Kong	44,994	41,893	3,101	7.4
Australia	32,271	32,357	(86)	(0.3)
India	4,866	3,616	1,250	34.6
Mainland China and others	1,828	1,724	104	6.0
	83,959	79,590	4,369	5.5

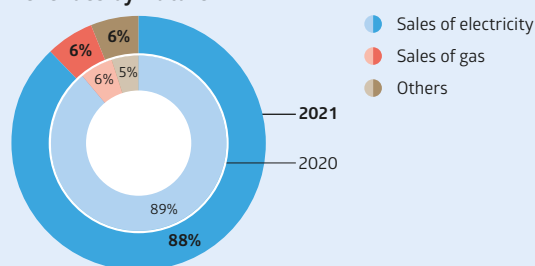
◆ Hong Kong: Higher SoC revenue mainly due to higher units sold as a result of improvement in demand in all sectors with the progressive recovery of the city's economy and favourable weather conditions as well as recovery of higher fuel costs incurred

	2021	2020
Electricity sales (GWh)	35,355	33,963
Average net tariff (HK cents per unit)	121.8	121.8

◆ India: Higher wind resource and higher generation from Jhajjar Power Station as a result of the rebound of economic activity and increased demand, partially offset by reduced capacity tariff effective April

◆ Mainland China: Increased revenue mainly reflected the impact of Renminbi's appreciation and the contribution brought by Laiwu III Wind Farm since its commissioning in September 2020, which were largely offset by the lower revenue from hydro projects mostly due to lower water flow

Revenues by Nature



◆ Australia

Excluding the impact from higher Australian dollar average exchange rate of HK\$2.7 billion:

- Customer: Retail revenue reduced by 11% mainly due to lower usage from both mass market and business customers as the Australian economy continued to be hampered by ongoing COVID-19 restrictions

	2021	2020
Electricity sales (TWh)		
Mass Market	9.1	9.7
Commercial and Industrial	7.0	7.9
Gas sales (PJ)		
Mass Market	33.0	32.2
Commercial and Industrial	4.2	9.8

- Energy: Stable generation revenue attributable to higher generation from Mount Piper with higher availability, largely offset by lower generation at Yallourn due to a mine suspension event following exceptional heavy rain in June and a major outage during the last quarter of 2021

	2021	2020
Yallourn		
Generation (GWh)	7,969	8,378
Average pool price in Victoria (A\$ / MWh) *	44.9	51.8
Mount Piper		
Generation (GWh)	6,737	6,346
Average pool price in New South Wales (A\$ / MWh) *	72.4	59.8

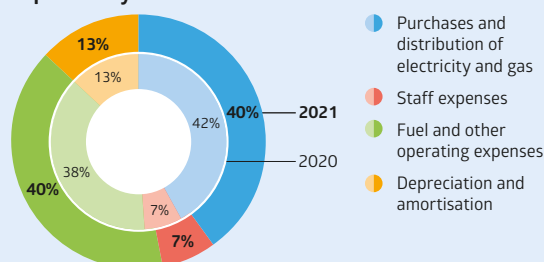
* Represented the 12-month average pool prices in relevant states published by Australian Energy Market Operator (AEMO)

Operating Expenses (2021: HK\$61,943 million; 2020: HK\$56,858 million; ↑ 8.9%)

Depreciation and Amortisation (2021: HK\$9,308 million; 2020: HK\$8,476 million; ↑ 9.8%)

◆ Hong Kong: Higher fuel cost on higher units sold and rising fuel prices; higher depreciation on continuous capital investments

Expenses by Nature



- ◆ Mainland China: Remained at a similar level as last year
- ◆ Australia: Mainly reflected the exchange rate impact, higher gas purchase costs and Morwell River Diversion (MRD) solution costs offset by lower credit loss provision (as one-off provision made in 2020 in view of the pandemic); accelerated depreciation resulting from the advanced retirement of Yallourn
- ◆ India: Higher coal costs from higher generation, higher operation and maintenance expenses from major planned maintenance and impairment provision for Jhajjar

Consolidated EBITDAF* (2021: HK\$24,499 million; 2020: HK\$25,375 million; ↓ 3.5%)

	2021 HK\$M	2020 HK\$M	Increase / (Decrease) HK\$M %	
Hong Kong *	17,485	16,390	1,095	6.7
Mainland China	3,339	3,808	(469)	(12.3)
Australia *	2,792	4,041	(1,249)	(30.9)
India *	1,519	1,481	38	2.6
Southeast Asia and Taiwan *	183	386	(203)	(52.6)
Corporate	(819)	(731)	(88)	(12.0)
	24,499	25,375	(876)	(3.5)

