Financial Review

Our transformation strategy guides our investments to grow the business sustainably.

CLP Group's Financial Results and Position at a Glance

Strategy to Power Brighter Tomorrows

We remain focused on decarbonising and digitalising our operations in order to create value for our stakeholders and the communities in which we operate. Meanwhile, we are also building greater organisational agility through workforce transformation to equip ourselves for future opportunities. CLP underpins great effort to ensure Hong Kong remains a vibrant international centre, one that is playing a leading role in Asia in the transition to a net-zero future. We have a strong commitment to decarbonisation and pursue diversified investment opportunities in our overseas markets. Additionally, we are continuously enhancing our digital capabilities to not only deliver operational excellence for our businesses, but also provide bespoke energy service solutions to our customers.

Progress on the Execution of Our Strategy

Our commitment to invest for Hong Kong's low-carbon future continue being evidenced through the new offshore LNG terminal which has been in service since July 2023, the construction of unit D2 at Black Point Power Station, and the enhancement of the Clean Energy Transmission System (CETS), which allows more imports of zero-carbon energy from Mainland China. Renewable portfolio in Mainland China was expanded at an accelerated pace with the commissioning of Xundian II wind project and Yangzhou Gongdao solar project, as well as the commencement of construction of Bobai wind farm in 2023. Sandu II wind farms and two other solar projects are due to start work soon.

The construction of Australia's first net-zero emissions power plant, Tallawarra B, continued during the year and is now completing commissioning. Commercial operation of Riverina and Darlington Point, New South Wales's largest energy storage system of which EnergyAustralia has market control for contracted output, commenced in September. In India, over 50% of the Sidhpur wind project was commissioned in 2023. Our joint venture, Apraava Energy also entered into the advanced metering infrastructure market.

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.

Strong operating cash inflow from the SoC business continues to be the key source of funds for our capital investment programme and dividend payment in 2023. Our free cash flow also benefited from the refund of futures margin deposits and recovering operational performance at EnergyAustralia. During the year, we continue to carry out sustainable financing activities under Climate Action Finance Framework, for specific projects, and arrange Emission Reduction-Linked bank facilities with performance targets linked to emissions level for general corporate purposes.

Where We Stand

- HK$5.1 billion of our capital investments, on accrual basis, spent on building our decarbonisation portfolio in 2023
- Continue to grow sustainable energy solutions business to help customers meet their decarbonisation and sustainability targets
- Over 75% of operating earnings before fair value movements and unallocated expenses generated from non-carbon generation assets, and transmission, distribution and retail operations
- Backed by strong investment grade credit ratings and progressive recovery of operating cash flow, 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. Taking into account the strong financial performance for the year, our robust financial position and our capacity to finance the investment plan of the Group, total dividends per share for 2023 are therefore maintained at HK$3.10.

More analysis on the value we created for our shareholders can be found on pages 38 and 39.

Last 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
Non-controlling interests (NCI) and perpetual capital securities (PCS)	10,196
	115,694

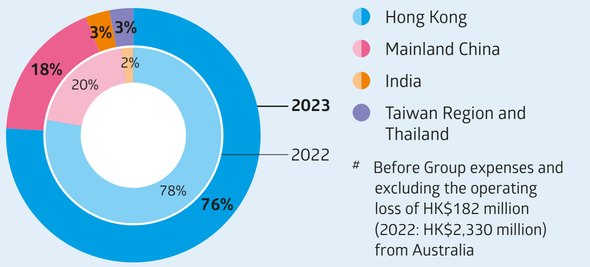
* Including current and non-current portions

	2022	2023	Change
Closing exchange rate			
RMB / HK$	1.1170	**1.0956**	⬇ 1.9%
A$ / HK$	5.2876	**5.3200**	⬆ 0.6%
Average exchange rate			
RMB / HK$	1.1591	**1.1033**	⬇ 4.8%
A$ / HK$	5.4234	**5.1962**	⬇ 4.2%

Statement of Profit or Loss

	2022 HK$M	2023 HK$M
Revenue	100,662	**87,169**
Operating expenses	(82,224)	**(66,431)**
Other charges	(4,312)	**(5,868)**
EBITDAF of the Group	14,126	**14,870**
Share of results of joint ventures and associates, net of tax	2,460	**3,196**
Consolidated EBITDAF	16,586	**18,066**
Depreciation and amortisation	(8,904)	**(8,594)**
Fair value movements	(4,250)	**3,040**
Net finance costs	(1,842)	**(1,869)**
Income tax expense	(103)	**(2,973)**
Profit for the year	1,487	**7,670**
Attributable to NCI and PCS holders	(563)	**(1,015)**
Earnings attributable to shareholders	924	**6,655**
Excluding: Items affecting comparability	3,699	**5,597**
Operating earnings	4,623	**12,252**
Excluding: Fair value movements (after tax and NCI)	2,979	**(2,125)**
Operating earnings before fair value movements	7,602	**10,127**

Operating Earnings before Fair Value Movements by Region



\# Before Group expenses and excluding the operating loss of HK$182 million (2022: HK$2,330 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 2023	105,498	10,196
Profit for the year	6,655	1,015
Exchange differences on translation	(222)	–
Cash flow hedges and costs of hedging	(1,837)	(61)
Other comprehensive income and other movements	69	13
Dividends and distributions paid	(7,832)	(1,112)
Balance at 31 December 2023	**102,331**	**10,051**

