Financials

We aim to provide our stakeholders with a comprehensive, clear and concise view of our financial position and performance.

Contents

Approaching Our Financial Statements

The objective of financial statements is to communicate the Group's financial information to our stakeholders, especially shareholders, investors and lenders, for making economic decisions. To achieve this objective, it is always our aim to present the financial information of CLP as clearly and concisely as possible. This overview helps you understand how information is organised and presented in our financial statements. Hopefully, this will bring you a more insightful reading experience.

1 Accounting Mini-series

We believe that understanding financial statements is a right, not a privilege. To help those unfamiliar with accounting terms read our financial statements, we have developed an Accounting Mini-series to **explain topical and difficult accounting concepts in a way that is easier to understand**. A number of topics have been discussed since 2007, the content of which can be found in our website.

Read our accounting mini-series

2 Essential Financial Statements

Financial statements start with summaries of the financial position, performance and changes in resources of the Group. **These summaries are presented in three essential financial statements with different objectives as shown in the diagram**. The relationships between these statements and the interactions with the Group's stakeholders are set out in our website.

Statement of Financial Position

A snapshot taken at a point in time, of all the assets the company owns and all the claims against those assets

Assets | Liabilities + Equity

Statement of Profit or Loss and Other Comprehensive Income

Financial performance measured by recording the flow of resources over a period of time

Income | Expenses

Statement of Cash Flows

Where a company gets its cash and how it spends it

Cash Inflow | Cash Outflow

3 Material Accounting Policies

Financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). You do not need to be familiar with all the requirements of HKFRS because **the accounting policies which are material and relevant to the Group are disclosed in the financial statements**. The disclosures include specific principles and procedures selected and applied by management in preparing the financial statements, as well as the methods, measurement basis and procedures to account for the transactions.

Look for gold gradient boxes

4 Critical Accounting Estimates and Judgements

Management makes judgements and estimates in preparing the financial statements, some of which will have a significant effect on the reported results and financial position. HKAS 1 specifies that an entity shall disclose (1) the key judgements that have the most significant effect on amounts recognised; and (2) the assumptions and other sources of estimation uncertainty at period end that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next financial year. You should pay attention to **our disclosures under "critical accounting estimates and judgements" which help you assess CLP's financial position and performance and understand the sensitivities to changes in assumptions**.

Look for gold boxes

5 Tips & Hints

Tips & Hints are our initiatives to **facilitate you to understand the content of a particular disclosure or complicated accounting concepts or terms**.

Look for archery target

Joint Arrangements and the Accounting Implications

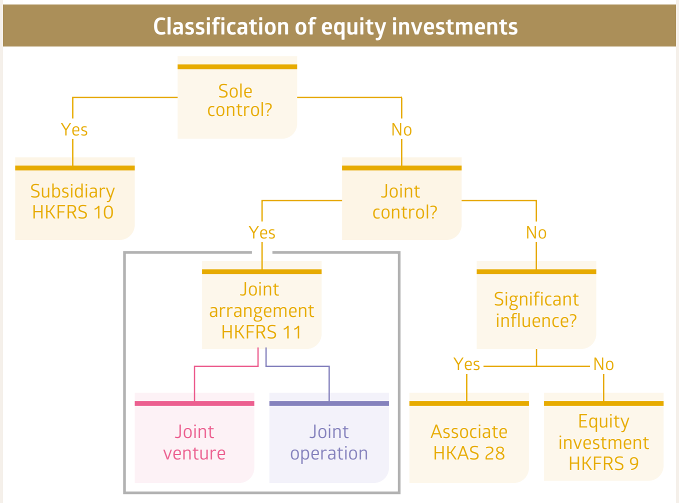
In today's business landscape, it is common for corporations to expand their interests by exploring new business opportunities and avenues. This expansion typically involves establishing new entities or investing in existing ones, aiming to foster business growth and seize emerging opportunities. Besides traditional investment methods such as controlling subsidiaries, influential associates, and passive equity interest investments, corporations often opt for joint arrangements to collectively pursue mutual business goals.

In the following section, we will provide a concise overview of joint arrangements, examine their merits and drawbacks, delve into the accounting classification of different joint arrangements - joint ventures and joint operations, explore their pertinent accounting implications, and use CLP Group's case studies to illustrate these points.

What is a joint arrangement?

A joint arrangement represents a contractual agreement between two or more parties collaborating on specific economic activities or projects. This arrangement is especially prevalent in industries demanding substantial capital investment, such as the energy and utilities sector, where CLP Group operates.

From an accounting perspective, a defining characteristic of a joint arrangement is the exercise of joint control by the involved parties. The joint control is typically established through contractual agreements or other formal arrangements. Joint control implies that decisions significantly affecting the returns of the invested entity necessitate unanimous agreement from all controlling parties involved. These distinctive elements set joint arrangements apart from other collaborative forms involving multiple investors.



Why establish a joint arrangement?

To achieve specific commercial goals and optimise the risk and return profile of an investment, investors should understand the pros and cons of the form of investment. The following outline several significant advantages and disadvantages related to joint arrangements:

Advantages

- **Risk Sharing**
  Financial and operational risks are shared among the joint arrangement partners ("Partners"), thereby lessening individual exposure to financial burdens without full commitment.
- **Resource and Expertise Sharing**
  Enriching the overall capabilities as Partners contribute complementary resources, skills and expertise.
- **Cost Efficiency**
  Enable cost and resource sharing, operational efficiency improvements, and achieving economies of scale, resulting in cost savings.
- **Market Entry and Expansion**
  Easier access to new markets and allow diversification into new industries or sectors by leveraging local Partners' knowledge and relationships.
- **Specialisation**
  Higher-quality outcomes, especially for entities within vertically integrated value chains as Partners can focus on their areas of specialisation.

Disadvantages

- **Shared Control**
  Decision-making often requires consensus, potentially resulting in disputes or delayed responses to market changes.
- **Potential Conflicts of Interest**
  Partners might possess conflicting objectives or interests, straining the relationship within the joint arrangement.
- **Limited Autonomy**
  The autonomy of each Partner in their respective areas of expertise may be limited.
- **Profit Sharing**
  The division of profits may not always align with each Partner's contributions or expectations.
- **Exit Challenges**
  Exiting a joint arrangement can be complex, typically necessitating consensus from all or a significant majority of the Partners involved.
- **Intellectual Property Concerns**
  Protecting intellectual property contributed to the joint arrangement can be challenging when shared among Partners.

The success of a joint arrangement relies on thorough planning, clear terms and conditions, effective communication, and alignment of goals and expectations among Partners. Whether or not to utilise a joint arrangement requires a thorough examination of all relevant factors, including the benefits and costs. This determination should be made on a case-by-case basis.

How does the accounting standard prescribe joint arrangements?

Joint arrangements are prescribed by HKFRS 11, they are classified into two distinct types and with very different accounting treatments.

Joint venture

A joint venture typically involves the formation of a distinct legal entity, with each party holding an ownership interest. The Partner uses the equity method to account for its investment in a joint venture.

One line share of results on profit or loss and share of net assets on statement of financial position

If an investment is qualified as a joint venture, its financial performance and position will not undergo detailed (line-by-line) consolidation in the Partner's financial statements. Instead, its performance is reported under the share of the result of the joint venture while its position is included under interests in the joint venture in the primary statements as if a one-line consolidation. This exemplifies the application of the equity accounting method employed for the joint venture arrangement by sharing net return, and net assets or liabilities.

Ring-fencing structure

One of the key features of a joint venture would be the ring-fencing. The joint venture occurs through the establishment of a distinct legal entity, that exemplifies a ring-fencing structure, delineating asset ownership and liability obligations of the Partners from the joint venture, shielding the Partners from undue financial obligations beyond their investments. It is a protective measure to mitigate risks and ensure transparency and accountability within the joint venture structure. Should the joint venture incur any debts or legal obligations, the Partners typically hold no responsibility beyond their respective investments.

Moreover, joint venture structure helps promote transparency and clarity in operations by establishing distinct management teams and staff dedicated to its functioning. It ensures a clear delineation of responsibilities, decision-making processes, allocation of resources and prevents conflicts of interest, and facilitates effective governance.

Overall, joint venture structure helps protect the interests of Partners, providing a clear framework for operations while safeguarding assets and limiting liabilities.

Joint operation

A joint operation is a contractual arrangement in which the parties involved agree to manage specific activities or projects jointly, sharing the assets, liabilities, revenues, and expenses without forming a distinct legal entity. In a joint operation, each party retains control over their designated areas of responsibility, assets and liabilities, sharing returns based on the predetermined framework.

Line-by-line share of income, expenses, assets and liabilities as agreed

Under joint operation, each Partner recognises in its financial statements the assets, liabilities, revenues, and expenses shared from the joint operation according to the sharing mechanism sets out in the joint arrangement and complies with all relevant accounting standards. This accounting method combines the financial statements of the Partner with its share of the joint operation's details line-by-line.

In essence, joint operations enable Partners to collaborate towards achieving specific shared objectives in a project manner.

Identification of a joint arrangement

The differentiation between a joint venture and a joint operation primarily involves examining specific features as below. Thoroughly assessing these criteria helps differentiate between joint ventures and joint operations, as the classification significantly influences financial disclosures and their associated implications.

The structure of the joint arrangement

Whether it's established through **a separate legal entity**, plays a pivotal role in its classification.

It is an initial indication that the joint arrangement might be a joint venture. If there's no distinct legal entity, it won't qualify as a joint venture and automatically falls into the joint operation classification given joint control exists. However, if there exists a separate legal entity, a thorough assessment is necessary to determine whether it qualifies as a joint venture or joint operation.

A separate legal entity?

The legal and contractual framework

The **direct allocation of rights (assets) and obligations (liabilities)** through the legal framework or contractual terms significantly impacts the classification. In certain circumstances, if the Partners use the contractual arrangement to reverse or modify the rights and obligations inherent by the distinct legal form of the investee, resulting in each Partner having a specific stake in its assets and liabilities, instead of sharing the overall net assets, this could lead to a lack of distinct separation between the Partners and the investee. The modification may result in the arrangement being classified as a joint operation.

Direct allocation of assets and liabilities?

Additional facts and circumstances

When a separate legal entity exists with a clear segregation of assets and liabilities between the Partners and the investee, other factors come into consideration. These factors include examining the investee's outputs sold, its ability to sell to external parties beyond the Partners involved, pricing agreements between Partners and the investee, and the investee's business model. The purpose of considering these is to determine if, even though the legal structure and contractual agreement suggest that the arrangement is a joint venture, are there **any additional facts and circumstances that grant the Partners the majority of the economic benefits associated with the investee** or make the investee reliant on the Partners for continuously settling its obligations which might impact the classification.

Other implications

Classifying a joint arrangement as a joint venture necessitates employing equity accounting methods, resulting in a more concise presentation of the joint venture's financial performance and position in the financial statements. Could this compromise transparency or affect the clarity for stakeholders?

In some instances, establishing a joint venture might be perceived as a strategic move to optimise the financial statements by transferring both assets and more importantly, the liabilities to the joint venture, potentially improving critical financial metrics.

Nevertheless, accounting standards ensure sufficient and appropriate disclosure catering to the stakeholders, by mandating summarised financial data for significant joint ventures, an overview of financial data for less significant ones, and their related commitments and contingent liabilities in the accompanying notes. These requirements aim to provide readers with a comprehensive perspective, facilitating their decision-making process.

Applications in CLP Group

The table below lists out various joint arrangements entered into by CLP Group:

Type of joint arrangement	Business & Background	Purpose	Benefits of the joint arrangement
Joint Venture	**Hong Kong Offshore LNG Terminal** Hong Kong LNG Terminal Limited is a collaborative effort between CLP Group and The Hongkong Electric Co., Ltd ("HK Electric") which went into operation in 2023. The entity is responsible for the development, ownership, and operation of an offshore LNG terminal within Hong Kong, providing LNG regasification services and related facilities to CLP Group and HK Electric.	Support Hong Kong's energy development and bolster the region's fuel supply stability through the introduction of a new natural gas supply source.	**Cost and risk sharing** The arrangement offers the Partners the advantage of cost and risk sharing, particularly as the development, construction, and operation of an offshore LNG terminal are new scopes of business for both Partners. By entering this joint arrangement via forming a joint venture, the Partners effectively distribute risks and resources, working together to achieve their shared objective of utilising LNG for their respective electricity generation needs.
	Apraava Energy CLP Group and CDPQ strengthened their partnership, with the Canada-based global investment group progressively increasing its strategic involvement in Apraava Energy from 40% to 50% by 2022. Subsequent to the additional 10% interest in Apraava Energy being divested to CDPQ, Apraava Energy transitioned into a Joint Venture of CLP Group.	Reflect the Partners' strategic alignment and commitment on Apraava Energy, and establish a solid base for future growth during the energy transition.	**Market expansion** The completed transaction strengthens Apraava Energy's foundation to explore opportunities arising from India's decarbonisation initiatives, expanding its business boundaries. This includes investments in renewable generation, transmission, distribution, and other customer-centric energy businesses.
Joint Operation	**Argyle Street residential project** In 2017, CLP Group and Sino Land Company Limited ("Sino Land") collaborated on redeveloping CLP Group's former headquarters at Argyle Street, focusing on residential purposes, resulting in the successful completion of the project, named St. George's Mansions, which is presently in the sales phase.	Collaboratively redevelop CLP Group's previous headquarters into a residential project for sale purposes.	**Resources and expertise sharing** This collaboration showcases the primary advantages of a joint arrangement, emphasising the sharing of resources and expertise to achieve mutual objectives. CLP Group provided the strategic land location, while Sino Land contributed extensive knowledge and expertise in property development, together with the cost for redevelopment. Through this collaborative effort, they delivered a distinctive property project catering to market demands.

Joint arrangements are common to the modern business environment, each classification carrying distinct accounting implications. These require readers of the financial statements to gain a comprehensive understanding from a thorough review, including the accompanying notes. Accounting standards serve as guardians, managing the classification of these arrangements and ensuring transparent and clear financial information for stakeholders' informed assessments.

To the Members of CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of CLP Holdings Limited (the "Company") and its subsidiaries (the "Group") ("the Group Financial Statements"), which are set out on pages 214 to 282, comprise:

- the Consolidated Statement of Financial Position as at 31 December 2023;
- the Consolidated Statement of Profit or Loss for the year then ended;
- the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Material Accounting Policies, Notes to the Financial Statements and Financial Risk Management.

Our opinion

In our opinion, the Group Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Group Financial Statements of the current period. These matters were addressed in the context of our audit of the Group Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Unbilled retail revenue;
- The carrying values of EnergyAustralia's energy retail business and generation assets;
- Fixed asset accounting and the calculation of the Scheme of Control permitted return;
- Recoverability of trade receivables; and
- Asset retirement obligations (AROs).

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Unbilled retail revenue Refer to note 3 to the Group Financial Statements Retail electricity and gas revenues are recognised when electricity and gas are supplied to and consumed by the customers. Revenues are measured on the basis of periodic cycle meter readings and include an estimated accrual for the value of electricity and gas consumed from the meter reading date to the end of the reporting period. Unbilled retail revenue of the Group totalled HK$4,001 million as at 31 December 2023. CLP Power Hong Kong Limited (CLP Power) calculates unbilled revenue using estimates including: consumption quantity based on the electricity sent-out adjusted by loss factors, the pattern of residential and non-residential consumption, weather and certain other factors. EnergyAustralia Holdings Limited (EnergyAustralia) calculates unbilled retail revenue based on the electricity purchased and the applicable tariffs for the mass market customer segment, as well as the actual meter readings and the contracted rates for commercial and industrial customers. The amount is adjusted for physical energy loss and other measurable factors. This is a Key Audit Matter because the calculation of unbilled retail revenue involves a high degree of estimation.	Our procedures in relation to unbilled revenue included: - Understanding of and testing the key controls in place to determine the estimate of unbilled revenue for both CLP Power and EnergyAustralia; - Testing the volume of electricity sent-out by CLP Power to supporting information; - Assessing the reasonableness of estimates by comparing them against historical trends; - Testing the volume of electricity purchased by EnergyAustralia from the wholesale electricity market to the underlying Australian Energy Market Operator invoices on a sample basis and reconciling the total purchase volumes to revenue volumes; and - Understanding the estimates made relating to loss factors and tariffs used in determining the level of unbilled revenue for both CLP Power and EnergyAustralia and assessing their reasonableness by comparing them against historical trends and against the weighted average tariff for prices. Based on the work performed, we found that the Group's unbilled revenue amount is supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
The carrying values of EnergyAustralia's energy retail business and generation assets Refer to notes 10 and 13 to the Group Financial Statements EnergyAustralia has goodwill relating to the energy retail business in Australia. The Australian energy retail business has experienced inflation and higher interest rates, which have led to EnergyAustralia's energy retail business experiencing increased operating costs, intensified competition and decreased operating margins. The recoverable amount of EnergyAustralia's energy retail business is determined based on a value in use calculation, which did not support the carrying value. As a result the Group has taken a goodwill impairment charge of HK$5,868 million during the financial year ended 31 December 2023. Post impairment, the management consider that the carrying value of assets in the energy retail business (including remaining goodwill balance) of HK$8,086 million remains supported. The cash flow projections used in the value in use calculation are derived from EnergyAustralia's approved business plan which includes cost saving initiatives and an appropriate reflection of future cash flows from potential legislative, regulatory and structural changes in the industry. The key assumptions used in the value in use calculation include retail tariffs, electricity and gas volumes, network distribution costs, the customer account growth rate and the discount rate. This is a Key Audit Matter, because of the inputs to the value in use model require significant management judgements and a high degree of estimation. Changes in these key assumptions would have a direct impact on the valuation and resulting impairment charge.	Our procedures in relation to management's assessment of the carrying value of EnergyAustralia's energy retail business included: - Assessing the appropriateness of the valuation methodologies used in the assessment of the recoverable amount; - Reconciling input data to supporting evidence, such as the approved business plan and where possible to publicly available market data; - Challenging the reasonableness of the key assumptions based on our knowledge of the business and industry; - Assessing the discount rate used in the assessment which has included the involvement of in-house valuation experts where appropriate; - Verifying the integrity of formulae and mathematical accuracy of management's valuation model; - Assessing the potential impact of reasonably possible changes in key assumptions including possible future regulatory policy changes with respect to retail sales of electricity in Australia; and - Reviewing the appropriateness of the Group's disclosures with respect to the impairment assessment. Based on the work performed we found the impairment charge recorded for the year and the 31 December 2023 carrying value of EnergyAustralia's energy retail business is supported by the available evidence and the key assumptions have been appropriately disclosed in note 13 to the Group Financial Statements.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
The carrying values of EnergyAustralia's energy retail business and generation assets (continued) The Group has substantial investments in assets of HK$13.3 billion related to EnergyAustralia's generation business. They are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying value of EnergyAustralia's generation assets are supported by scenarios which are produced to reflect a range of economic conditions that may exist over the life of the assets and the expected power plant closure dates. The key assumptions included within the scenarios include an estimation of forward electricity pool prices (the forward curve), generation volumes, retail volumes, gas prices, long term assumptions around market movements, potential regulatory changes including those impacting the timing of national power plant closure dates and the impact to the useful lives of the EnergyAustralia's generation assets. Management has performed an assessment and confirmed that no impairment was required for EnergyAustralia's generation assets at 31 December 2023. This is a Key Audit Matter because critical judgements exist in estimating forward electricity pool prices, volumes, gas prices and long term market assumptions.	Our procedures in relation to management's assessment of the carrying value of EnergyAustralia's generation assets included: - Discussing EnergyAustralia's generation assets scenarios with management and understanding the key assumptions included within them; - Assessing the appropriateness of movements in the forward electricity pool prices and the gas prices, and the movements in the market inputs used in the scenarios to available observable market data, where possible; - Comparing the historical forecasted generation and retail volumes with the actual volumes; - Assessing the useful lives of EnergyAustralia's assets to the committed asset closure of the assets; - Reconciling the generation asset scenarios to the approved business plan; - Verifying the integrity of formulae and mathematical accuracy of management's valuation model; - Assessing the potential impact of possible future regulatory policy changes in Australia; and - Reviewing the appropriateness of the Group's disclosures on generation assets. Based on the work performed, we found that management's scenarios were supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Fixed asset accounting and the calculation of the Scheme of Control permitted return Refer to notes 10 and 11 to the Group Financial Statements Consolidated fixed assets and right-of-use assets were HK$160,779 million at 31 December 2023. This includes fixed assets and leasehold land relating to CLP Power and Castle Peak Power Company Limited (CAPCO) (together the SoC Companies) (SoC fixed assets) which are the base used in the calculation of the permitted return under the Scheme of Control (SoC) Agreement. The annual permitted return is 8% of the SoC Companies' average net fixed assets. If the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, the permitted return and the taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund (TSF). In any period, the amount of deduction from or addition to the TSF is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss. This is a Key Audit Matter because of the significance of the balance and its importance to the SoC Companies. The accuracy of SoC fixed asset additions, disposals and depreciation charges is important to ensure the SoC fixed asset balance is appropriate and the permitted return is calculated correctly.	Our procedures in relation to the Group's SoC fixed assets and the calculation of the SoC permitted return included: - Assessing the control environment and testing controls over SoC fixed assets additions, disposals and depreciation charges; - Testing the SoC fixed asset additions in the year to supporting evidence on a sample basis and assessing whether the items have been appropriately capitalised; - Assessing the appropriateness of SoC capital accruals made by management for large projects by agreeing assumptions to audit evidence from the vendors; - Assessing the estimated useful lives of the SoC fixed assets for compliance with the SoC; - Testing depreciation charges by performing depreciation reasonableness tests; - Obtaining management's reconciliation of SoC fixed assets from the opening balance at the beginning of the year to the closing balance at the end of the year and reconciling this to the general ledger and supporting records; - Recalculating the SoC permitted return for the year; and - Recalculating the SoC adjustment to revenue for the year. Based on the work performed, we found that the Group's SoC fixed asset accounting and the SoC permitted return calculation are supported by the available evidence.

Key Audit Matter	*How our audit addressed the Key Audit Matter*

Recoverability of trade receivables

Refer to note 19 to the Group Financial Statements

CLP Power and EnergyAustralia have significant retail businesses with many individual customers. The offtakers for the Group's other generation businesses are mainly a small number of state grid operators in Mainland China. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses.

Expected credit losses in CLP Power are close to zero as the trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default.

EnergyAustralia has trade receivables of HK$6,832 million at 31 December 2023 against which provisions for expected credit losses of HK$770 million are held. Management estimated the level of expected losses, by assessing future cash flows for each group of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on twelve month rolling historical credit loss experience by customer segment, geographical region, tenure and type of customer and applying that weighting to the receivables held at year end. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.

As at 31 December 2023, the Group had total receivables of HK$2,426 million relating to unpaid Renewable National Subsidies in its Mainland China business. The expected credit loss is close to zero as continuous settlements have been noted with no history of default and the subsidy is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance.

This is a Key Audit Matter because of the magnitude of the trade receivables balance and the significant judgement applied in assessing the allowance for expected credit losses.

Our procedures in relation to trade receivables included:

- Testing controls over the billing and collection cycles in CLP Power and EnergyAustralia;
- Testing the system calculated trade receivables ageing analysis used to assess the recoverability of receivables in CLP Power and EnergyAustralia;
- Assessing the appropriateness of the credit loss provisioning methodologies used by the Group;
- Assessing the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and assessing the reasonableness of forward-looking factors included in the expected credit loss model;
- Reviewing the allocation of deposits to customer balances as a part of CLP Power's expected credit loss assessment;
- Reviewing the accuracy of management's judgements by comparing historical provisions against actual write-offs;
- Reviewing minutes of the boards of directors' meetings relating to the recoverability of trade receivables; and
- Discussion with management to understand the nature and the judgement involved in their determination that the expected credit loss on unpaid Renewable National Subsidies is close to zero, assessing the regulatory eligibility for the Group's projects and considering subsidies collected to-date.

Based on the work performed, we found that management's assessments of the recoverability of trade receivables are supported by the available evidence.

Key Audit Matter	***How our audit addressed the Key Audit Matter***

Asset retirement obligations (AROs)

Refer to note 26 to the Group Financial Statements

Provisions are held for estimated remediation costs, discounted to present value, where the Group has a legal or constructive obligation for remediation and the likelihood of an economic outflow is probable. Estimating the amount and timing of the obligation requires significant judgement. Management has assessed the Group's obligations for each asset based on the local regulatory environment and expected closure dates.

Management's key ARO judgements are as follows:

The Group's ARO provision for land remediation and decommissioning of generation assets in Australia was HK$3,544 million. The provisions are based on estimates by external and internal experts that are discounted using internally determined end of plant lives. Other significant judgements also include the timing of the asset removal and costs to remove infrastructure, remediate soil and groundwater, water usage and technological developments.

CLP Power expects that its transmission and distribution network will continue to be used for the distribution of electricity supply to its customers and considers it remote that the network will be removed from the existing land sites. Therefore, AROs have not been recognised for transmission and distribution assets.

CAPCO is retiring the coal-fired generation units at Castle Peak "A" Station (CPA) between 2022 to 2025. Management considers that the dismantling obligation for the CPA units is covered by the asset decommissioning liability accrued under the SoC as at 31 December 2023.

No provision for AROs has been recognised for the other generation units of CAPCO as the removal of CAPCO's other fossil-fuel generation units is possible and it is expected that should such obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC.