* Excluding items affecting comparability

- ◆ Hong Kong: Permitted rate of return applied to higher average net fixed assets led to an increase in the permitted return (before depreciation and tax), and fair value gains (2020: loss) on innovation funds due to the evolution of the underlying investments
- ◆ Mainland China: Substantial loss (2020: profit) incurred by coal-fired projects due to rising coal prices partly compensated by increased tariff, effective from last quarter of 2021, in response to the higher coal prices; lower renewable profit due to lower resource for hydro projects and loss from divestment of two minority-owned wind projects despite full year contribution from Laiwu III since September 2020 and better performance from solar projects; record high generation at Yangjiang Nuclear Power Station mostly due to demand increase, while Daya Bay Power Plant operated stably
- ◆ Australia: Significantly lower contribution from the Energy business in 2021 attributable to lower realised contract prices, higher gas supply costs and lower generation from Yallourn, mostly due to a temporary mine suspension in June; slightly higher contribution from the Customer business mainly driven by reduced provision for bad and doubtful debts
- ◆ India: Higher wind generation from higher resource and availability, and full year profit in 2021 from the two solar projects acquired in March and April 2020, largely offset by lower capacity tariff and higher operation and maintenance expenses at Jhajjar

Items Affecting Comparability

	2021		2020
	Before Tax HK\$M	After Tax & NCI HK\$M	Before and After Tax HK\$M
Hong Kong	(34)	(34)	(121)
Australia	(1,562)	(1,093)	-
India	(330)	(148)	-
Southeast Asia and Taiwan	307	249	-
	(1,619)	(1,026)	(121)

- ◆ Hong Kong: Revaluation loss on the retail portion of the Laguna Mall in line with the property market trend
- ◆ Australia:
 - In March, the litigation arising from the disposal of Iona Gas Plant was resolved and a settlement was paid and recognised as "other charge" in the profit or loss (Note 4 to the Financial Statements)
 - After extremely heavy rain in June, cracks were discovered in the structures of the MRD. Costs in respect of examination of the extent of the damage along with potential rectification options were recognised in 2021 (Note 5(e) to the Financial Statements)
- ◆ India: Due to the change in the long-term outlook for coal generation in India, an impairment assessment of Jhajjar Power Station has been performed and a write down was recognised in 2021
- ◆ Southeast Asia and Taiwan: Remaining consideration received from the sale of our entire interest in a Vietnam project upon its financial close in 2021
- ◆ Southeast Asia and Taiwan: Substantial decrease in Ho-Ping's results due to higher coal prices, particularly in the second half of the year, and lower energy tariff (reflecting the lagging effect of prior year's lower coal prices); Lopburi solar farm operated steadily with stable solar resource

Fair Value Adjustments (2021: Loss of HK\$497 million; 2020: Gain of HK\$460 million)

- ◆ Mostly related to the fair value changes of energy derivative contracts (e.g. swaps and options) used to hedge the volatility of energy prices in Australia which do not qualify for hedge accounting
- ◆ Higher forward electricity prices in 2021 resulted in unfavourable fair value adjustments on sold energy derivative contracts, compared to the favourable impact of falling forward prices in 2020

Net Finance Costs (2021: HK\$1,636 million; 2020: HK\$1,737 million; ↓ 5.8%)

	2021 HK\$M	2020 HK\$M	Increase / (Decrease)	
			HK\$M	%
Hong Kong	868	996	(128)	(12.9)
Mainland China	239	237	2	0.8
Australia	126	88	38	43.2
India	394	440	(46)	(10.5)
Corporate	9	(24)	33	N/A
	1,636	1,737	(101)	(5.8)