Statement of Cash Flows

	2023 HK$M
EBITDAF of the Group	**14,870**
SoC items	**3,168**
Working capital movements	**643**
Non-cash items	**6,916**
Funds from operations	**25,597**
Interest received	**189**
Tax paid	**(2,219)**
Cash inflow from operating activities	**23,567**
Capital investments	
Capital expenditure	**(11,776)**
Additions of other intangible assets	**(796)**
Investments in and loans to joint ventures	**(272)**
	(12,844)
Dividends received and others	**3,372**
Cash outflow from investing activities	**(9,472)**
Net repayments of borrowings	**(1,672)**
Interest and other finance costs paid ^	**(1,736)**
Dividends paid to shareholders	**(7,832)**
Dividends to NCI and others	**(1,902)**
Cash outflow from financing activities	**(13,142)**
Net increase in cash and cash equivalents	**953**
Cash and cash equivalents at 1 January	**4,251**
Effect of exchange rate changes	**(22)**
Cash and cash equivalents at 31 December	**5,182**
Free Cash Flow	
Funds from operations	**25,597**
Less: tax paid	**(2,219)**
Less: net finance costs paid ^	**(2,320)**
Less: maintenance capital expenditure (capex)	**(1,549)**
Add: dividends from joint ventures and associates	**2,357**
	21,866
Capital Investments	
SoC capex	**10,073**
Growth capex	**777**
Maintenance capex	**1,549**
Other capex	**445**
	12,844

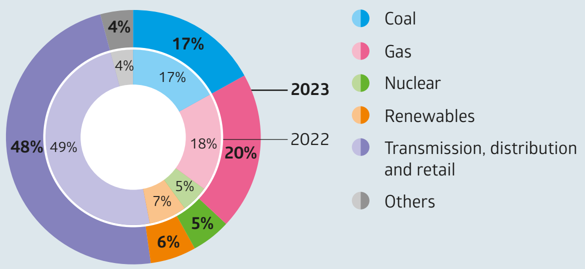
^ Including distributions paid to PCS holders

This Year's Statement of Financial Position

	2023 HK$M
Working capital	
Trade and other receivables	**13,650**
Trade payables and other liabilities	**(20,306)**
Cash and cash equivalents	**5,182**
Others	**(1,503)**
	(2,977)
Non-current assets	
Capital assets	
Fixed assets, right-of-use assets and investment property	**161,663**
Goodwill and other intangible assets	**12,854**
Interests in joint ventures and associates	**21,898**
	196,415
Others	**5,706**
	202,121
Debts and other non-current liabilities	
Bank loans and other borrowings *	**(57,515)**
Others	**(29,247)**
	(86,762)
Net assets	**112,382**
Equity	
Shareholders' funds	
Share capital and other reserves	**25,456**
Retained profits	**84,216**
Translation reserve	**(7,341)**
	102,331
NCI and PCS	**10,051**
	112,382

* Including current and non-current portions

Capital Assets by Asset Type



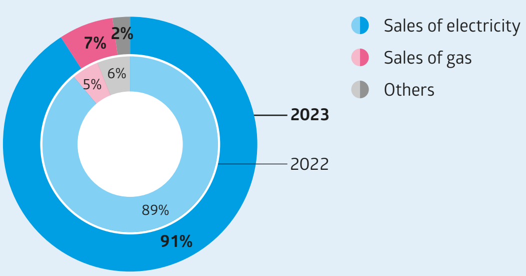
Analysis on Financial Results

Revenue (2023: HK$87,169 million; 2022: HK$100,662 million; ⬇ 13.4%)

	2023 HK$M	2022 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**52,119**	51,776	343	0.7
Australia	**33,190**	41,839	(8,649)	(20.7)
India	**–**	5,153	(5,153)	(100.0)
Mainland China and others	**1,860**	1,894	(34)	(1.8)
	87,169	100,662	(13,493)	(13.4)

- Hong Kong: Steady revenue from SoC with more units sold (driven by gradual economic recovery and hot summer in 2023) offset by lower Fuel Cost Adjustment charged to customers (in line with softening of international fuel prices)
- India: Subsequent to the deconsolidation of Apraava Energy upon the completion of the sell down in December 2022, revenue from India is no longer consolidated
- Mainland China and others: Excluding the impact of lower Renminbi average exchange rate (-HK$90 million), revenue from Mainland China increased by 3.3% due to the commissioning of Xundian II wind project and Yangzhou Gongdao solar project in 2023 largely offset by less resource for Jiangbian hydro project

Revenues by Nature



- Australia

  Excluding the impact of lower Australian dollar average exchange rate of HK$1.8 billion, revenue decreased by HK$6.9 billion:

  - Energy: Significant decrease by HK$9.0 billion predominately driven by the softening of wholesale spot prices in 2023 as compared to the extremely high spot prices under unprecedented market conditions in 2022, and lower generation due to lower wholesale price environment in 2023

	2023	2022
Generation (GWh)		
Yallourn	**7,687**	7,691
Mount Piper	**5,360**	5,697
Average pool price (A$/MWh) *		
Victoria	**54.8**	133.6
New South Wales	**95.9**	182.2