This is a Key Audit Matter because significant judgement is required in determining whether an ARO exists and estimating the amount and timing of the obligation.

Our procedures in relation to AROs included:

- Assessing the appropriateness of the Group's accounting policy;
- Evaluating management's judgement that it is remote that the Hong Kong transmission and distribution network would be removed from the existing land sites; it is probable that the CPA units will be removed; and it is possible but not probable that CAPCO's other fossil-fuel generation units may be removed at some point in time in the future;
- Assessing management's judgements as to whether a contractual or constructive obligation exists based on the respective power purchase agreements, lease agreements, local laws and regulations and past practice;
- Assessing the independence, objectivity and competence of management's external and internal experts involved in respect of the future cost estimates for those assets where a provision has been recognised; and
- Testing the appropriateness of management's estimates of future costs, the timing of payments and the discount rates where management has concluded that a legal or constructive obligation exists.

Based on the work performed, we found that the ARO provisions are supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the Group Financial Statements and our auditor's report thereon.

Our opinion on the Group Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit & Risk Committee for the Group Financial Statements

The directors of the Company are responsible for the preparation of the Group Financial Statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of Group Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group Financial Statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit & Risk Committee is responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

Auditor's Responsibilities for the Audit of the Group Financial Statements

Our objectives are to obtain reasonable assurance about whether the Group Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group Financial Statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group Financial Statements, including the disclosures, and whether the Group Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Risk Committee, we determine those matters that were of most significance in the audit of the Group Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Shia Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 February 2024

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023

	Note	**2023 HK$M**	2022 HK$M
Revenue	*3*	**87,169**	100,662
Expenses			
Purchases and distributions of electricity and gas		**(30,825)**	(40,710)
Staff expenses		**(4,749)**	(4,668)
Fuel and other operating expenses		**(27,817)**	(41,096)
Depreciation and amortisation		**(8,594)**	(8,904)
		(71,985)	(95,378)
Other charges	*4*	**(5,868)**	(4,312)
Operating profit	*5*	**9,316**	972
Finance costs	*6*	**(2,139)**	(2,085)
Finance income	*6*	**270**	243
Share of results, net of income tax			
Joint ventures	*14*	**1,147**	325
Associates	*15*	**2,049**	2,135
Profit before income tax		**10,643**	1,590
Income tax expense	*7*	**(2,973)**	(103)
Profit for the year		**7,670**	1,487
Earnings attributable to:			
Shareholders		**6,655**	924
Perpetual capital securities holders		**139**	139
Other non-controlling interests		**876**	424
		7,670	1,487
Earnings per share, basic and diluted	*9*	**HK$2.63**	HK$0.37

The notes and disclosures on pages 220 to 282 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	2023 HK$M	2022 HK$M
Profit for the year	**7,670**	1,487
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(222)**	(4,608)
Cash flow hedges	**(2,102)**	1,310
Costs of hedging	**220**	(171)
Share of other comprehensive income of joint ventures	**–**	(1)
Translation and other reserves reclassified upon sale of subsidiaries	**–**	2,505
Translation reserve reclassified upon sale of a joint venture	**–**	18
	(2,104)	(947)
Items that cannot be reclassified to profit or loss		
Fair value gains / (losses) on investments	**26**	(73)
Remeasurement (losses) / gains on defined benefit plans	**(3)**	10
	23	(63)
Other comprehensive income for the year, net of tax	**(2,081)**	(1,010)
Total comprehensive income for the year	**5,589**	477
Total comprehensive income attributable to:		
Shareholders	**4,635**	250
Perpetual capital securities holders	**139**	139
Other non-controlling interests	**815**	88
	5,589	477

The notes and disclosures on pages 220 to 282 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 HK$M	2022 HK$M
Non-current assets			
Fixed assets	*10*	**152,786**	147,267
Right-of-use assets	*11*	**7,993**	7,582
Investment property	*12*	**884**	909
Goodwill and other intangible assets	*13*	**12,854**	18,451
Interests in and loans to joint ventures	*14*	**12,518**	11,748
Interests in associates	*15*	**9,380**	9,090
Deferred tax assets	*24*	**2,041**	2,132
Derivative financial instruments	*16*	**1,173**	1,943
Other non-current assets	*17*	**2,492**	2,443
		202,121	201,565
Current assets			
Inventories – stores and fuel		**3,327**	3,696
Renewable energy certificates		**1,151**	804
Properties for sale	*18*	**2,193**	2,711
Trade and other receivables	*19*	**13,650**	17,314
Fuel clause account	*21*	**328**	3,543
Derivative financial instruments	*16*	**1,077**	2,107
Short-term deposits and restricted cash	*20*	**22**	35
Cash and cash equivalents	*20*	**5,182**	4,251
		26,930	34,461
Current liabilities			
Customers' deposits	*19(a)*	**(6,880)**	(6,633)
Trade payables and other liabilities	*22*	**(20,306)**	(19,627)
Income tax payable		**(1,063)**	(1,577)
Bank loans and other borrowings	*23*	**(12,572)**	(11,314)
Derivative financial instruments	*16*	**(1,658)**	(5,310)
		(42,479)	(44,461)
Net current liabilities		**(15,549)**	(10,000)
Total assets less current liabilities		**186,572**	191,565

	Note	2023 HK$M	2022 HK$M
Financed by:			
Equity			
Share capital	*27*	**23,243**	23,243
Reserves	*28*	**79,088**	82,255
Shareholders' funds		**102,331**	105,498
Perpetual capital securities	*29*	**3,887**	3,887
Other non-controlling interests	*29*	**6,164**	6,309
		112,382	115,694
Non-current liabilities			
Bank loans and other borrowings	*23*	**44,943**	47,903
Deferred tax liabilities	*24*	**16,752**	16,246
Derivative financial instruments	*16*	**1,719**	1,405
Scheme of Control (SoC) reserve accounts	*25*	**2,643**	3,094
Asset decommissioning liabilities and retirement obligations	*26*	**5,047**	4,375
Other non-current liabilities		**3,086**	2,848
		74,190	75,871
Equity and non-current liabilities		**186,572**	191,565

The Company's statement of financial position is presented in Note 33.

Andrew Brandler
Vice Chairman

Chiang Tung Keung
Chief Executive Officer

Nicolas Tissot
Chief Financial Officer

Hong Kong, 26 February 2024

The notes and disclosures on pages 220 to 282 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Attributable to Shareholders					
	Share Capital HK$M	Reserves HK$M	Total HK$M	Perpetual Capital Securities HK$M	Other Non-controlling Interests HK$M	Total Equity HK$M
Balance at 1 January 2022	23,243	89,791	113,034	3,887	9,788	126,709
Profit for the year	–	924	924	139	424	1,487
Other comprehensive income for the year	–	(674)	(674)	–	(336)	(1,010)
Transfer to fixed assets	–	46	46	–	19	65
Sale of subsidiaries	–	–	–	–	(2,628)	(2,628)
Dividends paid						
2021 fourth interim	–	(3,057)	(3,057)	–	–	(3,057)
2022 first to third interim	–	(4,775)	(4,775)	–	–	(4,775)
Distributions to perpetual capital securities holders	–	–	–	(139)	–	(139)
Dividends paid to other non-controlling interests	–	–	–	–	(958)	(958)
Balance at 31 December 2022	23,243	82,255	105,498	3,887	6,309	115,694
Balance at 1 January 2023	23,243	82,255	105,498	3,887	6,309	115,694
Profit for the year	–	6,655	6,655	139	876	7,670
Other comprehensive income for the year	–	(2,020)	(2,020)	–	(61)	(2,081)
Transfer to fixed assets	–	30	30	–	13	43
Dividends paid						
2022 fourth interim	–	(3,057)	(3,057)	–	–	(3,057)
2023 first to third interim	–	(4,775)	(4,775)	–	–	(4,775)
Distributions to perpetual capital securities holders	–	–	–	(139)	–	(139)
Dividends paid to other non-controlling interests	–	–	–	–	(973)	(973)
Balance at 31 December 2023	**23,243**	**79,088**	**102,331**	**3,887**	**6,164**	**112,382**

The notes and disclosures on pages 220 to 282 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 HK$M	2023 HK$M	2022 HK$M	2022 HK$M
Operating activities					
Net cash inflow from operations	*30(A)*	**25,597**		13,555	
Interest received		**189**		153	
Income tax paid		**(2,219)**		(974)	
Net cash inflow from operating activities			**23,567**		12,734
Investing activities					
Capital expenditure		**(11,776)**		(14,553)	
Capitalised interest and other finance costs paid		**(601)**		(409)	
Proceeds from disposal of fixed assets		**51**		49	
Additions of other intangible assets		**(796)**		(330)	
Sale of subsidiaries		**–**		(1,245)	
Cash consideration		**–**		625	
Cash and cash equivalents disposed of		**–**		(1,870)	
Prepayment for purchase of a property		**–**		(338)	
Increase in other financial assets		**(81)**		(165)	
Increase in investments in and loans to joint ventures		**(272)**		(788)	
Proceeds from sale of a joint venture		**1,635**		–	
Dividends received from					
Joint ventures		**527**		495	
Associates		**1,830**		1,831	
Equity investments		**15**		14	
(Increase) / decrease in bank deposits with maturities of more than three months		**(4)**		57	
Net cash outflow from investing activities			**(9,472)**		(15,382)
Net cash inflow / (outflow) before financing activities			**14,095**		(2,648)
Financing activities	*30(B)*				
Proceeds from long-term borrowings		**5,744**		20,121	
Repayment of long-term borrowings		**(5,843)**		(12,782)	
(Decrease) / increase in short-term borrowings		**(1,573)**		2,957	
Payment of principal portion of lease liabilities		**(321)**		(261)	
Interest and other finance costs paid		**(1,597)**		(1,854)	
Settlement of derivative financial instruments		**(337)**		(267)	
(Decrease) / increase in advances from other non-controlling interests		**(271)**		28	
Distributions paid to perpetual capital securities holders		**(139)**		(139)	
Dividends paid to shareholders		**(7,832)**		(7,832)	
Dividends paid to other non-controlling interests		**(973)**		(958)	
Net cash outflow from financing activities			**(13,142)**		(987)
Net increase / (decrease) in cash and cash equivalents			**953**		(3,635)
Cash and cash equivalents at beginning of year			**4,251**		8,199
Effect of exchange rate changes			**(22)**		(313)
Cash and cash equivalents at end of year	*20*		**5,182**		4,251

The notes and disclosures on pages 220 to 282 are an integral part of these consolidated financial statements.

Material Accounting Policies

Material accounting policies are included in the corresponding notes to the financial statements or set out below.

1. Basis of Preparation

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and requirements of the Hong Kong Companies Ordinance (Cap.622).

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's material accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements, are disclosed in relevant notes to the financial statements.

2. Changes in Material Accounting Policies

(A) Amendments to standards first time adopted in 2023

There have been a number of amendments to standards effective in 2023. Amendments which are applicable to the Group include:

- Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies: require entities to disclose their material rather than significant accounting policies, and provide guidance to help entities apply materiality judgements to accounting policies disclosures;
- Amendments to HKAS 8 Definition of Accounting Estimates: clarify the distinction between changes in accounting estimates, changes in accounting policies and correction of errors;
- Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction: require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amount of taxable and deductible temporary differences, such as leases and decommissioning liabilities; and
- Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules: provide a mandatory temporary relief from the requirement to recognise and disclose deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, and provide disclosure requirements for the affected entities to facilitate understanding of the exposure to these rules.

The Group has applied the above amendments for the first time in 2023. The adoption of these amendments has had no significant impact on the results and financial position of the Group. The Group has not changed its material accounting policies or make retrospective adjustments as a result of adopting these amendments.

Under the international tax reform, governments are expected to implement a new global minimum tax framework on multinational enterprises (Pillar Two Model Rules). At the date of this report, the Australian and Hong Kong governments have announced to implement the rules for income years commencing on or after 1 January 2024 and 2025 respectively. The Group continues to monitor the local legislation for Hong Kong and Australia and development of Pillar Two Model Rules in other jurisdictions CLP operates and assess the potential impact.

2. Changes in Material Accounting Policies (continued)

(B) Amendments to standards and revised interpretation effective after 2023

The following amendments to standards and revised interpretation, which may be applicable to the Group, have been issued and are effective after 2023. The Group has not elected to early adopt these pronouncements in 2023. These pronouncements are not expected to have a material impact on the results or the financial position of the Group.

- Amendments to HKAS 1 Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1 Non-current Liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements
- Amendments to HKAS 21 Lack of Exchangeability
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback
- HK Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

3. Consolidation and Equity Accounting

(A) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiaries up to 31 December and include the Group's interests in joint ventures and associates on the basis set out in (B) below.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, to ensure consistency with the policies adopted by the Group, adjustments are made to the financial statements of subsidiaries, joint ventures and associates.

(B) Joint ventures and associates

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence but not control nor joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures / associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of post-acquisition profit or loss and other comprehensive income, until the date on which joint control or significant influence ceases. Distributions received from an investee reduce the carrying amounts of the investments.

3. Consolidation and Equity Accounting (continued)

(C) Joint operations

A joint operation is an arrangement in which the Group has joint control (as explained in (B) above), whereby the Group has rights to the assets and obligations for the liabilities, relating to the arrangement. When the Group undertakes its activities under a joint operation, the Group as a joint operator recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of the joint operation. They are incorporated in the financial statements under appropriate headings.

(D) Change in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received, and the reattribution of other comprehensive income to non-controlling interests are recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequent accounting for the retained interest as a joint venture, associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are reclassified to profit or loss. Gains or losses on disposals are recognised in profit or loss.

If the ownership interest in a joint venture or associate is reduced, it is possible that joint control or significant influence is retained or a joint venture becomes an associate. As the Group continues to apply the equity method under both cases, the retained interest is not remeasured. However, a proportionate share of the amounts previously recognised in other comprehensive income of the investment is reclassified to profit or loss where appropriate.

A quick guide to the classification of equity investments:

Control → Subsidiary
Joint control → Joint venture / joint operation
Significant influence → Associate
Less than significant influence → Equity investment

4. Inventory

Inventory comprises stores and fuel and is stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

5. Renewable Energy Products

Renewable energy and energy efficiency schemes operate through the creation, trade and surrender of energy products. Renewable energy certificates are recognised upon the risks and rewards being transferred to the Group and are measured at the lower of cost or net realisable value. Cost is calculated on a weighted average basis.

6. Retirement Benefits

The Group operates and / or participates in a number of defined contribution plans and defined benefits plans for its employees, the assets of which are held independently of the Group's assets in trustee-administered funds.

The Group's contributions to the defined contribution plans are charged to the consolidated statement of profit or loss in the year to which the contributions relate.

The Group, through its subsidiaries, operates funded defined benefit plans for qualifying employees in Australia. Under the plans, the employees are entitled to lump sum benefits on retirement, death, disablement and withdrawal. The level of benefits provided depends on employees' years of service and final average salary. Plan assets held in trusts are governed by local regulations and practice.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Past service costs are recognised immediately in profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

The defined benefit asset recognised in the consolidated statement of financial position represents the surplus of the fair value of plan assets over the present value of the defined benefit obligation at the end of the reporting period.

7. Foreign Currency Translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong dollar, which is the Group's presentation currency.

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies by using the exchange rates at the end of the reporting period are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

For subsidiaries, joint ventures and associates that have a functional currency different from the Group's presentation currency for the purpose of consolidation, assets and liabilities for each statement of financial position presented are translated using the closing rates at the end of the reporting period, and income and expenses for each statement of profit or loss and other comprehensive income presented are translated at the average exchange rates for the reporting period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity. Reclassifications of gains or losses previously recognised in other comprehensive income to profit or loss are translated by using the exchange rate at the date of reclassification. The remaining reserve balances are translated using the closing rates at the end of the reporting period. Any exchange differences arising from these are taken to retained profits directly.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rates at the end of the reporting period.

Upon disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary / loss of joint control over a joint venture / loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

7. Foreign Currency Translation (continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in a joint venture or associate that do not result in the Group losing joint control or significant influence) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Monetary assets and liabilities are assets to be received and liabilities to be paid in fixed amounts. For example, a trade receivable is a monetary asset (the amount to be received is fixed) but a fixed asset is not a monetary asset because it is uncertain how much you will receive if the fixed asset is sold.

An entity can have both functional currency and presentation currency, however, a consolidation group can only have presentation currency but not functional currency. This is because presentation currency is a matter of choice but functional currency is based on the different primary economic environment in which each group entity operates.

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries are generation and supply of electricity in Hong Kong, Mainland China and Australia, and investment holding of power projects in Mainland China, India, and Taiwan Region and Thailand.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power) and Castle Peak Power Company Limited (CAPCO) (collectively referred to as SoC Companies), are governed by a SoC Agreement entered into with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business. The main features of the current SoC are summarised on pages 283 and 284, which are unaudited.

The consolidated financial statements were approved for issue by the Board of Directors on 26 February 2024.

2. Segment Information

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is the chief operating decision-maker of the Group. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions.

Segment revenue is based on the geographical region in which the electricity is generated and/or services are rendered. Segment capital additions represent the total costs incurred during the year to acquire fixed assets and other segment assets that are expected to be used for more than one year. Unallocated items comprise mainly corporate expenses, corporate assets, and the Company's liquid funds and borrowings.

Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

The Group operates, through its subsidiaries, joint ventures and associates, in five major geographical regions – Hong Kong, Mainland China, Australia, India, and Taiwan Region and Thailand.

2. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	Australia HK$M	India (Note 4(b)) HK$M	Taiwan Region and Thailand HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2023							
Revenue from contracts with customers	51,980	1,782	33,102	–	3	1	86,868
Other revenue	139	64	88	–	–	10	301
Revenue	52,119	1,846	33,190	–	3	11	87,169
EBITDAF	18,165	1,369	(3,561)	(14)	(6)	(1,083)	14,870
Share of results, net of income tax							
Joint ventures	(21)	234	–	619	315	–	1,147
Associates	–	2,049	–	–	–	–	2,049
Consolidated EBITDAF	18,144	3,652	(3,561)	605	309	(1,083)	18,066
Depreciation and amortisation	(5,439)	(825)	(2,281)	–	–	(49)	(8,594)
Fair value movements	(14)	–	3,054	–	–	–	3,040
Finance costs	(1,428)	(209)	(477)	–	–	(25)	(2,139)
Finance income	159	14	23	6	–	68	270
Profit/(loss) before income tax	11,422	2,632	(3,242)	611	309	(1,089)	10,643
Income tax expense	(1,911)	(379)	(670)	(11)	(2)	–	(2,973)
Profit/(loss) for the year	9,511	2,253	(3,912)	600	307	(1,089)	7,670
Earnings attributable to							
Perpetual capital securities holders	(139)	–	–	–	–	–	(139)
Other non-controlling interests	(868)	(8)	–	–	–	–	(876)
Earnings/(loss) attributable to shareholders	8,504	2,245	(3,912)	600	307	(1,089)	6,655
Excluding: Items affecting comparability	(87)	115	5,868	(299)	–	–	5,597
Operating earnings	8,417	2,360	1,956	301	307	(1,089)	12,252
Capital additions	11,491	759	3,062	–	–	90	15,402
Impairment provisions							
Fixed assets	–	85	–	–	–	–	85
Goodwill and other intangible assets	12	–	5,868	–	–	–	5,880
Receivables and others	18	–	237	–	–	–	255
At 31 December 2023							
Fixed assets, right-of-use assets and investment property	137,930	9,107	14,523	–	–	103	161,663
Goodwill and other intangible assets	5,935	3,124	3,688	–	–	107	12,854
Interests in and loans to joint ventures	2,097	5,021	–	3,510	1,890	–	12,518
Interests in associates	–	9,380	–	–	–	–	9,380
Deferred tax assets	2	49	1,990	–	–	–	2,041
Other assets	10,213	4,848	13,200	29	59	2,246	30,595
Total assets	156,177	31,529	33,401	3,539	1,949	2,456	229,051
Bank loans and other borrowings	47,835	5,025	4,655	–	–	–	57,515
Current and deferred tax liabilities	16,592	1,165	26	1	31	–	17,815
Other liabilities	27,531	1,051	12,188	2	2	565	41,339
Total liabilities	91,958	7,241	16,869	3	33	565	116,669

EBITDAF stands for 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 qualified for hedge accounting, ineffectiveness and discontinuation of cash flow hedges.

2. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	Australia HK$M	India (Note 4(b)) HK$M	Taiwan Region and Thailand HK$M	Unallocated Items HK$M	Total HK$M
For the year ended 31 December 2022							
Revenue from contracts with customers	51,638	1,824	41,778	1,320	4	–	96,564
Other revenue	138	53	61	3,833	–	13	4,098
Revenue	51,776	1,877	41,839	5,153	4	13	100,662
EBITDAF	17,541	1,260	(695)	(2,887)	(6)	(1,087)	14,126
Share of results, net of income tax							
Joint ventures	(21)	327	–	–	19	–	325
Associates	–	2,135	–	–	–	–	2,135
Consolidated EBITDAF	17,520	3,722	(695)	(2,887)	13	(1,087)	16,586
Depreciation and amortisation	(5,388)	(814)	(2,368)	(283)	–	(51)	(8,904)
Fair value movements	(54)	–	(4,196)	–	–	–	(4,250)
Finance costs	(973)	(245)	(345)	(498)	–	(24)	(2,085)
Finance income	136	9	34	46	–	18	243
Profit/(loss) before income tax	11,241	2,672	(7,570)	(3,622)	13	(1,144)	1,590
Income tax (expense)/credit	(1,893)	(356)	2,303	(155)	(2)	–	(103)
Profit/(loss) for the year	9,348	2,316	(5,267)	(3,777)	11	(1,144)	1,487
Earnings attributable to							
Perpetual capital securities holders	(139)	–	–	–	–	–	(139)
Other non-controlling interests	(848)	(9)	–	433	–	–	(424)
Earnings/(loss) attributable to shareholders	8,361	2,307	(5,267)	(3,344)	11	(1,144)	924
Excluding: Items affecting comparability	(23)	185	–	3,537	–	–	3,699
Operating earnings	8,338	2,492	(5,267)	193	11	(1,144)	4,623
Capital additions	12,283	588	2,335	620	–	29	15,855
Impairment provisions							
Receivables and others	13	30	195	27	–	–	265
At 31 December 2022							
Fixed assets, right-of-use assets and investment property	132,791	9,158	13,628	–	–	181	155,758
Goodwill and other intangible assets	5,545	3,396	9,510	–	–	–	18,451
Interests in and loans to joint ventures	1,910	5,138	–	3,106	1,594	–	11,748
Interests in associates	–	9,090	–	–	–	–	9,090
Deferred tax assets	3	83	2,046	–	–	–	2,132
Other assets	14,446	6,510	16,489	632	72	698	38,847
Total assets	154,695	33,375	41,673	3,738	1,666	879	236,026
Bank loans and other borrowings	48,559	5,531	5,127	–	–	–	59,217
Current and deferred tax liabilities	16,586	1,191	14	–	32	–	17,823
Other liabilities	26,856	931	15,002	3	2	498	43,292
Total liabilities	92,001	7,653	20,143	3	34	498	120,332

Items affecting comparability refer to significant unusual events such as acquisition/disposal, impairment of non-current assets, property valuation gain/loss, legal disputes, change in law and natural catastrophe. They have no impact in assessing the underlying operating performance of the Group and are separately disclosed to allow a better understanding and comparison of the financial results. Details of the items affecting comparability can be found on page 32.

3. Revenue

Accounting Policy

(A) Revenue from contracts with customers

Revenues from sales of electricity and gas are recognised when electricity and gas are supplied to and consumed by the customers. Revenues are measured at the amounts billed to the customers based on the periodic cycle meter readings and the estimated accruals for the value of electricity and gas consumed from the meter reading date to the end of the reporting period ("unbilled revenue").

(B) Revenue from sales of properties

Revenue from sales of properties is recognised when the control of asset is transferred to the customer, being at the point in time the physical possession or the legal title of the completed property, and the Group has present right to payment and the collection of the consideration is probable.

Critical Accounting Estimates and Judgements: Unbilled Retail Revenue

The Group records revenues from retail energy sales using the accrual accounting method. In Hong Kong, the unbilled retail revenue is calculated using estimates including consumption quantity based on electricity sent-out adjusted by loss factors, pattern of residential and non-residential consumption, weather and certain other factors. In Australia, the unbilled retail revenue is calculated based on the electricity purchased and applicable tariffs for the mass market customers, as well as actual meter readings and contracted rates for commercial & industrial customers. The amount is adjusted for physical energy loss and other measurable factors. Unbilled retail revenue of the Group (included in trade and other receivables) totalled HK$4,001 million at 31 December 2023 (2022: HK$3,470 million).

The Group's revenue primarily represents sales of electricity and gas, which is recognised over time, and is disaggregated as follows:

	2023 HK$M	2022 HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**50,288**	50,919
Transfer for SoC to/(from) revenue (Note 25(A))	**48**	(604)
SoC sales of electricity	**50,336**	50,315
Sales of electricity outside Hong Kong	**28,828**	39,186
Sales of gas in Australia	**5,862**	5,183
Sales of properties in Hong Kong	**645**	421
Others	**1,197**	1,459
	86,868	96,564
Other revenue		
Power purchase agreements		
Fixed capacity charge	**–**	400
Variable capacity charge	**–**	275
Energy charge	**–**	3,087
Others	**301**	336
	301	4,098
	87,169	100,662

4. Other Charges

	2023 HK$M	2022 HK$M
Impairment of energy retail goodwill in Australia [(a)]	**5,868**	–
Loss on sale of subsidiaries [(b)]	**–**	4,312
	5,868	4,312

Notes:

(a) The energy retail market in Australia is experiencing several changes, most notably over the second half of 2023. Energy retail business of EnergyAustralia Holdings Limited (EnergyAustralia) was affected by adverse energy retail market trends, notably, margins have suffered from increased supply costs, intensifying competition and higher interest rates have also negatively impacted the discount rate.