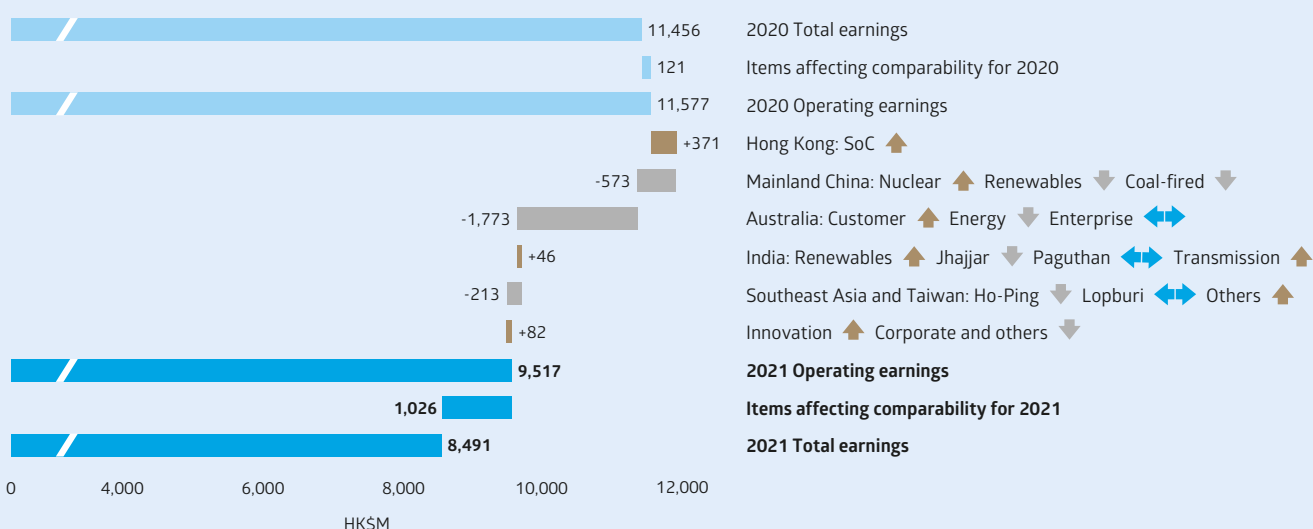
- ◆ Hong Kong: Lower interest expenses on lower average interest rates
- ◆ Australia: No borrowings in both years, higher finance costs in 2021 as it was the first full year with unwinding interest of lease obligations for the right-of-use assets which commenced in mid-2020 (mainly Mount Piper's water treatment plant and the new Melbourne office leases)
- ◆ India: Lower interest on reduced borrowings with continuous repayments made during the year
- ◆ Corporate: Significantly lower finance income due to lower average deposit rates

Income Tax Expense (2021: HK\$1,965 million; 2020: HK\$2,993 million; ↓ 34.3%)

	2021 HK\$M	2020 HK\$M	Increase / (Decrease)	
			HK\$M	%
Hong Kong	2,040	1,870	170	9.1
Mainland China	329	314	15	4.8
Australia	(524)	703	(1,227)	N/A
India	52	106	(54)	(50.9)
Southeast Asia and Taiwan	68	-	68	N/A
	1,965	2,993	(1,028)	(34.3)

- ◆ Hong Kong: In line with higher profits
- ◆ Mainland China: Higher withholding tax for undistributed profits from nuclear associates largely offset by lower income tax on lower profits from renewable subsidiaries and lower withholding tax on undistributed profits of coal-fired joint ventures
- ◆ Australia: Tax credit of HK\$524 million (2020: expense of HK\$703 million) in line with the operating loss (including the MRD solution costs) and the tax refund related to the litigation settlement received
- ◆ India: Lower financial performance (after including the impairment provision for Jhajjar) accounted for the lower tax expense despite higher tax expense on higher renewable profits
- ◆ Southeast Asia and Taiwan: Represented the capital gain tax on the remaining consideration received from the sale of the Vietnam project

Total Earnings (2021: HK\$8,491 million; 2020: HK\$11,456 million; ↓ 25.9%)
Operating Earnings (2021: HK\$9,517 million; 2020: HK\$11,577 million; ↓ 17.8%)



The performance of individual business is analysed on "Business Performance and Outlook" on pages 38 to 63.

Analysis on Financial Position

Fixed Assets, Right-of-Use Assets and Investment Property (2021: HK\$162,154 million; 2020: HK\$156,515 million; ↑ 3.6%)
Goodwill and Other Intangible Assets (2021: HK\$19,710 million; 2020: HK\$20,559 million; ↓ 4.1%)

	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 2021	156,515	20,559	177,074	119,873	57,201
Acquisition of a subsidiary [#]	1,914	-	1,914	-	1,914
Additions	13,644	512	14,156	10,398	3,758
Depreciation and amortisation	(8,485)	(823)	(9,308)	(5,434)	(3,874)
Translation differences and others [*]	(1,434)	(538)	(1,972)	(484)	(1,488)
Balance at 31 December 2021	162,154	19,710	181,864	124,353	57,511