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

  - Customer: Revenue up by HK$1.9 billion mainly due to tariff reprices reflecting higher energy procurement costs and re-contracting with fixed price customers since the second half of 2022 partially offset by lower customer usage

	2023	2022
Electricity sales (TWh)		
Mass Market	**8.9**	9.3
Commercial and Industrial	**5.9**	7.4
Gas sales (PJ)		
Mass Market	**28.1**	32.9
Commercial and Industrial	**2.5**	4.5

Financial implication of change in accounting method for our interest in Apraava Energy

Apraava Energy ceased to be a subsidiary upon the completion of the sell down of an additional 10% interest to CDPQ in late December 2022, which reduced CLP Group's equity interest in Apraava Energy from 60% to 50%. Apraava Energy is therefore now accounted for as a joint venture, so its financial results are no longer line-by-line consolidated into the CLP Group's consolidated financial statements. CLP gets its share of earnings (one-line equity consolidation) but not revenue nor expenses. Had the equity accounting basis been adopted in 2022, the share of results (60%) of Apraava Energy would have been HK$193 million as compared to HK$1,425 million included in Consolidated EBITDAF for the year ended 31 December 2022.

Consolidated EBITDAF * (2023: HK$23,611 million; 2022: HK$21,044 million; ⬆ 12.2%)

	2023 HK$M	2022 HK$M	Increase / (Decrease) HK$M	%
Hong Kong	**18,035**	17,481	554	3.2
Mainland China	**3,737**	3,907	(170)	(4.4)
Australia	**2,307**	(695)	3,002	N/A
India	**306**	1,425	(1,119)	(78.5)
Taiwan Region and Thailand	**309**	13	296	2,276.9
Corporate	**(1,083)**	(1,087)	4	0.4
	23,611	21,044	2,567	12.2

* Excluding items affecting comparability

- Hong Kong: Mainly reflected higher permitted return on higher average **SoC** net fixed assets and five-year energy saving and renewable energy connections incentives earned for the first time under the current SoC
- Mainland China: Lower **nuclear** earnings due to higher operating and maintenance expenses at Yangjiang despite record high generation, and large-scale planned outage at Daya Bay; **renewable** earnings marginally lower than 2022 because of lower water resource largely offset by the commissioning of Xundian II wind project and Yangzhou Gongdao solar project; loss (2022: profit) from Guohua **coal-fired** projects due to planned outage of one unit at Panshan and reduction in tariffs in 2023; and higher expenses to support the growth trajectory of renewable energy projects
- Australia: Big swing from loss to substantial EBITDAF; **Energy** business improved operationally and commercially after 2022 which was heavily penalised by costs for settling sold forward contracts not covered due to generation shortfall under record high wholesale electricity price environment, Yallourn delivered higher realised prices and gas portfolio gross margin was higher in 2023; lower contribution from **Customer** business due to higher realised energy procurement costs in 2023 and one-off favourable hedging outcomes under volatile market conditions in 2022 not repeated, partially offset by several tariff increases since the second half of 2022
- India: After adjusting the impact of change in accounting method for our interest in Apraava Energy (-HK$1,232 million as discussed in the previous page) and 10% reduction in interest (-HK$32 million), higher Apraava Energy's results mainly contributed by **Jhajjar**'s strong operating efficiency and performance; higher delayed payment charge income and higher natural resources for **renewable** projects; and higher earnings from **transmission** project with lower financing costs
- Taiwan Region and Thailand: Following the amendment of the energy tariff reimbursement mechanism effective July 2022, the under-recovery of rising coal costs resulting from the lagging adjustment mechanism in the first half of 2022 was not repeated, share of **Ho-Ping**'s results substantially improved to HK$297 million; sound operations of **Lopburi** solar farm

Items Affecting Comparability

	2023 Before Tax HK$M	2023 After Tax & NCI HK$M	2022 Before Tax HK$M	2022 After Tax & NCI HK$M
Hong Kong	**109**	**87**	39	23
Mainland China	**(85)**	**(115)**	(185)	(185)
Australia	**(5,868)**	**(5,868)**	–	–
India	**299**	**299**	(4,034)	(3,537)
	(5,545)	**(5,597)**	(4,180)	(3,699)

- Hong Kong: Higher gain on sales of Argyle Street properties with more units sold in 2023 offset by smaller revaluation loss of retail portion of Laguna Mall in line with property market trend
- Mainland China: Recognition of an impairment provision of fixed assets and write-off of deferred tax assets with a total loss of HK$115 million triggered by reduction in utilisation hours (resulted from the dry weather and increased upstream water usage) and continuous low tariff for Dali Yang_er hydro project
- Australia: EnergyAustralia's Customer business was affected by adverse energy retail market trends, notably, margins are under increasing pressure as a result of rising supply costs and intensifying competition; whilst higher interest rates have also negatively impacted the Customer business' cost of capital and as a consequence, an impairment of energy retail goodwill of HK$5,868 million was recognised as "other charge" in the profit or loss (Note 4(a) to the Financial Statements)
- India: One-off recognition of income relating to delayed payment charges on disputed and long outstanding trade receivables and additional capacity charge upon cash settlements received by Jhajjar