As a result of the factors outlined above, an assessment of the value in use of the energy retail cash generating unit (CGU) was performed to determine the recoverable amount. The recoverable amount did not support the carrying value of the energy retail CGU at 31 December 2023. As a result, the Group has recognised an impairment on the energy retail goodwill of HK$5,868 million (A$1,103 million) in the profit or loss. The recoverable amount of the energy retail CGU with further information was disclosed in Note 13.

(b) Upon entering into an agreement to sell 10% shareholding in Apraava Energy Private Limited (Apraava Energy), Apraava Energy was presented as a disposal group held for sale at 30 June 2022 and losses of HK$1,635 million on measurement of the disposal group were recognised. A disposal loss of HK$2,677 million was further recognised upon the completion of the transaction in late December 2022, resulting in the total loss of HK$4,312 million. Apraava Energy then ceased to be a subsidiary and became a joint venture of the Group.

5. Operating Profit

Operating profit is stated after charging/(crediting) the following:

	2023 HK$M	2022 HK$M
Charging		
Retirement benefits costs [(a)]	**484**	473
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**42**	42
Other auditor [(b)]	**–**	3
Permissible audit related and non-audit services		
PricewaterhouseCoopers [(c)]	**8**	12
Other auditor [(b)]	**–**	–
Variable lease expenses	**43**	21
Cost of properties sold	**510**	325
Net losses on disposal of fixed assets	**393**	241
Impairment of		
Fixed assets [(d)]	**85**	–
Other intangible assets	**12**	–
Inventories – stores and fuel	**9**	10
Trade receivables	**246**	255
Revaluation loss on investment property	**25**	57
Loss on sale of a joint venture [(e)]	**–**	185
Fair value losses on investments at fair value through profit or loss	**164**	13
Crediting		
Rental income from investment property	**(26)**	(26)
Dividends from equity investments	**(15)**	(14)
Net fair value (gains)/losses on non-debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve and cost of hedging reserve to		
Purchases and distributions of electricity and gas	**(392)**	(1,693)
Fuel and other operating expenses	**(1,316)**	(1,691)
Ineffectiveness of cash flow hedge	**(11)**	(52)
Not qualified for hedge accounting	**(1,760)**	5,606
Net exchange (gains)/losses	**(51)**	373

Notes:

(a) Retirement benefits costs for the year amounted to HK$655 million (2022: HK$630 million), of which HK$167 million (2022: HK$157 million) was capitalised.

(b) The 2022 amounts represented the fees charged by KPMG India, the statutory auditor of Apraava Energy, during the period from 1 January 2022 to the date of disposal of Apraava Energy.

(c) Permissible audit related and non-audit services provided by PricewaterhouseCoopers comprised Sustainability Report limited assurance, Continuing Connected Transactions limited assurance, limited assurance over regulatory reviews and reporting, audits of CLP's provident funds, auditor's attestation and other advisory services.

(d) Triggered by reduction in utilisation hours of Dali Yang_er Hydro Power Station (Dali Yang_er), which was resulted from dry weather and increased upstream water usage, and continuous low tariff, an impairment provision for fixed assets of HK$85 million was recognised in 2023.

(e) In November 2022, the Group completed the sale of its entire 70% interest in CLP Guangxi Fangchenggang Power Company Limited (Fangchenggang) and a loss of HK$185 million was recognised.

6. Finance Costs and Income

Accounting Policy

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

	2023 HK$M	2022 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**1,143**	920
Other borrowings	**1,090**	1,143
Tariff Stabilisation Fund [(a)]	**114**	40
Customers' deposits and others	**47**	5
Lease liabilities	**49**	47
Net fair value changes on debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve	**158**	453
Reclassified from cost of hedging reserve	**(30)**	(21)
Ineffectiveness of cash flow hedges	**(14)**	3
Fair value hedge		
Net fair value (gains) / losses	**(54)**	571
Reclassified from cost of hedging reserve	**(1)**	14
Ineffectiveness of fair value hedges	**13**	14
Not qualified for hedge accounting	**9**	(22)
Net fair value losses / (gains) on hedged items in fair value hedges	**54**	(571)
Net exchange gains	**(83)**	(296)
Finance charges	**258**	251
	2,753	2,551
Less: amount capitalised [(b)]	**(614)**	(466)
	2,139	2,085
Finance income		
Interest income on		
Bank deposits	**108**	95
Loans to joint ventures and others	**162**	148
	270	243

Notes:

(a) In accordance with the provisions of the SoC Agreement, CLP Power is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund (Note 25(B)).

(b) Finance costs of the Group's general borrowings have been capitalised at average interest rates of 2.85% – 3.82% (2022: 2.86% – 4.47%) per annum.

7. Income Tax Expense

Income tax in the consolidated statement of profit or loss represents the income tax of the Company and subsidiaries and is analysed below:

	2023 HK$M	2022 HK$M
Current income tax expense	1,709	1,649
Deferred tax expense /(credit)	1,264	(1,546)
	2,973	103

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2023 HK$M	2022 HK$M
Profit before income tax	10,643	1,590
Less: Share of results of joint ventures and associates, net of income tax	(3,196)	(2,460)
	7,447	(870)
Calculated at an income tax rate of 16.5% (2022: 16.5%)	1,229	(144)
Effect of different income tax rates in other countries	556	(805)
Income not subject to tax	(142)	(103)
Expenses not deductible for tax purposes	1,321	1,097
Revenue adjustment for SoC not subject to tax	(8)	100
Tariff rebates deductible for tax purposes	(45)	(118)
Under-provision in prior years	3	59
Tax losses not recognised	29	17
Write-off of deferred tax assets	30	–
Income tax expense	2,973	103

8. Dividends

	2023 HK$ per Share	2023 HK$M	2022 HK$ per Share	2022 HK$M
First to third interim dividends paid	1.89	4,775	1.89	4,775
Fourth interim dividend declared	1.21	3,057	1.21	3,057
	3.10	7,832	3.10	7,832

At the Board meeting held on 26 February 2024, the Directors declared the fourth interim dividend of HK$1.21 per share (2022: HK$1.21 per share). The fourth interim dividend is not reflected as a dividend payable in the financial statements.

9. Earnings per Share

The earnings per share are computed as follows:

	2023	2022
Earnings attributable to shareholders (HK$M)	**6,655**	924
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**2.63**	0.37

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the years ended 31 December 2023 and 2022.

10. Fixed Assets

Accounting Policy

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the fixed asset. Cost may also include transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of fixed assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For any asset replacement, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the period in which they are incurred.

Depreciation of fixed assets is calculated, using the straight-line method, to allocate their costs to their estimated residual values over their estimated useful lives. The estimated useful lives of the fixed assets are set out below:

	SoC fixed assets	Non-SoC fixed assets
Freehold land	not applicable	not depreciable
Cable tunnels	100 years	30 years
Buildings and civil structures at power stations	35 years	20 – 50 years
Ash lagoon	35 years	20 – 40 years
Other buildings and civil structures	60 years	10 – 30 years
Generating plants	25 – 50 years*	20 – 41 years
Overhead lines (33kV and above)	60 years	20 years
Overhead lines (below 33kV)	45 years	18 – 20 years
Cables	60 years	not applicable
Switchgear and transformers	50 years	15 – 20 years
Substation miscellaneous	25 years	20 years
Meters	15 years	10 years
Other equipment, furniture and fittings, motor vehicles and marine crafts	5 – 10 years	2 – 10 years

* Useful lives of certain generating plants have been extended by 10 – 25 years after mid-life refurbishments

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. For plant under construction, no depreciation is provided until the construction is completed and the assets are ready for their intended use. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

10. Fixed Assets (continued)

Critical Accounting Estimates and Judgements

(A) Assessment of the Carrying Value of Generation Assets in Australia

Given continued changes in the National Electricity Market (NEM) in Australia and changes in the supply and demand equilibrium, risk is introduced in market modelling which heightens the criticality of this judgement area. As part of making these critical judgements, risks do exist in the assumptions made around supply and demand with regard to our generation assets in Australia. In certain circumstances, where demand expectations and supply side responses vary substantially from the assumptions made, particularly in regards to the transition to renewable energy sources and uses, significant changes in the value of the assets could eventuate. The NEM is highly sensitive to a variety of factors such as government intervention and expected power plant closure dates. There has been no change in expected closure dates of our generation assets during 2023.

EnergyAustralia aims to address the enormous challenges associated with climate change and is committed to Australia's transition to net zero emissions with cleaner, reliable and affordable energy for customers. EnergyAustralia is transforming its generation portfolio, investing in cleaner forms of energy, while helping customers to reduce their own emissions. When determining whether the carrying value of the generation assets is supportable, scenarios are produced which reflect a range of economic conditions that may exist over the life of the assets. The scenarios consider a broad range of outcomes including expected power plant closure dates, renewable generation, emissions reduction trajectories, potential regulatory changes including those impacting the timing of national power plant closure dates and the impact to the useful lives of our generation assets in Australia. The scenarios are then considered in terms of likelihood to arrive at management's best estimate.

Key estimates and assumptions for assessing the carrying value of the generation assets are as follows:

- Critical judgement exists in estimating forward electricity pool prices (the forward curve), generation volumes, retail volumes, gas prices and long-term assumptions around market movements and growth rates.
- Operating costs are escalated by relevant cost drivers using activity-based costing principles. Significant uncertainties exist around fuel supply and non-contracted fuel costs are based on management's estimate of future fuel supply expectation and prices.

The assessment concluded that the carrying value of generation assets (HK$13.3 billion) was supported by future cash flows. Management particularly considers the generation CGU to be highly sensitive to a change in expected long-term wholesale prices, which interplay with coal supply and expected power plant closure dates. The Group will continually assess the carrying value of the generation assets as the market and the Group transition towards a cleaner energy future.

(B) Assessment of the Carrying Values of Fixed Assets and Right-of-use Assets in Other Regions

The Group has also made substantial investments in fixed assets and right-of-use assets (mainly leasehold land and land use rights) in other regions. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Determining whether an asset or a CGU should be impaired requires an estimation of the recoverable amount, which requires the Group to estimate the future cash flows, a growth rate (that reflects the economic environments in which the Group operates) and a pre-tax discount rate (that reflects the current market assessments of the time value of money and the risks specific to the asset, inclusive of climate change impact) in order to calculate the present value. Where the present value of the expected cash flows is less than the asset's carrying amount, an impairment loss may arise. During 2023, after reviewing the business environment as well as the Group's strategies and past performance of the investments, management concluded that there was no indicator of impairment of fixed assets and right-of-use assets except for Dali Yang_er (Note 5(d)).

10. Fixed Assets (continued)

Fixed assets included assets under construction with book value of HK$20,417 million (2022: HK$19,580 million). The movements during the year are set out below:

	Freehold Land HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2022	1,108	22,408	130,542	154,058
Additions	3	1,708	12,853	14,564
Transfers and disposals	–	(32)	(288)	(320)
Depreciation	–	(828)	(7,019)	(7,847)
Loss on measurement of disposal group upon reclassification	–	(170)	(1,452)	(1,622)
Reclassification to assets of disposal group	(753)	(378)	(8,154)	(9,285)
Exchange differences	(62)	(275)	(1,944)	(2,281)
Net book value at 31 December 2022	296	22,433	124,538	147,267
Cost	374	38,086	232,606	271,066
Accumulated depreciation and impairment	(78)	(15,653)	(108,068)	(123,799)
Net book value at 31 December 2022	296	22,433	124,538	147,267
Net book value at 1 January 2023	296	22,433	124,538	147,267
Additions	–	1,432	12,309	13,741
Transfers and disposals	–	(31)	(453)	(484)
Depreciation	–	(881)	(6,688)	(7,569)
Impairment charge (Note 5(d))	–	(85)	–	(85)
Exchange differences	2	(44)	(42)	(84)
Net book value at 31 December 2023	**298**	**22,824**	**129,664**	**152,786**
Cost	376	39,363	243,206	282,945
Accumulated depreciation and impairment	(78)	(16,539)	(113,542)	(130,159)
Net book value at 31 December 2023	**298**	**22,824**	**129,664**	**152,786**

11. Right-of-Use Assets

Accounting Policy

The Group as a lessee recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets.

The Group has lease contracts for land and buildings and various items of plant, machinery and equipment used in its operations. The movements during the year are set out below:

	Leasehold Land [(a)] HK$M	Buildings [(b)] HK$M	Plant, Machinery and Equipment [(b)] HK$M	Total HK$M
Net book value at 1 January 2022	5,864	618	648	7,130
Additions	878	84	(1)	961
Transfers and disposals	–	(12)	–	(12)
Depreciation	(202)	(98)	(52)	(352)
Reclassification to assets of disposal group	(47)	–	–	(47)
Exchange differences	(18)	(38)	(42)	(98)
Net book value at 31 December 2022	6,475	554	553	7,582
Net book value at 1 January 2023	6,475	554	553	7,582
Additions	352	20	411	783
Depreciation	(211)	(103)	(62)	(376)
Exchange differences	(8)	–	12	4
Net book value at 31 December 2023	**6,608**	**471**	**914**	**7,993**

Notes:

(a) Leasehold land represents lease payments, including land premium, on lease of land with the tenure of 20 to 150 years.

(b) The Group has leased several assets including a water treatment plant, battery storage facilities and offices. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Tenures of the leases range from 1 to 24 years.

12. Investment Property

Accounting Policy

Investment property includes property that is being constructed or developed for future use as an investment property. Land held under an operating lease is accounted for as an investment property when the rest of the definition of an investment property under the accounting standard is met. Investment property is measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment property is measured at fair value, unless it is still in the course of construction or development at the end of the reporting period and its fair value cannot be reliably measured at that time. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Any gains and losses arising from changes in the fair value or from the retirement or disposal of an investment property are recognised in profit or loss in the period in which they arise.

12. Investment Property (continued)

	2023 HK$M	2022 HK$M
At 1 January	**909**	966
Revaluation loss	**(25)**	(57)
At 31 December	**884**	909

Investment property represents the commercial interest of the retail portion of the Laguna Mall in Hong Kong, which is leased out by the Group under operating leases.

Investment property was valued by Cushman & Wakefield Limited (Cushman), an independent qualified valuer, who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment property valued.

Cushman has valued the property at 31 December 2023 by using the income capitalisation approach, cross-referenced with comparable market transactions. The income capitalisation approach is based on the capitalisation of the existing rental / licence income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate capitalisation rates that by reference to the yields achieved in analysed market sales transactions and as expected by investors. The significant unobservable input is the capitalisation rates adopted for the valuation which are ranging from 4.00% to 4.25% (2022: 3.90% to 4.15%). The fair value is negatively correlated to the capitalisation rate.

The fair value measurement of the Group's investment property is categorised within Level 3 of the fair value hierarchy at 31 December 2023 and 2022.

13. Goodwill and Other Intangible Assets

Accounting Policy

(A) Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken at least annually or if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and cannot be subsequently reversed.

(B) Other intangible assets

Intangible assets other than goodwill are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and carried at cost less accumulated amortisation and accumulated impairment losses.

13. Goodwill and Other Intangible Assets (continued)

Critical Accounting Estimates and Judgements: Goodwill Impairment

The recoverable amounts of CGUs with allocated goodwill are determined based on value in use calculations, using cash flow projections derived from the approved business plan which has considered committed cost optimisation initiatives, and a forecast covering a period of ten years, and application of a discounted terminal value. Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long-dated nature of our generation and electricity supply assets and a more appropriate reflection of future cash flows from potential legislative, regulatory and structural changes in the industry.

Energy retail business in Australia

As disclosed in Note 4(a), an impairment on energy retail goodwill of HK$5,868 million (A$1,103 million) has been recognised in the profit or loss. Subsequent to this impairment, the recoverable amount of the energy retail CGU is equal to its carrying value at the impairment assessment date of HK$8,086 million (A$1,520 million).

Key assumptions for value in use calculations

The key assumptions used in the value in use calculations reflect a combination of internal and external factors impacting gross margin, number of customer accounts and discount rates.

The assumptions impacting gross margin include:

- Retail tariffs are sensitive to regulatory changes including regulation and deregulation, and based on management estimates and expectations of current and expected market conditions arising from known and potential regulatory outcomes.
- Electricity and gas volumes for purchases and sales in the short term represent the internal forecast projections. External information is used to verify and align internal estimates.
- Electricity and gas network (transmission and distribution) cost assumptions are based on published regulated prices. When no estimates are available, network costs are assumed to escalate by the relevant consumer price index.
- Electricity pool prices, generation volumes, dispatch levels and gas prices were derived using modelling of the electricity and gas wholesale markets. NEM modelling is prepared internally using, where possible, observable inputs. The modelling used for the electricity and gas markets is based on experience and observable market activity.

Other assumptions include:

- The cash flow projections are discounted using a pre-tax discount rate of 11.3% (2022: 11.0%). The discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital.
- A long-term growth rate of 2.5% (2022: 2.5%) is applied in the terminal value calculation beyond a period of ten years of cash flows.

13. Goodwill and Other Intangible Assets (continued)

Critical Accounting Estimates and Judgements: Goodwill Impairment (continued)

Energy retail business in Australia (continued)

Sensitivity analysis for the energy retail CGU valuation

Both retail tariffs and customer account growth assumptions are judgemental and have a direct impact on the CGU valuation. Movements in discount rates, whilst driven by different assumptions, would also have an impact.

- A 5% decrease in long-term gross margin would decrease the recoverable amount by HK$1,383 million (A$260 million).
- A 1% decrease in long-term annual customer growth rate would decrease the recoverable amount by HK$1,373 million (A$258 million).
- An increase in the discount rate of 0.1% would decrease the recoverable amount by HK$154 million (A$29 million).

These sensitivities are based on changing the relevant assumption while holding other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

Hong Kong electricity business

The key assumptions used in the value in use calculations are as follows:

- Goodwill arising from the acquisition of CAPCO has been allocated to CLP Power and CAPCO as a combined CGU as the acquisition is considered beneficial to the whole SoC business.
- The electricity tariff for the supply of electricity in meeting the demand of customers in Hong Kong over the forecast periods is determined with reference to the rate-setting mechanism under the SoC.
- The forecast for electricity demand is based on the load forecast to support local infrastructure development and meeting customer load requirements, maintaining safety and supply reliability, and meeting environmental requirements.
- Expenditures for the supply of electricity in meeting the forecast demand are based on committed purchase contracts where applicable, and inputs on cost trend specific to the electricity business in Hong Kong. Such forecast aligns with the projection in the Business Plan for our Hong Kong electricity business, with capital expenditures up to 2028 aligned with those forecasted in the approved Development Plan.
- Terminal value of the CGU is adopted to estimate the cash flows to be generated for the periods beyond ten years. This is expressed as a multiple of net asset values which corresponds to our return model based on fixed assets investment. The terminal value is a multiple of 1.2 times of the net asset values forecasted at the end of 2033.
- The cash flow projections are discounted using a pre-tax discount rate of 9.75% (2022: 9.69%), or a post-tax return of 8.00% (2022: 8.00%) which reflects the SoC return rate applicable to the electricity business in Hong Kong.

Up to the date of this report, there were no reasonably possible changes in any of the key assumptions mentioned above that would have caused the recoverable amount of this CGU to be less than its carrying value.

13. Goodwill and Other Intangible Assets (continued)

	Goodwill [a] HK$M	Capacity Right [b] HK$M	Others HK$M	Total HK$M
Net carrying value at 1 January 2022	14,491	3,638	1,581	19,710
Additions	–	4	326	330
Write-offs	–	–	(185)	(185)
Amortisation	–	(280)	(425)	(705)
Loss on measurement of disposal group upon reclassification	(13)	–	–	(13)
Exchange differences	(590)	–	(96)	(686)
Net carrying value at 31 December 2022	13,888	3,362	1,201	18,451
Cost	20,174	5,747	5,683	31,604
Accumulated amortisation and impairment	(6,286)	(2,385)	(4,482)	(13,153)
Net carrying value at 31 December 2022	13,888	3,362	1,201	18,451
Net carrying value at 1 January 2023	13,888	3,362	1,201	18,451
Additions	–	9	869	878
Amortisation	–	(282)	(367)	(649)
Impairment charge (Note 4(a))	(5,868)	–	(12)	(5,880)
Exchange differences	50	–	4	54
Net carrying value at 31 December 2023	**8,070**	**3,089**	**1,695**	**12,854**
Cost	20,263	5,756	5,656	31,675
Accumulated amortisation and impairment	(12,193)	(2,667)	(3,961)	(18,821)
Net carrying value at 31 December 2023	**8,070**	**3,089**	**1,695**	**12,854**

Notes:

(a) Goodwill mainly arose from the acquisitions of energy retail business in Australia of HK$2,493 million (2022: HK$8,310 million) and the acquisition of CAPCO under Hong Kong electricity business of HK$5,545 million (2022: HK$5,545 million).

(b) Capacity right represents the right to use 50% of the pumped storage capacity of Phase I of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou and the corresponding right to use the associated transmission facilities until 2034.

14. Interests in and Loans to Joint Ventures

Accounting Policy No. 3(B)

The table below lists the material joint ventures of the Group at 31 December 2023:

Name	% of Ownership Interest at 31 December 2022 and 2023	Place of Incorporation / Business	Principal Activity
Apraava Energy Private Limited (Note 4(b))	50	India	Generation of electricity and power projects investment holding
CSEC Guohua International Power Company Limited (CSEC Guohua) [(a)]	30	Mainland China	Generation of electricity
Hong Kong LNG Terminal Limited (HKLTL) [(b)]	49	Hong Kong	Development, construction, operation, maintenance and owning of LNG terminal and provision of related services
OneEnergy Taiwan Ltd (OneEnergy Taiwan) [(c)]	50	British Virgin Islands / Taiwan Region	Investment holding
ShenGang Natural Gas Pipeline Company Limited (SNGPC) [(d)]	40	Mainland China	Natural gas transportation

Notes:

(a) Registered as Sino-Foreign Joint Stock Company under People's Republic of China (PRC) law

(b) HKLTL is 70% owned by CAPCO which is 70% owned by CLP Power

(c) OneEnergy Taiwan indirectly owns 40% interest in Ho-Ping Power Company

(d) Registered as Sino-Foreign Equity Joint Venture Enterprise under PRC law

More detailed information of our joint ventures can be found on "Our Portfolio" on pages 294 to 297 of the Annual Report.