[#] Related to the acquisition of a transmission project in India

^{*} Mainly depreciation of Australian dollar, impairment charge for Jhajjar and disposal of fixed assets

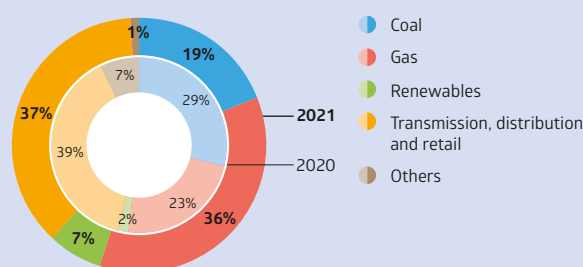
◆ SoC: Addition of HK\$10.4 billion mainly related to the progress of the second CCGT unit and the laying of subsea gas pipeline at the offshore LNG terminal, and continuous enhancement of the transmission and distribution networks (e.g. substations for data centres) and customer service facilities (e.g. installation of smart meters)

◆ Mainland China: Completed the construction of Qian'an III wind project in 2021

◆ Australia: HK\$2.7 billion additions mainly related to the commencement of work for building a net-zero emissions power plant in Tallawarra ("Tallawarra B"), turbine upgrade at Mount Piper, continuous improvement works on existing generation fleet (mainly Yallourn) and customer service related systems

◆ India: Continued construction of Sidhpur wind farm

Capital Additions by Asset Type



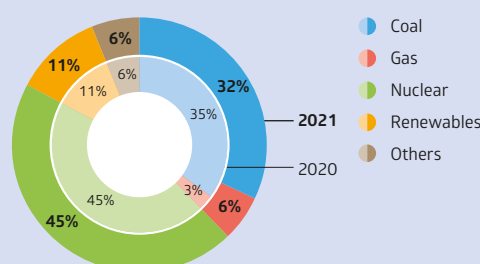
Interests in Joint Ventures and Associates (2021: HK\$19,371 million; 2020: HK\$20,198 million; ↓ 4.1%)

◆ Hong Kong: Shareholder's loan of HK\$464 million made to HKLTL (LNG Terminal joint venture) in 2021 to progress the jetty construction

◆ Mainland China: Losses incurred by the coal-fired projects, divestment of two minority-owned wind projects and the scheduled repayment of ShenGang Pipeline's shareholder loan partly offset by translation gains (around HK\$0.4 billion) on our investments due to Renminbi appreciation

◆ Southeast Asia and Taiwan: Mainly dividend from OneEnergy Taiwan (which holds our interest in Ho-Ping Power Station) received in 2021

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments

Assets: 2021: HK\$3,482 million; 2020: HK\$3,513 million; ↓ 0.9%

Liabilities: 2021: HK\$2,666 million; 2020: HK\$3,301 million; ↓ 19.2%

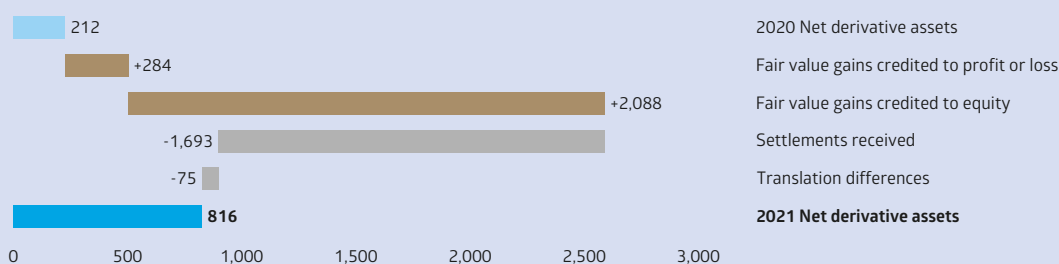
Derivative financial instruments are primarily used to hedge foreign exchange, interest rate and energy price risks. As at 31 December 2021, the fair value of these derivative instruments was a net surplus of HK\$816 million, representing the net amount receivable if these contracts were closed out at year end. However, the changes in fair value of derivatives have no impact on cash flows until settlement.

