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Announcement of Annual Results from 1 January 2014 to 31 December 2014, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings raised 8.1% to HK$10,062 million, whilst total earnings after one-off items increased by 85.2% to HK$11,221 million.
- Operating earnings from Hong Kong, India and Australia increased but partially offset by a decline from Mainland China.
- Consolidated revenue dropped to HK$92,259 million; Hong Kong electricity revenue grew 4.3% to HK$35,303 million; revenue from Australia decreased by 21.7% to HK$50,895 million.
- Fourth interim dividend of HK$1.00 per share; including the first three interim dividends paid, total dividends for 2014 were HK$2.62 per share (2013: HK$2.57 per share).

CHAIRMAN'S STATEMENT

I am pleased to report strong financial results in 2014, which reflected a much improved operational performance in most of our businesses. The Group's operating earnings were HK$10,062 million, an 8.1% increase over the same period last year. One-off items for the year amounted to a net gain of HK$1,159 million predominantly associated with the acquisition of additional interests in Castle Peak Power Company Limited (CAPCO) and Hong Kong Pumped Storage Development Company, Limited (PSDC). Total earnings were up 85.2% to HK$11,221 million. These earnings have enabled the Board to approve a fourth interim dividend of HK$1.00 per share for 2014. Together with the three interim dividends already paid, our total dividend this year is HK$2.62 per share, an increase from HK$2.57 in the previous year.

In this Chairman's Statement, I wish to focus on the updated investment strategy for the Group which was approved by the Board recently. As I have always emphasised, given the scale and lifespan of our investments, and the array of stakeholders impacted by our operations, the nature of the power sector requires a long-term view. It also means charting a course and sticking to it – whilst ensuring that we can adapt to change along the way. Over the years, CLP has stayed faithful to this core principle in making our investments. We review our strategy from time to time to make sure it is keeping pace with the changing times, it continues to capture the right opportunities and that it tackles our different challenges.

Since we last refreshed our strategy in 2009 there has been significant change. We have seen unprecedented decreases in demand for electricity in mature economies, dramatic volatility in fuel markets, a structural shift in global economic growth towards Asia, tightening environmental regulation in our key markets and continued policy uncertainty on climate change. Against this rapidly evolving background, we launched a thorough review of our investment strategy in early 2014. Our starting point was to look to the future – positioning our business in markets where we have scale, capability and competitive advantages. We sought to match our strength with market factors, and identify what we do best.

Our many strengths include the ability to effectively operate businesses across the energy value chain from electricity generation right through to the provision of energy services to our customers. We work well in complex environments where we take a long-term view, integrate our operations with the community and work cooperatively with regulatory authorities to get the best result for all stakeholders. We have built a strong reputation for trustworthiness and reliability and a network of long-term partnerships and relationships in the Asia Pacific region. Looking back at our experience in growing our business outside Hong Kong, we can see that we have particular strengths in the fields of power plant technology and the development and operation of power projects. Our best performing investments are generally new development projects where we have been involved from the start and hold a controlling position or have a clear role in project management and operation.

Our updated Group strategy can be summarised with three words – "Focus · Delivery · Growth". By focusing on business activities and initiatives that best utilise our core competencies we will be able to deliver on the potential of our investments and generate growth for our shareholders.

Our new strategy will guide CLP in the coming decade. It includes four key components.

First, Hong Kong remains our core market and strategic focus. We are committed to building and growing here for the long term. Although Hong Kong is a mature market, we still see increasing demand. In order to best serve our customers, we will maintain our strong operational performance to provide a safe and reliable electricity supply, with continually improving environmental performance, excellent service and reasonable tariffs.

It should be clear to all of us that, in the wider context, closer integration between Hong Kong and southern China is inevitable. We are well positioned as we are confident that our long-term partnership with key industry players in southern China such as China Southern Power Grid and China General Nuclear will give us the competitive edge to further explore opportunities in southern China in the long run.

Second, we are well-positioned in two of the most dynamically growing markets in the world – Mainland China and India. They are home to the world's two largest populations where energy demand is growing rapidly. Both are in need of energy infrastructure to support their continuing development and they are both open to private investment. Although our ventures into Mainland China and India have not always been smooth sailing, our existing, diversified and well-established businesses in the two countries provide good platforms for future growth.

CLP was an early mover in the Mainland right after the Chinese Government's declaration of its open door policy in the late 1970s. We can and will capitalise on our historic presence and close relationships in the Mainland. We will continue to follow a niche investor approach focusing on renewable projects such as greenfield wind and solar projects as well as high-efficiency coal projects. At the same time, reform of the energy sector in Mainland China may open up new opportunities in other parts of the value chain.

Likewise, India has an insatiable demand for electricity, and we are encouraged by the new government's commitment to the development of critical infrastructure to support India's economic growth. Whilst India has challenges such as with fuel supply, currency volatility and the high cost of debt, we see this vibrant country as a land of great potential. We will continue to pursue high-efficiency coal-fired projects with access to imported coal, build our renewable energy portfolio and capitalise on our position as a leader in wind energy investments.

Third, to the extent that capital is available, we will explore secondary growth opportunities in selective Southeast Asian countries. We expect demand for new power generation in these markets will remain strong in the coming years. We will stay active in Taiwan and Vietnam while monitoring developments in other Southeast Asian countries for opportunistic investment.

Finally, we will focus on restoring value in our Australian business. Unfortunately, the Australian energy sector, like its counterparts in other mature economies in Western Europe and North America, is going through a period of significant change and faces formidable challenges ahead. This includes unprecedented decline in electricity demand, overcapacity in the generation sector and falling wholesale prices. On top of that, regulatory changes have created uncertainty and increased market risks at a time when stiff market competition has put additional pressure on retail margins. These factors have combined to erode the value of our business in Australia over the past few years. We take a realistic approach to the management of these issues, and we expect such challenges to continue in Australia over the coming years. Our focus will be on realigning the business with the new market and political paradigms to restore value for our shareholders in the years to come.

Having focused on our revised strategy and some of the challenges and opportunities we see at the Group level, there is an important matter here at home that deserves our close attention. As we all know, our Hong Kong business is regulated by the Scheme of Control (SoC) Agreement, which has been serving Hong Kong well over the past five decades. Its terms have evolved over time to keep pace with Hong Kong's development and changing aspirations of the community. Most importantly, it has provided a stable environment that allows power companies to support Hong Kong's economic development and to serve consumers with electricity supply of world class reliability and at reasonable cost. The current SoC Agreement will continue until at least 2018. The Government is expected to consult the public on the subject in 2015 to help determine whether to extend the current SoC or whether changes are envisaged.

Changes to the regulatory regime will have far reaching consequences for the electricity industry as well as its customers and the community in Hong Kong. As Hong Kong's largest power supplier, CLP will actively engage with the community and the Government about the discussion of the post-2018 regulatory framework during the consultation. However, the objectives of any consultation must be clear for it to be effective. It must also be based upon thorough understanding of this complex and hugely capital intensive industry that has a consistent, proven and enviable track record in Hong Kong. Any future framework must not compromise on safety, reliability, environmental protection and affordability which have been the cornerstones of today's electricity industry.

We look forward to a consultation process which incorporates these principles and we will continue to strengthen our stakeholder engagement to address concerns and questions whenever necessary, similar to the fuel mix consultation which was conducted in an informed manner last year.

CLP has been serving Hong Kong for over 113 years and will continue to do so in the decades to come. Hong Kong is our home, and we will actively engage in constructive discussions with the Government and the community regarding changes to the regulatory framework for the long-term benefit and prosperity of Hong Kong.

CLP will move forward in the coming decade with a clear strategic vision that embraces "Focus · Delivery · Growth", enabling us to build on the success we have delivered to our stakeholders in the preceding 11 decades.

The Honourable Sir Michael Kadoorie

CEO'S STRATEGIC REVIEW

As outlined by the Chairman in his Statement, the Board approved an updated investment strategy for the CLP Group in October. It is an important development for the Company, as the new strategy, succinctly summarised as "Focus · Delivery · Growth", will bring changes that will grow our business, sharpen our competitive edge and set a clear direction for the Company in the decade ahead. I hasten to add that we are not initiating radical changes but carefully measured and deeply thought out improvements and refinements to our existing strategy. In short, it recognises the challenges we face in the current business climate and identifies future opportunities so that we can build on the success we have achieved.

Let me say that the management team wholeheartedly supports the new strategy. It is our job to make sure it works, and to this end, we have already taken steps to ensure that we are effectively organised, adequately resourced, and equipped with the necessary capabilities to implement our strategy. We have identified a number of key areas where we need to strengthen our organisation, including the rigour of our investment appraisal process, and our project management and asset management capabilities.

As we move to implementation of the new strategy, I think it would be helpful to see where we are coming from. In the following paragraphs, I would like to offer a review of our performance in 2014 and an outline of our key plans over the coming years.

Hong Kong

In 2014, we continued to see steady growth of our business whilst maintaining a world-class reliability record. The growth in demand was primarily driven by a cool winter and a very hot summer, with a new peak demand for electricity recorded on 23 July. During the year, operating earnings increased 11.6% to HK$7,777 million.

Although the electricity sector in Hong Kong is mature, demand in our service area is still growing due to population expansion, infrastructure development and new businesses like data centres. These changes – together with other factors that I will outline below – mean that we need to continue to invest in new infrastructure in order to support the growing demand for electricity.

At the same time, under Hong Kong's increasingly stringent environment policy, the annual emission caps for our power plants have been reduced significantly by a range of 35% to 65% this year. In fact, our gas consumption volume in 2015 will need to almost double that of 2014 in order to comply with these new regulatory requirements. This is expected to lead to an approximate 50% increase in fuel costs since natural gas, while substantially cleaner, is much more expensive than coal. This is especially true for the gas supplied from the Second West-East Gas Pipeline (WEPII) upon which we are becoming more dependent as supplies from the Yacheng gas field deplete.

To optimise our fuel usage and reduce the impact of WEPII gas on tariffs, we have adopted the following measures:

- maximising the use of cheaper gas from Yacheng gas field
- procuring and using more low emission coal
- temporarily importing additional nuclear energy from Daya Bay
- enhancing the operational performance of generation plants and emission reduction equipment

We have also seen some sharp reductions in oil prices in recent months. If these lower prices are sustained then it will be of some assistance in limiting the impact of WEPII gas on tariffs as a portion of the natural gas price is linked with the oil price. However, the total contract gas price is materially affected by a basket of factors, in particular pipeline charges and other fixed costs, which are not affected by oil price movements.