14. Interests in and Loans to Joint Ventures (continued)

Summarised financial information of joint ventures and the Group's share of results and net assets are as follows:

	Apraava Energy (Note 4(b)) HK$M	CSEC Guohua HK$M	HKLTL HK$M	OneEnergy Taiwan HK$M	SNGPC HK$M	Fang-chenggang (Note 5(e)) HK$M	Others HK$M	Total HK$M
For the year ended 31 December 2023								
Revenue	**6,129**	**14,080**	**527**	**–**	**983**	**–**	**3,591**	**25,310**
Depreciation and amortisation	**(342)**	**(1,029)**	**(123)**	**–**	**(184)**	**–**	**(1,107)**	**(2,785)**
Interest income	**85**	**5**	**–**	**–**	**5**	**–**	**8**	**103**
Interest expense	**(401)**	**(124)**	**(123)**	**–**	**(2)**	**–**	**(107)**	**(757)**
Other expenses	**(3,772)**	**(12,941)**	**(281)**	**(4)**	**(184)**	**–**	**(2,175)**	**(19,357)**
Share of results of joint ventures	**–**	**–**	**–**	**593**	**–**	**–**	**(1)**	**592**
Profit/(loss) before income tax	**1,699**	**(9)**	**–**	**589**	**618**	**–**	**209**	**3,106**
Income tax (expense)/credit	**(460)**	**18**	**–**	**–**	**(149)**	**–**	**(60)**	**(651)**
Profit for the year	**1,239**	**9**	**–**	**589**	**469**	**–**	**149**	**2,455**
Non-controlling interests	**–**	**(45)**	**–**	**–**	**–**	**–**	**–**	**(45)**
Profit/(loss) for the year attributable to shareholders	**1,239**	**(36)**	**–**	**589**	**469**	**–**	**149**	**2,410**
Profit and total comprehensive income for the year	**1,239**	**9**	**–**	**589**	**469**	**–**	**149**	**2,455**
Group's share of profit/(loss) and total comprehensive income	**619**	**(11)**	**–**	**295**	**188**	**–**	**56**	**1,147**
Dividends received from joint ventures	**202**	**38**	**–**	**–**	**135**	**–**	**152**	**527**
For the year ended 31 December 2022								
Revenue	–	16,499	8	–	1,102	3,934	4,545	26,088
Depreciation and amortisation	–	(1,447)	–	–	(194)	(229)	(1,150)	(3,020)
Interest income	–	8	–	–	6	7	5	26
Interest expense	–	(181)	–	–	(9)	(175)	(138)	(503)
Other expenses	–	(14,064)	(8)	(3)	(251)	(3,648)	(2,966)	(20,940)
Share of results of joint ventures	–	–	–	6	–	–	(1)	5
Profit/(loss) before income tax	–	815	–	3	654	(111)	295	1,656
Income tax (expense)/credit	–	(171)	–	–	(169)	33	(82)	(389)
Profit/(loss) for the year	–	644	–	3	485	(78)	213	1,267
Non-controlling interests	–	(306)	–	–	–	–	–	(306)
Profit/(loss) for the year attributable to shareholders	–	338	–	3	485	(78)	213	961
Profit/(loss) for the year	–	644	–	3	485	(78)	213	1,267
Other comprehensive income	–	–	–	–	–	–	(3)	(3)
Total comprehensive income	–	644	–	3	485	(78)	210	1,264
Group's share								
Profit/(loss) for the year	–	102	–	2	194	(54)	81	325
Other comprehensive income	–	–	–	–	–	–	(1)	(1)
Total comprehensive income	–	102	–	2	194	(54)	80	324
Dividends received from joint ventures	–	–	–	100	218	45	132	495

14. Interests in and Loans to Joint Ventures (continued)

	Apraava Energy (Note 4(b)) HK$M	CSEC Guohua HK$M	HKLTL HK$M	OneEnergy Taiwan HK$M	SNGPC HK$M	Others HK$M	Total HK$M
At 31 December 2023							
Non-current assets	**9,619**	**17,947**	**4,973**	**3,399**	**3,123**	**7,815**	**46,876**
Current assets							
Cash and cash equivalents	**1,094**	**1,254**	**11**	**11**	**355**	**317**	**3,042**
Other current assets	**2,638**	**1,776**	**114**	**1**	**71**	**1,466**	**6,066**
	3,732	**3,030**	**125**	**12**	**426**	**1,783**	**9,108**
Current liabilities							
Financial liabilities [a]	**(1,040)**	**(2,428)**	**(198)**	**–**	**(86)**	**(1,737)**	**(5,489)**
Other current liabilities [a]	**(1,092)**	**(2,079)**	**(223)**	**(1)**	**(94)**	**(1,807)**	**(5,296)**
	(2,132)	**(4,507)**	**(421)**	**(1)**	**(180)**	**(3,544)**	**(10,785)**
Non-current liabilities							
Financial liabilities [a]	**(4,047)**	**(1,226)**	**(1,780)**	**–**	**(523)**	**(1,672)**	**(9,248)**
Shareholders' loans	**–**	**–**	**(2,897)**	**–**	**–**	**(38)**	**(2,935)**
Other non-current liabilities [a]	**(153)**	**(2,122)**	**–**	**–**	**(50)**	**(18)**	**(2,343)**
	(4,200)	**(3,348)**	**(4,677)**	**–**	**(573)**	**(1,728)**	**(14,526)**
Non-controlling interests	**–**	**(5,802)**	**–**	**–**	**–**	**–**	**(5,802)**
Net assets	**7,019**	**7,320**	**–**	**3,410**	**2,796**	**4,326**	**24,871**
Group's share of net assets	**3,510**	**2,196**	**–**	**1,705**	**1,118**	**1,911**	**10,440**
Goodwill	**–**	**–**	**–**	**–**	**–**	**31**	**31**
Interests in joint ventures	**3,510**	**2,196**	**–**	**1,705**	**1,118**	**1,942**	**10,471**
Loans to joint ventures	**–**	**–**	**2,028** [b]	**–**	**–**	**19**	**2,047**
	3,510	**2,196**	**2,028**	**1,705**	**1,118**	**1,961**	**12,518**
At 31 December 2022							
Non-current assets	9,449	18,040	2,777	2,793	3,348	8,341	44,748
Current assets							
Cash and cash equivalents	1,872	1,484	25	14	331	585	4,311
Other current assets	4,774	2,271	11	2	46	1,349	8,453
	6,646	3,755	36	16	377	1,934	12,764
Current liabilities							
Financial liabilities [a]	(2,353)	(2,421)	(38)	–	(86)	(2,948)	(7,846)
Other current liabilities [a]	(2,789)	(1,690)	(171)	(1)	(198)	(2,024)	(6,873)
	(5,142)	(4,111)	(209)	(1)	(284)	(4,972)	(14,719)
Non-current liabilities							
Financial liabilities [a]	(4,713)	(2,174)	–	–	(648)	(738)	(8,273)
Shareholders' loans	–	–	(2,604)	–	–	(36)	(2,640)
Other non-current liabilities [a]	(27)	(2,111)	–	–	(74)	(18)	(2,230)
	(4,740)	(4,285)	(2,604)	–	(722)	(792)	(13,143)
Non-controlling interests	–	(5,881)	–	–	–	–	(5,881)
Net assets	6,213	7,518	–	2,808	2,719	4,511	23,769
Group's share of net assets	3,106	2,255	–	1,404	1,087	1,994	9,846
Goodwill	–	–	–	–	–	35	35
Interests in joint ventures	3,106	2,255	–	1,404	1,087	2,029	9,881
Loans to joint ventures	–	–	1,850 [b]	–	–	17	1,867
	3,106	2,255	1,850	1,404	1,087	2,046	11,748

14. Interests in and Loans to Joint Ventures (continued)

Notes:

(a) Financial liabilities exclude trade and other payables and provisions which are included in other current and non-current liabilities.

(b) Pursuant to agreement between shareholders of HKLTL, shareholders' loan facilities are provided to HKLTL by the shareholders pro-rata to their shareholdings to finance the construction of the LNG terminal. The loans to HKLTL are unsecured, carry interest at rates which are benchmarked to market interest rates. Instalment repayment of the loans have commenced after the commissioning of the LNG terminal in July 2023 with final maturity at the end of the related asset lives of the LNG terminal. At 31 December 2023, the current portion of the loans of HK$60 million (2022: nil) was included under the Group's trade and other receivables (Note 19).

The expected credit loss of loans to joint ventures is close to zero.

	2023 HK$M	2022 HK$M
Share of capital commitments	**3,876**	394
Share of lease and other commitments *	**1,632**	3,796
Share of contingent liabilities	**–**	–

* Representing the share of lease and other commitments in relation to the use and operation of a floating storage and regasification unit and related support vessels. With the commencement of the lease for the floating storage and regasification unit in July 2023, related lease liability was recognised and included in the current and non-current financial liabilities of HKLTL.

The Group's capital commitments in relation to its interests in joint ventures are disclosed in Note 31(C).

15. Interests in Associates

Accounting Policy No. 3(B)

The table below lists the associates of the Group at 31 December 2023:

Name	**% of Ownership Interest at 31 December 2022 and 2023**	**Place of Incorporation / Business**	**Principal Activity**
Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) [(a)]	25	Mainland China	Generation of electricity
Yangjiang Nuclear Power Co., Ltd. (Yangjiang Nuclear) [(a)]	17	Mainland China	Generation of electricity

More detailed information of our associates can be found on "Our Portfolio" on page 295 of the Annual Report.

15. Interests in Associates (continued)

Summarised financial information of the associates and the Group's share of results and net assets are as follows:

	GNPJVC HK$M	Yangjiang Nuclear[b] HK$M	Total HK$M
For the year ended 31 December 2023			
Revenue	**8,390**	**20,797**	**29,187**
Profit and total comprehensive income	**3,965**	**6,223**	**10,188**
Group's share of profit and total comprehensive income	**991**	**1,058**	**2,049**
Dividends received from associates	**1,022**	**808**	**1,830**
For the year ended 31 December 2022			
Revenue	8,524	21,809	30,333
Profit and total comprehensive income	4,084	6,550	10,634
Group's share of profit and total comprehensive income	1,021	1,114	2,135
Dividends received from associates	1,022	809	1,831
At 31 December 2023			
Non-current assets	**4,437**	**85,654**	**90,091**
Current assets	**10,239**	**13,160**	**23,399**
Current liabilities	**(1,916)**	**(16,028)**	**(17,944)**
Non-current liabilities	**(5,681)**	**(38,022)**	**(43,703)**
Net assets	**7,079**	**44,764**	**51,843**
Group's share of net assets	**1,770**	**7,610**	**9,380**
At 31 December 2022			
Non-current assets	4,073	91,007	95,080
Current assets	10,498	12,297	22,795
Current liabilities	(2,134)	(18,372)	(20,506)
Non-current liabilities	(5,252)	(42,027)	(47,279)
Net assets	7,185	42,905	50,090
Group's share of net assets	1,796	7,294	9,090

At 31 December 2023, the Group's share of capital commitments of its associates was HK$487 million (2022: HK$638 million).

Notes:

(a) Registered as Sino-Foreign Equity Joint Venture Enterprise under PRC law

(b) The share of results of Yangjiang Nuclear included amortisation of the fair value adjustment on fixed assets

16. Derivative Financial Instruments

Accounting Policy

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value gain or loss arising from derivatives not designated or not qualified for hedge accounting are recognised immediately in profit or loss.

The Group designates certain derivatives as either fair value hedges, which are hedges of the fair value of recognised financial assets or financial liabilities or firm commitments (e.g. fixed interest rate loans and foreign currency trade receivables) or cash flow hedges, which are hedges of the cash flows of recognised financial assets or financial liabilities or highly probable forecast transactions (e.g. floating interest rate loans and future purchases of fuels denominated in US dollar).

The Group documents at the inception of the transaction the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements.

(A) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, which offset any changes in the fair values recognised in profit or loss of the corresponding hedged asset or liability that are attributable to the hedged risk and achieve the overall hedging result.

(B) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss. Such reclassification from equity will offset the effect on profit or loss of the corresponding hedged item to achieve the overall hedging result. However, when the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset at the time of acquisition. The deferred amounts are ultimately recognised in fuel costs in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. Any cumulative gain or loss remains in equity at that time is accounted for according to the nature of the underlying transactions (as discussed above) once the hedged cash flow occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is reclassified to profit or loss immediately.

16. Derivative Financial Instruments (continued)

Accounting Policy (continued)

(C) Costs of hedging

Forward element of forward contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. In such case, the Group treats the excluded elements as costs of hedging. The fair value changes of these elements are recognised in a separate component of equity. For time-period related hedged items, these elements at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the hedging period. For transaction related hedged items, the cumulative change of these elements is included in the initial carrying amount of any non-financial asset recognised when the hedged transaction occurs or is recognised in profit or loss if the hedged transaction affects profit or loss.

(D) Rebalancing of hedge relationships

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

	2023		2022	
	Assets HK$M	**Liabilities HK$M**	Assets HK$M	Liabilities HK$M
Cash flow hedges				
Forward foreign exchange contracts	**21**	**107**	3	207
Cross currency interest rate swaps	**–**	**1,669**	33	1,011
Interest rate swaps	**30**	**8**	59	–
Energy contracts	**1,844**	**250**	3,152	599
Fair value hedges				
Cross currency interest rate swaps	**–**	**374**	6	377
Interest rate swaps	**–**	**48**	–	80
Not qualified for hedge accounting				
Forward foreign exchange contracts	**17**	**78**	20	83
Energy contracts	**338**	**843**	777	4,358
	2,250	**3,377**	4,050	6,715
Current	**1,077**	**1,658**	2,107	5,310
Non-current	**1,173**	**1,719**	1,943	1,405
	2,250	**3,377**	4,050	6,715

At 31 December 2023, the contractual maturity profile of the hedging instruments from the end of the reporting period is summarised below:

Forward foreign exchange contracts	Up to 3 years
Cross currency interest rate swaps	Up to 13 years
Interest rate swaps	Up to 9 years
Energy contracts	Up to 7 years

17. Other Non-current Assets

Accounting Policy

(A) Investments

Investments classified at fair value through other comprehensive income are initially recognised at fair value and are elected to present subsequent changes in fair value in other comprehensive income. The gains or losses on such investments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are transferred to retained profits on disposal of the investment. Dividends on the investments are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are deducted from the carrying amounts of the investments directly.

Investments classified at fair value through profit or loss (mainly investments in funds) are initially recognised at fair value and subsequent changes in fair value are recognised in profit or loss.

(B) Contract acquisition costs

Incremental costs to obtain a contract with a customer are capitalised if they are expected to be recoverable. Costs capitalised are amortised on a straight-line basis over the expected benefit periods of the contracts. Non-incremental costs, i.e. costs that would have been incurred regardless of whether the contract is obtained, are expensed when incurred.

	2023 HK$M	2022 HK$M
Investments at fair value through other comprehensive income	**326**	300
Investments at fair value through profit or loss	**607**	678
Prepayment for purchase of a property [(a)]	**676**	676
Contract acquisition costs	**265**	220
Defined benefit asset [(b)]	**217**	217
Others	**401**	352
	2,492	2,443

Notes:

(a) On 6 December 2021, the Group and Far East Consortium Limited entered into a sale and purchase agreement ("SPA") to purchase a target company which owns a land situated in Kai Tak, Hong Kong, for a development divided into a hotel portion and a non-industrial portion (including an office portion) ("the Office Portion"). At completion, the target company will hold only the Office Portion which will become CLP's new Head Office. A coordination agreement was signed on the same date to facilitate the construction and development of the Office Portion directed by CLP. The consideration under the SPA amounted to HK$3.38 billion subject to post completion adjustments including additional costs in respect of any add-on designs required by the Group.

At 31 December 2023, the remaining amount is included in capital commitments under Note 31(A). The transaction is expected to be completed by 2024.

(b) The most recent actuarial valuation of the defined benefit plans for the Group's Australian subsidiaries, at 31 December 2023, was prepared by Mr Mark Samuels of Mercer Consulting (Australia) Pty Ltd, a fellow of the Institute of Actuaries of Australia. In respect of the plans for the Group's Australian subsidiaries: (i) the principal actuarial assumptions used include discount rate of 4.9% (2022: 5.2%), long-term salary increase rate of 4.0% (2022: 2.5% to 3.3%) and pension increase rate of 2.5% to 3.5% (2022: 2.5% to 3.5%); (ii) the level of funding is 155% (2022: 160%).

The costs for these defined benefit plans represent an immaterial portion to the Group's total retirement benefit costs. For the year ended 31 December 2023, the associated costs represented 0.0% (2022: 1.0%) of the Group's total retirement benefit costs.

18. Properties for Sale

Accounting Policy

Properties for sale comprise leasehold land and building and are carried at the lower of cost and net realisable value. Properties for sale are included in current assets when it is expected to be realised or is intended for sales in the normal operating cycle.

On 18 December 2017, the Group and Sino Land Company Limited (Sino Land) agreed to collaborate on redeveloping the Group's former headquarters at Argyle Street for residential purposes and to preserve the Clock Tower building for community use. Under the development arrangement, Sino Land is fully responsible for all development costs such as land premium, construction costs, professional fees etc. and paid a non-refundable upfront payment of HK$3 billion to the Group. The residential property development was completed in November 2022 and the sale of residential units is undergoing.

The arrangement entered into by the Group and Sino Land does not involve an establishment of a separate legal entity and is considered as a joint operation under HKFRS 11 Joint Arrangements. The non-refundable upfront payment forms part of the proceeds from the property development and is recorded as deferred revenue (Note 22(e)). When legal titles of the units in the developed property are passed to the purchasers, deferred revenue and the percentage share of the sale proceeds to which the Group is entitled will be credited to the profit or loss as revenue, while cost of properties will be charged to the profit or loss as cost of sales.

In 2023, cost of properties of HK$510 million (2022: HK$325 million) and deferred revenue of HK$507 million (2022: HK$320 million) were recognised to profit or loss.

19. Trade and Other Receivables

Accounting Policy

Trade and other receivables are recognised initially at transaction price and are subsequently stated at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

If there is no significant increase in credit risk since initial recognition, impairment on other receivables is measured at 12-month expected credit losses. If a significant increase in credit risk has occurred, then impairment is measured as lifetime expected credit losses.

19. Trade and Other Receivables (continued)

Critical Accounting Estimates and Judgements: Recoverability of Trade Receivables

Provision for expected credit losses is made when the Group does not expect to collect all amounts due. The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime expected credit losses i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to profit or loss.

	2023 HK$M	2022 HK$M
Trade receivables [(a)]	**11,852**	10,504
Deposits, prepayments and other receivables [(b)]	**1,700**	6,499
Loans to a joint venture (Note 14(b))	**60**	–
Dividend receivables from		
Joint ventures	**31**	76
An associate	**–**	228
Current accounts with [(c)]		
Joint ventures	**6**	6
An associate	**1**	1
	13,650	17,314

Notes:

(a) Trade receivables

The ageing analysis of the trade receivables at 31 December based on invoice date is as follows:

	2023 HK$M	2022 HK$M
30 days or below *	**10,159**	9,257
31 – 90 days	**735**	585
Over 90 days	**958**	662
	11,852	10,504

* Including unbilled revenue

Movements in provision for impairment

	2023 HK$M	2022 HK$M
Balance at 1 January	**852**	1,456
Provision for impairment	**249**	260
Receivables written off during the year as uncollectible	**(266)**	(331)
Amounts reversed	**(3)**	(5)
Sale of subsidiaries	**–**	(419)
Exchange differences	**4**	(109)
Balance at 31 December	**836**	852

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Credit risk management

The Group has no significant concentrations of credit risk with respect to the trade receivables in Hong Kong and Australia as their customer bases are widely dispersed in different sectors and industries. The Group has established credit policies for customers in each of its retail businesses.

In Hong Kong, electricity bills are due within two weeks after issuance. To limit the credit risk exposure, the Group has a policy to require cash deposits or bank guarantees from customers for an amount determined from time to time by reference to the usage of the customers, and in the normal course of events will not exceed the highest expected charge for 60 days. For all the deposits held, customers are paid at a floating market interest rate equivalent to the HSBC bank saving rate. At 31 December 2023, such cash deposits amounted to HK$6,880 million (2022: HK$6,551 million) and the bank guarantees stood at HK$919 million (2022: HK$867 million). The customers' deposits are treated on the statement of financial position as current liabilities on the basis that they are repayable on demand.

In Australia, customers are allowed to settle their electricity bills in no more than 45 days after issuance, while certain large commercial & industrial customers can range up to 60 days. EnergyAustralia has policies in place to ensure that sales of products and services are made to retail customers (including residential and commercial & industrial customers) of an appropriate credit quality. For residential customers however, where EnergyAustralia is the designated Financially Responsible Market Participant for electricity customers or Financially Responsible Organisation for gas customers, it is obliged to accept the customer, irrespective of their credit worthiness. In these instances, information obtained in relation to the customer's credit worthiness is utilised for the purposes of risk segmentation and prioritisation of collection strategies to mitigate risk. Collectability is reviewed on an ongoing basis.

Trade receivables arising from sales of electricity to the offtakers in Mainland China, which are mainly state-owned enterprises, are due for settlement within 30 to 90 days after bills issuance. Management has closely monitored the credit qualities and the collectability of these trade receivables.

Expected credit losses

For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. CLP Power and EnergyAustralia determine the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions and forward looking assumptions.

CLP Power

CLP Power classifies its trade receivables by nature of customer accounts. These include active accounts and terminated accounts.

	Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK$M	Lifetime Expected Credit Loss HK$M	Net Carrying Amount HK$M
At 31 December 2023				
Active accounts				
Provision on individual basis	**100%**	**4**	**(3)**	**1**
Provision on collective basis	**0% ***	**2,716**	**(17)**	**2,699**
Terminated accounts				
Provision on individual basis	**100%**	**9**	**(9)**	**–**
Provision on collective basis	**27%**	**7**	**(2)**	**5**
		2,736	**(31)**	**2,705**
At 31 December 2022				
Active accounts				
Provision on individual basis	100%	8	(6)	2
Provision on collective basis	0% *	2,662	(12)	2,650
Terminated accounts				
Provision on individual basis	100%	5	(5)	–
Provision on collective basis	24%	4	(1)	3
		2,679	(24)	2,655

* Expected credit loss is close to zero as these trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default.

19. Trade and Other Receivables (continued)

Notes (continued):

(a) Trade receivables (continued)

Expected credit losses (continued)

EnergyAustralia

EnergyAustralia categorises its trade receivables based on their ageing. EnergyAustralia recognises lifetime expected credit losses for receivables by assessing future cash flows for each group of trade receivables including a probability-weighted amount determined by evaluating a range of possible outcomes based on twelve month rolling historical credit loss experience by customer segment, geographical region, tenure and type of customer and applying that weighting to the receivables held at year end. The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.

	Weighted Average Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK$M	Lifetime Expected Credit Loss HK$M	Net Carrying Amount HK$M
At 31 December 2023				
Current	**0%**	**4,214**	**(15)**	**4,199**
1 – 30 days	**3%**	**727**	**(23)**	**704**
31 – 60 days	**9%**	**334**	**(29)**	**305**
61 – 90 days	**21%**	**157**	**(33)**	**124**
Over 90 days	**48%**	**1,400**	**(670)**	**730**
		6,832	**(770)**	**6,062**
At 31 December 2022				
Current	0%	3,998	(15)	3,983
1 – 30 days	6%	432	(26)	406
31 – 60 days	13%	228	(30)	198
61 – 90 days	18%	168	(30)	138
Over 90 days	57%	1,210	(691)	519
		6,036	(792)	5,244

Mainland China

At 31 December 2023, the Group had total receivables of HK$2,426 million (2022: HK$2,111 million) relating to unpaid Renewable National Subsidies. The application, approval and settlement of the Renewable National Subsidy are governed by the relevant policies issued by the Central People's Government. All of the relevant wind and solar projects are qualified for renewable energy subsidy in accordance with the prevailing government policies. Under normal operating cycle, it takes a relatively long time for settlement as the collection is subject to the allocation of funds by relevant government authorities to local grid companies and there is no due date for the settlement of Renewable National Subsidies. The expected credit loss is close to zero as continuous settlements have been noted with no history of default and the subsidy is funded by the Renewable Energy Development Fund set up and administered by the Ministry of Finance.

(b) At 31 December 2023, other receivables mainly represented EnergyAustralia's futures margin account of HK$0.2 billion (2022: EnergyAustralia's futures margin account of HK$3.4 billion and consideration receivable from the sale of Fangchenggang of HK$1.7 billion).

(c) The current accounts with joint ventures and an associate are unsecured, interest free and have no fixed repayment terms.

20. Bank Balances, Cash and Other Liquid Funds

	2023 HK$M	2022 HK$M
Cash and cash equivalents		
Deposits with banks with maturities of less than three months	**2,123**	1,289
Cash at banks and on hand	**3,059**	2,962
	5,182	4,251
Short-term deposits and restricted cash		
Bank deposits with maturities of more than three months	**6**	2
Restricted cash *	**16**	33
	22	35
Bank balances, cash and other liquid funds	**5,204**	4,286

* Represents restricted bank balances held by the stakeholders of the properties held for sale (Note 18) which can be released to stakeholders after relevant conditions are met

The bank balances, cash and other liquid funds are denominated in the following currencies:

	2023 HK$M	2022 HK$M
Hong Kong dollar	**2,554**	1,045
Renminbi	**1,604**	1,664
Australian dollar	**943**	858
US dollar	**95**	697
Others	**8**	22
	5,204	4,286

The balances denominated in the currencies other than the functional currencies of the corresponding Group entities amounted to HK$313 million (2022: HK$404 million) which were mostly denominated in Renminbi (2022: Renminbi).

21. Fuel Clause Account

The cost of fuel consumed by CLP Power is passed on to the customers. Any variations between the actual cost of fuel and the fuel cost billed to customers are captured in the fuel clause account. The balance on the account (inclusive of interest) represents amounts over-recovered or under-recovered and is treated as an amount due to or from customers. CLP Power may adjust fuel related tariff from time to time, including on a monthly basis, in accordance with the SoC, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity. At 31 December 2023, the fuel clause account asset balance represented the right of CLP Power to collect the under-recovered fuel costs from the customers under the SoC.

22. Trade Payables and Other Liabilities

Accounting Policy

(A) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(B) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable; variable lease payments that depend on an index or a rate; and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted using the interest rate implicit in the lease, if this cannot be readily determined, an incremental borrowing rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, over a similar term and with a similar security. Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amounts to reflect the lease payments made. Lease liabilities are remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options under certain conditions.

	2023 HK$M	2022 HK$M
Trade payables [(a)]	**6,526**	6,511
Other payables and accruals	**10,578**	8,868
Lease liabilities [(b)]	**200**	229
Advances from non-controlling interests [(c)]	**589**	860
Current accounts with [(d)]		
Joint ventures	**3**	2
An associate	**120**	359
Deferred revenue [(e)]	**2,290**	2,798
	20,306	19,627

Notes:

(a) The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2023 HK$M	2022 HK$M
30 days or below	**6,308**	6,345
31 – 90 days	**191**	144
Over 90 days	**27**	22
	6,526	6,511

At 31 December 2023, trade payables denominated in currencies other than the functional currencies of the corresponding Group entities amounted to HK$1,311 million (2022: HK$1,280 million), of which HK$1,146 million (2022: HK$1,130 million) were denominated in US dollar (2022: US dollar).

22. Trade Payables and Other Liabilities (continued)

Notes (continued):

(b) Maturity profile of the lease liabilities at 31 December is as follows:

	2023 HK$M	2022 HK$M
Within one year	**200**	229
Between one and two years	**135**	167
Between two and five years	**360**	283
Over five years	**527**	276
	1,222	955
Less: amount due after one year included under other non-current liabilities	**(1,022)**	(726)
	200	229

(c) The advances from non-controlling interests represented the advances from China Southern Power Grid International (HK) Co., Limited (CSGHK) to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power and CSGHK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and repayable on demand. The advances are denominated in Hong Kong dollar.