- ◆ Interest rate swaps and cross currency interest rate swaps: Higher derivative liabilities for cross currency interest rate swaps mainly due to higher HKD market interest rates as CLP Power Hong Kong and CAPCO receive USD fixed rates and pay HKD floating rates under these swaps
- ◆ Energy contracts: Fair value gains on oil-price-linked gas purchase derivative contracts due to increase in forward oil prices, partially offset by fair value losses on derivative contracts selling electricity due to rising forward electricity prices

	Notional Amount		Derivative Assets / (Liabilities)	
	2021 HK\$M	2020 HK\$M	2021 HK\$M	2020 HK\$M
Forward foreign exchange contracts and foreign exchange options	28,973	22,093	(30)	(39)
Interest rate swaps and cross currency interest rate swaps	35,295	35,392	(934)	(819)
Energy contracts #	N/A	N/A	1,780	1,070
			816	212

The aggregate notional volumes of the outstanding energy derivatives at 31 December 2021 were 311,808GWh (2020: 212,089GWh) and 7 million barrels (2020: 10 million barrels) and 4,382TJ (2020: 2,240TJ) for electricity, oil and gas respectively.

Movements in Derivative Financial Instruments (HK\$M)

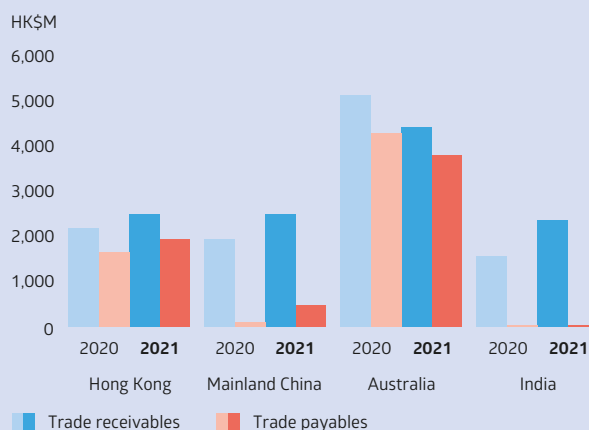


Trade and Other Receivables (2021: HK\$15,404 million; 2020: HK\$12,864 million; ↑ 19.7%)

Trade Payables and Other Liabilities (2021: HK\$18,381 million; 2020: HK\$18,141 million; ↑ 1.3%)

- ◆ Hong Kong: Trade debtors' evolution in line with higher sales; trade payables impacted by higher capex and higher fuel prices
- ◆ Mainland China: Higher accrued national subsidies for renewable projects due to continuous delay in settlement, and dividend receivable from Daya Bay associate at year end (2020: nil)
- ◆ Australia: Increased receivables from futures margin accounts as more deposits were paid to meet contract settlement requirements (unfavourable futures contract position at year end) partially offset by lower debtors from lower sales; payable balances decreased mainly reflecting the impact of lower Australian dollar closing rate
- ◆ India: Higher debtor balances in line with increase in generation from Jhajjar and wind projects, and debtor balance of the new KMTL transmission project

Trade Receivables / Payables by Region



Analysis on Financial Position (continued)

Bank Loans and Other Borrowings (2021: HK\$58,215 million; 2020: HK\$54,348 million; ↑ 7.1%)

◆ Major changes in financing during the year included:

- Hong Kong: New issuance including US\$300 million (HK\$2.3 billion) Energy Transition Bond for the construction of the second CCGT unit, US\$100 million (HK\$777 million) New Energy Bond for continued rollout of smart meters and US\$300 million (HK\$2.3 billion) for the refinancing of Medium Term Notes matured in 2021 and other purposes
- Mainland China: RMB587 million (HK\$705 million) project loan facility arranged, with part of it drawn for payment of Qian'an III wind farm's construction costs
- India: Repayments by existing projects as scheduled and inclusion of HK\$1.0 billion borrowings following the acquisition of the transmission project
- Australia: No debt position maintained

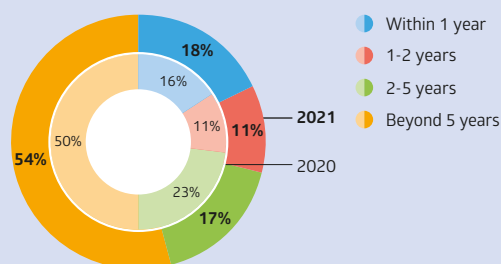
◆ Net debt to total capital ratio increased from 25.1% to 28.1% driven by increased net debt to finance capital investment for sustainable growth and decarbonisation

◆ In May and June, 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+) but changed the rating outlook to negative in October

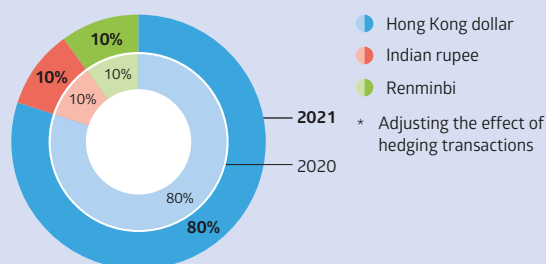


More details of financing activities and credit ratings can be found on "Financial Capital" on page 67.