Whilst we were able to maintain the Average Basic Tariff at a level lower than that of 1998 – which is no small achievement, the Average Total Tariff still needs to be adjusted by 3.1% in 2015 due to increased fuel costs. We are fully aware of the impact of tariff increase on people's livelihood and business, and I can assure you that we will continue to do our best to mitigate the impact on customers.

During 2014, we continued our efforts in promoting energy efficiency to encourage our customers to use electricity wisely. For example, we completed an 18-month pilot for the Advanced Metering Infrastructure programme, which has given us insights into the best way forward to help our customers move towards an energy efficient lifestyle.

Our acquisition of a controlling interest in CAPCO has given us majority control over our core generating assets and strengthened our partnership with China Southern Power Grid. From our base in Hong Kong, with our long track record of excellence and our relationships in southern China, we are well positioned to participate in expanded opportunities in this region in the years to come.

Regulatory change is another immediate challenge we are facing. In the first half of 2015, the Government will launch a new round of public consultation on Hong Kong's electricity sector, this time on the regulatory structure of the sector. As with the 2014 fuel mix consultation, we will offer our expertise and experience to contribute to an informed discussion. We will actively and constructively engage with the Government and other stakeholders in that discussion process. Our aim is to find solutions for Hong Kong's energy policy that achieve the right balance covering safety, reliability, cost and environmental performance to enable us to better serve the community. We will focus on what works best for Hong Kong, for our customers and for our shareholders.

I would like to reiterate that the electricity industry is a long-term business. We deal with developments that typically require at least a decade or even longer to mature, so any regulatory changes need to be planned well ahead and implemented carefully over a sensible time frame. At the same time, we are determined to continue our strong operational performance so as to best serve the community and our customers here with the world-class quality and reliability that our community expects us to deliver.

Mainland China

On the Mainland, we had a reasonably stable year despite operating earnings being down 25.9% to HK$1,579 million.

Our coal-fired projects continued to be profitable in 2014, at a time when coal prices continued to slide and remained at low levels. Expansion of Fangchenggang Power Station (Fangchenggang) progressed steadily following the start of construction in June 2014 and commissioning of Fangchenggang II is on track for 2016. The performance of our renewable energy portfolio was, however, mixed. More details are discussed in the "Business Performance" section of this Announcement.

Shareholders will recall that we announced in January the lapse of an agreement regarding the sale of CLP Power China (Tianjin) Limited and CLP Power China (Shenmu) Limited. As explained at the time, the lapse will not result in any material adverse effect on our financial position and business operations. This development in no way indicates any change of strategy. We will continue to rationalise our portfolio with a focus on wholly- and majority-owned projects.

Despite recent slowdowns, Mainland China remains an exciting, high growth country where CLP is well positioned for the future. We will follow a niche investor approach to focus on greenfield wind and solar projects and selected coal projects using highly efficient and low emission technologies. Geographically, we will concentrate on three key areas – Shandong, southwest China and the cross-border area neighbouring Hong Kong.

As Mainland China continues to reform its electricity sector, investment opportunities in established networks may arise. We are interested in greenfield distribution and transmission projects in the Mainland, provided the terms are appropriate and the opportunity aligns with our wider strategy. However, the business model for such investment must be viable and the land acquisition risks need to be minimised first. We will continue to monitor these developments.

We are aware that reform will bring uncertainty. Constraints such as regulated tariffs can impede the private sector's involvement, and the shortage of natural gas will limit the development of gas-fired power generation in Mainland China.

Nonetheless, the Mainland will remain a core growth driver for CLP that we are closely monitoring, whether for conventional or renewable projects. We are also exploring opportunities to further participate in the nuclear sector.

India

Like Mainland China, we see India as another important growth market.

Thanks to much improved coal supply, CLP India was able to achieve operating earnings of HK$270 million in 2014, compared with HK$184 million in 2013. Our coal-fired power station at Jhajjar operated reliably through last year without any availability losses due to coal supply issues. This improved performance was the result of the hard work of our Indian team to diversify our coal supply and obtain approvals to increase our use of imported coal.

Availability also remained high at our gas plant in Gujarat. However, in common with other gas-fired generators in India, the high price of gas available for use in the power sector and the resultant high cost of electricity generation led to low levels of despatch from the plant. This is an industry wide issue that has arisen in recent years and is expected to continue for the foreseeable future. In these circumstances, we renegotiated our power purchase agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) to take account of the changed market conditions. We believe the amended agreement will give us greater certainty for the rest of the PPA tenor until the end of 2018. We are currently looking at options for the future of the plant, including the possibility of adding some coal-fired units in our existing site.

In the meantime, we continued to expand our renewables business in India, especially in wind power. The performance of wind energy in large parts of India depends on the timing and intensity of the monsoon season. In 2014 there was a delay in the onset of the monsoon, which resulted in lower than expected levels of generation. Nevertheless, we are confident of the potential of the sector and commissioned more than 100MW of wind capacity during 2014, taking the total size of our wind portfolio to 1,081MW. We are also evaluating opportunities to invest in solar power, which is an area the new Government is keen to develop.

In the past few years, India's electricity sector has been challenging. Looking ahead, we are hopeful that things will continue to improve under a new government that has a reform agenda with a focus on infrastructure development. At the same time, we will continue to monitor the fuel supply situation to ensure reliable operation of our power stations.

Southeast Asia and Taiwan

Our performance in Southeast Asia and Taiwan remained steady last year. Operating earnings increased 23.2% to HK$297 million.

Power sector reform initiatives in Southeast Asia have been slower in recent years, during which we have seen fewer energy projects. Competition is also significant in the region. However, Southeast Asia still offers opportunities as demand for electricity is growing and a number of these markets are still at an early stage of development.

In the coming years, we plan to continue to stay active in Taiwan and Vietnam, and monitor potential greenfield investment opportunities in countries such as Thailand, Indonesia, Laos and Myanmar.

Australia

CLP's operation in Australia, through our wholly-owned subsidiary EnergyAustralia, continues to be affected by the challenging market conditions. In the wholesale market, declining demand from energy efficiency programmes, solar photovoltaic systems, and industrial closures continued to put pressure on electricity prices, whilst in retail we continued to experience intense competition. In this challenging external environment, EnergyAustralia has focused on improving its operational performance, capability and cost structure in 2014, during which operating earnings increased from HK$126 million in 2013 to HK$756 million.

After stabilising our integrated billing and customer care system last year, EnergyAustralia made a number of technical improvements to the system. These improvements underpinned the successful migration of 1.2 million EnergyAustralia customers from the old system onto the new one in November 2014.

This development allowed us to terminate the Transitional Services Agreement (TSA) with the New South Wales (NSW) Government. This will lead to further retail cost, process and operational efficiencies improvements in 2015 and beyond, which is expected to result in savings in retail costs in the range of A$100 million per annum from 2016 compared with 2013. However, expenditure on IT systems to improve business performance and the launch of new retail product offerings may offset some of the savings.

As promised by the Federal Government, the Clean Energy Future legislation and all related liabilities, including the carbon tax regime, were repealed in July 2014. Removal of the scheme led to a reduction of earnings in the second half of 2014, as EnergyAustralia no longer receives any transitional support for Yallourn Power Station.

In November 2014, EnergyAustralia announced the permanent closure and decommissioning of Wallerawang Power Station in NSW. The closure was in response to ongoing weak wholesale prices and the lack of availability of competitively priced coal supply. We also negotiated the early termination of an onerous contract inherited from Ausgrid in 2011, and both these actions will reduce our costs going forward.

Other power station owners have lowered generation output or announced the mothballing of power plants in response to weak market conditions. This is a clear supply-side market reaction, as is to be expected. Such steps must be taken for the market to respond to overcapacity, falling demand and suppressed wholesale prices. Should oversupply in the wholesale market continue unabated, the value of generation assets may be at risk.

Additional exploratory drilling and analysis made available in 2014 have showed a significant reduction in the Coal Seam Gas project reserves at Narrabri, in which EnergyAustralia has a 20% interest through a joint arrangement with Santos. This has challenged the commercial viability of the project. As such, EnergyAustralia has made an impairment provision for its interest in the project of HK$1,578 million after tax.

As the Chairman has pointed out, we expect the challenging market conditions in Australia to continue. As such, our strategy will focus on reducing costs, improving operational performance, managing exposure to generation, realigning the business to the new market paradigm and streamlining retail processes. We now have in place a refreshed management team under the leadership of Ms Catherine Tanna, who joined us in the middle of the year. Catherine brings a wealth of experience and knowledge along with a fresh approach to the business. The strong, new management team at EnergyAustralia will make it a priority to optimise operations and portfolio position to restore value for shareholders.

Managing Climate Change

The announcement by Chinese President Xi Jinping and US President Barack Obama that they will commit to targets for cuts in their respective nations' carbon emissions has given a fresh dose of optimism to negotiations aimed at reaching a new international climate treaty in the United Nations Climate Change Conference in Paris at the end of this year. At the same time, it put into sharp focus the slow pace of national and international policy support for carbon abatement since we published our Climate Vision in 2007 and the continuing regulatory uncertainty that we must contend with in running our business.

It is clear that, absent a material price on carbon, coal will continue to play a large role in meeting the growing need for affordable electricity in Asia for the foreseeable future. As a result, some of the most attractive investments in our growth markets will continue to be coal-based projects. We believe renewable energy will continue to play a role in Asia but its higher cost along with practical limitations such as grid restrictions and dependence on large areas of land, limit the pace and scale of its development in our region.

These factors significantly increase the challenge of achieving the interim targets outlined in our Climate Vision 2050. Our long-term goal is to reduce the carbon intensity of our generating portfolio by 75% by 2050. To that end, renewable energy plays an increasing role in our future growth plans. In fact, under our investment strategy over the next 10 years we have allocated 50% of our investment capital outside Hong Kong to renewable energy development. However, increasing renewable energy alone is not sufficient to achieve these steep reduction targets. We will also need to maximise the efficiency of our thermal projects, reduce our exposure to older coal-fired generation over time – such as the closure of Wallerawang in Australia – and continue to look for nuclear project opportunities. As for the interim targets in our Climate Vision, we recognise the very difficult challenge we have set ourselves and we acknowledge that Government policies will play a key role in the timing of when we achieve our targets. Nevertheless, we remain committed to working towards our goals.

