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 to Become a Utility of the Future

We continue our transformation into a Utility of the Future by focusing on delivering decarbonisation and digitisation of our operations and embracing the opportunities that spring from the Greater Bay Area development, while remaining as a leader in Asia Pacific with a strong network of partners. In 2022, we focused on our core markets of Hong Kong and Mainland China on decarbonising our business with the use of digital technology and provision of sustainable energy solutions. We also pursued diverse clean energy growth opportunities in overseas markets. To ensure CLP remain on track to fulfil our commitment to achieving net zero in 2050, we continue to strengthen our capabilities to build and operate our portfolio.

Progress on the Execution of Our Strategy

In 2022, CLP further progressed its energy transition journey in Hong Kong with the completion of most of the engineering and procurement works of the second CCGT and the construction of the marine jetty and undersea gas pipelines for the offshore LNG terminal. Smart meters have been connected for more than 60% of CLP's residential and small to medium enterprise customers in Hong Kong. In Mainland China, we divested our entire 70% interest in Fangchenggang in November, which will contribute to a significant reduction of the Group's carbon emissions, commenced commercial operations of the Qian'an III wind project and made good progress on two new grid-parity projects (i.e. Xundian II and Bobai wind farms).

Construction of Australia's first net-zero emissions power plant, Tallawarra B, began in the first quarter of 2022. In India, construction of Sidhpur wind farm continued and it was expected to be commissioned by June 2023. The strategic partnership with CDPQ was strengthened upon the sale of an additional 10% interest in Apraava Energy during 2022.

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 dependable operating inflow from the SoC business remained the key source of funds for our capital investment programme and dividend payment in 2022, our free cash flow was substantially impacted by the futures' margin account requirements and operational challenges in Australia. In line with our decarbonisation strategy, we arranged our major financing activities from sustainable financing sources with environmental, social and governance (ESG) elements to the extent appropriate. Continued effort in strengthening our financial capabilities ensures adequate liquidity is maintained and guard against less predictable business and financial market developments.

Where We Stand

- Capital investments in cleaner power and energy infrastructure continued to progress
- Further developed Energy-as-a-Service model including distributed solar project in Shenzhen and strategic partnership with Venturous Group to develop smart energy technology businesses in the Greater Bay Area
- Earnings from our non-carbon emitting generation portfolio, which accounted for 28% of our generation (including long-term capacity and energy purchase arrangements), amounted to HK$2,509 million in 2022
- Backed by strong investment grade credit ratings, adequate liquidity remains to meet the operational needs and support growth

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 stick to the Group's Dividends Policy. Despite the reduction of operating earnings in 2022, CLP kept the dividends at the same level as in 2021 based on the solid performance of its core markets of Hong Kong and Mainland China as well as its robust financial situation, liquidity and positive outlook.

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

	2021 HK$M
Working capital	
Trade and other receivables	15,404
Trade payables and other liabilities	(18,381)
Cash and cash equivalents	8,199
Others	1,380
	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
Non-controlling interests (NCI) and perpetual capital securities (PCS)	13,675
	126,709

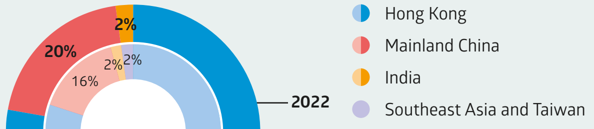
* Including current and non-current portions

	2021	2022	Change
Closing exchange rate			
RMB / HK$	1.2234	**1.1170**	↓ 8.7%
A$ / HK$	5.6601	**5.2876**	↓ 6.6%
INR / HK$	0.1048	**0.0941**	↓ 10.2%
Average exchange rate			
RMB / HK$	1.2057	**1.1591**	↓ 3.9%
A$ / HK$	5.8286	**5.4234**	↓ 7.0%
INR / HK$	0.1053	**0.0994**	↓ 5.6%

Statement of Profit or Loss

	2021 HK$M	2022 HK$M
Revenue	83,959	**100,662**
Operating expenses	(61,943)	**(82,224)**
Other charges	(1,110)	**(4,312)**
EBITDAF of the Group	20,906	**14,126**
Share of results of joint ventures and associates, net of tax	1,974	**2,460**
Consolidated EBITDAF	22,880	**16,586**
Depreciation and amortisation	(9,308)	**(8,904)**
Fair value adjustments	(497)	**(4,250)**
Net finance costs	(1,636)	**(1,842)**
Income tax expense	(1,965)	**(103)**
Profit for the year	9,474	**1,487**
Attributable to NCI and PCS holders	(983)	**(563)**
Earnings attributable to shareholders	8,491	**924**
Excluding: Items affecting comparability	1,026	**3,699**
Operating earnings	9,517	**4,623**

Operating Earnings (Before Group Expenses) by Region



\# Excluding the operating loss of HK$5,267 million (2021: HK$83 million) from Australia

Statement of Changes in Equity

	Attributable to Shareholders HK$M	Attributable to NCI and PCS holders HK$M
Balance at 1 January 2022	113,034	13,675
Profit for the year	924	563
Exchange differences on translation	(4,280)	(328)
Sale of subsidiaries	2,505	(2,628)
Other comprehensive income and other movements	1,147	11
Dividends and distributions paid	(7,832)	(1,097)
Balance at 31 December 2022	**105,498**	**10,196**