(d) The amounts payable to joint ventures and an associate are unsecured, interest free and have no fixed repayment terms.

(e) Deferred revenue included the non-refundable upfront payment for the property development at Argyle Street of HK$2.2 billion (2022: HK$2.7 billion) (Note 18) and payments received in advance for other services. Non-current deferred revenue of HK$1,457 million (2022: HK$1,474 million) was included under other non-current liabilities.

23. Bank Loans and Other Borrowings

Accounting Policy

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Borrowings are subsequently stated at amortised cost and, if included as a hedged item in a fair value hedge relationship, are revalued to reflect the fair value movements on the associated hedged risk. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss or capitalised as cost of the qualifying assets over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Group's bank loans and other borrowings at 31 December were repayable as follows:

	Bank Loans		Other Borrowings *		Total	
	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M	2023 HK$M	2022 HK$M
Within one year	**11,741**	8,275	**831**	3,039	**12,572**	11,314
Between one and two years	**3,351**	5,728	**3,165**	880	**6,516**	6,608
Between two to five years	**6,260**	5,866	**8,987**	11,742	**15,247**	17,608
Over five years	**3,315**	3,870	**19,865**	19,817	**23,180**	23,687
	24,667	23,739	**32,848**	35,478	**57,515**	59,217

* Representing Medium Term Notes

Another presentation of the Group's liquidity risk is set out on pages 273 to 275.

23. Bank Loans and Other Borrowings (continued)

Bank loans for subsidiaries in Mainland China of HK$4,893 million (2022: HK$5,085 million) are secured by rights of receipt of tariff and by fixed assets and land use rights with carrying amounts of HK$9,145 million (2022: HK$9,574 million).

At 31 December 2023 and 2022, all of the Group's borrowings are either in the functional currencies of the corresponding Group entities or hedged into those currencies.

At 31 December 2023, the Group had undrawn bank loans and overdraft facilities of HK$30.9 billion (2022: HK$31.6 billion).

An analysis of borrowings by currencies is shown in "Financial Review" on page 36 of the Annual Report.

24. Deferred Tax

Accounting Policy

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2023 **HK$M**	2022 HK$M
Deferred tax assets	**2,041**	2,132
Deferred tax liabilities	**(16,752)**	(16,246)
	(14,711)	(14,114)

Deferred tax asset = income tax recoverable in the future
Deferred tax liability = income tax payable in the future

24. Deferred Tax (continued)

The gross movement on the deferred tax account is as follows:

	2023 HK$M	2022 HK$M
Balance at 1 January	**(14,114)**	(15,510)
Sale of subsidiaries and a joint venture	**–**	373
(Charged) / credited to profit or loss (Note 7)	**(1,264)**	1,546
Credited / (charged) to other comprehensive income	**653**	(496)
Exchange differences	**14**	(27)
Balance at 31 December	**(14,711)**	(14,114)

The movements in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year are as follows:

Deferred tax assets (prior to offset)

	Tax Losses [a]		Accruals and Provisions		Derivative Financial Instruments		Others [b]		Total	
	2023 HK$M	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M
Balance at 1 January	**902**	468	**1,408**	1,739	**1,483**	472	**402**	774	**4,195**	3,453
Sale of subsidiaries and a joint venture	**–**	(355)	**–**	(106)	**–**	(38)	**–**	(326)	**–**	(825)
Credited / (charged) to profit or loss	**849**	854	**171**	(102)	**(1,153)**	1,141	**80**	5	**(53)**	1,898
Charged to other comprehensive income	**–**	–	**–**	(4)	**–**	(28)	**–**	–	**–**	(32)
Exchange differences	**25**	(65)	**12**	(119)	**(18)**	(64)	**3**	(51)	**22**	(299)
Balance at 31 December	**1,776**	902	**1,591**	1,408	**312**	1,483	**485**	402	**4,164**	4,195

Deferred tax liabilities (prior to offset)

	Accelerated Tax Depreciation		Withholding Tax		Intangibles		Derivative Financial Instruments		Others [b]		Total	
	2023 HK$M	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M	**2023 HK$M**	2022 HK$M
Balance at 1 January	**(16,081)**	(16,560)	**(397)**	(342)	**(625)**	(677)	**(895)**	(776)	**(311)**	(608)	**(18,309)**	(18,963)
Sale of subsidiaries and a joint venture	**–**	1,134	**–**	4	**–**	–	**–**	–	**–**	60	**–**	1,198
(Charged) / credited to profit or loss	**(811)**	(817)	**(56)**	(73)	**13**	52	**(102)**	295	**(255)**	191	**(1,211)**	(352)
Credited / (charged) to other comprehensive income	**–**	–	**–**	–	**–**	–	**651**	(481)	**2**	17	**653**	(464)
Exchange differences	**(9)**	162	**2**	14	**(1)**	–	**4**	67	**(4)**	29	**(8)**	272
Balance at 31 December	**(16,901)**	(16,081)	**(451)**	(397)	**(613)**	(625)	**(342)**	(895)	**(568)**	(311)	**(18,875)**	(18,309)

Notes:

(a) The deferred tax asset arising from tax losses mainly related to the energy business in Australia. There is no expiry on tax losses recognised.

(b) Others mainly included temporary differences arising from right-of-use assets and corresponding lease liabilities.

25. SoC Reserve Accounts

Critical Accounting Estimates and Judgements: Classification of SoC-related Accounts

As stipulated in the SoC, the balances in the Tariff Stabilisation Fund and the Rate Reduction Reserve shall represent liabilities in the financial statements of CLP Power and shall not accrue to the benefit of its shareholders save as provided for by the SoC. The Group considers that CLP Power is required under the SoC to discharge its obligations arising from the SoC upon the expiry of the SoC Agreement such that these account balances meet the definition of a liability.

Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Refunds of the Group's major subsidiary, CLP Power, are collectively referred to as SoC reserve accounts. The respective balances at the end of the year are:

	2023 HK$M	2022 HK$M
Tariff Stabilisation Fund (A)	**2,529**	2,928
Rate Reduction Reserve (B)	**114**	40
Rent and Rates Refunds (C)	**–**	126
	2,643	3,094

The movements in SoC reserve accounts during the year are shown as follows:

(A) Tariff Stabilisation Fund

	2023 HK$M	2022 HK$M
At 1 January	**2,928**	3,109
Transfer from Rate Reduction Reserve	**40**	3
Transfer under the SoC [(a)]		
– transfer for SoC (to)/from revenue (Note 3)	**(48)**	604
– charge for asset decommissioning [(b)]	**(120)**	(73)
Special rebate to customers [(c)]	**(271)**	(715)
At 31 December	**2,529**	2,928

Notes:

(a) Under the SoC Agreement, if the gross tariff revenue in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in the profit or loss.

(b) Under the SoC, a periodic charge to accrue for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies. The balance of the asset decommissioning liabilities account of HK$1,575 million (2022: HK$1,463 million) (Note 26) recognised under the SoC represents a liability of the Group.

(c) During the year, a special energy saving rebate of HK¢9.3 per unit was provided to customers with consumption units in their tariff bills not exceeding certain specified levels. In 2022, a special rebate of HK¢2.1 per unit was made to all customers of CLP Power.

25. SoC Reserve Accounts (continued)

(B) Rate Reduction Reserve

	2023 HK$M	2022 HK$M
At 1 January	**40**	3
Transfer to Tariff Stabilisation Fund	**(40)**	(3)
Interest expense charged to profit or loss (Note 6)	**114**	40
At 31 December	**114**	40

(C) Rent and Rates Refunds

In settlement of the appeals against the amounts of Government rent and rates levied for the assessment years from 2001/02 to 2021/22, CLP Power had received refunds totalling HK$3,031 million from the Hong Kong Government. Using the total amount of refunds received, CLP Power provided customers with the Rent and Rates Special Rebate. At 31 December 2023, all the rent and rates refunds received have been provided to customers through the Rent and Rates Special Rebate.

The refunds are classified within the SoC reserve accounts. The Rent and Rates Special Rebate paid to customers was offset against the refunds received.

26. Asset Decommissioning Liabilities and Retirement Obligations

Accounting Policy

When the Group has a legal and/or constructive obligation for remediation and the likelihood of economic outflow is probable, provisions for asset retirement obligations are recorded for estimated remediation costs of reclamation, plant closure, dismantling and waste disposal. A provision for asset retirement costs is determined by estimating the expected costs associated to remediate the site based on the current legal requirements and technologies and is discounted to its present value with an unwind adjustment recognised in finance costs. An asset is recognised on initial recognition of the provision and is depreciated over the useful life of the facility. The asset retirement costs are reviewed annually and adjustments are made to the carrying amount of the assets to reflect changes made to these estimated discount rates or future costs.

Critical Accounting Estimates and Judgements

Estimating the amount and timing of the obligation to be recorded requires significant judgement. Management has assessed the Group's obligations for each asset based on the local regulatory environment and expected closure dates.

CLP Power has been investing in the transmission and distribution network to supply electricity to the customers in its supply area in Hong Kong. As CLP Power expects that the land sites being used for the transmission and distribution network will continue to be used for the distribution of electricity supply to its customers, it is currently considered remote that the network would be removed from the existing land sites. Therefore in accordance with applicable accounting standards, asset retirement obligations for these assets have not been recognised by CLP Power.

26. Asset Decommissioning Liabilities and Retirement Obligations (continued)

Critical Accounting Estimates and Judgements (continued)

As agreed with the Hong Kong Government, CAPCO is retiring the coal-fired generation units at Castle Peak "A" Station (CPA) when they reach the end of their useful lives between 2022 to 2025. Following this retirement, the removal of CPA's coal-fired generation units has become probable. In support of the Government's net-zero carbon emissions targets in the "Hong Kong's Climate Action Plan 2050", CAPCO is working on the phasing-out of the use of coal for daily electricity generation in Castle Peak "B" Station and exploring the ways to convert its gas-fired generation facilities to operate on green fuels. While it is envisaged that these remaining generation units will have their roles in supporting the Government's Climate Action Plan 2050, with the continuous development in decarbonisation technologies, the removal of these units and replacement by alternative facilities is possible. Under the SoC, CAPCO makes a periodic charge to accrue in the statement of financial position a liability balance to be utilised in discharging asset decommissioning costs if and when incurred. CAPCO considers that the dismantling obligation for the CPA units is covered under the asset decommissioning liability accrued under the SoC at 31 December 2023. While no provision for asset retirement obligations for the other generation units of CAPCO has been recognised, it is expected that if such an obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC.

Asset retirement obligations of EnergyAustralia at 31 December 2023 amounted to HK$3,544 million (2022: HK$2,982 million) which mainly related to the provision for land remediation and decommissioning of generation assets. The provisions are largely based on estimates by external and internal experts that are discounted using internally determined end of plant lives. The calculation of the provision requires management judgement with respect to estimating the timing of asset removal, costs to remove infrastructure, remediate soil and groundwater, water usage and technological developments. The terms associated with the decommissioning of certain assets including site restoration plans are expected to evolve as plans are refined and agreed with the relevant bodies when approaching plant closure dates. Any future agreements with regulators or changes to regulatory requirements could impact the cost estimates used in the decommissioning provision. On an ongoing basis, we continually review and update underlying assumptions relating to future rehabilitation estimates and timelines.

	2023 HK$M	2022 HK$M
Asset decommissioning liabilities (Note 25(A)(b))	**1,575**	1,463
Provisions for land remediation and restoration costs (note)	**3,472**	2,912
	5,047	4,375

Note: The movements of the balances, including the current portion of HK$72 million (2022: HK$70 million) under the Group's trade payables and other liabilities, are as follows:

	2023 HK$M	2022 HK$M
Balance at 1 January	**2,982**	2,950
Effect of changes in discount rate	**(163)**	207
Additional provisions	**689**	–
Amounts used	**(54)**	(21)
Unused amounts reversed	**(5)**	–
Unwinding of discount	**64**	46
Exchange differences	**31**	(200)
Balance at 31 December	**3,544**	2,982

27. Share Capital

	2023 Number of Ordinary Shares	2023 Amount HK$M	2022 Number of Ordinary Shares	2022 Amount HK$M
Issued and fully paid, at 31 December	**2,526,450,570**	**23,243**	2,526,450,570	23,243

28. Reserves

The movements in reserves attributable to shareholders during the year are shown as follows:

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2022	(5,372)	1,011	(3)	1,642	92,513	89,791
Earnings attributable to shareholders	–	–	–	–	924	924
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(2,779)	(109)	–	–	109	(2,779)
Joint ventures	(857)	–	–	–	–	(857)
Associates	(644)	–	–	–	–	(644)
Cash flow hedges						
Net fair value gains	–	4,766	–	–	–	4,766
Reclassification to profit or loss	–	(2,962)	–	–	–	(2,962)
Tax on the above items	–	(508)	–	–	–	(508)
Costs of hedging						
Net fair value losses	–	–	(238)	–	–	(238)
Reclassification to profit or loss	–	–	59	–	–	59
Tax on the above items	–	–	30	–	–	30
Fair value losses on investments	–	–	–	(73)	–	(73)
Remeasurement gains on defined benefit plans	–	–	–	–	10	10
Share of other comprehensive income of joint ventures	–	(1)	–	–	–	(1)
Sale of subsidiaries	2,515	(10)	–	789	(789)	2,505
Sale of a joint venture	18	–	–	–	–	18
Release of revaluation gains upon sale of properties	–	–	–	(219)	219	–
Total comprehensive income attributable to shareholders	(1,747)	1,176	(149)	497	473	250
Transfer to fixed assets	–	46	–	–	–	46
Appropriation of reserves	–	–	–	55	(55)	–
Dividends paid						
2021 fourth interim	–	–	–	–	(3,057)	(3,057)
2022 first to third interim	–	–	–	–	(4,775)	(4,775)
Balance at 31 December 2022	(7,119)	2,233	(152)	2,194	85,099 (note)	82,255

Translation reserve – exchange rates movements arising from the consolidation of Group entities with different reporting currencies

Cash flow hedge / Cost of hedging reserve – deferred fair value gains / losses on derivative financial instruments which are qualified for hedge accounting; reclassify to profit or loss upon settlement of derivatives or amortisation of costs of hedging

Other reserves – mainly comprise revaluation reserve and other legal reserves allocated from retained profits to meet local statutory and regulatory requirements of Group entities

28. Reserves (continued)

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2023	(7,119)	2,233	(152)	2,194	85,099	82,255
Earnings attributable to shareholders	–	–	–	–	6,655	6,655
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	2	(16)	–	–	16	2
Joint ventures	(105)	–	–	–	–	(105)
Associates	(119)	–	–	–	–	(119)
Cash flow hedges						
Net fair value losses	–	(1,128)	–	–	–	(1,128)
Reclassification to profit or loss	–	(1,568)	–	–	–	(1,568)
Tax on the above items	–	685	–	–	–	685
Costs of hedging						
Net fair value gains	–	–	214	–	–	214
Reclassification to profit or loss	–	–	14	–	–	14
Tax on the above items	–	–	(38)	–	–	(38)
Fair value gains on investments	–	–	–	26	–	26
Remeasurement losses on defined benefit plans	–	–	–	–	(3)	(3)
Release of revaluation gains upon sale of properties	–	–	–	(347)	347	–
Total comprehensive income attributable to shareholders	(222)	(2,027)	190	(321)	7,015	4,635
Transfer to fixed assets	–	30	–	–	–	30
Appropriation of reserves	–	–	–	66	(66)	–
Dividends paid						
2022 fourth interim	–	–	–	–	(3,057)	(3,057)
2023 first to third interim	–	–	–	–	(4,775)	(4,775)
Balance at 31 December 2023	**(7,341)**	**236**	**38**	**1,939**	**84,216** (note)	**79,088**

Note: The fourth interim dividend declared for the year ended 31 December 2023 was HK$3,057 million (2022: HK$3,057 million). The balance of retained profits after the fourth interim dividend of the Group was HK$81,159 million (2022: HK$82,042 million).

29. Perpetual Capital Securities and Other Non-controlling Interests

(A) Perpetual Capital Securities

A total of US$500 million perpetual capital securities was issued by the wholly-owned subsidiary, CLP Power HK Finance Ltd. in 2019. The securities are perpetual, non-callable in the first 5.25 years (with issuer call option at par at any time in the 3 months before 5 February 2025) and entitle the holders to receive distributions at a distribution rate of 3.55% per annum in the first 5.25 years, floating thereafter and with fixed step up margins at year 10.25 and at year 25.25, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group's discretion, as long as the issuer and CLP Power, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capitals within each distribution payment period.

29. Perpetual Capital Securities and Other Non-controlling Interests (continued)

(B) Other Non-controlling Interests

Other non-controlling interests included CSGHK's pro-rata share of HK$5,115 million (2022: HK$5,115 million) of redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032.

As both the perpetual capital securities and redeemable shareholder capital do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and regarded as part of non-controlling interests for accounting purpose.

30. Notes to the Consolidated Statement of Cash Flows

(A) Reconciliation of profit before income tax to net cash inflow from operations

	2023 HK$M	2022 HK$M
Profit before income tax	**10,643**	1,590
Adjustments for:		
Finance costs	**2,139**	2,085
Finance income	**(270)**	(243)
Dividends from equity investments	**(15)**	(14)
Share of results of joint ventures and associates, net of income tax	**(3,196)**	(2,460)
Depreciation and amortisation	**8,594**	8,904
Impairment charge	**6,220**	265
Net losses on disposal of fixed assets	**393**	241
Revaluation loss on investment property	**25**	57
Loss on write-off of other intangible assets	**–**	185
Fair value losses on investments at fair value through profit or loss	**164**	13
Loss on sale of subsidiaries	**–**	4,312
Loss on sale of a joint venture	**–**	185
Fair value changes of non-debt related derivative financial instruments and net exchange difference	**(2,911)**	1,922
SoC items		
Increase in customers' deposits	**329**	300
Decrease/(increase) in fuel clause account	**3,284**	(2,357)
Decrease in rent and rates refunds	**(126)**	(242)
Special rebates to customers (Note 25(A)(c))	**(271)**	(715)
Transfer for SoC	**(48)**	604
	3,168	(2,410)
Decrease/(increase) in inventories	**375**	(1,252)
Decrease/(increase) in trade receivables and other current assets	**1,839**	(3,498)
Decrease/(increase) in restricted cash	**17**	(33)
Changes in non-debt related derivative financial instruments	**(953)**	2,512
(Decrease)/increase in trade and other payables	**(397)**	1,398
Decrease in current accounts due to joint ventures and associates	**(238)**	(204)
Net cash inflow from operations	**25,597**	13,555

30. Notes to the Consolidated Statement of Cash Flows (continued)

(B) Reconciliation of liabilities arising from financing activities

	Bank Loans and Other Borrowings HK$M	Interest and Other Finance Costs Payables HK$M	Lease Liabilities HK$M	Debt-related Derivative Financial Instruments HK$M	Advances from Non-controlling Interests HK$M	Total HK$M
Balance at 1 January 2022	58,215	114	1,169	938	832	61,268
Cash flows changes						
Proceeds from long-term borrowings	20,121	–	–	–	–	20,121
Repayment of long-term borrowings	(12,782)	–	–	–	–	(12,782)
Increase in short-term borrowings	2,957	–	–	–	–	2,957
Payment of principal portion of lease liabilities	–	–	(261)	–	–	(261)
Interest and other finance costs paid	–	(1,854)	–	–	–	(1,854)
Settlement of derivative financial instruments	–	–	–	(267)	–	(267)
Increase in advances from other non-controlling interests	–	–	–	–	28	28
Non-cash changes						
Sale of subsidiaries	(7,066)	(11)	(4)	121	–	(6,960)
Fair value losses of derivative financial instruments charged to equity	–	–	–	158	–	158
Additions of leases	–	–	87	–	–	87
Net exchange and translation differences	(2,228)	(2)	(70)	7	–	(2,293)
Interest and other finance costs charged to profit or loss	–	1,833	47	457	–	2,337
Other non-cash movements	–	82	(13)	–	–	69
Balance at 31 December 2022	59,217	162	955	1,414	860	62,608
Balance at 1 January 2023	59,217	162	955	1,414	860	62,608
Cash flows changes						
Proceeds from long-term borrowings	5,744	–	–	–	–	5,744
Repayment of long-term borrowings	(5,843)	–	–	–	–	(5,843)
Decrease in short-term borrowings	(1,573)	–	–	–	–	(1,573)
Payment of principal portion of lease liabilities	–	–	(321)	–	–	(321)
Interest and other finance costs paid	–	(1,597)	–	–	–	(1,597)
Settlement of derivative financial instruments	–	–	–	(337)	–	(337)
Decrease in advances from other non-controlling interests	–	–	–	–	(271)	(271)
Non-cash changes						
Fair value losses of derivative financial instruments charged to equity	–	–	–	958	–	958
Additions of leases	–	–	528	–	–	528
Net exchange and translation differences	(94)	1	10	–	–	(83)
Interest and other finance costs charged to profit or loss	–	1,672	47	87	–	1,806
Other non-cash movements	64	–	3	–	–	67
Balance at 31 December 2023	**57,515**	**238**	**1,222**	**2,122**	**589**	**61,686**

31. Commitments

(A) Capital expenditure contracted for but not yet incurred at the end of the year is as follows:

	2023 HK$M	2022 HK$M
Fixed assets and leasehold land	**10,158**	9,683
Intangible assets	**–**	3
	10,158	9,686

(B) The Group has entered into a long-term Energy Storage Services Agreement (ESSA) to be the market operator of the 250MW Kidston pumped hydro energy storage facility in Queensland. This facility is currently under construction and the ESSA is subject to a number of conditions precedent which must be satisfied before the lease commencement date, which is expected to occur before 31 December 2025. At 31 December 2023, the expected undiscounted contractual lease payments under this agreement were approximately HK$2.0 billion (2022: HK$1.9 billion).

(C) Equity contributions to be made for joint ventures and private equity partnerships at 31 December 2023 were HK$187 million (2022: HK$199 million) and HK$77 million (2022: HK$163 million) respectively.

32. Related Party Transactions

Accounting Policy

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures, associates and key management personnel, where the individual or company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

Related Parties ≠ Connected Parties

They sometimes overlap but should not be confused. Accounting standards define related parties, while the Listing Rules of the Hong Kong Stock Exchange define connected parties.

Below are the more significant transactions with related parties for the year:

(A) CLP Power has arrangements with GNPJVC and its shareholder, Guangdong Nuclear Investment Company Limited, to purchase nuclear electricity from Guangdong Daya Bay Nuclear Power Station (GNPS). The base price paid by CLP Power for electricity generated by GNPS is determined by a formula based on GNPS's operating costs and a calculation of profits with reference to the capacity factors. The purchase of nuclear electricity under the arrangements was HK$6,632 million (2022: HK$6,660 million).

(B) The loans to joint ventures and related interest income are disclosed under Notes 14 and 6. Other amounts due from and to the related parties at 31 December 2023 are disclosed in Notes 19 and 22 respectively. At 31 December 2023, the Group did not have any guarantees which were of a significant amount given to or received from these entities (2022: nil).

32. Related Party Transactions (continued)

(C) Remuneration of key management personnel

Under HKAS 24 Related Party Disclosures, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. The total remuneration of the key management personnel shown below comprises the Non-executive Directors and the Senior Management Group. During the year, members of the Senior Management Group include two (2022: one) Executive Directors and seven (2022: six) senior management personnel.

	2023 **HK$M**	2022 [a] HK$M
Fees	**14**	14
Recurring remuneration items [b]		
Base compensation, allowances & benefits	**52**	42
Performance bonus		
Annual incentive	**39**	29
Long-term incentive	**13**	16
Provident fund contribution	**11**	8
Non-recurring remuneration items		
Other payments	**–**	9
	129	118

Notes:

(a) 2022 figures have been revised to align with current year Senior Management disclosure, please refer to page 172 for details.

(b) Refer to remuneration items on page 163 of Human Resources & Remuneration Committee Report.

At 31 December 2023, the CLP Holdings' Board was composed of thirteen Non-executive Directors and two Executive Directors. Remuneration of all Directors for the year totalled HK$45 million (2022: HK$42 million). The five highest paid individuals in the Group during the year included two Directors (2022: one Director), two members of Senior Management and one former senior executive of the Group who retired in 2023 (2022: two members of Senior Management and two other senior executives). The total remuneration of these five highest paid individuals amounted to HK$85 million (2022: HK$93 million). Further details of the remuneration of the Director and Senior Management, on a named basis, and remuneration paid to the five highest paid individuals by bands are disclosed in highlighted sections of the Human Resources & Remuneration Committee Report with a heading of "Audited" on pages 162 to 165 and 171 to 173. These sections are part of the financial statements.

(D) Interest of Directors

There are no loans, quasi-loans or other dealings in favour of directors, their controlled body corporates and connected entities (2022: nil).

During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Group was or is a party (2022: nil).