Funding Our Business

Investment goes hand in hand with financing. In terms of funding, our goal is to maintain our existing good investment grade credit rating and dividend practice. Our investment over the next decade will mainly be funded by retained earnings and judicious borrowings. We expect to invest 50% of our investment funds in Hong Kong and 50% in our other markets. The same split applies to thermal and renewable projects. Some important strategic investments may arise that would require us to take special measures to fund. These will be considered on their merits if and when they arise.

Our Team

Any company is only as good as the people who work in it, and CLP is no exception. Our greatest assets are our employees. We have an extraordinarily talented multi-disciplinary employee base whose team work and collegiality is a source of great pride to the Company. We will continue to grow and develop our employees' skills and strengths through leveraging our capabilities across the Group so that they will continue to be instrumental in delivering the promise of our new strategy in the coming decade. As Chief Executive Officer of the Group, I have no greater priority or commitment to our team.

Conclusion

In 2014, our focus on the business delivered improvement in earnings and established sound platforms for growth. Our Hong Kong business continued to perform well, whilst the aggregate performance from overseas improved.

In the coming year, we recognise there are specific issues we need to address in each of our markets. In Australia, where market conditions are expected to remain extremely challenging, we are addressing those issues in our control by reducing costs, improving efficiencies and working to optimise our operations and portfolio position. However, there are no quick fixes to the issues the industry faces and should oversupply in the wholesale market continue unabated, the value of generation assets may be hard to sustain. Our focus in India will be to improve operational efficiency and ensure continuing access to imported coal, whilst growing our wind portfolio. In the Mainland, we will progress construction of Fangchenggang II and continue to develop renewables projects. In Hong Kong, we will continue to focus on our excellent operational and environmental performances and cost management, and will actively engage in the public consultation on the regulatory structure of Hong Kong's electricity sector.

We have a long and proud record of service to the communities in Hong Kong and in other locations where we operate. Since our founding in 1901, CLP has come a long way. We have grown from a company operating solely in Hong Kong to a leading energy provider in the Asia Pacific. I am confident that our updated investment strategy of "Focus · Delivery · Growth" will provide the platform for great achievements for the Group in the decade ahead.

Richard Lancaster

FINANCIAL PERFORMANCE

Operating earnings raised 8.1% to HK$10,062 million. Total earnings increased by 85.2% to HK$11,221 million after the net gain on CAPCO and PSDC acquisitions, the impairment provision for Narrabri Coal Seam Gas Project and other one-off items.

	2014		2013		Increase
	HK$M	HK$M	HK$M	HK$M	HK$M
Electricity business in Hong Kong (HK)		7,777		6,966	811
PSDC and sales to Guangdong from HK	71		125		
Power projects in Mainland China	1,579		2,131		
Electricity business in India	270		184		
Power projects in Southeast Asia and Taiwan	297		241		
Energy business in Australia	756		126		
Other earnings	(66)		(17)		
Earnings from other investments/operations		2,907		2,790	117
Unallocated net finance costs		(36)		(26)	
Unallocated Group expenses		(586)		(423)	
Operating earnings		10,062		9,307	755
Net gain on CAPCO and PSDC acquisitions		1,953		-	
Australian one-off items include impairment provision for Narrabri Coal Seam Gas Project in 2014/impairment provisions for generation assets in 2013		(881)		(2,582)	
Revaluation gain on Argyle Street site		245		-	
Impairment provisions for Dali Yang_er in 2014/Paguthan, CSEC Guohua and Shenmu in 2013		(158)		(590)	
Divestment from Boxing Biomass		-		(75)	
Total earnings		11,221		6,060	5,161

Hong Kong

Earnings from our Hong Kong electricity business were HK$7,777 million, an 11.6% increase from HK$6,966 million in 2013. This was mainly attributable to the share of additional 30% of CAPCO's earnings following the completion of the acquisition of CAPCO in May 2014, and the increase in permitted return from a higher level of average net fixed assets.

In 2014, we recognised a one-off gain of HK$1,953 million, which represented the deemed disposal gain on previously held interests in CAPCO (40%) and PSDC (49%), net of the loss on settlement of a pre-existing finance lease arrangement with CAPCO.

Mainland China

Operating earnings from Mainland China totalled HK$1,579 million in 2014, a drop from HK$2,131 million in 2013.

Earnings from our 25% stake in the Daya Bay Nuclear Power Station rose by 30.1% as a result of the better performance in safety, operation and cost management.

Earnings from coal-fired projects decreased from HK$1,177 million in 2013 to HK$719 million in 2014, partly because earnings from the CSEC Guohua and Shenmu power projects were not shared under the Share Transfer Agreement signed in April 2014 (notwithstanding the Agreement subsequently lapsed on 31 December 2014). Earnings contribution from Fangchenggang decreased due to fewer units sold and expiry of an income tax credit, partly offset by lower coal prices.

Earnings from renewable projects also dropped due to lower water flows and poor wind resources. In addition, Jiangbian Hydro and Huaiji Hydro were affected by damages caused by heavy rains during the year. Performance of Jinchang Solar was negatively affected by grid curtailment.

In view of lower utilisation hours as a result of poor water flows and the lack of revenues from Clean Development Mechanism (CDM), an impairment provision of HK$158 million for Dali Yang_er Hydro was made.

India

Operating earnings from CLP India increased from HK$184 million in 2013 to HK$270 million in 2014, mainly contributed by Jhajjar as a result of improved coal supplies, lower net loss on translation of US dollar borrowings and fair value of related derivatives. Earnings from Paguthan and wind projects remained at similar levels as in 2013.

Southeast Asia and Taiwan

Operating earnings from our investments in Southeast Asia and Taiwan in 2014 increased to HK$297 million, compared with HK$241 million in 2013. Earnings from Ho-Ping Power Company (Ho-Ping) were higher mainly because in 2013 there was a one-off provision (HK$60 million) for a penalty imposed by the Taiwan Fair Trade Commission (FTC). Earnings from Lopburi solar project (Lopburi) improved due to the commissioning of an 8MW expansion in May 2013 and higher solar irradiance.

Australia

EnergyAustralia's operating earnings increased by HK$630 million to HK$756 million in 2014. The rise in earnings was attributed to lower depreciation and amortisation on reduced asset bases after the 2013 impairment, decreased finance costs resulting from lower interest rates, and lower bad debt provision, but partially offset by reduced electricity gross margin. The decrease in electricity gross margin was due to reduced wholesale margin brought mainly by falling forward prices, the impact of carbon tax and the related compensation repeal, and depreciation of Australian dollar, but benefited by increased retail margin.

In 2014, an impairment provision of HK$1,578 million (A$248 million) was made on the Narrabri Coal Seam Gas Project, in which EnergyAustralia holds a 20% interest. The provision was made based on additional drilling data and analysis that reflected a reduction in the estimated total gas reserves and a fall in estimated daily production. Together with a gain on the early termination of an energy agreement (HK$152 million) and a one-off net tax credit (HK$545 million) relating to settlement of outstanding matters with the Australian Taxation Office, EnergyAustralia recorded a non-recurring loss of HK$881 million.

BUSINESS PERFORMANCE

Electricity Business in Hong Kong

<u>Operational Performance</u>

One of the key cornerstones by which we measure our performance is our ability to meet demand for electricity in Hong Kong, every day and every year. This was again achieved last year.

In 2014, local sales of electricity reached a record high, increasing 3.6% year-on-year to 32,925 gigawatt hours (GWh). A breakdown of the changes during the period by sector is as follows:

Local Sales	Increase/(Decrease)		As Percentage of Total Local Sales
Residential	792GWh	9.1%	29%
Commercial	164GWh	1.3%	40%
Infrastructure & Public Services	227GWh	2.7%	26%
Manufacturing	(41GWh)	(2.2%)	5%

Compared with 2013, sales to the Residential sector recorded a significant increase of 9.1% due to a higher heating and dehumidifying load in the first quarter and an increase in the cooling load in the summer. This was illustrated by a new maximum demand record of 7,030MW on 23 July 2014. The new record is 3.9% above the previous peak of 6,769MW recorded in 2012. At the new peak, our generation reserve margin, a measure of installed capacity in excess of peak demand, was reduced to just 26.4%, against the range of 20% to 35% recommended by the International Energy Agency.

Sales to the Mainland amounted to 1,226GWh, a decrease of 25.7% from 2013, because of lower committed sales to Guangdong Power Grid Co., Ltd. in 2014.

Total electricity sales, including local sales and sales to the Mainland, increased by 2.1% to 34,151GWh.

During 2014, we invested HK$7.8 billion in generation, transmission and distribution networks, as well as customer services and supporting facilities, to enhance the reliability and security of our supply system. These investments safeguarded the timely provision of electricity supply for our customers and new infrastructure projects, including new data centres, the developments in Kai Tak and West Kowloon, Hong Kong-Zhuhai-Macau Bridge and the rapid expansion of Hong Kong's railway network.

We are aware of the impact of tariff adjustment on people's livelihood and business. Therefore, continuous efforts are being made to manage our costs carefully in order to mitigate the pressure on tariffs so that we can service our customers with reasonably-priced electricity. In 2014, we continued to exercise prudent cost management, as discussed in the CEO's Strategic Review.

As we have foreshadowed in previous public statements, we will need to use more expensive natural gas to generate electricity in order to fulfil our emissions obligations. Consequently, our generation costs will rise as our fuel costs increase. In 2015, the annual emission caps of our power plants are reduced by a range of 35% to 65%. To meet these new requirements, our gas consumption volume this year will almost double that of 2014, leading to around 50% increase in our projected fuel costs.

During 2014, we undertook active measures to reduce our costs and to optimise the use of coal, whilst still meeting our emissions targets. As a result, our Fuel Clause Account recorded a positive balance. This has helped us mitigate the impact of higher gas price and limited the increase in Fuel Cost Adjustment for 2015 to 4.6 cents per unit of electricity. Due to our operational efficiency and cost containment measures, we were also able to reduce the Average Basic Tariff by 1.2 cents per unit of electricity to a level lower than that of 1998. As a result, our Average Total Tariff increased by 3.1%, significantly lower than the original projection in our Five Year Development Plan.

Another factor that contributed to the reduction in 2015 Average Basic Tariff is the Tariff Stabilisation Fund (TSF) mechanism, the main purpose of which is to smooth out tariff fluctuations and facilitate tariff reduction where appropriate. The positive TSF balance maintained in the end of 2014 contributed to the reduction in Average Basic Tariff in 2015. This shows that in order to serve its purpose to provide tariff stability, the TSF needs to be maintained at a sustainable level.