Statement of Cash Flows

	2022 HK$M
EBITDAF of the Group	14,126
SoC related movements	(2,410)
Working capital movements #	(1,077)
Non-cash items	2,916
Funds from operations	13,555
Interest received	153
Tax paid	(974)
Cash inflow from operating activities	**12,734**
Capital investments	
Capital expenditure	(14,553)
Additions of other intangible assets	(330)
Investments in and loans to joint ventures	(788)
Acquisition of asset	(338)
	(16,009)
Dividends received and others	627
Cash outflow from investing activities	**(15,382)**
Net proceeds from borrowings	10,296
Interest and other finance costs paid ^	(1,993)
Dividends paid to shareholders	(7,832)
Dividends to NCI and others	(1,458)
Cash outflow from financing activities	**(987)**
Net decrease in cash and cash equivalents	(3,635)
Cash and cash equivalents at 1 January	8,199
Effect of exchange rate changes	(313)
Cash and cash equivalents at 31 December	**4,251**

Free Cash Flow

	2022 HK$M
Funds from operations	13,555
Less: tax paid	(974)
Less: net finance costs paid ^	(2,303)
Less: maintenance capital expenditure (capex)	(1,524)
Add: dividends from joint ventures and associates	2,326
	11,080

Capital Investments

	2022 HK$M
SoC capex	10,786
Growth capex	2,980
Maintenance capex	1,524
Other capex	381
Acquisition of asset	338
	16,009

\# Including the increase in futures margin deposits of HK$2.5 billion

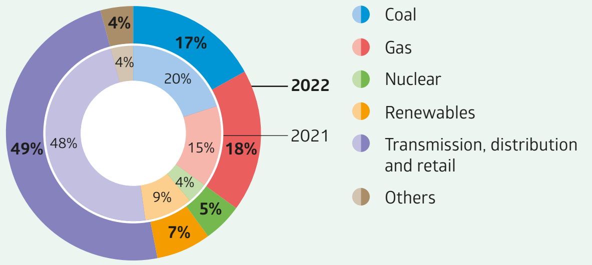
^ Including distributions paid to PCS holders

This Year's Statement of Financial Position

	2022 HK$M
Working capital	
Trade and other receivables	17,314
Trade payables and other liabilities	(19,627)
Cash and cash equivalents	4,251
Others	(624)
	1,314
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	155,758
Goodwill and other intangible assets	18,451
Interests in joint ventures and associates	20,838
	195,047
Others	6,518
	201,565
Debts and other non-current liabilities	
Bank loans and other borrowings *	(59,217)
Others	(27,968)
	(87,185)
Net assets	115,694
Equity	
Shareholders' funds	
Share capital and other reserves	27,518
Retained profits	85,099
Translation reserve	(7,119)
	105,498
NCI and PCS	10,196
	115,694

* Including current and non-current portions

Capital Assets by Asset Type



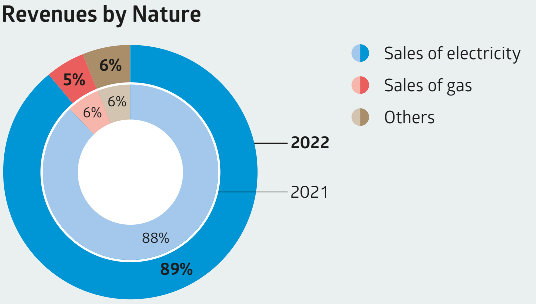
Analysis on Financial Results

Revenue (2022: HK$100,662 million; 2021: HK$83,959 million; ⬆ 19.9%)

	2022 HK$M	2021 HK$M	Increase HK$M	%
Hong Kong	**51,776**	44,994	6,782	15.1
Australia	**41,839**	32,271	9,568	29.6
India	**5,153**	4,866	287	5.9
Mainland China and others	**1,894**	1,828	66	3.6
	100,662	83,959	16,703	19.9

- Hong Kong: Surge in fuel prices in 2022 inevitably resulted in the increase of SoC revenue (Fuel Clause Charge). This was slightly offset by lower units sold reflecting reduced consumption from economic slow-down under the pandemic and cooler weather in May 2022; recognition of HK$421 million from the sale of Argyle Street properties
- India: Excluding the impact of lower Rupees average exchange rate, revenue increased by about HK$0.6 billion mainly due to full-year revenue contributed by KMTL transmission project, acquired in December 2021, and higher energy charges in line with rising coal prices (though reduced capacity tariff effective April) at Jhajjar power station, partially offset by lower wind and solar generation due to lower wind resource and lower availability of solar farms, respectively, in 2022

Revenues by Nature



- Australia
  Excluding the impact of lower Australian dollar average exchange rate of HK$2.2 billion, revenue increased by HK$11.8 billion:
  - Energy: Significant increase by HK$10.3 billion predominately reflected extremely high spot prices under unprecedented market conditions in Australia and slightly higher generation

	2022	2021
Generation (GWh)		
Coal	**13,388**	14,705
Gas	**2,600**	1,035
Average pool price (A$/MWh) *		
Victoria	**133.6**	44.9
New South Wales	**182.2**	72.4

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

  - Customer: Revenue up by HK$1.3 billion mainly due to higher energy rates upon re-contracting with customers, most of which took place in the second half of the year

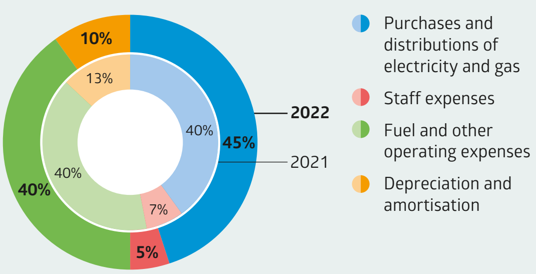
	2022	2021
Electricity sales (TWh)		
Mass Market	**9.3**	9.1
Commercial and Industrial	**7.4**	7.0
Gas sales (PJ)		
Mass Market	**32.9**	33.0
Commercial and Industrial	**4.5**	4.2