33. Statement of Financial Position of the Company

	2023 HK$M	2022 HK$M
Non-current assets		
Fixed assets and intangible assets	**186**	151
Right-of-use assets	**57**	93
Investments in subsidiaries	**42,012**	43,047
Other non-current assets	**17**	17
	42,272	43,308
Current assets		
Trade and other receivables	**53**	58
Dividend receivable	**2,500**	2,500
Cash and cash equivalents	**74**	24
	2,627	2,582
Current liabilities		
Trade payables and other liabilities	**(623)**	(539)
Net current assets	**2,004**	2,043
Total assets less current liabilities	**44,276**	45,351
Financed by:		
Equity		
Share capital	**23,243**	23,243
Retained profits	**21,013**	22,052
Shareholders' funds	**44,256**	45,295
Non-current liabilities		
Lease and other liabilities	**20**	56
Equity and non-current liabilities	**44,276**	45,351

The movement of retained profits is as follows:

	2023 HK$M	2022 HK$M
Balance at 1 January	**22,052**	23,671
Profit and total comprehensive income for the year	**6,793**	6,213
Dividends paid		
2022/2021 fourth interim	**(3,057)**	(3,057)
2023/2022 first to third interim	**(4,775)**	(4,775)
Balance at 31 December	**21,013**	22,052

The fourth interim dividend declared for the year ended 31 December 2023 was HK$3,057 million (2022: HK$3,057 million). The balance of retained profits after the fourth interim dividend of the Company was HK$17,956 million (2022: HK$18,995 million).

Andrew Brandler
Vice Chairman

Chiang Tung Keung
Chief Executive Officer

Nicolas Tissot
Chief Financial Officer

Hong Kong, 26 February 2024

34. Subsidiaries

The table below lists the principal subsidiaries of the Group at 31 December 2023:

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2022 and 2023	Place of Incorporation / Business	Principal Activity
CLP Power Hong Kong Limited	HK$20,400,007,269.65 divided into 2,488,320,000 ordinary shares	100	Hong Kong	Generation and supply of electricity
Castle Peak Power Company Limited	HK$50,000,000 divided into 500,000 ordinary shares	70 [(a)]	Hong Kong	Generation and sale of electricity
Hong Kong Pumped Storage Development Company, Limited	HK$10,000,000 divided into 100,000 ordinary shares	100 [(a)]	Hong Kong	Provision of pumped storage services
Hong Kong Nuclear Investment Company Limited	HK$300,000,000 divided into 300,000 ordinary shares	100	Hong Kong / Mainland China	Power projects investment holding
CLP Nuclear Investment Company Limited	1 ordinary share of US$1 each	100	Hong Kong / British Virgin Islands	Power projects investment holding
CLP*e* Holdings Limited	HK$49,950,002 divided into 49,950,002 ordinary shares	100	Hong Kong	Investment holding of energy & infrastructure solutions and e-commerce business
CLP Power Asia Limited	1,000 ordinary shares of US$1 each	100	British Virgin Islands / International and Mainland China	Power projects investment holding
CLP Power International Limited	692,000 ordinary shares of US$1,000 each	100 [(a)]	British Virgin Islands / International	Power projects investment holding
CLP Power China Limited	192,000,000 ordinary shares of US$1 each	100 [(a)]	British Virgin Islands / Mainland China and Hong Kong	Power projects investment holding
CLP Properties Limited	HK$150,000,000 divided into 15,000,000 ordinary shares	100	Hong Kong	Property investment holding
CLP Innovation Enterprises Limited	1 ordinary share of HK$1 each	100	Hong Kong	Innovation projects investment holding
EnergyAustralia Holdings Limited	A$1,585,491,005 for 1,585,491,005 ordinary shares	100 [(a)]	Australia	Energy business investment holding
EnergyAustralia Yallourn Pty Ltd	A$15 for 15 ordinary shares	100 [(a)]	Australia	Generation and supply of electricity
EnergyAustralia Pty Ltd	A$3,368,686,988 for 3,368,686,988 ordinary shares	100 [(a)]	Australia	Retailing of electricity and gas
EnergyAustralia NSW Pty Ltd	A$2 for 2 ordinary shares	100 [(a)]	Australia	Generation of electricity

34. Subsidiaries (continued)

Name	Issued Share Capital / Registered Capital	% of Ownership Interest at 31 December 2022 and 2023	Place of Incorporation / Business	Principal Activity
CLP Sichuan (Jiangbian) Power Company Limited [b]	RMB496,380,000	100 [a]	Mainland China	Generation of electricity
Guangdong Huaiji Changxin Hydro-electric Power Company Limited [c]	RMB69,098,976	84.9 [a]	Mainland China	Generation of electricity
Guangdong Huaiji Gaotang Hydro-electric Power Company Limited [c]	RMB249,430,049	84.9 [a]	Mainland China	Generation of electricity
Guangdong Huaiji Weifa Hydro-electric Power Company Limited [c]	US$13,266,667	84.9 [a]	Mainland China	Generation of electricity
Guangdong Huaiji Xinlian Hydro-electric Power Company Limited [c]	RMB141,475,383	84.9 [a]	Mainland China	Generation of electricity

Notes:

(a) Indirectly held through subsidiaries of the Company

(b) Registered as a Wholly Foreign Owned Enterprise under PRC law

(c) Registered as Sino-Foreign Cooperative Joint Ventures under PRC law

Summarised financial information of CAPCO which has material non-controlling interest at 31 December 2023, is set out below:

	2023 HK$M	2022 HK$M
Results for the year		
Revenue	**24,678**	25,471
Profit for the year	**3,271**	3,205
Other comprehensive income for the year	**(201)**	(64)
Total comprehensive income for the year	**3,070**	3,141
Dividends paid to non-controlling interests	**964**	947
Net assets		
Non-current assets	**44,939**	42,809
Current assets	**7,102**	7,379
Current liabilities	**(15,875)**	(10,868)
Non-current liabilities	**(18,319)**	(21,372)
	17,847	17,948
Cash flows		
Net cash inflow from operating activities	**3,725**	3,561
Net cash outflow from investing activities	**(778)**	(2,741)
Net cash outflow from financing activities	**(2,947)**	(1,386)
Net decrease in cash and cash equivalents	**–**	(566)

1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value and cash flow interest rate risks, and energy portfolio risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate, interest rate and energy price fluctuations on the Group's financial performance. The Group uses different derivative financial instruments to manage its exposure in these areas. All derivative financial instruments are employed solely for hedging purposes.

Risk management for Hong Kong operations is carried out by the Group's central treasury department (Group Treasury) under policies approved by the Board of Directors or the Finance & General Committee of relevant Group entities. Overseas subsidiaries conduct their risk management activities in accordance with policies approved by their respective Boards. Group Treasury identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

Foreign exchange risk

The Group operates in the Asia-Pacific region and is exposed to foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities and net investments in foreign operations. This is primarily with respect to Australian dollar and Renminbi. Additionally, the Group has significant foreign currency obligations relating to its foreign currency denominated debts and major capital project payments, US dollar denominated nuclear power purchase offtake commitments and other fuel related payments. The Group uses forward contracts and currency swaps to manage its foreign exchange risk arising from future commercial transactions, and from recognised assets and liabilities which are denominated in a currency that is not the functional currency of the respective Group entity. Hedging is only considered for firm commitments and highly probable forecast transactions.

SoC Companies

Under the SoC, the SoC Companies are allowed to pass-through foreign exchange gains and losses arising from future non-capital projects related commercial transactions and recognised liabilities which are denominated in a currency other than Hong Kong dollar, thus retaining no significant foreign exchange risk of such payments over the long term. The SoC Companies use forward contracts and currency swaps to hedge all their debt repayment obligations denominated in foreign currencies for the full tenor, and a significant portion of their US dollar obligations on fuel and nuclear power purchases, provided that for US dollar the hedging can be accomplished at rates below the Hong Kong Government's historical target peg rate of HK$7.8: US$1. The objective is to reduce the potential impact of foreign exchange movement on electricity tariffs. The SoC Companies also use forward contracts to manage the foreign exchange risks arising from non-Hong Kong dollar payment obligations for major capital projects, for which the exchange gains and losses are capitalised.

At the end of the reporting period, the fair value movement of the derivative financial instruments in a cash flow hedge relationship is recorded in equity. The extent of the impact to the cash flow hedge reserve under equity due to exchange rate movements, with all other variables held constant, is as follows:

	2023 HK$M	2022 HK$M
Increase/(decrease) in the cash flow hedge reserve		
Hong Kong dollar against US dollar		
If Hong Kong dollar weakened by 0.6% (2022: 0.6%)	**95**	107
If Hong Kong dollar strengthened by 0.6% (2022: 0.6%)	**(95)**	(107)
Hong Kong dollar against Euro		
If Hong Kong dollar weakened by 3% (2022: 4%)	**10**	23
If Hong Kong dollar strengthened by 3% (2022: 4%)	**(10)**	(23)

1. Financial Risk Factors (continued)

Foreign exchange risk (continued)

The Group's Asia-Pacific Investments

With respect to the power project investments in the Asia-Pacific region, the Group is exposed to both foreign currency translation and transaction risks.

The Group closely monitors translation risk using a Value-at-Risk (VaR) approach but does not hedge foreign currency translation risk because translation gains or losses do not affect the project company's cash flow or the Group's annual profit until an investment is sold. At 31 December 2023, the Group's net investment subject to translation exposure was HK$46,272 million (2022: HK$52,619 million), arising mainly from our investments in Mainland China, Australia, India, and Taiwan Region and Thailand. This means that, for each 1% (2022: 1%) average foreign currency movement, our translation exposure will vary by about HK$463 million (2022: HK$526 million). All the translation exposures are recognised in other comprehensive income and therefore have no impact on the profit or loss.

We consider that the non-functional currency transaction exposures at the individual project company level, if not managed properly, can lead to significant financial distress. Our primary risk mitigation is therefore to ensure that project-level debt financings are implemented on a local currency basis to the maximum extent possible. Each overseas subsidiary and project company has developed its own hedging programme into local currency taking into consideration any indexing provision in project agreements, tariff reset mechanisms, lender requirements, and tax and accounting implications.

Most foreign currency exposures of the Group entities are hedged and / or their transactions are predominantly conducted through the functional currency of the respective entity. The following analysis presents the Group's (apart from the SoC Companies) sensitivity to a reasonably possible change in the functional currencies of the Group entities against the US dollar and Renminbi, with all other variables held constant. The sensitivity rates in US dollar and Renminbi used are considered reasonable given the current level of exchange rates and the volatility observed in the different functional currencies of the Group entities. These are both on a historical basis and market expectations for future movement at the end of the reporting period and under the economic environments in which the Group operates. The extent of the impact to post-tax profit or equity due to exchange rate movements of US dollar and Renminbi against different functional currencies of Group entities, with all other variables held constant, is as follows:

	2023 HK$M	2022 HK$M
US dollar		
If US dollar strengthened by 4% (2022: 7%)		
Post-tax profit for the year	**–**	–
Equity – cash flow hedge reserve	**6**	20
If US dollar weakened by 4% (2022: 7%)		
Post-tax profit for the year	**–**	–
Equity – cash flow hedge reserve	**(5)**	(17)
Renminbi		
If Renminbi strengthened by 3% (2022: 5%)		
Post-tax profit for the year	**6**	18
Equity – cash flow hedge reserve	**–**	–
If Renminbi weakened by 3% (2022: 5%)		
Post-tax profit for the year	**(6)**	(18)
Equity – cash flow hedge reserve	**–**	–

1. Financial Risk Factors (continued)

Energy portfolio risk

EnergyAustralia's activity in energy markets exposes it to financial risk.

The electricity market is a competitive power pool. In this market generation supply and retail demand are exposed to spot (5-minute intervals) prices. EnergyAustralia purchases and sells majority of its electricity through the pool, at the same time EnergyAustralia enters into electricity spot-price-linked derivative financial instruments to manage the spot electricity price risk against forecast retail and generation exposures.

The gas market is a balancing market. To meet retail demand, EnergyAustralia procures gas supply agreements from various gas producers. The contract prices of certain agreements comprise a fixed component, and a variable component that is linked to oil spot prices on the global markets. EnergyAustralia enters into oil-price-linked derivative financial instruments to manage this oil price risk component.

Energy portfolio exposure is managed through an established risk management framework. The framework consists of policies which place appropriate limits on overall energy market exposures, hedging strategies and targets, delegations of authority on trading, approved product lists, regular exposure reporting, and segregation of duties. The corporate governance process also includes oversight by an Audit & Risk Committee (ARC-EA) which acts on behalf of EnergyAustralia's Board.

Risk monitoring includes physical position reporting, stress testing of the portfolios and "at-risk" analyses of potential earnings. At-risk measures are derived by modelling potential variability in spot and forward market prices and supply and demand volumes, across the wholesale energy portfolio, through Monte Carlo simulations, historic simulations, and scenarios. Overall Earnings-at-Risk (EaR) exposure for the coming financial year is reported as the 1 in 20 probability downside (2022: 1 in 20 probability downside) of the expected earnings distribution, as simulated with the above methods. The energy portfolio risk exposure for EnergyAustralia at 31 December 2023 was HK$156 million (2022: HK$651 million).

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risks are managed by monitoring an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swaps.

The appropriate level of the fixed / floating mix is determined for each operating company subject to a regular review. For instance, SoC Companies conducts an annual review to determine a preferred fixed / floating interest rate mix appropriate for its business profile. Each overseas subsidiary and project company has developed its own hedging programme taking into consideration project debt service sensitivities to interest rate movements, lender requirements, tax and accounting implications.

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year (as a result of change in interest expense on floating rate borrowings) and equity (as a result of change in the fair value of derivative instruments which qualify as cash flow hedges). Such amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss, and offset one another in the profit or loss.

The analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity to interest rates used is considered reasonable given the market forecasts available at the end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

1. Financial Risk Factors (continued)

Interest rate risk (continued)

	2023 HK$M	2022 HK$M
Hong Kong dollar		
If interest rates were 0.5% (2022: 0.5%) higher		
Post-tax profit for the year	**(76)**	(65)
Equity – cash flow hedge reserve	**10**	12
If interest rates were 0.5% (2022: 0.5%) lower		
Post-tax profit for the year	**76**	65
Equity – cash flow hedge reserve	**(10)**	(12)
Australian dollar		
If interest rates were 0.4% (2022: 1%) higher		
Post-tax profit for the year	**(5)**	(30)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.4% (2022: 1%) lower		
Post-tax profit for the year	**5**	30
Equity – cash flow hedge reserve	**–**	–
Renminbi		
If interest rates were 0.2% (2022: 0.3%) higher		
Post-tax profit for the year	**(6)**	(12)
Equity – cash flow hedge reserve	**–**	–
If interest rates were 0.2% (2022: 0.3%) lower		
Post-tax profit for the year	**6**	12
Equity – cash flow hedge reserve	**–**	–

Credit risk

The Group's approach to managing credit risk for trade receivables is discussed in Note 19.

On the treasury side, all finance-related hedging transactions and bank deposits of the Group entities are made with counterparties with good credit quality in conformance to the Group treasury policies to minimise credit exposure. Good credit ratings from reputable credit rating agencies and scrutiny of the financial position of non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction. The Group further assigns mark-to-market limits to its financial counterparties to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty. The Group also monitors potential exposures to each financial institution counterparty. All derivatives transactions are entered into at the sole credit of the respective subsidiaries, joint ventures and associates without recourse to the Company.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments, new investments and close out market positions if required. The Group maintains significant flexibility to respond to opportunities and events by ensuring that committed credit lines are available to meet future funding requirements. In addition, CLP Power will fund its committed contractual maturities through cash flows earned under the terms of the SoC and financing available under its credit lines and MTN programme. Management also monitors rolling forecasts of the Group's undrawn borrowing facilities and cash and cash equivalents on the expected cash flows.

1. Financial Risk Factors (continued)

Liquidity risk (continued)

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to guard against contingency and uncertainty with consideration that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, applicable financial ratios, covenant compliance, applicable external regulatory or legal requirements, and potential market impacts arising from unforeseeable events such as currency restrictions.

The table below analyses the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, derivative financial liabilities (both net settled and gross settled) and derivative financial assets (gross settled) based on the contractual undiscounted cash flows.

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2023					
Non-derivative financial liabilities					
Bank loans	12,694	3,823	6,865	3,857	27,239
Other borrowings	1,743	4,008	10,966	21,087	37,804
Customers' deposits	6,880	–	–	–	6,880
Trade payables and other liabilities	18,342	189	476	605	19,612
SoC reserve accounts	–	–	–	2,643	2,643
Asset decommissioning liabilities	–	–	–	1,575	1,575
	39,659	8,020	18,307	29,767	95,753
Derivative financial liabilities – net settled					
Forward foreign exchange contracts	1	–	–	–	1
Interest rate swaps	33	13	18	–	64
Energy contracts	955	118	2	54	1,129
	989	131	20	54	1,194
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	8,600	4,146	–	–	12,746
Cross currency interest rate swaps	1,995	4,398	8,862	17,414	32,669
	10,595	8,544	8,862	17,414	45,415
Gross contractual amounts receivable					
Forward foreign exchange contracts	(8,485)	(4,072)	–	–	(12,557)
Cross currency interest rate swaps	(1,526)	(4,164)	(8,321)	(16,995)	(31,006)
	(10,011)	(8,236)	(8,321)	(16,995)	(43,563)
Net payable	584	308	541	419	1,852
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	16,257	46	–	–	16,303
Gross contractual amounts receivable					
Forward foreign exchange contracts	(16,293)	(48)	–	–	(16,341)
Net receivable	(36)	(2)	–	–	(38)
Total payable	548	306	541	419	1,814

1. Financial Risk Factors (continued)

Liquidity risk (continued)

	Within 1 year HK$M	Between 1 and 2 years HK$M	Between 2 to 5 years HK$M	Over 5 years HK$M	Total HK$M
At 31 December 2022					
Non-derivative financial liabilities					
Bank loans	9,365	6,275	6,811	4,518	26,969
Other borrowings	3,901	1,914	14,419	21,838	42,072
Customers' deposits	6,633	–	–	–	6,633
Trade payables and other liabilities	16,866	195	342	290	17,693
SoC reserve accounts	–	–	–	3,094	3,094
Asset decommissioning liabilities	–	–	–	1,463	1,463
	36,765	8,384	21,572	31,203	97,924
Derivative financial liabilities – net settled					
Interest rate swaps	27	21	42	–	90
Energy contracts	4,682	277	112	42	5,113
	4,709	298	154	42	5,203
Derivative financial liabilities – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	23,269	1,487	4,052	–	28,808
Cross currency interest rate swaps	3,562	1,827	6,009	17,778	29,176
	26,831	3,314	10,061	17,778	57,984
Gross contractual amounts receivable					
Forward foreign exchange contracts	(23,123)	(1,398)	(3,989)	–	(28,510)
Cross currency interest rate swaps	(3,073)	(1,499)	(5,512)	(17,627)	(27,711)
	(26,196)	(2,897)	(9,501)	(17,627)	(56,221)
Net payable	635	417	560	151	1,763
Derivative financial assets – gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	3,569	199	61	–	3,829
Cross currency interest rate swaps	188	188	6,583	–	6,959
	3,757	387	6,644	–	10,788
Gross contractual amounts receivable					
Forward foreign exchange contracts	(3,585)	(205)	(62)	–	(3,852)
Cross currency interest rate swaps	(200)	(199)	(6,628)	–	(7,027)
	(3,785)	(404)	(6,690)	–	(10,879)
Net receivable	(28)	(17)	(46)	–	(91)
Total payable	607	400	514	151	1,672

2. Hedge Accounting

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. There is no inherent mismatch in the hedging relationships. Certain ineffectiveness can arise during the hedging process. The main sources of hedge ineffectiveness are considered to be the effects of re-designation of the hedging relationships and the counterparty credit risks on the hedging instruments.

Hedges on debt related transactions

The Group applies various types of derivative financial instruments (forward foreign currency contracts, cross currency interest rate swaps and interest rate swaps) to mitigate exposures arising from the fluctuations in foreign currencies and / or interest rates of debt. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

Hedges on non-debt related transactions

The SoC Companies use forward contracts to manage its foreign exchange risk arising from fuel and nuclear purchases obligations, and payments for major capital projects. The SoC Companies hedge a high portion of committed and highly probable forecast transactions.

EnergyAustralia uses electricity spot-price-linked forward contracts and oil-price-linked forward contracts to mitigate exposures arising from the fluctuations in electricity spot price and oil spot price embedded in gas contracts. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items.

2. Hedge Accounting (continued)

Effects of hedge accounting

The tables below summarise the effect of the hedge accounting on financial position and performance of the Group for the year ended 31 December 2023 and 2022:

Cash Flow Hedges	Notional amount of hedging instruments HK$M	Carrying amount of hedging instrument assets / (liabilities) HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness: Hedging instruments HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness: Hedged items HK$M	Fair value losses / (gains) recognised in cash flow hedge reserve HK$M	Hedge ineffectiveness charged / (credited) to profit or loss [a] HK$M	Amount reclassified from cash flow hedge reserve and credited / (charged) to profit or loss [a]: Hedged items affected profit or loss HK$M	Amount reclassified from cash flow hedge reserve and credited / (charged) to profit or loss [a]: Hedged future cash flows no longer expected to occur HK$M
At 31 December 2023								
Debt related transactions								
Interest rate risk [b]	**27,583**	**(1,647)**	**(1,177)**	**1,222**	**1,191**	**(14)**	**(158)**	**-**
Non-debt related transactions								
Foreign exchange risk	**24,615**	**(86)**	**128**	**(128)**	**(128)**	**-**	**121**	**-**
Energy portfolio risk – electricity [c]	**N/A**	**1,597**	**(102)**	**112**	**113**	**(11)**	**(272)**	**1,264**
Energy portfolio risk – gas [c]	**N/A**	**(3)**	**(25)**	**25**	**25**	**-**	**649**	**-**
At 31 December 2022								
Debt related transactions								
Interest rate risk [b]	25,623	(919)	(35)	25	32	3	(479)	-
Foreign exchange risk	-	-	27	(27)	(27)	-	26	-
Non-debt related transactions								
Foreign exchange risk	27,196	(204)	121	(121)	(121)	-	167	135
Energy portfolio risk – electricity [c]	N/A	2,700	3,550	(3,498)	(3,498)	(52)	386	1,500
Energy portfolio risk – gas [c]	N/A	(147)	1,206	(1,206)	(1,206)	-	1,261	-

Fair Value Hedges	Notional amount of hedging instruments HK$M	Carrying amount of hedged items HK$M	Accumulated fair value hedge adjustments included in carrying amount of hedged items HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness: Hedging instruments HK$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness: Hedged items HK$M	Hedge ineffectiveness charged to finance costs HK$M
At 31 December 2023						
Debt related transactions						
Interest rate risk [b]	**4,332**	**(4,144)**	**371**	**41**	**(54)**	**13**
At 31 December 2022						
Debt related transactions						
Interest rate risk [b]	6,388	(6,074)	424	(585)	571	14

Notes:

(a) Hedge ineffectiveness and amounts reclassified from cash flow hedge reserve on non-debt and debt related transactions were recognised in fuel and other operating expenses and finance costs respectively.

(b) Interest rate risk included foreign exchange risk in case of foreign currency debts.

(c) The aggregate notional volumes of the outstanding energy derivatives were 43,763GWh (2022: 101,875GWh) and 4.9 million barrels (2022: 5.6 million barrels) for electricity and oil, respectively.

2. Hedge Accounting (continued)

Effects of hedge accounting (continued)

An analysis of other comprehensive income by risk category and the reconciliation of the components in equity that arises in connection with hedge accounting are as follows:

Cash Flow Hedge Reserve	Interest Rate Risk[b] HK$M	Foreign Exchange Risk HK$M	Energy Portfolio Risk HK$M	Total HK$M
Balance at 1 January 2022	(337)	(3)	1,250	910
Fair value (losses)/gains	(32)	148	4,704	4,820
Reclassification to profit or loss				
Hedged items affect profit or loss	479	(193)	(1,647)	(1,361)
Hedged future cash flows no longer expected to occur	–	(135)	(1,500)	(1,635)
Transfer to hedged assets	–	78	–	78
Related deferred tax	(78)	19	(468)	(527)
Sale of subsidiaries	(33)	–	–	(33)
Exchange difference	–	–	(109)	(109)
Balance at 31 December 2022	(1)	(86)	2,230	2,143
Balance at 1 January 2023	(1)	(86)	2,230	2,143
Fair value (losses)/gains	(1,191)	128	(138)	(1,201)
Reclassification to profit or loss				
Hedged items affect profit or loss	158	(121)	(377)	(340)
Hedged future cash flows no longer expected to occur	–	–	(1,264)	(1,264)
Transfer to hedged assets	–	52	–	52
Related deferred tax	171	(10)	533	694
Exchange difference	–	–	(16)	(16)
Balance at 31 December 2023	**(863)**	**(37)**	**968**	**68**

Cost of Hedging Reserve	Time Value of Options HK$M	Forward Element HK$M	Foreign Currency Basis Spread HK$M	Total HK$M
Balance at 1 January 2022	–	1	(14)	(13)
Changes due to transaction related hedged items				
Fair value losses	–	–	(58)	(58)
Reclassification to profit or loss	–	–	11	11
Changes due to time-period related hedged items				
Fair value losses	(1)	(11)	(196)	(208)
Reclassification to profit or loss	–	9	40	49
Related deferred tax	1	1	33	35
Balance at 31 December 2022	–	–	(184)	(184)
Balance at 1 January 2023	–	–	(184)	(184)
Changes due to transaction related hedged items				
Fair value gains	–	–	5	5
Reclassification to profit or loss	–	–	58	58
Changes due to time-period related hedged items				
Fair value gains	–	–	236	236
Reclassification to profit or loss	–	–	(35)	(35)
Related deferred tax	–	–	(44)	(44)
Balance at 31 December 2023	**–**	**–**	**36**	**36**

3. Fair Value Estimation and Hierarchy of Financial Instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

For the Group's financial instruments that are not measured at fair value, their carrying values approximate their fair values.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

(A) Fair value hierarchy

The following table presents the Group's financial instruments that are measured at fair value at 31 December:

	Level 1 HK$M	Level 2 HK$M	Level 3 HK$M	Total HK$M
At 31 December 2023				
Financial assets				
Investments at fair value through other comprehensive income	**291**	**–**	**35**	**326**
Investments at fair value through profit or loss	**21**	**–**	**586**	**607**
Forward foreign exchange contracts	**–**	**38**	**–**	**38**
Interest rate swaps	**–**	**30**	**–**	**30**
Energy contracts	**325**	**392**	**1,465**	**2,182**
	637	**460**	**2,086**	**3,183**
Financial liabilities				
Forward foreign exchange contracts	**–**	**185**	**–**	**185**
Cross currency interest rate swaps	**–**	**2,043**	**–**	**2,043**
Interest rate swaps	**–**	**56**	**–**	**56**
Energy contracts	**527**	**424**	**142**	**1,093**
	527	**2,708**	**142**	**3,377**
At 31 December 2022				
Financial assets				
Investments at fair value through other comprehensive income	265	–	35	300
Investments at fair value through profit or loss	2	–	676	678
Forward foreign exchange contracts	–	23	–	23
Cross currency interest rate swaps	–	39	–	39
Interest rate swaps	–	59	–	59
Energy contracts	252	1,596	2,081	3,929
	519	1,717	2,792	5,028
Financial liabilities				
Forward foreign exchange contracts	–	290	–	290
Cross currency interest rate swaps	–	1,388	–	1,388
Interest rate swaps	–	80	–	80
Energy contracts	3,702	1,155	100	4,957
	3,702	2,913	100	6,715

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

(A) Fair value hierarchy (continued)

The Group's policy is to recognise transfers into/out of fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer. During 2023 and 2022, there were no transfers between Level 1 and Level 2.