Apart from cost-control measures, CLP is committed to investing in new energy efficiency and demand side management initiatives and to help our customers identify energy saving opportunities and better control their electricity usage, especially during times of peak demand. Examples of our initiatives are as follows:

Promoting Energy Efficiency and Conservation

Demand Side Management

- myEnergy, an Advanced Metering Infrastructure (AMI) programme for residential and small-to-medium commercial customers, completed an 18-month pilot. It obtained valuable information to work with customers on energy efficiency measures and to encourage behavioural changes.
- Almost all larger-scale commercial and industrial customers who participated in the Automated Demand Response programme achieved and exceeded their pre-agreed load reduction targets and saved on their energy bills.
- Our Home Energy Report pilot scheme is available to all of our 2.1 million residential customers. The individually tailored web-based report enables customers to analyse their electricity usage by comparing to other similar households and provides useful energy saving tips.

Awareness Building Campaigns

- About HK$830,000 has been approved since the CLP Eco Building Fund was launched in June. Another 21 applications were under assessment by the end of 2014.
- The “Save Now for a Better Living” TV infomercial was launched in mid-2014. The programme used entertaining presentation methods to bring home the message of saving energy.
- The GREEN^{PLUS} Experience Centre in Sham Shui Po was officially launched in May to assist small businesses to save energy and costs. It was followed by the GREEN^{PLUS} Recognition Award, recognising a total of 63 businesses and organisations for their achievements in saving energy.

Energy Efficiency Education

- More than 6,400 primary school students and teachers of Tung Wah Group of Hospitals practised green living using the educational kits provided by Green Elites Campus Accreditation Pilot Programme.
- More than 5,500 primary school students have enrolled as Green Elites at the Green Elite Portal to put their green knowledge into practice.

On the policy front, we submitted our response to the HKSAR Government's public consultation on the future fuel mix for electricity generation in May 2014. The consultation looked ahead to the need for new generation and electricity transmission infrastructure in the next decade and proposed two options: the first assuming that approximately 30% of Hong Kong's future electricity needs are met through imports of grid power from the Mainland and the second by building additional gas units for local generation.

We believe that both options have opportunities and challenges and that the community does not have to make a definitive choice between the options now, nor do we believe both should be implemented at once. As such, we believe a phased and flexible approach in a long-term plan that seeks to maximise the advantages of each proposal at the minimum cost to customers would be preferable. It would allow Hong Kong more time and options to gauge what is the best way forward whilst maintaining the reliability and security of our electricity supply. In our response, we also called for work to begin planning for a small number of additional gas units in Hong Kong and a detailed study on how the Mainland could provide highly reliable supplies of low-carbon energy at a reasonable cost.

To facilitate an informed discussion in the society, we provided information to the Government and our key stakeholders and participated in a number of events organised by third parties. We also supported research, projects and conferences conducted by academia to gain insights into various aspects of energy issues.

During the consultation period, over 86,000 public responses were submitted to the Government. The enthusiastic response reflected on the importance of the topic, as policy decisions taken by the Government will affect not only our future environmental performance, but also the reliability of our electricity supply and our tariffs for decades to come. Whilst we are awaiting the publication of the results of the consultation and the way forward suggested by the Government, in order to meet our electricity needs in 2020, we have commenced an initial feasibility study of the development and construction of new gas-fired generation facilities at our existing power station sites.

In a move that reaffirmed our commitment to continue to serve Hong Kong and gave us more control over our core generation assets, we successfully increased our interest in CAPCO from 40% to 70% in 2014. As a majority shareholder of CAPCO, CLP is now able to implement more operational and strategic initiatives that are aligned with the long-term interests of Hong Kong. Our cooperation with China Southern Power Grid Co., Limited in the transaction has also fostered a strategic relationship that may bring to us new business opportunities over time. In parallel, we have also raised our shareholding in PSDC from 49% to 100%.

Despite the passage of Typhoon Kalmaegi in September 2014 which caused some outages to our distribution overhead network, CLP continued to operate one of the world's most reliable electricity supply systems. Between 2012 and 2014, a typical CLP customer experienced an average of 2.3 minutes of unplanned power interruptions per year, as compared to 16-30 minutes in New York, Sydney and London (between 2011 and 2013). This demonstrates CLP's continual efforts in improving the resilience of our power supply system through network reinforcement, asset refurbishment, preventive maintenance and emergency preparedness.

To mitigate the risks arising from the effects of super typhoons such as flooding, CLP developed a flood calculator to predict flooding risks in substations, conducted improvements to flood-prone substations, and continued to strengthen our transmission infrastructure including towers and foundations.

In 2014, we once again met all 12 performance pledges which are described on our website. Our performance pledges set out our targeted performance in areas of particular importance to our customers, including reliable electricity supply and prompt responses to emergency service hotlines. In October 2014, we launched a new electricity bill that is easier to read and offers more value-added information to our customers such as energy saving tips. We will continue to focus and improve our customer services including billing and payment services, customer communications, account management services, energy efficiency and conservation services.

Environmental Performance

Air Emissions

Air emissions remain the most material environmental issue associated with CLP's operations in Hong Kong. Over the last two decades, we have concentrated our efforts on reducing emissions and, in spite of an approximate 80% increase in electricity demand, we have managed to reduce our emissions of sulphur dioxide (SO_2), nitrogen oxides (NOx) and respirable suspended particulates (RSP) by about 80%.

Emissions levels from our power stations are dependent mainly on fuel quality, emissions control technology, and how much electricity is generated. In 2014, we continued to optimise our diversified fuel mix strategy, increase the use of more low emissions coal, enhance the effectiveness of the emissions control facilities and make the best use of natural gas. As we have mentioned on various occasions previously, natural gas supplies from Yacheng gas field continued to shrink, and the new gas available through the WEPII is much more costly. We will continue to adjust our fuel mix to strike a balance between cost and emissions requirements. Our air emissions performance in 2014 remained steady within the range of typical operational fluctuations and complied with all regulatory requirements.

CLP met the stringent emissions caps set out by the HKSAR Government in 2014. Again, we are set to meet the caps for 2015, which require CLP to reduce its SO_2 emissions by more than 60%, and NOx and RSP emissions by more than 30% respectively from 2010's levels, while maintaining a reliable electricity supply and a reasonable tariff level.

Environmental Regulatory Compliance

In 2014, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our Hong Kong assets in which we had operational control.

Outlook

Looking ahead, we will continue to implement operational measures to better align our long-term strategies with the needs and development of Hong Kong.

The Government has acknowledged that the current regulatory framework has served Hong Kong well in striking a balance between its policy objectives of a safe, reliable and efficient supply of energy at reasonable prices, while minimising the environmental impact of electricity generation. It has also noted that tariffs in Hong Kong compare favourably with those in other metropolitan cities. Meanwhile, our supply reliability exceeds 99.999%, and our emissions have been reduced significantly over the years. During the past decades, improvements have been made to the SoC Agreement to improve its operations, promote transparency and ensure that consumers' interests are addressed.

Notwithstanding the above, because the current SoC Agreement will expire in 2018 unless extended, the Government has announced it will launch a public consultation on the future development of the electricity market and its regulatory framework. We will actively participate in and contribute to an informed discussion.

In the coming years, natural gas will clearly play a more important role in power generation in Hong Kong. We continue to prepare for all feasible options to enable us to source new gas supplies once Hong Kong's future fuel mix is determined. Having access to liquefied natural gas (LNG) import infrastructure will be vital for us in obtaining competitively-priced gas. One option is an LNG Terminal in Shenzhen which is one of the three new gas sources stipulated by the Memorandum of Understanding (MOU) on energy cooperation signed between the HKSAR Government and the Central People's Government in 2008. A variation of this option is a floating LNG storage regasification unit in Hong Kong, a feasibility study of which is currently underway. Apart from these, we are exploring alternative offshore gas supply from the South China Sea, which is also one of the future new gas sources under the MOU. In addition, we will continue our feasibility study of new gas-fired generation facilities in Hong Kong.

In Hong Kong, we note that there are growing demands for clean air, thus a strong drive for businesses to reduce emissions and for the Government to step up monitoring and controls over emissions performance of businesses. Whilst we will continue our endeavour to power Hong Kong responsibly, we will introduce more energy efficiency services and tools to help our customers save energy and reduce their electricity expenditure.

CLP has been serving Hong Kong for more than 113 years, providing a highly reliable and cost-effective power supply. As a member of the Hong Kong community, we always bear in mind the long-term interests of Hong Kong's people and look to create long-term value for our city.

Electricity Business in the Mainland China

Operational Performance

Mainland China's energy sector experienced slow growth in 2014 as the decelerating global and domestic economies translated into tepid demand for electricity. However, performance of our operations remained steady and CLP continued to implement its selective investment strategy and expand its portfolio in renewable energy and high-efficiency coal-fired generation.

Throughout the year, our coal-fired projects continued to perform reliably. Although the on-grid tariffs for our coal-fired projects were reduced from 1 September 2014, this reduction was more than compensated by the fall in coal prices. Earnings of Fangchenggang were affected by lower electricity despatch, due to competition from increased hydro generation in Guangxi Zhuang Autonomous Region. Construction of Fangchenggang II commenced in 2014 and continues to progress on schedule for planned commissioning in 2016.

In 2014, our wind projects on the Mainland were affected by low wind speeds, which were below the average of the previous two to three decades. However, grid curtailment in Jilin has slightly improved during the year.

On the project development front, we continued to expand our presence in the wind sector. In Shandong, our new 49.5MW, wholly-owned wind power project Laiwu I, has been operating smoothly since commercial operation began in January 2014. We have also obtained approvals from the relevant provincial governments for four additional wholly-owned wind projects (Xundian I in Yunnan, CLP Laizhou I and Laiwu II in Shandong, and Sandu I in Guizhou) with a total generation capacity of around 250MW. Sandu I started preparatory construction work in December.

Our solar project in Jinchang in Gansu Province (85MW, 51% owned by CLP) has been affected by grid curtailment because of the commissioning of other thermal and solar power plants in the region and flat local demand. We expect resolution of the situation in 2016 when the inter-provincial transmission network, currently under construction, comes online. Our 42MW, wholly-owned Xicun Solar Power Station in Yunnan achieved commercial operation in December 2014. Sihong Solar Power Station in Jiangsu (93MW, 51% owned by CLP) commenced commercial operation on 1 February 2015.