Fair Value Movements (2023: Gain of HK$3,040 million; 2022: Loss of HK$4,250 million)

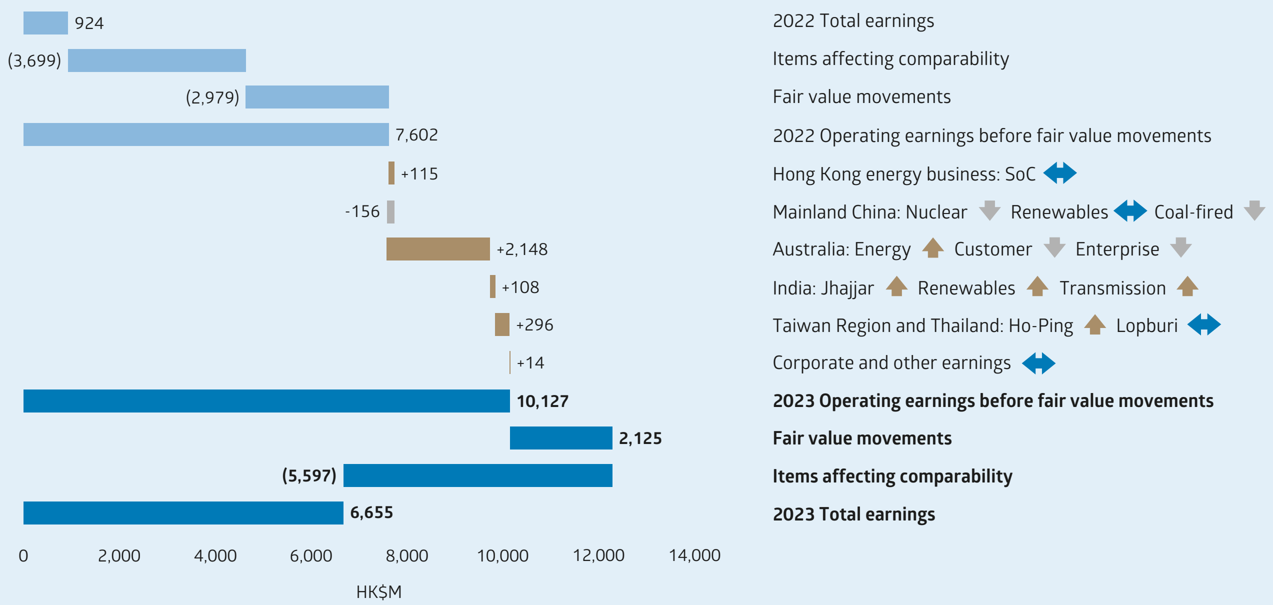
- Predominately related to EnergyAustralia's energy forward contracts for which hedge accounting has not been applied
- Turnaround from loss to gain mainly due to the roll off of out-of-the-money energy contracts in 2023 and softening (2022: surging) of forward electricity prices

Net Finance Costs, Taxation, and Depreciation & Amortisation (ITDA) (2023: HK$13,436 million; 2022: HK$10,849 million; ⬆ 23.8%)

	2023 HK$M	2022 HK$M	**Increase / (Decrease) HK$M**	**%**
Hong Kong	**8,619**	8,118	501	6.2
Mainland China	**1,399**	1,406	(7)	(0.5)
Australia	**3,405**	376	3,029	805.6
India	**5**	890	(885)	(99.4)
Others	**8**	59	(51)	(86.4)
	13,436	10,849	2,587	23.8

- Hong Kong: Mainly higher interest expenses driven by higher interest rates in 2023
- Mainland China: Lower interest expenses from favourable rates negotiated upon refinancing; higher tax expense due to write-off of deferred tax assets of Dali Yang_er
- Australia: Higher interest expenses on higher rates; taxation changed from credit of HK$2.3 billion in 2022 to expense of HK$0.7 billion in 2023 in line with progressive recovery of operations and significant favourable (2022: unfavourable) fair value movements of energy contracts
- India: Deconsolidation of Apraava Energy upon the completion of the sell down in December 2022 (2022: 100% of ITDA of Apraava Energy consolidated)

Total Earnings (2023: HK$6,655 million; 2022: HK$924 million; ⬆ 620.2%) Operating Earnings (2023: HK$12,252 million; 2022: HK$4,623 million; ⬆ 165.0%)



Analysis on Financial Position

Fixed Assets, Right-of-Use Assets and Investment Property (2023: HK$161,663 million; 2022: HK$155,758 million; ⬆ 3.8%)
Goodwill and Other Intangible Assets (2023: HK$12,854 million; 2022: HK$18,451 million; ⬇ 30.3%)

	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 2023	155,758	18,451	174,209	130,842	43,367
Additions	14,524	878	15,402	11,414	3,988
Depreciation and amortisation	(7,945)	(649)	(8,594)	(5,349)	(3,245)
Impairment charge *	(85)	(5,880)	(5,965)	–	(5,965)
Translation differences and others ^	(589)	54	(535)	(425)	(110)
Balance at 31 December 2023	**161,663**	**12,854**	**174,517**	**136,482**	**38,035**

* Including impairment of fixed assets of Dali Yang_er (HK$85 million) and energy retail goodwill of EnergyAustralia (HK$5,868 million)