Loan Balances by Maturity



Loan Balances by Currencies *



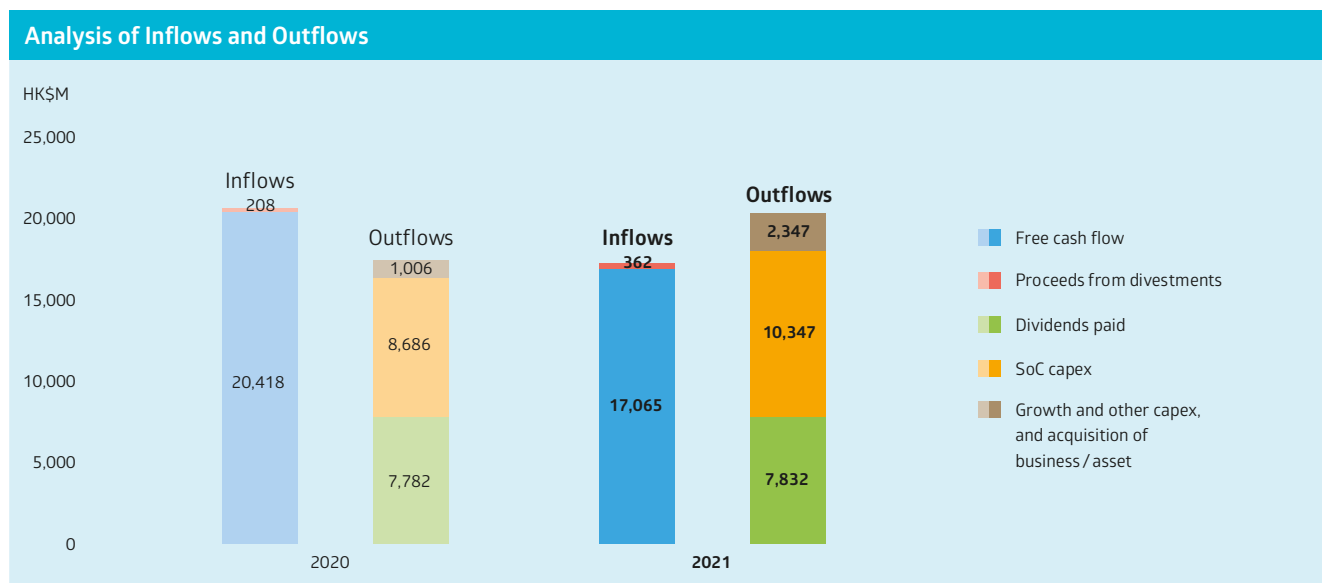
* Adjusting the effect of hedging transactions

Analysis of Financial Obligations

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		2021	2020		
CLP	1 Consolidated	Debts and Borrowings of CLP Holdings and Subsidiaries	HK\$58,215 million	HK\$54,348 million	Borrowings of subsidiaries are non-recourse to CLP Holdings.
	2 Equity Accounted	Share of Debts of Joint Ventures and Associates	HK\$15,168 million	HK\$16,363 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	Nil	HK\$8,622 million	Details of the contingent liabilities are set out in Note 33 to the Financial Statements.

Analysis of Cash Flow



Free Cash Flow (2021: HK\$17,065 million; 2020: HK\$20,418 million; ↓ 16.4%)

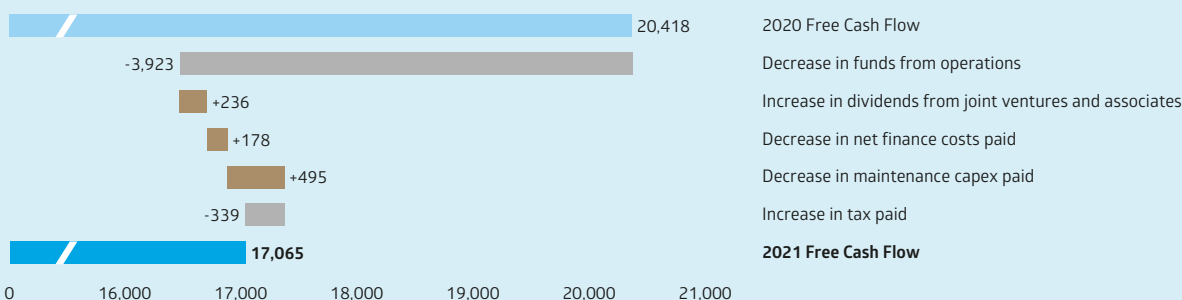
◆ Free cash flow decreased by HK\$3,353 million because of:

- Hong Kong: Increase in fuel costs under-recovered from customers and higher tax paid mainly due to timing of payment
- Mainland China: Lower dividend from joint ventures as cash flows were adversely impacted by rising coal prices while dividend from nuclear associates remains strong
- Australia: Significant reduction in operating cash inflows in line with challenging market conditions and unfavourable working capital movements (in particular net payment (2020: receipt) for energy derivative contracts after including the futures margin deposits paid due to unfavourable (2020: favourable) derivative position at year end) offset by lower maintenance capex for our coal assets
- Southeast Asia and Taiwan: Dividend of HK\$501 million from OneEnergy Taiwan received in 2021 (2020: HK\$9 million)

◆ Capital investments include:

- HK\$10.3 billion of SoC capex for construction of cleaner energy infrastructure and enhancement of transmission and distribution networks and customer-centric facilities
- HK\$1.0 billion of growth capex related to our wind projects in Mainland China and India, and development of Tallawarra B and Mount Piper's turbine upgrade in Australia
- Acquisition of business/asset and other capex mainly related to the acquisition of the KMTL transmission project (2020: two solar projects) in India, deposits paid for the new head office at Kai Tak and continuous improvement in customer service systems in Australia

Movements in Free Cash Flow (HK\$M)



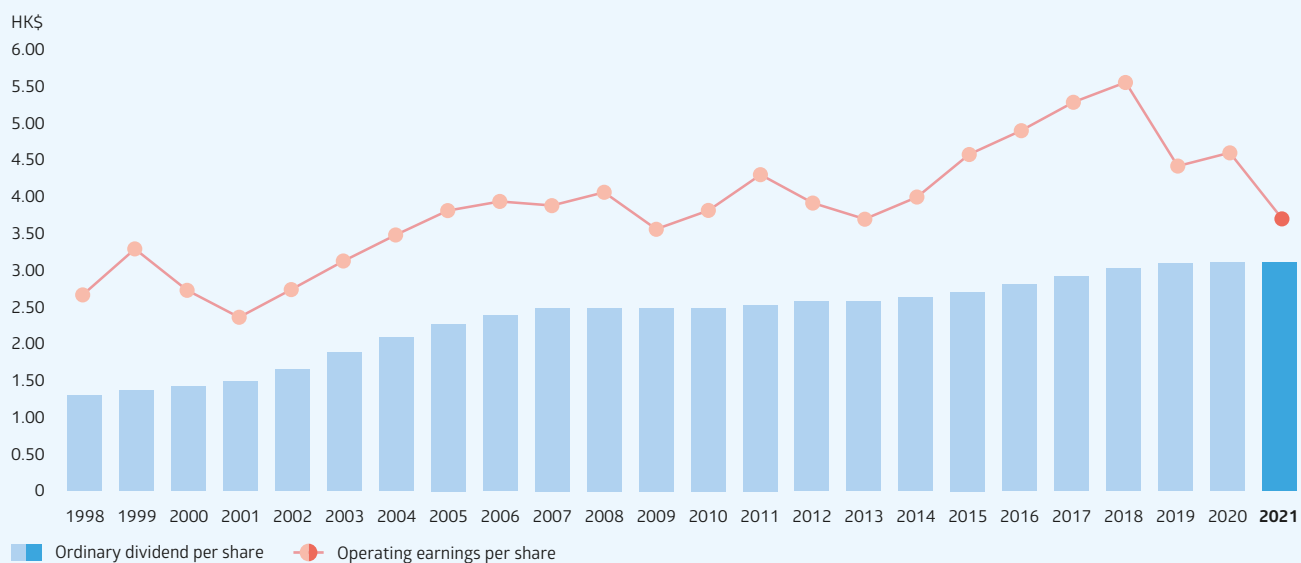
Broader Perspective

	2021	2020	2019	2018	2017
Performance Indicators					
EBITDAF ¹ (HK\$M)	22,880	25,254	18,656	28,571	27,662
ACOI ² (HK\$M)	15,191	16,899	17,002	20,998	19,925
Operating earnings (HK\$M)	9,517	11,577	11,121	13,982	13,307
Total earnings (HK\$M)	8,491	11,456	4,657	13,550	14,249
Return on equity (%)	7.5	10.5	4.3	12.4	13.8
Operating return on equity ³ (%)	8.5	10.6	10.4	12.8	12.9
Financial Health Indicators					
Undrawn facilities (HK\$M)	28,076	25,737	18,854	24,059	25,924
Total borrowings (HK\$M)	58,215	54,348	52,349	55,298	57,341
Fixed rate borrowings to total borrowings (%)	61	63	54	53	52
FFO interest cover (times)	12.5	13.2	11.9	13.4	14.6
FFO to debt ⁴ (%)	36.4	45.8	43.7	47.2	48.6