Natural disasters affected some of our assets throughout 2014. Serious flooding in May forced us to shut down half of Huaiji Hydro's 12 power stations. In July, the impact of typhoon Rammasun damaged the boiler structure of one of Fangchenggang's two generating units, which subsequently was taken out of service for repair. Two months later in neighbouring Sichuan Province, a landslide damaged a section of a 220kV transmission line of the Jiangbian Hydro Power Station. No casualties were reported in any of these incidents. All repair works had been completed, with most equipment damage covered by insurance.

In line with our strategy to pursue majority-owned projects in the Mainland, an agreement was signed in April 2014 to divest our interest in CLP Power China (Tianjin) Limited and CLP Power China (Shenmu) Limited, which hold minority interests in the CSEC Guohua and Shenmu coal-fired power projects respectively. Completion of the transaction was subject to a restructuring of internal shareholdings which in turn required obtaining certain corporate and regulatory approvals by 31 December 2014. However, as of 31 December 2014, the internal restructuring was not completed because certain regulatory registration procedures remained outstanding. As no extension of the completion date was agreed, the agreement lapsed on 31 December 2014. The deposit of 10% of the total consideration was refunded in January 2015. CLP has no additional liability in this transaction.

Guangdong Daya Bay Nuclear Power Station (GNPS) continued to operate smoothly in 2014. The plant achieved an utilisation rate of 88% in 2014, compared to 86% in 2013, despite one of its two units undergoing a 3-month planned maintenance outage as required by the National Nuclear Safety Administration every 10 years. GNPS also maintained its excellent safety record and received favourable assessments from the World Association of Nuclear Operators for its performance during the year. A "Below Scale" Licensing Operational Event (also known as a Level 0 event under the International Nuclear and Radiological Event Scale) occurred in December. This event had no safety implications and caused no reduction to the supply of electricity. In May 2014, GNPS celebrated its 20th anniversary of commercial operation. Our partnership with China General Nuclear Power Corporation (CGNPC) has been extended to 2034.

CGN Power Co., Ltd. (CGN Power), previously a wholly-owned subsidiary of CGNPC, was listed on the Hong Kong Stock Exchange in December 2014. Being CGNPC's long-term strategic partner, CLP participated in CGN Power's initial public offering and became one of its cornerstone investors.

<u>Environmental Performance</u>

Air Emissions

The overall emissions levels of Fangchenggang were low in 2014 compared to 2013's mainly due to lower despatch. Fangchenggang was retrofitted with a selective catalytic reduction unit which was commissioned in 2014. This substantially reduced NOx emissions. The upgrade means that Fangchenggang now meets the tighter emissions requirements on NOx that take effect in 2015.

Environmental Regulatory Compliance

In 2014, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for our assets in Mainland China in which we had operational control.

An on-site environmental examination was conducted by Gansu Provincial Environmental Bureau on our Jinchang solar project in December 2014. The inspection formed part of the plant's overall final acceptance procedure to ensure that all environmental requirements stipulated in the environmental impact assessment have been satisfactorily implemented. We have already obtained final approval in early 2015.

Increasing Environmental Requirements

The Mainland Chinese Government has issued emissions control enhancement requirements for coal-fired power stations in certain provinces for 2014-2020. Although Fangchenggang is located in Guangxi and is not subject to these requirements, we are studying the requirements in case they may become applicable in the future. Fangchenggang will monitor the development and work closely with the local government.

Outlook

As part of its sustainable energy policy, the Mainland Government has made it clear that it will continue to support the development of clean energy including renewable, nuclear power and high-efficiency coal-fired power generation. Looking ahead, we will continue our strategy of selective investments in these areas.

On top of our already strong wind and hydro portfolio, our plan to construct Fangchenggang II and our two solar projects are good examples of our strategy at work. In the coming year, during which we expect coal price to stabilise, we will continue to strengthen the operational performance of Fangchenggang I and press ahead with the construction of Fangchenggang II. Fangchenggang is situated in a strategic location with an industrial park in its proximity, which represents significant potential demand for both electricity and heat. As such, we are retrofitting the power station to include steam supply capability and are currently exploring plans to supply steam to the nearby factories. If contracts are reached, this will bring additional revenues. As we will need to provide a continuous supply of heat to our customers, the arrangement will help Fangchenggang to secure more electricity generation hours.

In 2015, we expect GNPS to continue its steady performance. Following the completion of the major planned maintenance outage for Unit 2 in January 2015, we plan to carry out the same maintenance programme for Unit 1 in the first half of 2015.

In wind, full-scale construction of the Sandu I wind project is on track to commence in the first quarter of 2015. For the other three wind projects that have already obtained provincial government approvals, we aim to start construction in the later part of the year. We are keeping a close eye on the grid curtailment issues throughout the Mainland that may adversely affect our renewable projects.

China is expected to reform the power sector in the 13th Five-Year Plan Period (2016-2020) to improve efficiency of the industry. We will closely monitor the development and explore growth opportunities in areas where we currently enjoy competitive advantages.

Electricity Business in India

Operational Performance

India is a developing economy with a need for new power generation. It is a land of great potential and represents a primary growth market for CLP. In 2014, CLP India continued to invest in the country to strengthen our position as one of the biggest foreign investors in the power sector.

Our flagship investment in India, Jhajjar Power Plant (Jhajjar), showed a remarkable improvement of its overall operating performance in 2014. For the first time, availability reached 80%, over the minimum requirement to qualify for total recovery of capacity charges. This was achieved despite the poor domestic coal supply situation and thanks to efforts of our Indian team to increase imported coal to meet our generation needs.

Although the new Government has taken steps to improve domestic coal supply, we expect it may take another two to three years before Jhajjar can rely on domestic supply for power generation. In light of the supply shortage, we will continue to improve our sourcing of imported coal to make sure we can meet the demand of our customers. Thanks to the high efficiency of our plant, we are able to offer our customers competitive tariffs and this bolsters our efforts to address the shortage situation.

On the technical front, operations of the plant have been stable. Our two generating units in Jhajjar have both undergone a month-long outage during the year to carry out technical modifications and we managed them without affecting the availability level. In addition, the plant has received the ISO 14001 Environment Management certificate in recognition of its environmental efforts.

Paguthan Power Plant (Paguthan) continued to be available well above the normative levels based on the gas available under existing long-term contracts and, increasingly, spot re-gasified LNG (RLNG). Since spot RLNG is expensive, our customer GUVNL was reluctant to use our power generated from RLNG. This has lowered Paguthan's utilisation level to below 10%. We have renegotiated our PPA pursuant to GUVNL's request for reduction in tariff emanating from low levels of despatch. The new arrangement includes a higher incentive threshold and sharing of some savings with the customer to help reduce its cost of power, while giving us greater certainty for the rest of the PPA tenor.

In an attempt to deregulate gas price in India and encourage companies to invest in new gas fields, the Government raised gas prices from US$4.20 per million metric British thermal units to US$5.61 from 1 November 2014. It has also announced future gas prices would be revised based on international indices every six months. We anticipate the decisions would help enhance gas availability and provide fiscal incentives to reduce the ultimate cost of electricity.

CLP is at an early stage of development of a coal-fired power plant that will use imported coal at Paguthan's existing site, where sufficient space exists. We have signed a MOU with the Government of Gujarat in this regard. However, a final investment decision will only be made after we obtain all environmental approvals and put in place commercial contracts relating to off-take and fuel supply.

2014 also saw Paguthan receive the prestigious Order of Distinction Award for Occupational Health and Safety by the UK's Royal Society for the Prevention of Accidents (RoSPA). This is a significant achievement, considering that the plant has won the RoSPA Gold awards for the past 15 years.

In order to grow our wind energy business, we decided to invest in the 100MW Chandgarh Wind Farm in the central state of Madhya Pradesh in 2014, construction for which has already begun. Addition of this project enhances the size of our wind portfolio in India to over 1,000MW, strengthening our position as India's largest wind power producer.

During the year, we also commissioned 102.4MW of wind projects (Jath 60MW, Bhakrani 25.6MW, Mahidad 16.8MW). However, performance of the wind projects, which started out strongly in early 2014, did not continue through the year. This was largely attributed to the late and short monsoon season, sand storms in Sipla and Bhakrani wind farms in Rajasthan, grid curtailments faced by Theni wind farms in Tamil Nadu, and low wind speed in the final quarter of the year.

Regulators in Rajasthan and Maharashtra have announced marginal hikes of tariffs for wind power projects that are under construction. This will benefit Tejuva and Yermala wind farms in the two respective states. The United Nations Framework Convention on Climate Change has approved the issuance request for over 73,000 Certified Emission Reduction (CERs) or carbon credits for Khandke II and Khandke III wind farms, which will eventually allow us to sell the CERs in the international markets.

Our wind farms received Rs.346 million (HK$42.5 million) in July 2014 under the Generation Based Incentive account, which is provided by the Federal Government to promote wind power generation. The money we received was for the period of October 2012 to September 2013.

During the year, India Ratings and Research (Ind-Ra), the Indian subsidiary of Fitch, has assigned an "IND AAA" rating to CLP India, citing its strong strategic and operational linkages with CLP Holdings, and an "IND AA" rating to CLP Wind Farms (India) Private Limited (CLPWF). Ind-Ra has also upgraded the short-term rating of CLPWF and Jhajjar Power Limited (JPL) to "IND A1+", which is considered an investment grade rating. CLPWF was one of the first wind businesses in India to receive such a high rating. The improved rating allowed both CLPWF and JPL to issue commercial paper at a low cost in the last quarter of 2014.

Environmental Performance

Emissions

Emissions levels at Paguthan remain low as the fuel gas supply issue has yet to be resolved. To increase transparency, the station began to display its environmental parameters (SO_2, NOx, effluent pH, effluent flow) at its main gate in June.

We have experienced some difficulties in particulates emissions at Jhajjar in the later part of 2014 resulting in occasional periods of license exceedance. The exceedances were related to plant operational issues and were mitigated by load reductions or plant shut-downs. The underlying plant issues are being actively addressed. We have reported the matter to the local government, and have not received any sanctions.

Climate Change

We have completed the climate adaptation assessment in the first quarter of 2014 for two of our wind farms, namely Harapanahalli and Saundatti. This is the first study of its kind for our wind farm projects. We will learn from the assessment to accumulate experience for CLP Group of how climate change could affect our wind farm operations and include such learning in our future wind farm developments.