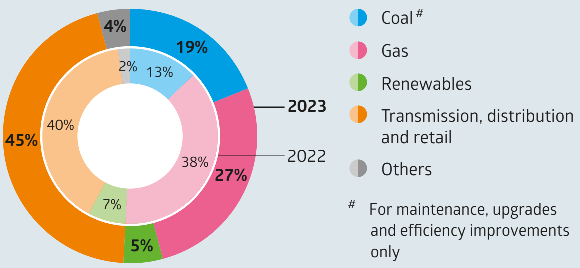
^ Mainly disposal of fixed assets

- SoC: Invested HK$4.6 billion mainly to progress the decarbonisation projects (i.e. unit D2 and offshore LNG terminal project) and continuous generation plants improvement works; and another HK$6.8 billion for development/enhancement of the transmission and distribution networks, enhancement of CETS, establishment of substations and advanced metering infrastructure development to support city's growth

- Mainland China: Capital additions of HK$759 million mainly for construction and development of new renewable projects including Xundian II and Bobai wind farms and Yangzhou Gongdao solar farm

- Australia: HK$3.1 billion additions mainly related to the building of Tallawarra B, continuous capital works on existing generation plants, capitalisation of increase in asset decommissioning costs of HK$0.7 billion for Yallourn, recognition of right-of-use assets of HK$0.4 billion arising from commissioning Riverina and Darlington Point energy storage systems in September and software for digitalisation of operations

Capital Additions by Asset Type



Interests in Joint Ventures and Associates (2023: HK$21,898 million; 2022: HK$20,838 million; ⬆ 5.1%)

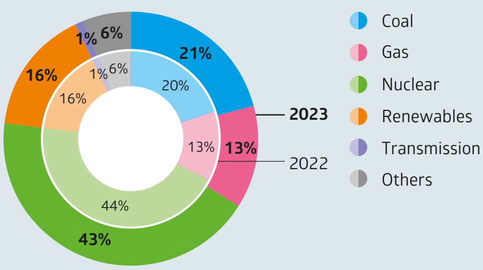
- Hong Kong: Shareholder's loan of HK$268 million made to HKLTL (LNG Terminal joint venture) for financing the completion of the project and repayment from HKLTL commenced after commissioning in July 2023

- Mainland China: Continuous dependable performance and dividends during the year

- India: Increase represented the share of results of Apraava Energy (HK$0.6 billion) in 2023, offset by the dividend paid to shareholders from its receipt of cash settlements relating to long outstanding disputes

- Taiwan Region and Thailand: Share of current year results of Ho-Ping resulted in higher balance

Interests in Joint Ventures and Associates by Asset Type



Derivative Financial Instruments

Assets (2023: HK$2,250 million; 2022: HK$4,050 million; ⬇ 44.4%)

Liabilities (2023: HK$3,377 million; 2022: HK$6,715 million; ⬇ 49.7%)

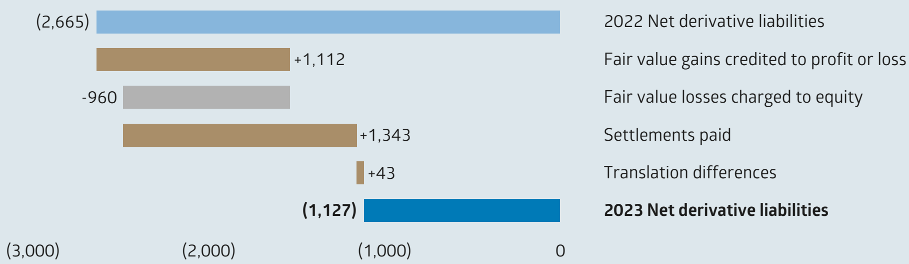
Derivative financial instruments are primarily used to hedge foreign exchange, interest rate and energy price risks. At 31 December 2023, the fair value of these derivative instruments was a net deficit of HK$1,127 million, representing the net amount payable if these contracts were closed out at year end.

- Hong Kong: Fair value loss charged to equity for cross currency interest rate swaps under cash flow hedges mainly attributable to the weakening of foreign currencies against Hong Kong dollar in forward exchange rate markets
- Australia: Change from net derivative liabilities to assets for energy forward contracts mainly due to continuous settlement of out-of-the-money energy contracts during the year and fair value gains of our sold energy contracts (+HK$1.2 billion) credited to profit or loss due to lower forward prices at 2023 year end

	Notional Amount		Derivative Assets / (Liabilities)	
	2023 HK$M	2022 HK$M	**2023 HK$M**	2022 HK$M
Forward foreign exchange contracts	**29,093**	32,518	**(147)**	(267)
Interest rate swaps and cross currency interest rate swaps	**31,915**	32,011	**(2,069)**	(1,370)
Energy contracts #				
Cash flow hedges			**1,594**	2,553
Not qualified for hedge accounting			**(505)**	(3,581)
			(1,127)	(2,665)

The aggregate notional volumes of the outstanding energy derivatives at 31 December 2023 were 220,161GWh (2022: 333,062GWh) and 11 million barrels (2022: 11 million barrels) and 2,407TJ (2022: 1,919TJ) for electricity, oil and gas respectively.