- Mainland China: Increased revenue thanks to the start of operation of Qian'an III wind farm in early 2022 and higher water resource for hydro projects partly offset by the impact of lower Renminbi average exchange rate

Operating Expenses (2022: HK$82,224 million; 2021: HK$61,943 million; ⬆ 32.7%)
Depreciation and Amortisation (2022: HK$8,904 million; 2021: HK$9,308 million; ⬇ 4.3%)

- Hong Kong: Surging coal and gas prices resulted in a significant increase in fuel costs

Expenses by Nature



- Mainland China: Depreciation of Renminbi resulted in exchange loss (versus gain in 2021) on dividends and inclusion of loss on sale of Fangchenggang of HK$185 million in 2022
- Australia: Significant increase in electricity purchases due to elevated wholesale market prices for our retail business, increase in fuel costs due to increased gas generation at higher prices and higher cost for energy derivative contract settlements when there were generation shortfalls
- India: Rising coal prices increased cost of generation in Jhajjar power station; cessation of depreciation since reclassification of our interest in Apraava Energy to assets held for sale in June 2022

Consolidated EBITDAF * (2022: HK$21,044 million; 2021: HK$24,499 million; ⬇ 14.1%)

	2022 HK$M	2021 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**17,481**	17,485	(4)	–
Mainland China	**3,907**	3,339	568	17.0
Australia	**(695)**	2,792	(3,487)	(124.9)
India	**1,425**	1,519	(94)	(6.2)
Southeast Asia and Taiwan	**13**	183	(170)	(92.9)
Corporate	**(1,087)**	(819)	(268)	(32.7)
	21,044	24,499	(3,455)	(14.1)

* Excluding items affecting comparability

- Hong Kong: SoC operations remained robust; more energy and infrastructure solutions development expenses and fair value losses of HK$13 million (2021: gains of HK$163 million) on innovation funds
- Mainland China: Increased contribution from non-carbon portfolio with strong performance from nuclear projects (in particular, record high generation and higher tariff for Yangjiang), and higher profit from renewable projects (contribution from the newly commissioned Qian'an III wind project and higher hydro resource despite lower wind resource); significant improvement in the performance from coal-fired projects mainly due to increased tariffs (partially offset by high fuel costs on generation) and the absence of the one-off share of loss from Shandong projects in 2021
- Australia: Negative (2021: positive) EBITDAF from the Energy business attributable to lower realised prices (with energy forward contracts previously entered into at prices much lower than 2022 spot prices), lower coal generation and settlements paid to cover energy derivative contract positions under generation shortfalls; higher contribution from the Customer business driven by lower realised energy procurement costs reflecting gains from forward purchasing of electricity against volatile prices
- India: Lower capacity charge received by Jhajjar power project and lower wind and solar contribution due to lower generation partially compensated by full year (2021: one month) contribution from the KMTL transmission project
- Southeast Asia and Taiwan: Significant decrease in the share of profit of Ho-Ping power station due to surging coal prices more than offsetting higher energy tariffs (reflecting the lagging effect of prior year's coal prices in the first half and more timely catch up of prices upon amendment of the energy tariff reimbursement mechanism, effective July); lower Lopburi solar farm's results following tariff reduction under the power purchase agreement since December 2021
- Corporate: Higher transformation and digital related costs

Items Affecting Comparability

	2022		2021	
	Before Tax HK$M	After Tax & NCI HK$M	Before Tax HK$M	After Tax & NCI HK$M
Hong Kong	**39**	**23**	(34)	(34)
Mainland China	**(185)**	**(185)**	–	–
Australia	**–**	**–**	(1,562)	(1,093)
India	**(4,034)**	**(3,537)**	(330)	(148)
Southeast Asia and Taiwan	**–**	**–**	307	249
	(4,180)	**(3,699)**	(1,619)	(1,026)

- Hong Kong: Gain on sales of Argyle Street properties recognised for the first time in 2022 offset by revaluation loss of retail portion of Laguna Mall
- Mainland China: CLP sold its entire 70% interest in Fangchenggang in November 2022 and resulted in a disposal loss of HK$185 million (Note 5(e) to the Financial Statements)
- India: Triggered by a sale and purchase agreement entered into in July 2022 to sell an additional 10% interest in Apraava Energy to CDPQ at a consideration of Rs6.6 billion, the assets and liabilities of Apraava Energy were classified as held for sale and measured at fair value (with reference to the total consideration) at the end of June. This resulted in the recognition of a measurement loss of HK$1,635 million (CLP's 60% share: HK$986 million) in the interim financial statements. The transaction was completed in late December and the Group's equity interest in Apraava Energy was reduced from 60% to 50% and Apraava Energy ceased to be a subsidiary (deconsolidated from the Group) and became a joint venture of the Group (deemed acquisition of joint venture) at fair value. As a result, additional loss totalling HK$2,677 million, representing realisation of losses deferred in reserves (mainly translation) to profit or loss of HK$2,505 million upon deconsolidation and the subsequent changes in net asset value in Apraava Energy from initial reclassification to asset held for sale till deconsolidation (HK$172 million), was recognised. These were recognised as "other charges" in the profit or loss. Please refer to Note 4(a) to the Financial Statements for more details on the sell down

  In addition, a related adjustment of HK$278 million (after tax and NCI: HK$126 million) which represented cessation of depreciation once Apraava Energy was reclassified to asset held for sale by end of June till completion of sell down, according to HKFRS 5, was included

Fair Value Adjustment (2022: HK$4,250 million; 2021: HK$497 million)

Predominantly related to unfavourable fair value movements of EnergyAustralia's energy derivative contracts which do not qualify for hedge accounting according to the accounting standard, as a result of the significant escalation in forward electricity prices impacting our net sold position at year end.