Environmental Regulatory Compliance

In 2014, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our Indian assets in which we had operational control.

Outlook

Demand for electricity is immense in India. However, power shortages remain commonplace especially in the country's rural parts and during peak hours. Though this creates potential opportunities for power companies like CLP, the sector still faces major challenges on multiple fronts. Domestic fuel supply in India has been slow to catch up with the expansion of generation capacity. On the one hand, shortage of domestic gas supply means new gas projects are unlikely. The lack of choices, on the other hand, may create the need for more affordable coal-fired generation in the future.

Election of the new Federal Government in the first half of 2014 has provided encouraging signs to the energy sector. The new Government has already taken steps to improve the situation of the power supply in the country and attract new investments. To address one of the perennial issues of inadequate domestic coal supplies, it has asked Coal India to double its production in the next 5 years. It has also, in a transparent manner, started fresh allocations of over 200 coal blocks that were recently cancelled by the Supreme Court after ruling the initial selective allocation process was arbitrary and illegal. However, as the coal shortage problem is expected to remain in the short term, we will closely monitor the situation. On top of that, we are in discussion to increase the blending of imported coal from 35% to 50%, which will further improve our coal supply position.

In another step, the Government in December tabled the Electricity (Amendment) Bill 2014. Some of the salient changes proposed aim at enhancing grid safety, unbundling the distribution sector to separate the wire and supply businesses promoting renewable energy and rationalising tariff. In order to develop smart grid and to meet its commitment of providing round-the-clock and reliable electricity supply to every household in the nation within 5 years, the Government is modernising the country's transmission and distribution infrastructure in earnest.

In addition, responding to the strong feedback from private investors including CLP, the Government is reviewing the bidding process for new power projects. Consultation is ongoing and we hope the new procedures will encourage more participation from the private sector.

Since the formation of the new Government, foreign investment inflows have accelerated and inflation levels are also coming down from persistent high levels. The Reserve Bank of India, the country's Central Bank, announced a rate reduction in January 2015. We believe it will lead to cuts in the high lending rates charged by Indian banks and benefit CLP India.

A major element of our strategy in India is to pursue high-efficiency imported coal-fired projects. In 2015 and beyond, CLP India will step up our import of coal to make up for the shortfall in local supply. As mentioned earlier, we also have very initial plans for a project in Paguthan. We will explore the various options for the future of the plant.

In the area of renewables, India possesses adequate resources and the new Federal Government encourages development in the renewable sector. It is expected to invest around US$100 billion over the next 4 years to strengthen India's energy security and lower its dependence on coal based generation. It aims to attract new investments by providing tax breaks and cheaper loans. We will continue to monitor the situation and improve the profitability of our wind investment. We will also explore opportunities in setting up new wind farms in a wider geography beyond the existing five states in which we have established our presence.

Meanwhile India's solar power generation is approaching grid parity or the point where it can generate electricity at cost levels comparable to that of using conventional technologies. As such, we will seek opportunities in the solar sector to strengthen our leadership position in renewable energy in India.

Electricity Business in Southeast Asia and Taiwan

Operational Performance

In Southeast Asia and Taiwan, CLP's strategy is to focus on our existing investments and development projects, which include Ho-Ping in Taiwan and the Lopburi in Thailand and our two coal-fired development projects in Vietnam.

CLP's involvement in Ho-Ping stretches back to the mid-1990s. Currently we have a 20% interest in the project to which we continue to provide support, particularly in the areas of operation, maintenance and coal procurement. During 2014, Ho-Ping successfully completed a major overhaul of a generating unit and operated reliably. The good operational performance, together with low coal prices, enabled Ho-Ping to achieve another year of solid financial performance.

2014 saw the continuation of Ho-Ping's litigation against a penalty of NT$1.32 billion (HK$343 million, CLP's share was HK$60 million, net of tax) imposed by FTC, which has been reported previously. In October 2014, Ho-Ping received a favourable ruling from the Taipei High Administrative Court (THAC). However, this decision was appealed to the Supreme Administrative Court by FTC. Ho-Ping will continue to pursue and defend its positions.

In Thailand, Lopburi, which is owned by Natural Energy Development Co., Ltd. (NED), entered its second year of full operation. CLP owns a 33% share in NED and continues to provide management leadership and technical support to the asset. NED recorded strong earnings in 2014 thanks to high availability and good solar resources.

In Vietnam, we continue to progress our two coal-fired development projects, Vung Ang II and Vinh Tan III. These projects have been under development for some years. For Vung Ang II, progress was made in 2014 in negotiating with the Vietnamese Government the build-operate-transfer contract (BOTC) and PPA, whilst contracts for the construction and the supply and transportation of imported coal have been finalised. For Vinh Tan III, negotiations on PPA and BOTC as well as finalisation of equipment supply and construction contracts continued throughout 2014.

Whilst it is difficult to forecast accurately the timing of progress on these projects, Vung Ang II is reaching the stage in negotiations with the Vietnamese Government where we will be able to decide whether the project can progress sufficiently to allow negotiation with financers to commence.

Environmental Performance

Ho-Ping's Coal Consumption Limit Litigation

As described in previous Annual Reports, Ho-Ping was fined NT$442 million (HK$116 million) for exceeding the coal consumption limit set in its environmental impact assessment report for the years 2009 and 2010. Whilst Ho-Ping has received a favourable judgment from the THAC against the level of the fine, the Hualien County Government has won its appeal to the Supreme Administrative Court, which subsequently ordered THAC to retry the case. Ho-Ping will continue to defend its position in the upcoming proceedings.

Outlook

Ho-Ping is CLP's anchor project in Southeast Asia and Taiwan, and we anticipate that it will continue to generate stable earnings and cash flow for the Group. Land is available at an adjacent site for expansion. However, whether the expansion will go ahead depends on Taiwan's energy policy and fuel choice for future power generation capacity, which we believe will remain unclear in the near to medium term.

In Thailand, it appears that opportunities for new independent power producers or renewables projects would be limited in the near future. We shall, therefore, concentrate our efforts on maintaining good operational and financial performance of Lopburi.

We believe our coal-fired development projects in Vietnam could help alleviate the country's electricity shortage issues. We are continuing to negotiate these projects with the Vietnamese government with a clear view to securing competitive tariffs on robust terms to allow financing to proceed. Final investment decision on these projects will be made after the project's timeline and economics are thoroughly ascertained.

In addition to managing our existing operating assets and development projects, we will closely monitor developments in other Southeast Asian markets, especially those where long-term PPAs are still available. In the coming years, Southeast Asia and Taiwan will remain secondary growth markets for CLP.

Energy Business in Australia

Operational Performance

Whilst the business environment was difficult with low wholesale prices and continuing high levels of competition in energy retail markets, EnergyAustralia remained focused on managing costs and making operational efficiency improvements throughout 2014. EnergyAustralia integrated two customer bases onto a single billing system, launched a number of new customer services, closed the Wallerawang Power Station in NSW, negotiated the termination of an onerous long-term PPA inherited from Ausgrid in NSW and reduced costs in a number of areas, including centralising those functions best managed at the corporate level.

Business Environment and Corporate

Electricity demand in the National Electricity Market (NEM) fell for the sixth consecutive year in 2014, providing downward pressure on wholesale prices. Government policies surrounding renewable energy and approvals for energy resource developments remained uncertain. Gas prices are rising along with the cost to find and develop new resources. All these factors have put pressure on our generation business.

The retail environment continued to be characterised by high levels of competition, with churn rates – while lower than 2013 – remaining high. Although some consolidation of second-tier retailers occurred in 2014, smaller retailers remain very active and aggressive price discounting activities have continued in the market.

The Australian Government repealed the Clean Energy Future legislation in July 2014. The move means EnergyAustralia will not receive any future transitional support payments for which the Yallourn Power Station was eligible. Another key policy area is the Renewable Energy Target (RET) scheme. The current design of the RET has a fixed volume target, leading to higher proportions of renewable energy coming into the NEM as demand falls. Based on forecasts, the current legislated 41,000GWh target is projected to account for 27% to 30% of total energy sources in 2020. To assist with balancing supply with demand, EnergyAustralia has advocated for a downward adjustment to the target to a 20% proportional RET by 2020.

Following an extensive domestic and international search, Catherine Tanna was appointed EnergyAustralia's new Managing Director effective 1 July 2014. Ms Tanna has extensive experience in the gas and energy sector having had various senior roles at BHP Petroleum and Royal Dutch Shell before taking a senior executive role with the BG Group in Australia in 2009 and becoming BG Group's Chairman in Australia in 2012. She has been on the Board of the Reserve Bank of Australia since 2011 and represents EnergyAustralia on the Business Council of Australia. Catherine has refreshed the EnergyAustralia management team. The team's focus is to optimise operations and the company's portfolio position to restore value.

Retail

In November 2014 EnergyAustralia successfully completed the integration of its two major customer bases onto a single billing system by migrating 1.2 million customers from the NSW Government Ausgrid system onto the Customer First (C1) billing system. The completion of the migration brings the TSA with the NSW Government to an end. We expect an annual retail operational savings of A$100 million to be achieved by 2016 compared with 2013 through a combination of the end of the TSA and further process and operational improvements to C1 through 2015.

EnergyAustralia also introduced a number of operational efficiency improvements to support the successful migration of customers from Ausgrid onto the C1 system, including:

- expanding service capabilities by opening a new call centre in Geelong to support additional customers no longer serviced under the TSA;
- adjusting the call flow service model to improve customer experience; and
- introducing changes to the delivery of the back office functions to streamline customer billing, registration and credit management processes.

The technical upgrades to C1 during 2014 not only supported migration but also assisted in further reducing the total unbilled active accounts, which reached their lowest level on record in November 2014 of 0.08%.

Although retail competition in EnergyAustralia's two major retail markets, NSW and Victoria, remained robust in 2014, EnergyAustralia achieved lower churn rates than the industry average in both states. In Victoria, EnergyAustralia's churn rate was 22.5% whereas the industry rate was 25.0%. In NSW, EnergyAustralia's churn rate was 11.9% compared with 14.3% in the industry.