Movements in Derivative Financial Instruments (HK$M)



Trade and Other Receivables (2023: HK$13,650 million; 2022: HK$17,314 million; ⬇ 21.2%)

Trade Payables and Other Liabilities (2023: HK$20,306 million; 2022: HK$19,627 million; ⬆ 3.5%)

Trade Receivables / Payables by Region

- Hong Kong: Receivable remains at similar level in line with stable operations; increase in capex creditors pursuant to the progress of mega projects largely offset by lower fuel purchase related payables with reduced fuel prices from the peak in 2023
- Mainland China: Higher accrued renewable national subsidies from sales during the year; and significant decrease in other receivables as a result of the receipts of the consideration from the sale of Fangchenggang of HK$1.6 billion and prior year dividend from Yangjiang; more business development and construction works to grow our renewable pipeline resulted in higher payables at year end
- Australia: Higher retail debtors on higher tariffs; and reduction of cash deposits by HK$3.2 billion made to futures margin account in line with the favourable fair value movements of futures energy contracts; slight increase in payables driven by higher accruals for capex, coal purchases for Mount Piper and annual incentives provision (2022: nil) in 2023 substantially offset by lower electricity purchase payable at lower wholesale spot prices and lower green liabilities from lower customer usage

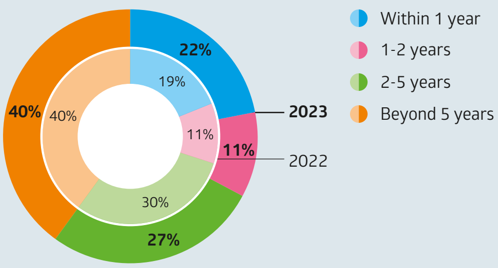
Analysis on Financial Position (continued)

Bank Loans and Other Borrowings (2023: HK$57,515 million; 2022: HK$59,217 million; ↓ 2.9%)

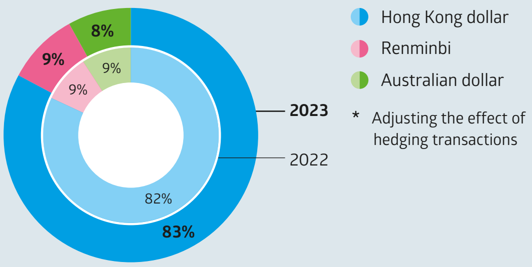
- Major new financing activities in the year:
  - Hong Kong: Sustainable financing activities during the year included HK$1.3 billion energy transition bank loan facilities and RMB300 million (HK$339 million) private placement bond under CLP's Climate Action Finance Framework to refinance existing loans for the two mega projects by CAPCO and HK$1.1 billion emission reduction-linked facilities for general corporate purpose by CLP Power
  - Mainland China: Executed a RMB293 million (HK$316 million) project loan facility for a solar energy project and refinanced the loans of three renewable projects totalling RMB718 million (HK$774 million) at favourable interest rates
  - Australia: Executed a A$630 million (HK$3.3 billion) three-year loan facilities to refinance an existing facility; net repayment of HK$520 million made during the year
- Net debt to total capital ratio decreased slightly from 32.0% to 31.6% driven by reduced net debt level from strong operating cash inflow in 2023
- In 2023, Standard & Poor's reaffirmed all the credit ratings of CLP Holdings (A), CLP Power (A+) and CAPCO (AA-) with stable outlooks; and Moody's rated CLP Holdings (A2), CLP Power (A1), CAPCO (A1) and EnergyAustralia (Baa2) with stable outlook, same as before

More details of credit ratings and sustainable financing activities can be found on pages 54 and 56 respectively.

Loan Balances by Maturity



Loan Balances by Currencies *



* Adjusting the effect of hedging transactions

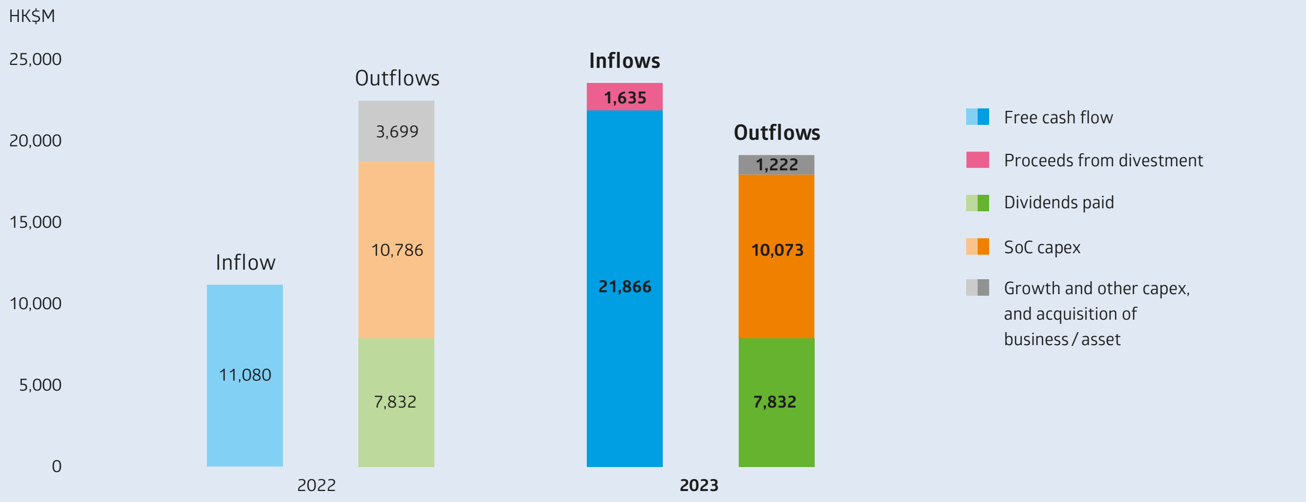
Analysis of Financial Obligations

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.