Surge in electricity prices in spot and forward markets in Australia

The challenging market conditions in Australia, namely high fuel prices, generator reliability issues and adverse weather events, resulted in an unprecedented suspension of spot market trading in June 2022 following interventions from the AEMO. The wholesale electricity prices remained volatile at higher-than-historical average levels throughout the year. There was moderation of forward prices when the Australian Government passed a law to temporarily cap energy prices across certain states in mid December 2022. However, the forward prices at this year end remained higher than that of 2021. The lower forward prices at the end of 2022 as compared to June 2022 explained the reduction in the unrealised fair value loss in the second half of the year.

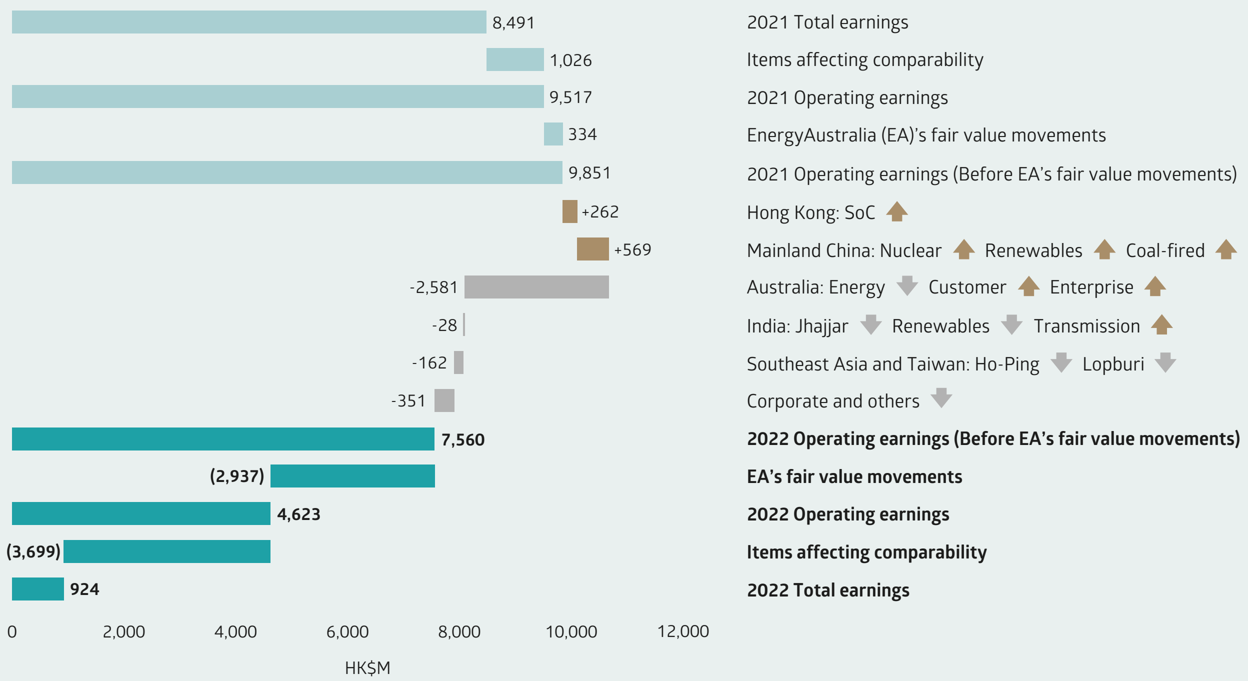
When we marked-to-market our energy forward contracts at the balance sheet date, it resulted in considerable unfavourable / favourable fair value movements (i.e. difference between the exceptionally high forward electricity prices prevailing in the market and the contract prices fixed under the energy derivative contracts) for sold / bought energy hedging contracts.

Income Tax Expense (2022: HK$103 million; 2021: HK$1,965 million; ↓ 94.8%)

	2022 HK$M	2021 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**1,893**	2,040	(147)	(7.2)
Mainland China	**356**	329	27	8.2
Australia	**(2,303)**	(524)	(1,779)	
India	**155**	52	103	198.1
Southeast Asia and Taiwan	**2**	68	(66)	(97.1)
	103	1,965	(1,862)	(94.8)

- Hong Kong: Lower tax expense mainly due to lower basic tariff revenue from lower units sold and the tax deduction allowed for the special rebates paid
- Mainland China: Excluding the impact of the lower average Renminbi exchange rate, the increase was mainly in line with better operating performance
- Australia: The operating loss and the unrealised fair value loss of the energy forward contracts attributed to the significant increase in tax credit
- India: Despite lower tax on lower profits, the increase in tax expense was mainly due to the inclusion of one-off deferred tax expense on the depreciation of the fixed assets held for sale in 2022 and the tax credit relating to the impairment provision in 2021

Total Earnings (2022: HK$924 million; 2021: HK$8,491 million; ↓ 89.1%)
Operating Earnings (2022: HK$4,623 million; 2021: HK$9,517 million; ↓ 51.4%)



The performance of individual business is analysed on "Business Performance and Outlook" on pages 38 to 65.