(B) Valuation techniques used to determine fair values

The valuation techniques and inputs used in the fair value measurements within Level 2 and Level 3 are as follows:

Financial Instruments	Valuation Techniques	Significant Inputs
Investments at fair value through profit or loss	Recent arm's length transactions or net asset value of funds	Not applicable
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency
Energy contracts	Discounted cash flow	Brokers' quotes and observable exchange traded swap and cap price curves; and long-term forward electricity price and cap price curves

The significant unobservable inputs of energy contracts used for fair value measurement included long-term forward electricity price and cap price curve. The finance department of EnergyAustralia includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to EnergyAustralia's Chief Financial Officer (CFO-EA) and ARC-EA. The valuation of Level 3 forward energy contracts involves the use of a short-term forward curve which is observable in the liquid market and an internally generated long-term forward electricity price and cap price curve which is derived using unobservable inputs. This short-term forward curve is reviewed at least once every six months, in line with the Group's half-yearly reporting dates. Review of the long-term forward curve is performed by the CFO-EA and ARC-EA annually due to the lack of market liquidity. Analysis of fair value changes is performed on a monthly basis for reasonableness.

(C) Movements and sensitivity analysis of Level 3 financial instruments

	2023			2022		
	Investments HK$M	**Energy Contracts HK$M**	**Total HK$M**	Investments HK$M	Energy Contracts HK$M	Total HK$M
Opening balance	**711**	**1,981**	**2,692**	565	847	1,412
Total (losses)/gains recognised in						
Profit or loss and presented in fuel and other operating expenses (note)	**(164)**	**52**	**(112)**	(13)	292	279
Other comprehensive income	**(4)**	**(456)**	**(460)**	(8)	2,265	2,257
Purchases	**102**	**–**	**102**	167	–	167
Distributions/settlements	**(24)**	**(254)**	**(278)**	–	(1,423)	(1,423)
Closing balance	**621**	**1,323**	**1,944**	711	1,981	2,692

Note: Out of which, unrealised gains recognised in profit or loss relating to the assets and liabilities held at the end of the reporting period was HK$83 million (2022: HK$171 million).

3. Fair Value Estimation and Hierarchy of Financial Instruments (continued)

(C) Movements and sensitivity analysis of Level 3 financial instruments (continued)

The valuation of long tenure energy contracts is sensitive to electricity pool price assumptions. The sensitivities to the balance of the energy contracts, with all other variables held constant, are disclosed as follows:

	2023 HK$M	2022 HK$M
Balance of Level 3 energy contracts would increase if		
Electricity prices were 15% higher (2022: 15%)	**656**	836
Electricity prices were 30% higher (2022: 30%)	**1,314**	1,688
Balance of Level 3 energy contracts would decrease if		
Electricity prices were 15% lower (2022: 15%)	**(657)**	(844)
Electricity prices were 30% lower (2022: 30%)	**(1,294)**	(1,677)

4. Offsetting Financial Assets and Financial Liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements:

	Effect of offsetting in the consolidated statement of financial position			**Related amounts not offset in the consolidated statement of financial position**		
	Gross amounts recognised HK$M	**Gross amounts offset HK$M**	**Net amounts presented in the respective line HK$M**	**Financial instruments HK$M**	**Financial instrument collateral HK$M**	**Net amount [a] HK$M**
At 31 December 2023						
Financial assets						
Trade receivables	**5,099**	**–**	**5,099**	**(2,195)**	**(2,575)**	**329**
Derivative financial instruments	**2,960**	**(712)**	**2,248**	**(56)** [b]	**–**	**2,192**
	8,059	**(712)**	**7,347**	**(2,251)**	**(2,575)**	**2,521**
Financial liabilities						
Customers' deposits	**6,880**	**–**	**6,880**	**(2,575)**	**–**	**4,305**
Bank loans and other borrowings	**4,893**	**–**	**4,893**	**–**	**(2,195)**	**2,698**
Derivative financial instruments	**4,023**	**(712)**	**3,311**	**(56)** [b]	**–**	**3,255**
	15,796	**(712)**	**15,084**	**(2,631)**	**(2,195)**	**10,258**
At 31 December 2022						
Financial assets						
Trade receivables	4,763	–	4,763	(2,117)	(2,567)	79
Derivative financial instruments	4,937	(914)	4,023	(83) [b]	–	3,940
	9,700	(914)	8,786	(2,200)	(2,567)	4,019
Financial liabilities						
Customers' deposits	6,551	–	6,551	(2,567)	–	3,984
Bank loans and other borrowings	5,085	–	5,085	–	(2,117)	2,968
Derivative financial instruments	7,540	(914)	6,626	(83) [b]	–	6,543
	19,176	(914)	18,262	(2,650)	(2,117)	13,495

4. Offsetting Financial Assets and Financial Liabilities (continued)

Notes:

(a) Under HKFRS, amounts cannot be offset if the rights of set-off are conditional on a future event (e.g. default of payment). "Net amount" column represents the net impact that would be shown on the consolidated statement of financial position if all set-off rights (e.g. master netting arrangements, collateral arrangements, etc.) were exercised. At 31 December 2023, these items include (1) trade receivables related to Hong Kong electricity business where customers' deposits are served as security for payments; and (2) bank loans and other borrowings of subsidiaries in Mainland China which are secured by charges over trade receivables or rights to income.

(b) For derivative financial instruments, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements in which there is a set-off provision. Under certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, a termination value is then assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position since the Group does not have any currently legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of future events such as a default on the bank transactions or other credit events.

5. Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The Group manages its capital structure and fine-tunes it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, issue new shares or change the level of debts. The Group's capital management objectives, policies or processes were unchanged during 2023 and 2022.

The Group monitors capital using "total debt to total capital" and "net debt to total capital" ratios. These ratios are as follows:

	2023 HK$M	2022 HK$M
Total debt [(a)]	**57,515**	59,217
Net debt [(b)]	**52,311**	54,931
Total equity [(c)]	**112,971**	116,554
Total capital (based on total debt) [(d)]	**170,486**	175,771
Total capital (based on net debt) [(e)]	**165,282**	171,485
Total debt to total capital (based on total debt) ratio (%)	**33.7**	33.7
Net debt to total capital (based on net debt) ratio (%)	**31.6**	32.0

Decrease in the net debt to total capital was driven by lower net debt from strong operating cash inflows in 2023.

Certain entities of the Group are subject to loan covenants. For both 2023 and 2022, there is no material non-compliance with those loan covenants.

Notes:

(a) Total debt equals bank loans and other borrowings.

(b) Net debt equals total debt less bank balances, cash and other liquid funds.

(c) Total equity equals equity plus advances from non-controlling interests.

(d) Total capital (based on total debt) equals total debt plus total equity.

(e) Total capital (based on net debt) equals net debt plus total equity.

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

Overview

In Hong Kong, CLP Power Hong Kong Limited (CLP Power) operates a vertically integrated electricity generation, transmission and distribution business. The generating plants in Hong Kong are owned by Castle Peak Power Company Limited (CAPCO), in which CLP Power owned 70%. CLP Power builds and operates CAPCO's power stations under contract and is the sole customer for CAPCO's electricity which CLP Power transmits and distributes to its customers in Kowloon, New Territories and most of the outlying islands. CLP Power owns the transmission and distribution network.

Since financial year 1964, the electricity-related operations of CLP Power and CAPCO (the SoC Companies) have been governed by a Scheme of Control (SoC) Agreement with the Hong Kong Government. The SoC specifies the SoC Companies' obligations to supply adequate and reliable electricity supplies to customers at the lowest reasonable cost and the mechanism for the Hong Kong Government to monitor their financial affairs and operating performance. In return, CLP Power is allowed to charge tariffs designed to recover the operating costs (including tax) and allowed net return of the SoC Companies.

The current SoC took effect from 1 October 2018 and covers a term of over 15 years ending on 31 December 2033. The SoC contains a provision to give the SoC Companies protection for stranded costs, which may arise as a result of future changes to the market structure which adversely impact on the SoC Companies' ability to recover and to earn returns on existing investments made in good faith in accordance with the SoC. These costs will include the costs of investments, fuel and power purchase agreements previously approved by the Hong Kong Government. If stranded costs arise after the SoC Companies have implemented mitigation measures reasonably required by the Hong Kong Government, the SoC Companies are entitled to recover them from the market, consistent with international practice. Three years before market changes are introduced, the SoC Companies and the Hong Kong Government will agree on the amount of stranded costs and the mechanism for their recovery by the SoC Companies.

Tariff Setting Mechanism

For each year, CLP Power designs the total tariff it charges to cover the SoC Companies' operating costs and allowed net return. The total tariff consists of the following components:

(i) basic tariff rate which is derived by taking into account the annual forecast of (a), (b) and (c) below, using the formula "(a-b) / c":

  (a) the allowed net return and operating costs including the standard cost of fuels; generation, transmission, distribution and administration expenses; depreciation; interest expenses; and taxes;

  (b) 80% of the profit on electricity sales to Mainland China; and

  (c) local unit sales as determined by the load forecast.

(ii) fuel clause charge or rebate (Fuel Cost Adjustment) which represents the difference between the cost of fuels (including natural gas, coal and oil) and the standard cost recovered through the basic tariff rate. The Fuel Cost Adjustment may be adjusted from time to time, including on a monthly basis, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity.

Any difference between the actual profit for SoC operations and the permitted return for the year is transferred to or from a Tariff Stabilisation Fund. The Tariff Stabilisation Fund does not form part of distributable shareholders' funds and represents a liability in the accounts of CLP Power. A charge on the average balance of the Tariff Stabilisation Fund is credited to a Rate Reduction Reserve in the accounts of CLP Power, which balance as at the end of each year is to be transferred to the Tariff Stabilisation Fund in the following year.

Permitted and Net Return

The permitted and net return that the SoC Companies are allowed under the SoC are calculated as follows:

- The annual permitted return under the SoC is 8% of the SoC Companies' average net fixed assets.
- The net return under the SoC is the permitted return after the deduction or adjustment of the following items:

(a) interest up to a maximum of 7% per annum on borrowed capital arranged for financing fixed assets;

(b) a charge of the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund under the SoC, which is credited to the Rate Reduction Reserve;

(c) an excess capacity adjustment of 8% less an allowed interest charge up to 7% per annum on the average related excess capacity expenditure;

(d) interest up to 7% per annum on the increase in average balance of the customers' deposits in excess of the balance as at 30 September 1998; and

(e) performance-linked incentives / penalties adjustments

Category	% incentives (+) / penalties (-)
Operation performance related incentives / penalties	in the range of -0.05% to +0.05% on average net fixed assets
Energy efficiency and renewable performance incentives	▪ a maximum of 0.315% on average net fixed assets ▪ incentive of 10% of renewable energy certificates sales revenue ▪ five-year energy saving and renewable energy connections incentives with a maximum of 0.11% on the average net fixed assets at the final year of the five-year period
Demand response reduction incentive	a maximum of 0.025% on average net fixed assets
Large-scale electricity supply interruption penalty (effective from 2024)	a maximum of 0.03% on average net fixed assets for each single large-scale electricity supply interruption incident

The net return is divided between the SoC Companies in accordance with the provisions of the agreements between the SoC Companies. These provisions state that each company will receive that proportion of the total net return represented by the net return that company would receive if it were the only company under the SoC and the net return were calculated solely on the basis of its own financial statements.

Under the SoC, 65% of the energy efficiency incentives earned by the SoC Companies are to be contributed to a CLP Community Energy Saving Fund (CESF) to support programmes in promotion of energy efficiency, use of renewable energy, the disadvantaged groups and other programmes as agreed with the Hong Kong Government. In addition, a new mechanism to provide additional financial support (special tariff relief) by the SoC Companies in the event of severe international fuel crisis capped at HK$180 million has become effective from 2024 to help targeted residential customers most in need of support.

The calculations shown on next page are in accordance with the SoC and the agreements between the SoC Companies.

For the year ended 31 December

	2023 HK$M	2022 HK$M
SoC revenue	**50,455**	51,103
Expenses		
Operating costs	**5,336**	5,027
Fuel	**20,974**	21,939
Purchases of nuclear electricity	**5,802**	5,822
Provision for asset decommissioning	**120**	73
Depreciation	**5,380**	5,313
Operating interest	**1,154**	800
Taxation	**1,933**	1,924
	40,699	40,898
Profit after taxation	**9,756**	10,205
Interest on increase in customers' deposits	**37**	4
Interest on borrowed capital	**1,539**	1,115
Adjustment for performance incentives	**(642)**	(448)
Profit for SoC	**10,690**	10,876
Transfer from / (to) Tariff Stabilisation Fund	**168**	(531)
Permitted return	**10,858**	10,345
Deduct interest on / Adjustment for		
Increase in customers' deposits as above	**37**	4
Borrowed capital as above	**1,539**	1,115
Performance incentives as above	**(642)**	(448)
Tariff Stabilisation Fund to Rate Reduction Reserve	**114**	40
	1,048	711
Net return	**9,810**	9,634
CESF contribution	**(230)**	(218)
Net return after CESF contribution	**9,580**	9,416
Divisible as follows:		
CLP Power	**6,351**	6,239
CAPCO	**3,229**	3,177
	9,580	9,416
CLP Power's share of net return after CESF contribution		
CLP Power	**6,351**	6,239
Interest in CAPCO	**2,261**	2,224
	8,612	8,463

Five-year Summary: CLP Group Economic and Financial Data

	2023	2022	2021	2020	2019
Consolidated Operating Results (HK$M)					
Revenue					
Hong Kong electricity business	**50,630**	50,600	44,311	41,325	40,025
Energy businesses outside Hong Kong	**35,039**	48,873	38,941	37,687	45,088
Others	**1,500**	1,189	707	578	576
Total	**87,169**	100,662	83,959	79,590	85,689
Earnings					
Hong Kong energy business	**8,536**	8,445	8,157	7,758	7,422
Hong Kong energy business related	**287**	263	301	270	211
Mainland China	**2,073**	2,229	1,660	2,233	2,277
Australia	**(182)**	(2,330)	251	1,382	1,686
India	**301**	193	221	175	263
Taiwan Region and Thailand	**307**	11	173	386	335
Other earnings in Hong Kong	**(106)**	(65)	(18)	(193)	(169)
Unallocated net finance income/(costs)	**43**	(6)	(9)	24	(42)
Unallocated Group expenses	**(1,132)**	(1,138)	(869)	(781)	(738)
Operating earnings before fair value movements	**10,127**	7,602	9,867	11,254	11,245
Fair value movements	**2,125**	(2,979)	(350)	323	(124)
Operating earnings	**12,252**	4,623	9,517	11,577	11,121
Property revaluation	**(25)**	(57)	(34)	(121)	(83)
Profit from sale of properties	**112**	80	–	–	–
(Losses)/gains on sales of investments	**–**	(3,722)	249	–	–
Impairment provision	**(5,983)**	–	(148)	–	(6,381)
Other items affecting comparability	**299**	–	(1,093)	–	–
Total earnings	**6,655**	924	8,491	11,456	4,657
Dividends	**7,832**	7,832	7,832	7,832	7,782
Depreciation and amortisation, owned and leased assets	**8,594**	8,904	9,308	8,476	8,118
Consolidated Statement of Financial Position (HK$M)					
SoC fixed assets	**136,482**	130,842	124,353	119,873	117,042
Other fixed assets	**25,181**	24,916	37,801	36,642	33,744
Goodwill and other intangible assets	**12,854**	18,451	19,710	20,559	20,111
Interests in and loans to joint ventures	**12,518**	11,748	10,602	11,017	9,999
Interests in associates	**9,380**	9,090	8,769	9,181	8,708
Other non-current assets	**5,706**	6,518	4,686	3,568	3,193
Current assets	**26,930**	34,461	33,888	33,393	28,826
Total assets	**229,051**	236,026	239,809	234,233	221,623
Shareholders' funds	**102,331**	105,498	113,034	112,200	105,455
Perpetual capital securities	**3,887**	3,887	3,887	3,887	3,887
Other non-controlling interests	**6,164**	6,309	9,788	9,885	9,987
Equity	**112,382**	115,694	126,709	125,972	119,329
Bank loans and other borrowings	**57,515**	59,217	58,215	54,348	52,349
SoC reserve accounts	**2,643**	3,094	3,440	2,374	1,500
Other current liabilities	**29,907**	33,147	27,286	27,260	26,911
Other non-current liabilities	**26,604**	24,874	24,159	24,279	21,534
Total liabilities	**116,669**	120,332	113,100	108,261	102,294
Equity and total liabilities	**229,051**	236,026	239,809	234,233	221,623

A ten-year summary is on our website

	2023	2022	2021	2020	2019
Consolidated Statement of Cash Flows (HK$M)					
Funds from operations	**25,597**	13,555	20,223	24,418	23,502
Net cash inflow from operating activities	**23,567**	12,734	17,806	22,374	21,345
Net cash outflow from investing activities	**(9,472)**	(15,382)	(11,787)	(10,081)	(5,824)
Net cash outflow from financing activities	**(13,142)**	(987)	(8,484)	(10,211)	(14,944)
Capital expenditure, owned and leased assets	**(11,776)**	(14,553)	(12,431)	(10,586)	(10,448)
Per Share Data (HK$)					
Shareholders' funds per share	**40.50**	41.76	44.74	44.41	41.74
Earnings per share					
Total earnings	**2.63**	0.37	3.36	4.53	1.84
Operating earnings	**4.85**	1.83	3.77	4.58	4.40
Dividends per share	**3.10**	3.10	3.10	3.10	3.08
Closing share price					
Highest	**64.45**	80.35	80.90	84.20	96.85
Lowest	**55.55**	51.80	71.75	65.00	78.40
As at year-end	**64.45**	56.95	78.75	71.70	81.90
Ratios					
Return on equity (%)	**6.4**	0.8	7.5	10.5	4.3
Operating return on equity (%)	**11.8**	4.2	8.5	10.6	10.4
Total debt to total capital (%)	**33.7**	33.7	31.3	30.0	30.3
Net debt to total capital (%)	**31.6**	32.0	28.1	25.1	26.7
FFO interest cover (times)	**11**	7	12	13	12
Price/Earnings (times)	**25**	154	23	16	45
Dividend yield (%)	**4.8**	5.4	3.9	4.3	3.8
Dividend cover (times)					
Total earnings	**0.8**	0.1	1.1	1.5	0.6
Operating earnings	**1.6**	0.6	1.2	1.5	1.4
Dividend pay-out (%)					
Total earnings	**117.7**	847.6	92.2	68.4	167.1
Operating earnings	**63.9**	169.4	82.3	67.7	70.0
Total return to shareholders (%)	**4.7**	2.6	5.8	5.2	8.7
Group Generation Capacity – owned* (MW)					
– by region					
Hong Kong	**8,268**	8,268	8,243	8,143	7,568
Mainland China	**6,095**	5,944	7,985	7,905	7,905
Australia	**4,856**	4,853	4,537	4,511	4,508
India	**1,699**	1,700	2,040	1,890	1,842
Taiwan Region and Thailand	**285**	285	285	285	285
	21,203	21,050	23,090	22,734	22,108
– by status					
Operational	**20,008**	19,874	22,235	22,184	21,468
Construction	**1,195**	1,176	855	550	640
	21,203	21,050	23,090	22,734	22,108

* Group generation capacity (in MW) is incorporated on the following basis: CAPCO on 100% capacity as stations operated by CLP Power and other stations on the proportion of the Group's equity interests.

Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data

Environmental

Performance Indicators	Units	2023	2022	2021	2020	2019	GRI Standards (GRI)/ HKEx ESG Reporting Guide (HKEx)/SASB Standards for Electric Utilities (SASB)/ IFRS Foundation's S2 Climate-related Disclosure (IFRS S2)
Greenhouse Gas Emissions							
CLP Group [1]							
Total CO_2e emissions – on an equity basis [2, 3]	kt	**52,988**	60,223	65,017	62,138	71,720	GRI 305-1, 305-2, 305-3/ HKEx A1.2/SASB IF-EU-110a.1, IF-EU-110a.2 /IFRS S2-29(a)
Scope 1 CO_2e [4]	kt	**38,163**	44,141	47,690	45,105	50,047	
Scope 2 CO_2e	kt	**229**	220	236	244	250	
Scope 3 CO_2e	kt	**14,597**	15,861	17,091	16,790	21,424	
CLP Group's generation and energy storage portfolio [3, 4, 5]							
CO_2 – on an equity basis [6]	kt	**38,051**	44,019	47,574	44,987	N/A	GRI 305-1, 305-2/HKEx A1.2
CO_2e – on an equity basis [6]	kt	**38,241**	44,235	47,813	N/A	N/A	
CO_2 – on an equity plus long-term capacity and energy purchase basis [7]	kt	**42,216**	48,074	51,674	48,621	N/A	
CO_2e – on an equity plus long-term capacity and energy purchase basis [7]	kt	**42,439**	48,323	51,941	N/A	N/A	
CO_2 – on an operational control basis [6, 8]	kt	**30,563**	44,338	46,842	43,808	50,412	
CO_2e – on an operational control basis [6, 8]	kt	**30,732**	44,571	47,090	44,023	50,676	
Climate Vision 2050							
CLP Group – GHG emissions intensity of generation and energy storage portfolio [3, 4, 5]							GRI 305-4/HKEx A1.2/ IFRS S2-33(a)
On an equity plus long-term capacity and energy purchase basis [7]	kg CO_2e/kWh	**0.54**	0.55	0.57	0.57	0.63	
On an equity basis [6]	kg CO_2e/kWh	**0.62**	0.63	0.65	0.66	0.71	
Environmental Compliance [8, 9]							
Environmental regulatory non-compliances resulting in fines or prosecutions	number	**0**	0	0	0	0	GRI 2-27
Environmental licence limit exceedances & other non-compliances	number	**5**	6	5	4	10	
Resource Use & Emissions [8, 9]							
Nitrogen oxides (NO_x)	kt	**32.3**	43.5	45.7	43.2	47.0	GRI 305-7/HKEx A1.1/ SASB IF-EU-120.a.1
Sulphur dioxide (SO_2)	kt	**40.6**	48.9	52.7	48.0	44.7	
Particulates	kt	**6.7**	6.8	7.6	6.9	7.7	
Sulphur hexafluoride (SF_6)	kt	**0.004**	0.003	0.004	0.003	N/A	
Mercury	t	**0.22**	0.52	0.31	N/A	N/A	SASB IF-EU-120a.1
Hazardous waste produced [10]	t (solid)/kl (liquid)	**3,617/1,935**	869/1,103	1,524/1,017	1,503/1,091	862/1,578	GRI 306-3/HKEx A1.3
Hazardous waste recycled [10]	t (solid)/kl (liquid)	**331/684**	493/797	520/947	523/1,069	201/1,536	
Non-hazardous waste produced [10]	t (solid)/kl (liquid)	**12,326/0**	12,702/23	24,481/65	17,901/3	13,344/59	GRI 306-3/HKEx A1.4
Non-hazardous waste recycled [10]	t (solid)/kl (liquid)	**6,744/0**	7,917/23	4,214/65	4,458/3	4,986/57	
Ash produced / recycled and sold	kt	**1,045/328**	3,066 [11]/2,365	3,403/2,501	2,624/1,793	3,032/3,667	SASB IF-EU-150a.1
Gypsum produced / recycled and sold	kt	**52/61**	286/280	367/365	334/335	441/438	
Total water withdrawal [12]	Mm^3	**4,249.0**	5,339.3	5,243.7	5,466.0	5,475.4	GRI 2-4, 303-3/HKEx A2.2/ SASB IF-EU-140a.1
Total water discharge [12]	Mm^3	**4,240.3**	5,310.9	5,205.4	5,438.6	5,433.2	GRI 2-4, 303-4
Fuel Use [8, 9, 12]							
Coal consumed (for power generation)	TJ	**250,177**	394,274	426,190	403,379	485,453	GRI 302-1/HKEx A2.1
Gas consumed (for power generation)	TJ	**146,370**	151,327	142,304	134,776	107,183	
Oil consumed (for power generation)	TJ	**2,854**	2,936	2,717	2,243	2,620	

Notes:

1 Refers to a range of businesses, including generation and energy storage portfolio, transmission and distribution, retail and others.