CLP				2023 HK$M	2022 HK$M
	Consolidated	Debts of CLP Holdings and Subsidiaries	Debts of subsidiaries are non-recourse to CLP Holdings.	57,515	59,217
	+				
	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.	10,908	12,849

Analysis of Cash Flow

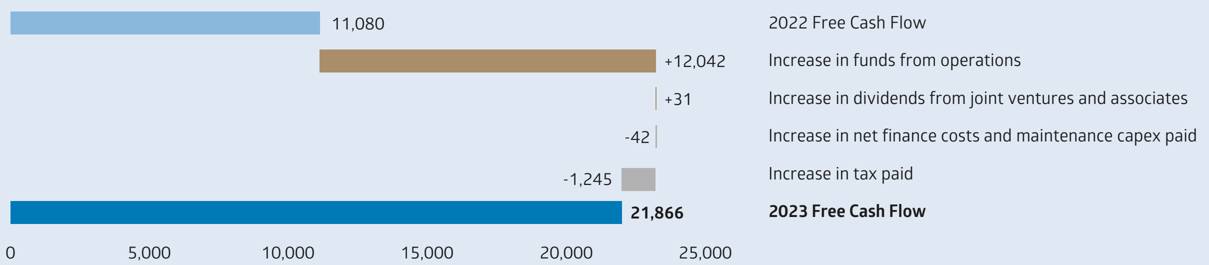
Analysis of Inflows and Outflows



Free Cash Flow (2023: HK$21,866 million; 2022: HK$11,080 million; ⬆ 97.3%)

- Free cash flow increased by HK$10.8 billion because of:
  - Hong Kong: Improvement in cash inflow from SoC operations (+HK$8.1 billion) primarily due to partial recovery of under-collected fuel costs of HK$3.3 billion (2022: under-recovery of HK$2.4 billion) and lower fuel payments in line with the movements of fuel prices in these two years; offset by higher tax paid (-HK$0.8 billion) due to timing of payment and higher profit
  - Mainland China: Robust dividends from our nuclear associates and steady operating cashflow of renewable subsidiaries
  - Australia: Cash flow from operations returned to a positive of HK$3.3 billion (2022: negative of HK$2.9 billion) largely attributable to refund of cash deposits from the futures margin account of HK$3.2 billion (2022: payment of HK$2.5 billion)
  - India: Dividend of HK$202 million received from Apraava Energy joint venture in 2023 as compared with free cash flow of HK$0.8 billion (represented fund from operations of HK$1.3 billion less net finance costs paid of HK$0.5 billion) consolidated in 2022
- Proceeds from divestment: Consideration from the sale of Fangchenggang received in 2023
- Capital investments include:
  - HK$10.1 billion of SoC capex for progress of construction of low-carbon generation facilities, development / enhancement of the transmission and distribution networks, establishment of substations and smart meter installation
  - HK$777 million of growth capex related to construction / development of various renewable projects in Mainland China and Tallawarra B in Australia

Movements in Free Cash Flow (HK$M)



Broader Perspective

	2023	2022	2021	2020	2019
Performance Indicators					
EBITDAF [1] (HK$M)	**18,066**	16,586	22,880	25,254	18,656
Operating earnings before fair value movements (HK$M)	**10,127**	7,602	9,867	11,254	11,245
Operating earnings (HK$M)	**12,252**	4,623	9,517	11,577	11,121
Total earnings (HK$M)	**6,655**	924	8,491	11,456	4,657
Return on equity (%)	**6.4**	0.8	7.5	10.5	4.3
Operating return on equity [2] (%)	**11.8**	4.2	8.5	10.6	10.4
Financial Health Indicators					
Undrawn facilities (HK$M)	**30,881**	31,633	28,076	25,737	18,854
Total borrowings (HK$M)	**57,515**	59,217	58,215	54,348	52,349
Fixed rate borrowings to total borrowings (%)	**57**	52	61	63	54
FFO interest cover (times)	**11**	7	12	13	12
FFO to debt [3] (%)	**43.9**	23.1	35.9	45.8	43.7
Net debt to total capital (%)	**31.6**	32.0	28.1	25.1	26.7
Debt / Capitalisation [4] (%)	**35.3**	41.2	29.3	30.0	25.3
Shareholders' Return Indicators					
Dividend per share (HK$)	**3.10**	3.10	3.10	3.10	3.08
Dividend yield (%)	**4.8**	5.4	3.9	4.3	3.8
Dividend payout [5] (%)	**63.9**	169.4	82.3	67.7	70.0
Total return to shareholders [6] (%)	**4.7**	2.6	5.8	5.2	8.7
Price / Earnings (times)	**25**	154	23	16	45
Price / Operating earnings [7] (times)	**13**	31	21	16	19
Cash Flows and Capital Investments					
FFO (HK$M)	**25,597**	13,555	20,223	24,418	23,502
Free cash flow [8] (HK$M)	**21,866**	11,080	16,793	20,418	20,027
Capital investments (HK$M)	**12,844**	16,009	14,163	11,691	11,861
Capital expenditure	**11,776**	14,553	12,431	10,586	10,448
Investments in joint ventures and associates, and additions to intangible assets	**1,068**	1,118	731	909	1,197
Acquisitions of subsidiaries / assets	**–**	338	1,001	196	216

