



**+ The Honourable Sir
Michael Kadoorie**
Chairman



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Dear Shareholders,

Looking back, the year of 2022 was largely defined by the conflict in Ukraine and its related energy crisis as well as the lingering impact of the pandemic. I speak for everyone at CLP that I sincerely hope that these crises end very soon.

There have been consequences around the world, not least in the energy markets which were already experiencing a period of volatility. With rising inflation and interest rates, this has become one of the most economically challenging years in recent history and we have all been dealing with the impact in varying degree.

However, despite the difficulties, I am proud of our people across the Group who continued to work extremely hard in maintaining a high level of service expected and deserved by the communities we serve. In Hong Kong, where CLP is the largest electricity supplier, we worked closely with government departments during the peak of the COVID-19 fifth wave in early 2022 to provide new power supplies in record-breaking time for the construction and operation of the much-needed community isolation and treatment facilities. This is a display of exemplary dedication.

At the same time, CLP reduced the impact of the energy shocks and other disruptions, thanks to our fuel diversification strategy, long-term planning and solid fundamentals. We have continued to support customers and communities and, wherever possible, to provide protection from the worst of the electricity price rises seen in other parts of the world. Meanwhile we remained focused on our strategy and continued to invest in growth opportunities, underpinned by robust performance in our core markets in Hong Kong and Mainland China.

While the majority of our business has been solid and consistent with 2021, the Group's financial performance was affected by EnergyAustralia's operating loss and an accounting loss associated with the sale of an additional 10% interest in Apraava Energy. As a result, in 2022, the Group's operating earnings decreased 51.4% to HK\$4,623 million, compared with HK\$9,517 million a year earlier while total earnings were HK\$924 million, 89.1% lower than a year ago. The Board, recognising the progress in implementing our strategy and the overall solid performance of the Group, has approved a fourth interim dividend payment for 2022 of HK\$1.21 per share, which is in line with 2021. Total dividends per share for 2022 are maintained at HK\$3.10.



Father and son engineers Joe (left) and John Chan (right) witness the commissioning of the new gas-fired generation unit D1 at Black Point Power Station, epitomising how expertise is passed from one generation to the next at CLP Power to help create a low-carbon future.

We are working with the Hong Kong SAR Government on the Development Plan for 2024 to 2028, the second five-year period of the current Scheme of Control (SoC) Agreement. This is a defining moment as the required investments will represent a key step in Hong Kong's decarbonisation roadmap beyond 2035 and towards the Government's target of achieving carbon neutrality before 2050. Our investments for a decarbonised future will continue to focus on securing reliability, security and stability for customers, and tapping into resources that Hong Kong's closer integration with Mainland China can unleash.

In Mainland China, we have seen strong performance from our renewable energy projects and nuclear power investments. We continued to grow our renewable portfolio as three wind and solar projects with a combined capacity of 280MW broke ground and an agreement to build and transfer another 100MW solar project was reached. During the year, we divested our interest in the Fangchenggang coal-fired power station, in line with our commitment to accelerate the phase-out of coal-based assets from our portfolio.

The energy transition will be demanding and highly capital intensive, and no organisation is capable of delivering it alone. This is why we work so closely with partners, policymakers and other stakeholders and I am proud that this has continued despite the difficulties of the year.

With the further strengthening of our relationship with CDPQ in our business in India, Apraava Energy is now an equally

owned joint venture between CLP and CDPQ. Bringing in a strategic partner has enabled our Indian business to be self-sustaining while having additional resources to pursue a faster pace of growth in non-carbon opportunities. It also supported CLP's strategic priority of investing in the growth of our core markets of Hong Kong and Mainland China. The Apraava Energy story speaks true to our ability to once again execute our strategy well.

In Australia, the second half of 2022 saw a continuation of the operational issues from earlier in the year including the lower generation from Yallourn and Mount Piper power stations that had a significant bearing on the financial performance of EnergyAustralia. EnergyAustralia is bringing forward major outages at Yallourn to 2023 and 2024 to address the ongoing reliability issues while at Mount Piper the main coal supply contract has been renegotiated to include a backup mine. These actions have been taken to restore operational and financial performance.

The Australian electricity market is going through a volatile period of energy transition. Nonetheless the transition requires significant investment, and our existing generation and customer businesses mean we are well placed to take advantage of the opportunity. We have continued to introduce more flexible capacity to support a smooth transition while working with policymakers to secure the best possible environment for doing so. There is great potential for partnership given our existing platform and we continue to explore opportunities in this respect.

In 2022, our approach to tackle the threats of climate change continued to demonstrate its robustness and it is pleasing to note that we remain on track on the targets within our Climate Vision 2050, as we continued to decarbonise our business.

Our approach to provide sustainable energy solutions making use of innovation and our engineering expertise to pave the way for a decarbonised future has also borne fruit. We saw our partnership with Qingdao TGOOD Electric Company Limited being fully realised with the launch of a joint venture to invest in an electric vehicle (EV) charging network in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Meanwhile, we have moved forward in our partnership with ESR HK Limited on the development of sustainable data and logistics centres in the GBA.

The demand for sustainable energy solutions will only continue to grow along with energy services that give customers greater control over their energy usage. Our future is not just one where we are suppliers and producers of energy, but where we provide elevated service to support customers to meet their energy demand, make better energy choices and find solutions to meet their own sustainability targets. Our strategy to evolve the business into an Energy-as-a-Service (EaaS) model is another example of us looking ahead and preparing ourselves to be sustainable for generations to come.

By investing in an agile and innovative workforce, we are building the team that can thrive through this period of evolution.

2022 heralded some significant changes in our Board composition. Mr William Mocatta retired after more than 30 years on the Board and I would like to record my deep gratitude to him for his invaluable contribution over such a long period. Mr Andrew Brandler has succeeded Mr Mocatta as the Vice Chairman of the Board while Mrs Betty Yuen, who has held a number of senior roles within CLP since she joined us in 1999, has become a Non-executive Director and the Chairman of CLP Power Hong Kong Limited. I would also like to welcome Mr Bernard Chan to our Board.

As we hope for a 2023 of less conflict and more stability, we maintain our primary focus on decarbonisation and sustainable energy solutions in Hong Kong and Mainland China with disciplined presence elsewhere. By investing strategically and in partnership where appropriate, we can deliver against the growth opportunities as we take our business forward into the future.



The Honourable Sir Michael Kadoorie
Hong Kong, 27 February 2023