2 Numbers have been subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

3 Paguthan Power Station, the power purchase agreements of which expired in December 2018, was not included in the 2019-2023 numbers.

4 In accordance with the Greenhouse Gas Protocol, WE Station, which makes use of landfill gas from waste for power generation, is not included in CLP's Scope 1 CO_2 emissions and is reported separately in the Asset Performance Statistics of the Sustainability Report. Its non-CO_2 GHG emissions (i.e. CH_4 and N_2O) are included in CLP's Scope 1 CO_2e emissions.

5 Starting from 2020, the portfolio includes energy storage assets and generation assets. Energy storage assets include pumped storage and battery storage. In previous years, the portfolio included generation assets only.

6 Numbers include Scope 1 and Scope 2 emissions.

7 Numbers include Scope 1, Scope 2 and Scope 3 Category 3 emissions (direct emissions from generation of purchased electricity that is sold to CLP's customers).

8 Apraava Energy ceased to be a subsidiary and is now accounted for as a joint venture. Apraava Energy is excluded in the figures for 2023, but included in figures for 2022 and prior years. Moreover, in November 2022, CLP sold its 70% interest in the coal-fired Fangchenggang Power Station, which has been excluded from CLP's reporting scope since then.

9 Numbers include operating assets where CLP has operational control during the calendar year. Paguthan Power Station, the power purchase agreements of which expired in December 2018, was not included in the 2019-2023 numbers.

10 Waste categorised in accordance with local regulations.

Performance Indicators	Units	2023	2022	2021	2020	2019	GRI Standards (GRI)/ HKEx ESG Reporting Guide (HKEx)/SASB Standards for Electric Utilities (SASB)/ IFRS Foundation's S2 Climate-related Disclosure (IFRS S2)
Asset management [2, 13]							
Total generation and energy storage capacity by asset type – on an equity basis	MW (%)	**18,123 (100)**	17,970 (100)	20,018 (100)	19,691 (100)	19,238 (100)	GRI EU1
Coal	MW (%)	**8,486 (46.8)**	8,486 (47.2)	10,795 (53.9)	10,765 (54.7)	10,765 (56.0)	
Gas	MW (%)	**4,938 (27.2)**	4,934 (27.5)	4,666 (23.3)	4,600 (23.4)	4,194 (21.8)	
Nuclear	MW (%)	**1,600 (8.8)**	1,600 (8.9)	1,600 (8.0)	1,600 (8.1)	1,600 (8.3)	
Wind [14]	MW (%)	**1,827 (10.1)**	1,680 (9.3)	1,747 (8.7)	1,521 (7.7)	1,521 (7.9)	
Hydro [14]	MW (%)	**489 (2.7)**	489 (2.7)	489 (2.4)	489 (2.5)	489 (2.5)	
Solar [14]	MW (%)	**548 (3.0)**	554 (3.1)	499 (2.5)	499 (2.5)	451 (2.3)	
Waste-to-energy [14]	MW (%)	**7 (0.0)**	7 (0.0)	7 (0.0)	7 (0.0)	7 (0.0)	
Energy Storage	MW (%)	**18 (0.1)**	10 (0.1)	5 (0.0)	0 (0.0)	N/A	
Others	MW (%)	**210 (1.2)**	210 (1.2)	210 (1.0)	210 (1.1)	210 (1.1)	
Total generation and energy storage capacity by asset type – on an equity plus long-term capacity and energy purchase basis	MW (%)	**23,291 (100)**	23,068 (100)	25,108 (100)	24,752 (100)	24,015 (100)	
Coal	MW (%)	**9,719 (41.7)**	9,719 (42.1)	12,027 (47.9)	11,997 (48.5)	11,997 (50.0)	
Gas	MW (%)	**6,093 (26.2)**	6,089 (26.4)	5,813 (23.2)	5,717 (23.1)	5,139 (21.4)	
Nuclear	MW (%)	**2,685 (11.5)**	2,685 (11.6)	2,685 (10.7)	2,685 (10.8)	2,685 (11.2)	
Wind [15]	MW (%)	**2,391 (10.3)**	2,264 (9.8)	2,331 (9.3)	2,105 (8.5)	2,049 (8.5)	
Hydro [15]	MW (%)	**489 (2.1)**	489 (2.1)	489 (1.9)	489 (2.0)	489 (2.0)	
Solar [15]	MW (%)	**842 (3.6)**	848 (3.7)	793 (3.2)	793 (3.2)	745 (3.1)	
Waste-to-energy [15]	MW (%)	**10 (0.0)**	10 (0.0)	10 (0.0)	10 (0.0)	10 (0.0)	
Energy Storage	MW (%)	**763 (3.3)**	665(2.9)	660 (2.6)	655 (2.6)	N/A	
Others	MW (%)	**300 (1.3)**	300 (1.3)	300 (1.2)	300 (1.2)	900 (3.7)	
Total energy sent out by asset type – on an equity basis [3]	GWh (%)	**62,052 (100)**	69,726 (100)	73,113 (100)	68,699 (100)	70,949 (100)	GRI EU2/HKEx A2.1/ SASB IF-EU-000.D
Coal	GWh (%)	**30,364 (48.9)**	37,031 (53.1)	42,002 (57.4)	39,438 (57.4)	44,596 (62.9)	
Gas	GWh (%)	**13,817 (22.3)**	14,435 (20.7)	13,233 (18.1)	12,390 (18.0)	9,979 (14.1)	
Nuclear	GWh (%)	**12,128 (19.5)**	12,346 (17.7)	12,302 (16.8)	11,192 (16.3)	10,888 (15.3)	
Wind [16]	GWh (%)	**3,164 (5.1)**	3,146 (4.5)	2,959 (4.0)	2,886 (4.2)	2,924 (4.1)	
Hydro [16]	GWh (%)	**1,626 (2.6)**	1,835 (2.6)	1,668 (2.3)	1,879 (2.7)	1,758 (2.5)	
Solar [16]	GWh (%)	**920 (1.5)**	901 (1.3)	922 (1.3)	898 (1.3)	805 (1.1)	
Waste-to-energy [16]	GWh (%)	**32 (0.1)**	29 (0.0)	27 (0.0)	15 (0.0)	0 (0.0)	
Energy Storage	GWh (%)	**0 (0.0)**	0 (0.0)	0 (0.0)	0 (0.0)	N/A	
Others	GWh (%)	**0 (0.0)**	1 (0.0)	0 (0.0)	1 (0.0)	0 (0.0)	
Total energy sent out by asset type – on an equity plus long-term capacity and energy purchase basis [3]	GWh (%)	**79,512 (100)**	87,360 (100)	91,183 (100)	85,949 (100)	88,573 (100)	
Coal	GWh (%)	**32,418 (40.8)**	39,027 (44.7)	43,995 (48.2)	41,118 (47.8)	48,512 (54.8)	
Gas	GWh (%)	**19,203 (24.2)**	19,507 (22.3)	18,461 (20.2)	17,157 (20.0)	13,073 (14.8)	
Nuclear	GWh (%)	**20,098 (25.3)**	20,836 (23.9)	20,962 (23.0)	19,923 (23.2)	19,400 (21.9)	
Wind [17]	GWh (%)	**4,688 (5.9)**	4,709 (5.4)	4,611 (5.1)	4,445 (5.2)	4,474 (5.0)	
Hydro [17]	GWh (%)	**1,626 (2.0)**	1,835 (2.1)	1,668 (1.8)	1,879 (2.2)	1,758 (2.0)	
Solar [17]	GWh (%)	**1,480 (1.9)**	1,472 (1.7)	1,524 (1.7)	1,522 (1.8)	1,467 (1.7)	
Waste-to-energy [17]	GWh (%)	**45 (0.1)**	42 (0.0)	38 (0.0)	22 (0.0)	0 (0.0)	
Energy Storage	GWh (%)	**-46 (-0.1)**	-69 (-0.1)	-75 (-0.1)	-118 (-0.1)	N/A	
Others	GWh (%)	**1 (0.0)**	2 (0.0)	1 (0.0)	1 (0.0)	-109 (-0.1)	

Notes:

11 Restated as per updated data for Mount Piper in Australia.

12 Numbers have been subject to rounding.

13 Starting from 2020, a new "Energy Storage" asset category is added, under which pumped storage and battery storage are included. In previous years, assets under the "Others" category included oil-fired generation assets and pumped storage.

14 Renewables include wind, hydro, solar and waste-to-energy. The total capacity of renewables on an equity basis is 2,871 MW (15.8%) in 2023.

15 Renewables include wind, hydro, solar and waste-to-energy. The total capacity of renewables on an equity plus long-term capacity and energy purchase basis is 3,732 MW (16.0%) in 2023.

16 Renewables include wind, hydro, solar and waste-to-energy. The total sent out of renewables on an equity basis is 5,743 GWh (9.3%) in 2023.

17 Renewables include wind, hydro, solar and waste-to-energy. The total sent out of renewables on an equity plus long-term capacity and energy purchase basis is 7,840 GWh (9.9%) in 2023.

*All 2023 data in the above table have been independently verified by KPMG **except** those numbers which are shaded in dark grey.*

For more detailed narrative on the "Environmental, Social and Governance" related performance indicators, please refer to Delivering Our Sustainability Agenda chapter and the Corporate Governance Report of this report.

Social and Governance

Performance Indicators	Units	2023	2022	2021	2020	2019	GRI/HKEx/SASB/IFRS S2
Employees							
Employees by region							
Hong Kong	number	**5,163**	4,954	4,771	4,689	4,604	GRI 2-7/HKEx B1.1
Mainland China	number	**702**	663	627	609	607	
Australia	number	**2,176**	2,251	2,281	2,320	2,280	
India [1]	number	**N/A**	450	437	442	469	
Total [1]	number	**8,041**	8,318	8,116	8,060	7,960	
Voluntary staff turnover rate [2, 3]							
Hong Kong	%	**5.4**	6.6	4.6	3.1	2.4	GRI 401-1/HKEx B1.2
Mainland China	%	**2.6**	2.3	2.3	1.3	2.0	
Australia	%	**15.2**	18.8	16.1	7.7	12.9	
India [1]	%	**N/A**	10.6	6.9	4.7	6.6	
Employees eligible to retire within the next five years [4]							
Hong Kong	%	**17.3**	18.8	20.1	20.4	19.5	GRI EU15
Mainland China	%	**15.9**	15.7	15.1	13.4	14.5	
Australia	%	**7.8**	6.7	6.6	5.7	5.4	
India [1]	%	**N/A**	5.5	5.0	5.1	4.8	
Total [1]	%	**14.3**	14.1	14.6	14.5	13.9	
Average training hours per employee [1]	hours	**44.1**	46.2	51.6	42.5	40.1	GRI 404-1/HKEx B3.2
Safety [5, 6]							
Fatalities – employees only [7, 8]	number of personnel	**0**	0	0	0	0	GRI 403-2/HKEx B2.1
Fatalities – contractors only [7, 8]	number of personnel	**0**	0	0	0	1	
Fatalities – employees and contractors combined [7, 8]	number of personnel	**0**	0	0	0	1	
Fatality Rate – employees only [9, 10]	rate	**0.00**	0.00	0.00	0.00	0.00	GRI 403-2/HKEx B2.1/ SASB IF-EU-320a.1
Fatality Rate – contractors only [9, 10]	rate	**0.00**	0.00	0.00	0.00	0.01	
Fatality Rate – employees and contractors combined [9, 10]	rate	**0.00**	0.00	0.00	0.00	0.00	
Days Away From Work Injuries – employees only [8, 11]	number of personnel	**2**	6	4	12	7	GRI 403-2
Days Away From Work Injuries – contractors only [8, 11]	number of personnel	**8**	15	10	10	19	
Days Away From Work Injuries – employees and contractors combined [8, 11]	number of personnel	**10**	21	14	22	26	
Lost Time Injury Rate – employees only [10, 12]	rate	**0.03**	0.07	0.05	0.13	0.07	
Lost Time Injury Rate – contractors only [10, 12]	rate	**0.09**	0.11	0.08	0.09	0.14	
Lost Time Injury Rate – employees and contractors combined [10, 12]	rate	**0.06**	0.10	0.07	0.11	0.11	

Notes:

1 Apraava Energy ceased to be a subsidiary and is now accounted for as a joint venture. Apraava Energy is excluded in the figures for 2023, but included in figures for 2022 and prior years.

2 Voluntary staff turnover refers to employees leaving the organisation voluntarily and does not include dismissal, retirement, company-initiated termination or end of contract.

3 Includes permanent employees except for Mainland China, which includes both permanent and fixed-term contract employees due to local employment legislation.

4 The percentages given refer to permanent employees within each region, who are eligible to retire within the next five years.

5 Apraava Energy ceased to be a subsidiary and is now accounted for as a joint venture. Apraava Energy is excluded in the figures for 2023, but included in figures for 2022 and prior years. Moreover, in November 2022, CLP sold its 70% interest in the coal-fired Fangchenggang Power Station, which has been excluded from CLP's reporting scope since then.

6 The system of rules applied in recording and reporting accident statistics complies with the International Labour Organization (ILO) Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

7 Refers to the number of fatalities as a result of work-related injury.

8 Starting from 2021, the unit is changed from the number of cases to the number of personnel.

9 Refers to the number of fatal injuries per 200,000 work hours in the year.

10 Rates are normalised to 200,000 work hours, which approximately equals to the number of hours worked by 100 people in one year.

11 Starting from 2021, "Days Away From Work Injuries" replaces "Lost Time Injury". Days Away From Work Injuries refers to the number of personnel who sustain a work-related injury and are unfit to perform any work on any day after the occurrence of the injury. "Any day" is any calendar day which includes rest days, weekend days, leave days, public holidays or days after ceasing employment. It does not include the day the injury incident occurred. "Days Away From Work Injuries" excludes fatalities which were included in "Lost Time Injury". Numbers prior to 2021 are the previously reported numbers for "Lost Time Injury".

12 Refers to the number of Days Away From Work Injuries and Fatalities per 200,000 work hours in the year.

Performance Indicators	Units	2023	2022	2021	2020	2019	GRI/HKEx/SASB/IFRS S2
High-consequence Injuries – employees only [13]	number of personnel	**0**	0	0	N/A	N/A	GRI 403-9
High-consequence Injuries – contractors only [13]	number of personnel	**1**	2	1	N/A	N/A	
High-consequence Injuries – employees and contractors combined [13]	number of personnel	**1**	2	1	N/A	N/A	
Total Recordable Injury Rate – employees only [10, 14]	rate	**0.13**	0.17	0.14	0.25	0.19	GRI 403-2/SASB IF-EU-320a.1
Total Recordable Injury Rate – contractors only [10, 14]	rate	**0.22**	0.31	0.29	0.37	0.52	
Total Recordable Injury Rate – employees and contractors combined [10, 14]	rate	**0.18**	0.25	0.23	0.32	0.38	
Work-related Ill Health – employees only [8, 15]	number of personnel	**3**	4	1	0	0	GRI 403-10/HKEx B2.1
Lost Days – employees only [16]	number of days	**125**	176	304	443	464	GRI 403-2/HKEx B2.2
Governance [1]							
Breaches of Code of Conduct reported to the Audit & Risk Committee	cases	**12**	10	18	25	31	
Convicted cases of corruption reported to the Audit & Risk Committee	cases	**0**	0	0	0	0	GRI 205-3/HKEx B7.1

Notes:

13 Refers to the number of personnel who sustain life-threatening or life-altering work-related injury. It is a subset of Days Away From Work Injuries.

14 Refers to the number of Total Recordable Injuries per 200,000 work hours in the year. Total Recordable Injuries include Fatalities, Days Away From Work Injuries, Restricted Work Injuries, and Medical Treatment Injuries.

15 Starting from 2021, "Work-related Ill Health" replaces "Occupational Disease". Work-related Ill Health includes the diseases listed in the ILO List of Occupational Diseases, work-related mental illnesses and work-related disorders. Numbers prior to 2021 are the previously reported numbers for "Occupational Disease".

16 Starting from 2021, "Lost Days" replaces "Days Lost". "Lost Days" is the sum total of calendar days (consecutive or otherwise) after the days on which the work-related injuries and work-related ill health occurred. "Days Lost" accounts the working days instead of calendar days. Numbers prior to 2021 are the previously reported numbers for "Days Lost".

*All 2023 data in the above table have been independently verified by KPMG **except** those numbers which are shaded in dark grey.*

Five-year Summary: Scheme of Control Financial & Operating Statistics

CLP Power Hong Kong Limited and Castle Peak Power Company Limited

	2023	2022	2021	2020	2019
SoC Financial Statistics					
Combined Profit & Loss Statement, HK$M					
Profit for SoC	**10,690**	10,876	10,926	10,026	9,744
Transfer from/(to) Tariff Stabilisation Fund	**168**	(531)	(1,072)	(519)	(526)
Permitted return	**10,858**	10,345	9,854	9,507	9,218
Deduct interest on/Adjustment for					
Borrowed capital	**1,539**	1,115	1,018	1,111	1,100
Increase in customers' deposits	**37**	4	–	–	4
Performance incentives	**(642)**	(448)	(438)	(416)	(392)
Tariff Stabilisation Fund	**114**	40	3	18	22
Net return	**9,810**	9,634	9,271	8,794	8,484
Combined Balance Sheet, HK$M					
Net assets employed					
Fixed assets	**138,657**	132,792	125,827	120,523	117,157
Non-current assets	**16**	74	134	351	213
Current assets	**5,706**	9,681	8,359	6,350	4,231
	144,379	142,547	134,320	127,224	121,601
Less: current liabilities	**32,472**	27,881	25,311	23,046	28,115
Net assets	**111,907**	114,666	109,009	104,178	93,486
Exchange fluctuation account	**1,183**	465	606	555	9
	113,090	115,131	109,615	104,733	93,495
Represented by					
Equity	**54,364**	52,528	49,934	47,807	46,205
Long-term loans and other borrowings	**35,967**	40,680	38,328	37,146	29,792
Deferred liabilities	**20,230**	18,995	18,244	17,761	16,020
Tariff Stabilisation Fund	**2,529**	2,928	3,109	2,019	1,478
	113,090	115,131	109,615	104,733	93,495
Other SoC Information, HK$M					
Total electricity sales	**50,288**	50,919	45,222	41,798	40,473
Capital expenditure	**11,670**	12,573	11,222	8,882	9,097
Depreciation	**5,380**	5,313	5,434	5,011	4,753
SoC Operating Statistics					
Customers and Sales					
Number of customers (thousand)	**2,790**	2,752	2,711	2,672	2,636
Sales analysis, millions of kWh					
Commercial	**13,673**	13,233	13,423	12,878	13,584
Manufacturing	**1,594**	1,615	1,665	1,616	1,663
Residential	**9,929**	10,113	10,525	10,298	9,451
Infrastructure and Public Services	**10,196**	9,863	9,742	9,171	9,586
Local	**35,392**	34,824	35,355	33,963	34,284
Export	**–**	–	–	–	–
Total Electricity Sales	**35,392**	34,824	35,355	33,963	34,284
Annual change, %	**1.6**	(1.5)	4.1	(0.9)	0.2
Renewable Energy Certificate Sold, millions of kWh	**172**	100	15	5	3
Local consumption, kWh per person	**5,595**	5,680	5,704	5,404	5,459
Local sales, HK¢ per kWh (average) [1]					
Basic Tariff	**93.1**	93.3	93.6	92.3	90.7
Fuel Cost Adjustment [2]	**58.4**	46.1	30.2	28.4	27.9
Special Rebate	**–**	(2.1)	–	–	–
Total Tariff	**151.5**	137.3	123.8	120.7	118.6
Rent and Rates Special Rebate [3]	**(0.4)**	(1.3)	–	(1.2)	(0.1)
Net Tariff [4]	**151.1**	136.0	123.8	119.5	118.5
Annual change in Basic Tariff, %	**(0.2)**	(0.3)	1.4	1.8	(2.8)
Annual change in Total Tariff, %	**10.3**	10.9	2.6	1.8	1.8
Annual change in Net Tariff, %	**11.1**	9.9	3.6	0.8	2.7

A ten-year summary is on our website

	2023	2022	2021	2020	2019
Generation (Including Affiliated Generating Companies)					
Installed capacity, MW [5]	**9,648**	9,648	9,623	9,573	8,988
System maximum demand					
Local, MW [6]	**7,452**	7,720	7,477	7,264	7,206
Annual change, %	**(3.5)**	3.2	2.9	0.8	2.4
System load factor, %	**58.9**	56.0	58.8	57.3	59.8
Generation by CAPCO stations, millions of kWh	**26,102**	24,828	25,330	23,752	24,952
Sent out, millions of kWh –					
From own generation	**24,846**	23,602	24,109	22,605	23,369
Net transfer from GNPS/GPSPS/Others	**11,552**	12,289	12,484	12,583	12,276
From Feed-in Tariff customers	**267**	199	111	45	9
Total	**36,665**	36,090	36,704	35,233	35,654
Fuel consumed, terajoules –					
Oil	**2,161**	1,875	1,928	1,538	1,711
Coal	**76,699**	77,172	75,307	63,505	141,830
Gas	**135,670**	128,453	132,609	131,244	80,695
Total	**214,530**	207,500	209,844	196,287	224,236
Cost of fuel, HK$ per gigajoule – Overall	**91.97**	99.18	70.25	65.94	55.47
Thermal efficiency, % based on units sent out	**41.6**	40.9	41.3	40.8	37.5
Plant availability, %	**85.8**	89.1	84.4	87.5	86.4
Transmission and Distribution					
Network, circuit kilometres					
400kV	**556**	555	555	555	555
132kV	**1,659**	1,651	1,638	1,638	1,630
33kV	**22**	22	22	22	22
11kV	**14,683**	14,450	14,182	13,990	13,782
Transformers, MVA	**69,128**	68,343	67,479	66,633	65,753
Substations –					
Primary	**241**	240	237	235	232
Secondary	**15,539**	15,413	15,204	15,028	14,867
Employees and Productivity					
Number of SoC employees	**4,101**	4,012	3,900	3,861	3,815
Productivity, thousands of kWh per employee	**8,725**	8,803	9,111	8,849	9,007

Notes:

1 Figures are rounded to one decimal place. Minor discrepancies may result from rounding.

2 The Fuel Cost Adjustment has replaced the Fuel Clause Charge effective from October 2014. Commencing 1 October 2018, the Fuel Cost Adjustment is automatically adjusted on a monthly basis to reflect changes in actual price of fuel used.

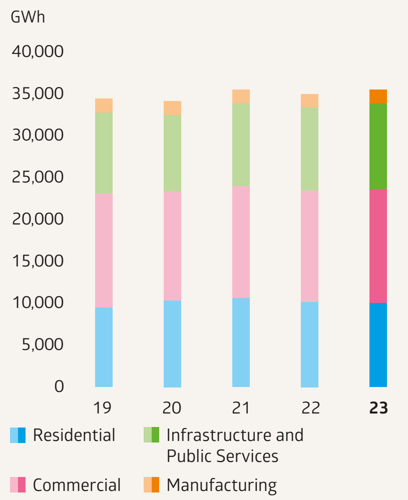
3 CLP Power provided customers with a Rent and Rates Special Rebate of 1.1 cents per unit from January 2018 to mid-February 2019, 1.2 cents per unit in 2020 and 1.3 cents per unit from January 2022 to 28 April 2023, returning to customers the refunds received from the Government in relation to CLP Power's claims against the Government's overcharged rent and rates.

4 Effective net tariff including one-off 2023 Special Energy Saving Rebate and one-off three-month special fuel rebate in 2023 was 150.2 cents per unit.

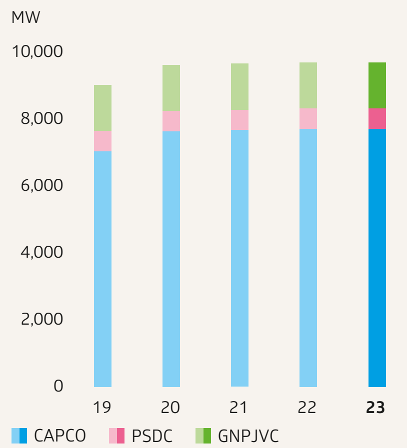
5 Unit A1 of Castle Peak Power Station, with capacity of 350MW, was put in reserve to run only in emergency situation, after coming to the end of its asset life on 31 May 2022. The installed capacity without A1 would otherwise be 9,298MW.

6 Without taking into account the effect of the customer programme of demand response pursued to reduce electricity usage, the maximum demand would have been higher at 7,269MW in 2019, 7,369MW in 2020, 7,551MW in 2021, 7,858MW in 2022 and 7,641MW in 2023.

Electricity Sales by Sector



Installed Capacity



SoC Net Fixed Assets