Analysis on Financial Position

Fixed Assets, Right-of-Use Assets and Investment Property (2022: HK$155,758 million; 2021: HK$162,154 million; ⬇ 3.9%)
Goodwill and Other Intangible Assets (2022: HK$18,451 million; 2021: HK$19,710 million; ⬇ 6.4%)

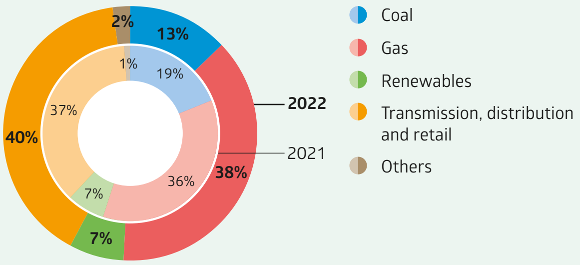
	Fixed Assets, Right-of-Use Assets and Investment Property HK$M	Goodwill and Other Intangible Assets HK$M	Total HK$M	Breakdown	
				SoC Assets HK$M	Non-SoC Assets HK$M
Balance at 1 January 2022	162,154	19,710	181,864	124,353	57,511
Additions	15,525	330	15,855	12,097	3,758
Measurement loss and reclassification to assets of disposal group #	(10,954)	(13)	(10,967)	–	(10,967)
Depreciation and amortisation	(8,199)	(705)	(8,904)	(5,313)	(3,591)
Translation differences and others *	(2,768)	(871)	(3,639)	(295)	(3,344)
Balance at 31 December 2022	**155,758**	**18,451**	**174,209**	**130,842**	**43,367**

Loss on measurement of Apraava Energy (HK$1.6 billion) at fair value was allocated to fixed assets with remaining fixed assets balance (HK$9.3 billion) reclassified to assets of disposal group held for sale at the end of June 2022; subsequent changes in fixed assets were recognised in assets of disposal group held for sale

* Mainly depreciation of Australian dollar and Renminbi and disposal of fixed assets

- SoC: Invested HK$6.1 billion mainly to progress the construction of the two mega projects (i.e. the second CCGT unit and offshore LNG terminal) and another HK$6.0 billion for development / enhancement of the transmission and distribution networks (e.g. establishment of substations for data centres) and installation of smart meters
- Mainland China: Mainly development of new renewable projects including Xundian II and Bobai wind farms
- Australia: HK$2.3 billion additions mainly related to building a net-zero emissions power plant in Tallawarra ("Tallawarra B"), continuous improvement works on existing generation plants (mainly Yallourn and Mount Piper) and software for digitisation of operations
- India: Continued the construction of Sidhpur wind farm

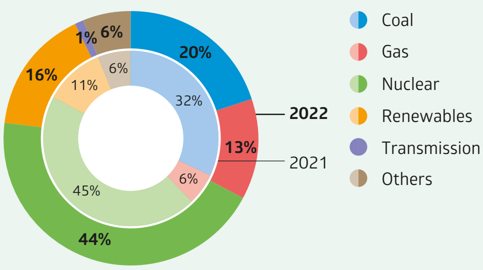
Capital Additions by Asset Type



Interests in Joint Ventures and Associates (2022: HK$20,838 million; 2021: HK$19,371 million; ⬆ 7.6%)

- Hong Kong: Shareholder's loan of HK$737 million made to HKLTL (LNG Terminal joint venture) in 2022 for the continuous construction of jetty
- Mainland China: Sale of our entire interest in Fangchenggang (HK$2.1 billion at 2021 year end) and translation loss from Renminbi on our interests in joint ventures and associates
- India: Represented the 50% interest in Apraava Energy (marked at fair value of HK$3.1 billion) which was deemed "acquired" by CLP upon completion of the 10% sell down
- Southeast Asia and Taiwan: Mainly depreciation of New Taiwan dollar

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments
Assets (2022: HK$4,050 million; 2021: HK$3,482 million; ⬆ 16.3%)
Liabilities (2022: HK$6,715 million; 2021: HK$2,666 million; ⬆ 151.9%)

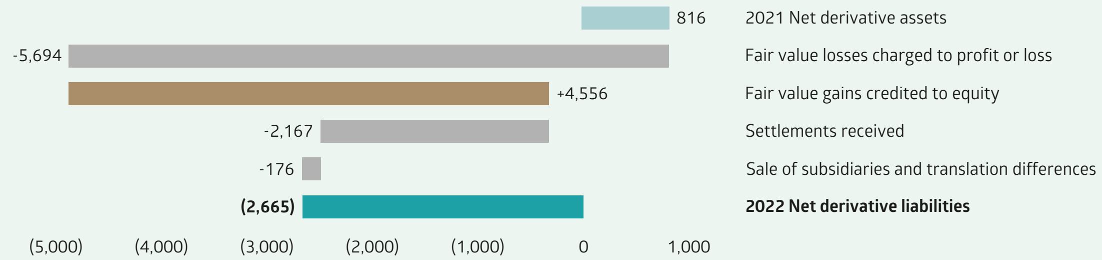
Derivative financial instruments are primarily used to hedge foreign exchange, interest rate and energy price risks. At 31 December 2022, the fair value of these derivative instruments was a net deficit of HK$2,665 million, representing the net amount payable if these contracts were closed out at year end.

- Hong Kong: Increase in loss for fuel purchase-related forward contracts under cash flow hedges mainly due to depreciation of USD against HKD in forward markets and recognition of fair value loss of cross currency interest rate swaps related to the new JPY loan in 2022
- Australia: Mainly significant increase in fair value loss of electricity futures contracts for the Energy business (i.e. sold energy contracts), which provided flexibility and protection against uncertainty but did not satisfy the highly probable threshold required for hedge accounting, due to the higher forward electricity prices

	Notional Amount		Derivative Assets / (Liabilities)	
	2022 HK$M	2021 HK$M	**2022 HK$M**	2021 HK$M
Forward foreign exchange contracts and foreign exchange options	**32,518**	28,973	**(267)**	(30)
Interest rate swaps and cross currency interest rate swaps	**32,011**	35,295	**(1,370)**	(934)
Energy contracts #				
Not qualified for hedge accounting			**(3,581)**	(162)
Cash flow hedges			**2,553**	1,942
			(2,665)	816

The aggregate notional volumes of the outstanding energy derivatives at 31 December 2022 were 333,062GWh (2021: 311,808GWh) and 11 million barrels (2021: 7 million barrels) and 1,919TJ (2021: 4,382TJ) for electricity, oil and gas respectively.