Notes:

1 EBITDAF = Earnings before interest, taxes, depreciation and amortisation, and fair value movements. For this purpose, fair value movements include fair value gains or losses on non-debt related derivative financial instruments relating to transactions not qualifying as hedges, ineffectiveness and discontinuation of cash flow hedges

2 Operating return on equity = Operating earnings / Average shareholders' funds

3 FFO to debt = FFO / Average debt; debt = bank loans and other borrowings

4 Capitalisation = Closing share price on the last trading day of the year × number of issued shares at the end of the year

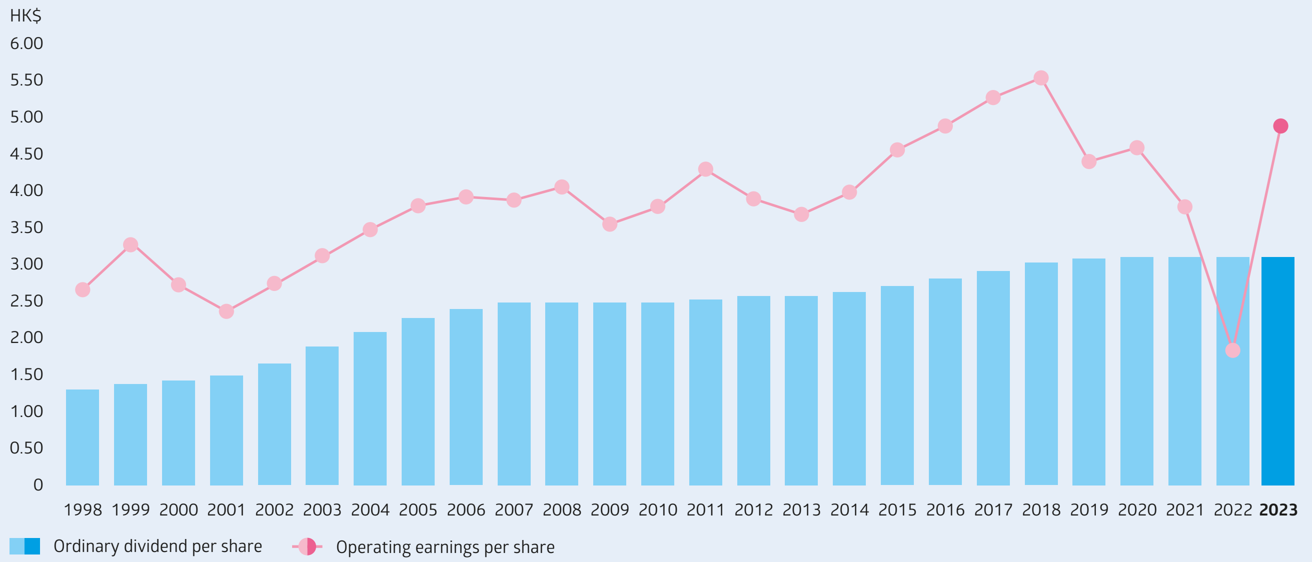
5 Dividend payout = Dividend per share / Operating earnings per share

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

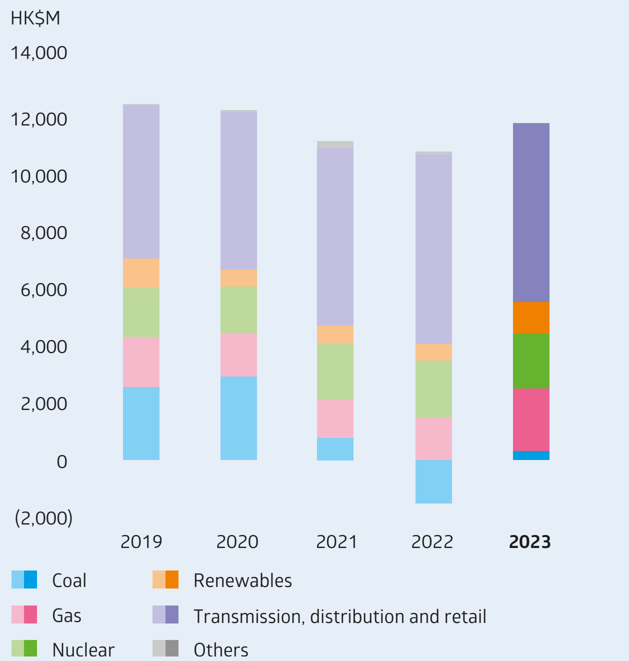
7 Price / Operating earnings = Closing share price on the last trading day of the year / Operating earnings per share

8 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 Fair Value Movements by Asset Type *



* Before unallocated expenses

Capital Investments