Aggressive retail competition and price discounting throughout 2014 resulted in a 1.7% year-on-year decline in the number of mass market customer accounts to 2.6 million by the end of 2014. On a positive note, EnergyAustralia strengthened sales capabilities throughout 2014, leading to faster registration of new accounts and enhanced customer retention activities. As a result, customer accounts increased 0.9%, or approximately 24,000, for the second half of 2014 compared to first half of 2014.

Retail electricity prices in NSW were deregulated from 1 July 2014. As an incumbent retailer, EnergyAustralia agreed to a two-year transitional retail tariff whereby households who have not switched over to a market rate received a 1.5% reduction in their rate compared to the most recent regulated price. In the longer-term deregulation provides the opportunity to offer tariff structures which better reflect customer's needs and to better manage tariffs in line with the true cost to the business.

In order to meet customers' expectations for additional value-added services, EnergyAustralia introduced two new offerings in 2014. In July, MyAccount was launched, providing customers with a secure on-line portal to view current and past bills, pay bills and update their account details. Around 78,000 customers had signed up to MyAccount by the end of 2014. In September, a new Home Services programme commenced, offering customers a tailored end-to-end service to provide, install and maintain heating, cooling, hot water and solar photovoltaic systems.

Wholesale

In a difficult wholesale market, operational performance across EnergyAustralia's assets was positive in 2014. Yallourn and Tallawarra power plants underwent major planned outages in 2014. Both were completed on time and within budget.

In November 2014, EnergyAustralia announced the permanent closure and decommissioning of Wallerawang Power Station in NSW. The closure was in response to on-going weak wholesale prices and the lack of competitively priced coal supply.

EnergyAustralia also successfully negotiated the early termination of a long-term contract it inherited from Ausgrid. The termination of the contract releases EnergyAustralia from any future financial obligations.

Environmental Performance

Yallourn environmental performance improved after an upgrade was carried out. The new High and Intermediate Pressure turbine led to an efficiency improvement of 2-3% on Unit 1. Compared with before the upgrade, the unit is now capable of producing an additional 15MW for the same fuel flow.

In 2014, EnergyAustralia received three environment-related complaints, all related to emissions of dust or smoke at Yallourn and Wallerawang power stations. It also had a number of minor breaches of licence obligations at Mount Piper, Tallawarra and Yallourn power stations. The most significant incident involved waste water discharge that occurred at Tallawarra which resulted in a fine of A$1,500. EnergyAustralia is reviewing its operations to improve processes.

In 2014 EnergyAustralia signed a new partnership with NSW-based Nu-Rock Technology. Nu-Rock has established a demonstration plant adjacent to Mount Piper to use waste ash from the power station to produce low-cost, environmentally-friendly, light weight and fire-rated blocks, pavers, bricks, panels and other building materials. Subject to the demonstration plant being successful, Nu-Rock will look to scale up its operations to a commercial plant, also onsite at Mount Piper. This could potentially repurpose 250,000 tonnes of ash per annum.

Outlook

From a market perspective, overcapacity in the NEM is likely to continue. In August 2014, the Australian Energy Market Operator (AEMO) stated that "more than 7,500MW of generation capacity would need to be removed from the NEM to affect supply adequacy in 2014/15". In other words, around 16% of capacity could be taken out before electricity supply would reach levels considered too low to meet demand. At the same time, retail competition appears likely to remain unabated and therefore continue to put pressure on retail margins.

In power generation, rising fuel costs for both coal and gas and the expiry of long-term legacy contracts will place additional pressure on our generation business in this oversupplied market. Additionally, increasing development costs and difficulties in achieving environmental approvals have significantly impacted our ability to secure alternative, competitively-priced fuel resources. EnergyAustralia will focus on cost reductions, operational improvements and increased flexibility to enhance value. We will also seek to secure fuel for the portfolio by sourcing competitive long-term gas and coal supplies. However, in certain circumstances, where oversupply in the wholesale markets is sustained, the carrying value of generation assets may be at risk.

In retail, EnergyAustralia will leverage the benefits of the integration of two customer bases onto one system, grow the new Home Services business and continue to implement the digital transformation programme to drive new sales and retain existing customers. These initiatives will enable EnergyAustralia to reduce costs while creating the capability to deliver more value-added services.

EnergyAustralia will remain actively engaged with customers, governments and regulators to find an appropriate balance between business, environmental and community imperatives in energy, carbon and renewable policy settings. Government policy should permit commercial businesses to seek cost-effective ways to promote lower emissions from energy production, ensure good environmental outcomes and create sustainable employment opportunities while allowing appropriate returns on existing and new capital. Ultimately, stable and transparent regulatory frameworks are required to support the commitment of very long-term capital that is required to make investment in the power industry possible.

Safety

Safety has always been our absolute number one priority and the phrase "Safety Comes First" has guided us well as we have steadily expanded our business outside Hong Kong to over 30 work locations in five markets.

The benchmarks for measuring safety performance in our industry are the Lost Time Injury Rate (LTIR) and Total Recordable Injury Rate (TRIR). They refer to the number of lost time injuries or recordable injuries measured over 200,000 working hours of exposure, which is equivalent to around 100 persons working for one year.

In 2014, our TRIR increased slightly but we continued to perform well compared with peers in the industry. Our LTIR improved, with a total of 23 lost time injuries recorded, down from 33 in 2013. Moreover, we reported a fatality at our Tejuva wind farm construction site on 2 October 2014. This involved an employee of one of the contractors of the project developer at its batching plant when a truck was being reversed into the parking area. An independent accident investigation panel was set up to look into the root cause of the incident. On the panel's recommendations, we took several actions, such as improving lighting conditions and providing clearer signage, to avoid similar incidents from arising in future.

Human Resources

On 31 December 2014, the Group employed 7,387 staff (2013: 6,968), of whom 4,207 were employed in the Hong Kong electricity and related business, 2,943 by our businesses in Mainland China, India, Southeast Asia and Taiwan and Australia, as well as 237 by CLP Holdings. Total remuneration for the year ended 31 December 2014 was HK$5,249 million (2013: HK$4,436 million), including retirement benefits costs of HK$383 million (2013: HK$407 million).

FINANCIAL INFORMATION

The financial information set out in this announcement below does not constitute the Group's statutory accounts for the year ended 31 December 2014, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the audited financial statements.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2014

	Note	**2014 HK$M**	2013 HK$M
Revenue	*4*	**92,259**	104,530
Expenses			
Purchases of electricity, gas and distribution services		**(40,234)**	(49,040)
Operating lease and lease service payments		**(3,607)**	(12,963)
Staff expenses		**(3,980)**	(3,017)
Fuel and other operating expenses		**(24,777)**	(23,763)
Depreciation and amortisation		**(6,791)**	(7,592)
		(79,389)	(96,375)
Other gain	*6*	**2,025**	751
Operating profit	*7*	**14,895**	8,906
Finance costs		**(4,180)**	(6,522)
Finance income		**131**	173
Share of results, net of income tax			
Joint ventures		**1,562**	2,671
An associate		**796**	612
Profit before income tax		**13,204**	5,840
Income tax (expense)/credit	*8*	**(1,268)**	232
Profit for the year		**11,936**	6,072
Earnings attributable to:			
Shareholders		**11,221**	6,060
Perpetual capital securities holders		**152**	-
Other non-controlling interests		**563**	12
		11,936	6,072
Dividends	*9*		
First to third interim dividends paid		**4,093**	4,017
Fourth interim dividend declared		**2,526**	2,476
		6,619	6,493
Earnings per share, basic and diluted	*10*	**HK$4.44**	HK$2.40

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014

	2014 **HK$M**	2013 HK$M
Profit for the year	**11,936**	6,072
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(2,972)**	(5,774)
Cash flow hedges	**(638)**	128
Fair value changes on available-for-sale investments	**80**	10
Reclassification adjustment upon loss of joint control of joint ventures	**(422)**	-
Reclassification adjustment upon sale of a subsidiary	**-**	(8)
Share of other comprehensive income of joint ventures	**24**	9
	(3,928)	(5,635)
Items that cannot be reclassified to profit or loss		
Fair value gain on revaluation upon transfer from fixed asset to investment property	**-**	2,055
Share of other comprehensive income of joint ventures	**(74)**	250
	(74)	(2,305)
Other comprehensive income for the year, net of tax	**(4,002)**	(3,330)
Total comprehensive income for the year	**7,934**	2,742
Total comprehensive income attributable to:		
Shareholders	**7,221**	2,727
Perpetual capital securities holders	**152**	-
Other non-controlling interests	**561**	15
	7,934	2,742

Consolidated Statement of Financial Position
as at 31 December 2014

	Note	2014 HK$M	2013 HK$M
Non-current assets			
Fixed assets	*11(A)*	**128,133**	126,876
Leasehold land and land use rights under operating leases	*11(B)*	**5,696**	1,806
Investment property	*11(C)*	**2,554**	2,221
Goodwill and other intangible assets		**31,129**	23,847
Interests in joint ventures		**11,176**	19,940
Interest in an associate		**786**	1,675
Finance lease receivables		**898**	989
Deferred tax assets		**3,828**	3,084
Derivative financial instruments		**3,120**	3,118
Available-for-sale investments		**1,707**	1,263
Other non-current assets		**111**	147
		189,138	184,966
Current assets			
Inventories – stores and fuel		**3,618**	1,482
Renewable energy certificates		**1,086**	997
Trade and other receivables	*12*	**15,719**	17,953
Finance lease receivables		**50**	49
Derivative financial instruments		**659**	1,005
Bank balances, cash and other liquid funds		**4,393**	5,233
		25,525	26,719
Current liabilities			
Customers' deposits		**(4,653)**	(4,506)
Trade and other payables	*13*	**(21,619)**	(19,325)
Income tax payable		**(790)**	(141)
Bank loans and other borrowings	*14*	**(9,636)**	(7,118)
Obligations under finance leases		**(1)**	(2,763)
Derivative financial instruments		**(709)**	(1,279)
		(37,408)	(35,132)
Net current liabilities		**(11,883)**	(8,413)
Total assets less current liabilities		**177,255**	176,553
Financed by:			
Equity			
Share capital	*16*	**23,243**	12,632
Share premium		**-**	8,119
Reserves	*17*		
Declared dividends		**2,526**	2,476
Others		**62,244**	64,134
Shareholders' funds		**88,013**	87,361
Perpetual capital securities	*18*	**5,791**	-
Other non-controlling interests		**2,155**	120
		95,959	87,481
Non-current liabilities			
Bank loans and other borrowings	*14*	**57,799**	48,933
Obligations under finance leases		**26**	25,213
Deferred tax liabilities		**13,418**	8,548
Derivative financial instruments		**3,062**	3,440
Fuel clause account		**2,966**	1,464
Scheme of Control (SoC) reserve accounts	*15*	**1,131**	28
Asset decommissioning liabilities		**1,082**	539
Other non-current liabilities		**1,812**	907
		81,296	89,072
Equity and non-current liabilities		**177,255**	176,553

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, whilst the principal activities of the subsidiaries are the generation and supply of electricity in Hong Kong, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and Castle Peak Power Company Limited (CAPCO), are governed by a SoC entered with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. Changes in Accounting Policies

The Group has adopted the following amendments to standards effective 1 January 2014 for the first time for the financial year beginning on 1 January 2014:

- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
- Annual Improvements to HKFRS 2010-2012 Cycle

The adoption of these revised HKFRS has had no significant impact on the results and financial position of the Group.