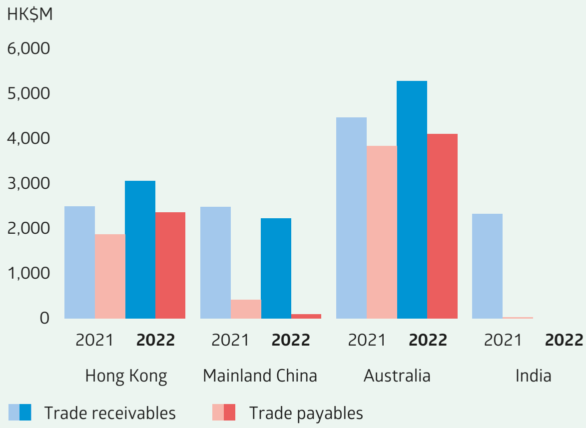
Movements in Derivative Financial Instruments (HK$M)



Trade and Other Receivables (2022: HK$17,314 million; 2021: HK$15,404 million; ⬆ 12.4%)
Trade Payables and Other Liabilities (2022: HK$19,627 million; 2021: HK$18,381 million; ⬆ 6.8%)

- Hong Kong: About 20% increase in debtor balance reflecting higher fuel costs charged to customers; substantial increase in capex liabilities in line with the progress of mega projects and higher fuel purchase-related payables from higher fuel prices
- Mainland China: Better collection of national subsidies for renewable projects resulted in improved receivable position; other receivables increased significantly due to the inclusion of the consideration receivable from the sale of Fangchenggang of HK$1.7 billion partly offset by lower dividend receivables
- Australia: Increase in futures margin account by HK$2.3 billion to cover the short position on open derivative contracts (consistent with the fair value loss); higher electricity and gas debtors in line with higher sales; payables remained at similar level as the higher payables for electricity purchases (at higher prices) and higher green liabilities (from higher sales) were largely offset by the impact of lower annual incentive provision and the impact of lower closing exchange rate
- India: Nil balance upon deconsolidation of Apraava Energy in 2022 (2021: receivables of HK$2.6 billion and payables of HK$0.4 billion)

Trade Receivables / Payables by Region



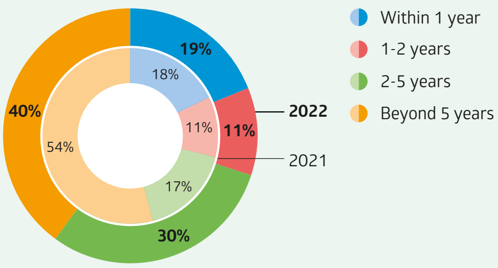
Analysis on Financial Position (continued)

Bank Loans and Other Borrowings (2022: HK$59,217 million; 2021: HK$58,215 million; ⬆ 1.7%)

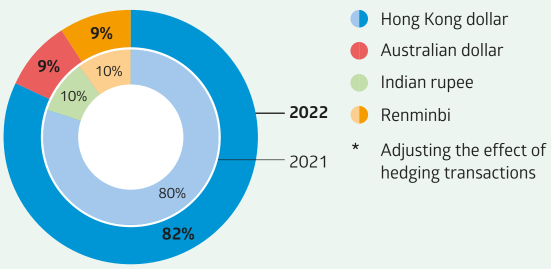
- Major new financing activities in the year:
  - Hong Kong: To finance the progress of mega projects, CAPCO drew down HK$1.7 billion from its export credit loans (for LNG terminal) and HK$1.4 billion commercial loans (for second CCGT unit) facilities; and CLP Power arranged a JPY15 billion (HK$1 billion) emission reduction-linked banking facility
  - Mainland China: RMB2.2 billion (HK$2.5 billion) project loan facilities arranged to finance the development of two new wind projects and refinance existing debt with tenor extension and lower interest rate
  - Australia: Upsized revolving bank debt facility to A$750 million (HK$4.0 billion) in April and obtained an additional A$1 billion (HK$5.5 billion) credit facility to boost its liquidity and meet operation needs
- Net debt to total capital ratio increased from 28.1% to 32.0% driven by increased net debt to finance EnergyAustralia's cash flow requirements and reduced capital from the loss attributable to EnergyAustralia in 2022
- During the year, Standard & Poor's and Moody's affirmed all the credit ratings of CLP Holdings (A and A2), CLP Power (A+ and A1) and CAPCO (AA- and A1) with stable outlooks; In December 2022, Moody's assigned an inaugural Baa2 credit rating to EnergyAustralia with stable outlook

More details of financing activities and credit ratings can be found on pages 73 to 76.