Net debt to total capital (%)	28.1	25.1	26.7	25.5	27.8
Debt / Capitalisation ⁵ (%)	29.3	30.0	25.3	24.7	28.4
Shareholders' Return Indicators					
Dividend per share (HK\$)	3.10	3.10	3.08	3.02	2.91
Dividend yield (%)	3.9	4.3	3.8	3.4	3.6
Dividend payout ⁶ (%)	82.3	67.7	70.0	54.6	55.2
Total return to shareholders ⁷ (%)	5.8	5.2	8.7	9.6	8.4
Price / operating earnings ⁸ (times)	20.9	15.7	18.6	16.0	15.2
Cash Flows and Capital Investments					
FFO (HK\$M)	20,495	24,418	23,502	26,584	26,506
Free cash flow ⁹ (HK\$M)	17,065	20,418	20,027	21,766	22,867
Capital investments (HK\$M)	14,198	11,691	11,861	12,045	15,270
Capital expenditure	12,431	10,586	10,448	10,327	9,538
Investments in joint ventures and associates, and additions to intangible assets	731	909	1,197	515	5,732
Acquisitions of subsidiaries/assets	1,036	196	216	1,203	-

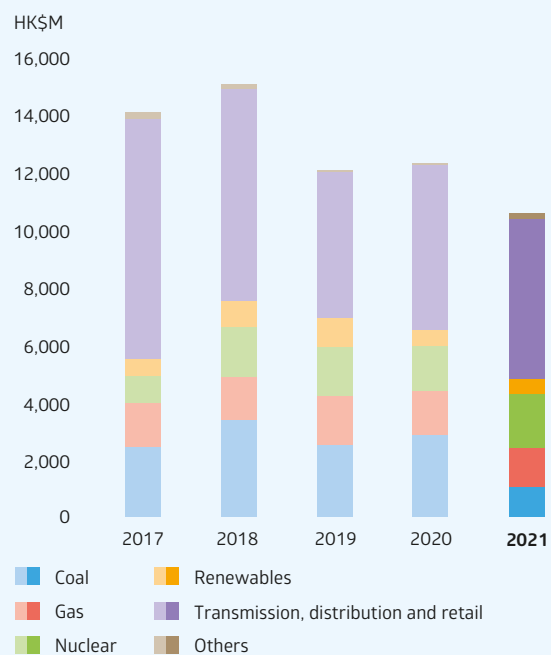
Notes:

- 1 EBITDAF = Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on non-debt related derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges
- 2 ACOI (Adjusted Current Operating Income) representing operating earnings before net finance costs, income tax, other non-controlling interests, distribution to perpetual capital securities holders and fair value adjustments
- 3 Operating return on equity = Operating earnings / Average shareholders' funds
- 4 FFO to debt = FFO / Average debt; debt = bank loans and other borrowings
- 5 Capitalisation = Closing share price on the last trading day of the year x number of issued shares at the end of the year
- 6 Dividend payout = Dividend per share / Operating earnings per share
- 7 Total return to shareholders representing the 10-year annualised rate of return from the combination of share price appreciation and dividend payments
- 8 Price / operating earnings = Closing share price on the last trading day of the year / Operating earnings per share
- 9 Free cash flow = FFO – income tax paid + interest received – interest and other finance costs paid – maintenance capital expenditure paid + dividends received from joint ventures and associates

Operating Earnings and Dividend per Share



Operating Earnings (Before Unallocated Expenses) by Asset Type



Capital Investments