Loan Balances by Maturity



Loan Balances by Currencies*



* Adjusting the effect of hedging transactions

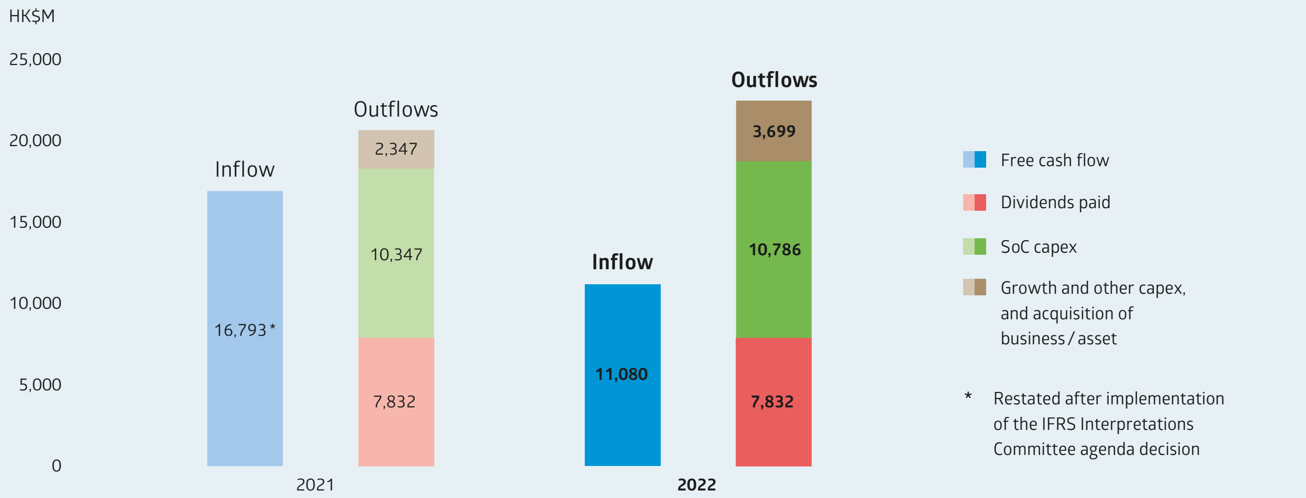
Analysis of Financial Obligations

Consolidated financial statements are prepared to show the effect as if the parent and all of its subsidiaries were one entity by consolidating their financial statements on a line-by-line basis. In contrast, under the equity method of accounting, interests in joint ventures and interests in associates are accounted for on the basis of proportionate sharing of net assets (i.e. assets minus liabilities). As a result, the debts of our joint ventures and associates are not included as part of the debts shown in our consolidated statement of financial position. To enhance the transparency to readers, the diagram below illustrates the financial obligations of the CLP Group, as well as those of our joint ventures and associates.

				2022 HK$M	2021 HK$M
CLP	Consolidated	Debts of CLP Holdings and Subsidiaries	Debts of subsidiaries are non-recourse to CLP Holdings.	**59,217**	58,215
	Equity Accounted	Share of Debts of Joint Ventures and Associates	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.	**12,849**	15,168

Analysis of Cash Flow

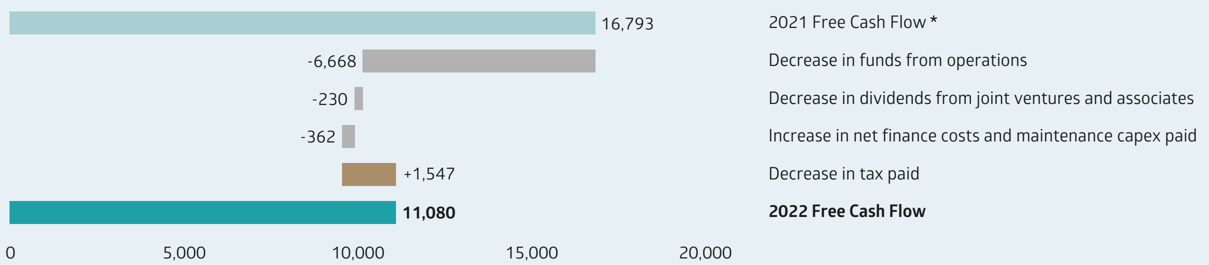
Analysis of Inflow and Outflows



Free Cash Flow (2022: HK$11,080 million; 2021: HK$16,793 million*; ⬇ 34.0%)

- Free cash flow decreased by HK$5.7 billion because of:
  - Hong Kong: Lower funds from SoC operations by around HK$3 billion primarily due to lower basic tariff revenue from reduced units sold, increase in under-recovery of fuel costs from customers, and a special rebate (to alleviate the burden on customers) of HK$715 million paid in 2022; offset by lower tax payment by HK$0.9 billion
  - Mainland China: Improvement in collection of national subsidies (+HK$424 million); dividend from nuclear associates remains strong
  - Australia: Negative cash flow from operations of HK$2.9 billion (2021: positive of HK$1.7 billion) largely attributable to higher cash deposits made to the futures margin account (-HK$1.1 billion) and operational challenges for both Energy business (low generation) and Customer business (high energy procurement costs)
  - Southeast Asia and Taiwan: Lower dividend received from OneEnergy Taiwan (-HK$401 million) as Ho-Ping power station was negatively impacted by the rising coal prices
- Capital investments include:
  - HK$10.8 billion of SoC capex for progress of construction of low-carbon emitting generation facilities, development / enhancement of the transmission and distribution networks and smart meter installation
  - HK$3.0 billion of growth capex related to our renewable projects in Mainland China and India (up to deconsolidation in late December), and development of Tallawarra B in Australia
  - Acquisition of business / asset mainly related to the prepayment paid for the new head office at Kai Tak of HK$338 million

Movements in Free Cash Flow (HK$M)



* The 2021 figure has been restated after implementation of the IFRS Interpretations Committee agenda decision (Significant Accounting Policy No. 2(A) of the Financial Statements)

Broader Perspective

	2022	2021	2020	2019	2018
Performance Indicators					
EBITDAF [1] (HK$M)	**16,586**	22,880	25,254	18,656	28,571
ACOI [2] (HK$M)	**11,862**	15,191	16,899	17,002	20,998
Operating earnings (HK$M)	**4,623**	9,517	11,577	11,121	13,982
Total earnings (HK$M)	**924**	8,491	11,456	4,657	13,550
Return on equity (%)	**0.8**	7.5	10.5	4.3	12.4
Operating return on equity [3] (%)	**4.2**	8.5	10.6	10.4	12.8
Financial Health Indicators					
Undrawn facilities (HK$M)	**31,633**	28,076	25,737	18,854	24,059
Total borrowings (HK$M)	**59,217**	58,215	54,348	52,349	55,298
Fixed rate borrowings to total borrowings (%)	**52**	61	63	54	53
FFO interest cover (times)	**7**	12	13	12	13
FFO to debt [4] (%)	**23.1**	36.4	45.8	43.7	47.2
Net debt to total capital (%)	**32.0**	28.1	25.1	26.7	25.5
Debt / Capitalisation [5] (%)	**41.2**	29.3	30.0	25.3	24.7
Shareholders' Return Indicators					
Dividend per share (HK$)	**3.10**	3.10	3.10	3.08	3.02
Dividend yield (%)	**5.4**	3.9	4.3	3.8	3.4
Dividend payout [6] (%)	**169.4**	82.3	67.7	70.0	54.6
Total return to shareholders [7] (%)	**2.6**	5.8	5.2	8.7	9.6
Price / Earnings (times)	**154**	23	16	45	17
Price / Operating earnings [8] (times)	**31**	21	16	19	16
Cash Flows and Capital Investments					
FFO (HK$M)	**13,555**	20,223	24,418	23,502	26,584
Free cash flow [9] (HK$M)	**11,080**	16,793	20,418	20,027	21,766
Capital investments (HK$M)	**16,009**	14,163	11,691	11,861	12,045
Capital expenditure	**14,553**	12,431	10,586	10,448	10,327
Investments in joint ventures and associates, and additions to intangible assets	**1,118**	731	909	1,197	515
Acquisitions of subsidiaries / assets	**338**	1,001	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, ineffectiveness and de-designation 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

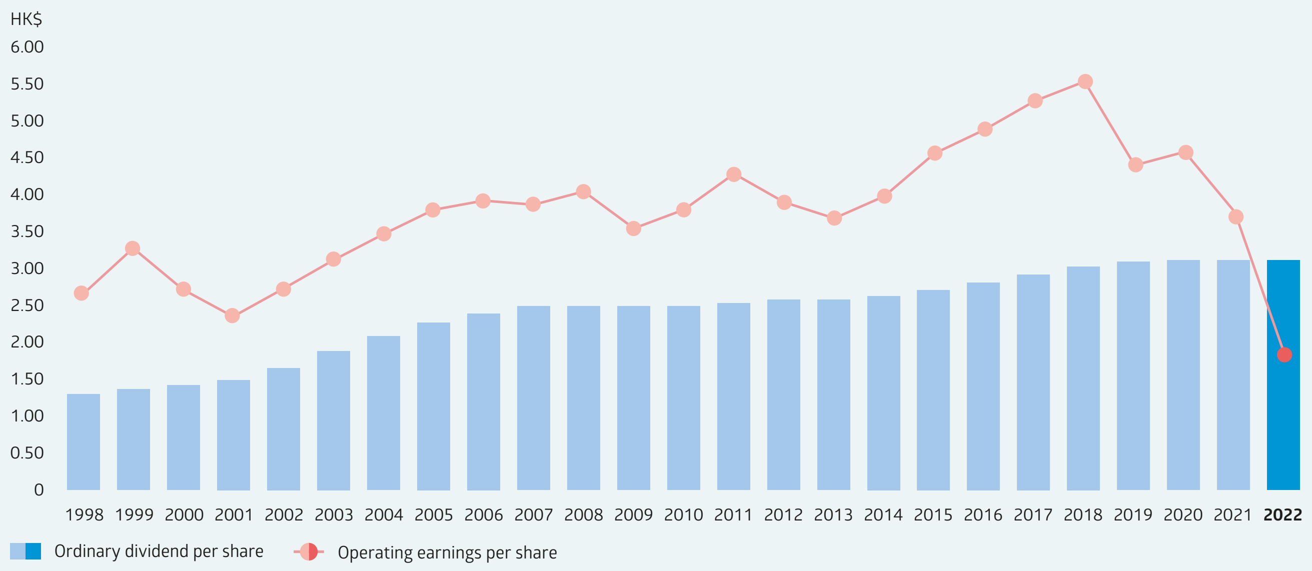
6 Dividend payout = Dividend per share / Operating earnings per share

7 Total return to shareholders representing the 10-year annualised rate of return from the combination of share price appreciation and dividend payments

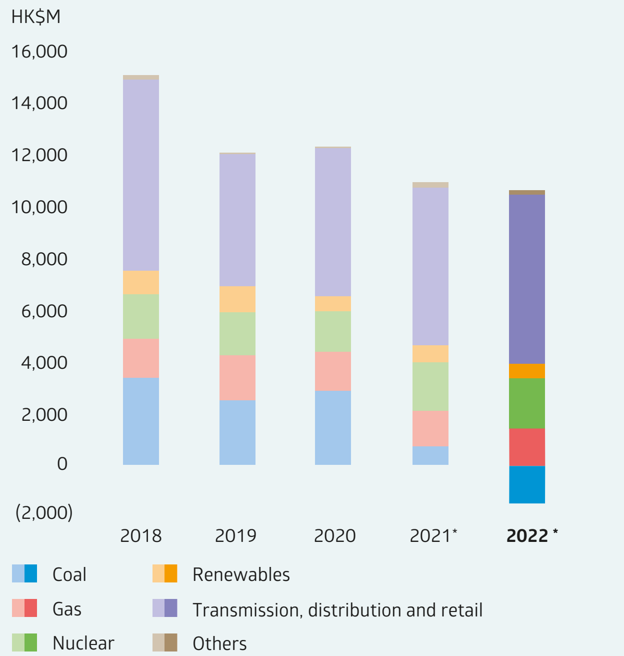
8 Price / Operating earnings = Closing share price on the last trading day of the year / Operating earnings per share

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



* Excluding EA's fair value movements

Capital Investments