3. Business Combination

On 12 May 2014 the Group completed the acquisition of a further 30% interest in CAPCO and the remaining 51% interest in Hong Kong Pumped Storage Development Company, Limited (PSDC).

The acquisitions were based on the agreements, signed on 19 November 2013, (a) whereby each of CLP Power Hong Kong and China Southern Power Grid International (HK) Co., Limited (CSG HK), a wholly-owned subsidiary of China Southern Power Grid Co., Limited (CSG) would acquire half of ExxonMobil Energy Limited (EMEL)'s 60% equity interest in, and associated shareholder's advances to, CAPCO; and (b) whereby CLP Power Hong Kong agreed to acquire all of EMEL's 51% equity interest in, and associated shareholder's advances to, PSDC. The acquisitions enabled the Group to consolidate its regulated businesses in Hong Kong and allowed it to exercise a greater degree of control over its generation activities.

The aggregate cash consideration was HK$13,510 million (HK$11,583 million for the CAPCO acquisition and HK$1,927 million for the PSDC acquisition). The Group has carried out a consideration allocation exercise in accordance with HKFRS 3 (Revised) Business Combinations (HKFRS 3), which is illustrated as follows:

	CAPCO HK$M	PSDC HK$M
Settlement of a pre-existing finance lease payable by the Group to CAPCO	5,338	-
Acquisition of shareholder's advances from EMEL to CAPCO/PSDC	7,036	56
Acquisition of identifiable net assets and liabilities	(791)	1,871
	11,583	1,927

With respect to CAPCO, the consideration allocated to the settlement of a pre-existing finance lease payable of HK$5,338 million is calculated as the difference between the fair value of the finance lease payable of HK$34,076 million and its carrying amount of HK$27,683 million, net of deferred tax of HK$1,055 million. This amount of HK$5,338 million is recognised in the Group's consolidated statement of profit or loss (Note 6).

The Group owned a 40% equity interest in CAPCO and a 49% equity interest in PSDC (Initial Equity Investments) before the acquisitions. The acquisition of the additional 30% equity interest in CAPCO and 51% equity interest in PSDC gives the Group control over both CAPCO and PSDC. Therefore CAPCO and PSDC have become subsidiaries of the Group from 12 May 2014. The acquisitions have been treated as "step acquisitions" under HKFRS 3.

According to HKFRS 3, a step acquisition is accounted for using the acquisition method of accounting. Therefore the Initial Equity Investments are remeasured to fair value at the acquisition date and any gain or loss arising is recognised in the statement of profit or loss. The Initial Equity Investments are deemed to have been disposed of, in return, with the consideration transferred for the total 70% equity interest in CAPCO and the total 100% equity interest in PSDC. The fair values of the Initial Equity Investments form one of the components to calculate goodwill, along with the consideration transferred and non-controlling interests, if any, less the fair value of the identifiable net assets of CAPCO and PSDC. The aggregate gain on deemed disposal of the Initial Equity Investments is HK$7,363 million (HK$5,599 million with respect to CAPCO and HK$1,764 million with respect to PSDC). This is recognised in the Group's consolidated statement of profit or loss (Note 6).

3. Business Combination (continued)

The following tables summarise the fair value of assets acquired and liabilities assumed from the acquisitions of CAPCO and PSDC respectively and the illustration of the acquisition method of accounting and the calculation of goodwill:

CAPCO

Fair value of net assets:

	HK$M
Fixed assets	193
Leasehold land and land use rights under operating leases	3,811
Finance lease receivable	34,076
Inventories – stores and fuel	2,291
Trade and other receivables	1,416
Trade and other payables	(24,684)
Income tax payable	(365)
Bank loans and other borrowings	(4,347)
Deferred tax liabilities	(4,590)
Other non-current liabilities	(566)
Net assets	7,235

Acquisition method of accounting:

	HK$M	HK$M
Consideration for 70% equity interest in CAPCO		
Cash consideration	(791)	
Fair value of existing 40% interest in joint venture [(a)]	6,063	
Total consideration for 70% equity interest in CAPCO		5,272
Non-controlling interests [(b)]		2,170
Less:		
Fair value of net assets	(7,235)	
Consolidation adjustment on settlement of the pre-existing finance lease and the associated deferred tax	5,338	
Fair value of net assets attributable to the Group		(1,897)
Goodwill [(c)]		5,545

Notes:

(a) The fair value of existing 40% interest in CAPCO was derived from the consideration paid for the acquisition of the 30% interest of HK$4,547 million (being the consideration of HK$11,583 million less the amount paid for the acquisition of the shareholder's advances of HK$7,036 million).

(b) The Group recognised the non-controlling interests in CAPCO at the non-controlling interests' proportionate share of the fair value of CAPCO's identifiable net assets and liabilities as set out above.

(c) Goodwill of HK$5,545 million was recognised which represented the future economic benefits arising from assets acquired that are not currently individually identified and separately recognised. The goodwill is allocated to the Hong Kong segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

3. Business Combination (continued)

PSDC

Fair value of net assets:

	HK$M
Fixed assets	1
Intangible assets	5,607
Trade and other receivables	104
Trade and other payables	(113)
Income tax payable	(7)
Bank loans and other borrowings	(204)
Deferred tax liabilities	(893)
Other non-current liabilities	(826)
Net assets	3,669

Acquisition method of accounting:

	HK$M	HK$M
Consideration for 100% equity interest in PSDC		
Cash consideration	1,871	
Fair value of existing 49% interest in joint venture	1,798	
Total consideration for 100% equity interest in PSDC		3,669
Less: Fair value of net assets		(3,669)
Goodwill (note)		-

Note: The Group has determined that the consideration is equal to the fair value of the identifiable net assets of PSDC at the date of the acquisition and therefore no goodwill is recognised.

Acquisition-related costs are included in fuel and other operating expenses in the consolidated statement of profit or loss. These totalled HK$39 million, which comprised mainly stamp duty and legal and professional fees.

The respective business of CAPCO and PSDC have been integrated into the existing business of CLP Power Hong Kong through the electricity supply and pumped storage service arrangements with CLP Power Hong Kong and therefore, no additional revenue is contributed by CAPCO and PSDC. The profit included in the consolidated statement of profit or loss from May to December 2014 contributed by CAPCO and PSDC was HK$2,072 million. Had CAPCO and PSDC been consolidated from 1 January 2014, the consolidated statement of profit or loss would have included profit of HK$3,096 million.

4. Revenue

An analysis of the Group's revenue is as follows:

	2014 HK$M	2013 HK$M
Sales of electricity	**79,034**	88,555
Sales of gas	**7,976**	8,388
Operating lease income under Power Purchase Agreement (PPA)	**3,334**	2,778
Lease service income under PPA	**456**	626
Finance lease income under PPA	**151**	252
Other revenue [(a)]	**2,328**	3,290
	93,279	103,889
Transfer for SoC (from)/to revenue [(b)]	**(1,020)**	641
	92,259	104,530

Notes:

(a) Including carbon compensation in the form of cash assistance and free carbon units totalling HK$924 million (A$130 million) (2013: HK$1,923 million (A$259 million)) received by EnergyAustralia Holdings Limited (EnergyAustralia) under the Energy Security Fund (ESF) with respect to Yallourn Power Station up to 30 June 2014 when the ESF was terminated after the carbon tax repeal. The compensation received was recognised as revenue over the relevant period on a systematic basis.

(b) Under the SoC, if the gross tariff revenue in Hong Kong 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 under the SoC. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss.

5. Segment Information

The Group operates, through its subsidiaries, joint ventures, joint operations and an associate, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. 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.

Information about the Group's operations by geographical region is as follows:

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2014							
Revenue	35,623	909	4,821	8	50,895	3	**92,259**
EBITDAF* of subsidiaries	17,926	501	1,934	(27)	1,292	(542)	**21,084**
Share of results, net of income tax							
Joint ventures	411	891	-	321	(61)	-	**1,562**
An associate	-	796	-	-	-	-	**796**
EBITDAF of the Group	18,337	2,188	1,934	294	1,231	(542)	**23,442**
Depreciation and amortisation	(3,923)	(412)	(567)	-	(1,845)	(44)	**(6,791)**
Fair value adjustments	(18)	-	-	-	620	-	**602**
Finance costs	(1,954)	(211)	(920)	-	(1,019)	(76)	**(4,180)**
Finance income	9	9	42	3	28	40	**131**
Profit/(loss) before income tax	12,451	1,574	489	297	(985)	(622)	**13,204**
Income tax (expense)/credit	(1,807)	(102)	(219)	-	860	-	**(1,268)**
Profit/(loss) for the year	10,644	1,472	270	297	(125)	(622)	**11,936**
Earnings attributable to							
Perpetual capital securities holders	(152)	-	-	-	-	-	**(152)**
Other non-controlling interests	(549)	(14)	-	-	-	-	**(563)**
Earnings/(loss) attributable to shareholders	9,943	1,458	270	297	(125)	(622)	**11,221**
Excluding: One-off items	(2,198)	158	-	-	881	-	**(1,159)**
Operating earnings	7,745	1,616	270	297	756	(622)	**10,062**
Capital additions	7,940	537	461	-	1,777	18	**10,733**
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	-	195	-	-	67	-	**262**
Goodwill and other intangible assets	-	2	-	-	2,223	-	**2,225**
Interests in joint ventures	-	-	-	-	59	-	**59**
Receivables and others	30	-	27	-	720	-	**777**
At 31 December 2014							
Fixed assets	97,372	5,364	11,259	-	13,982	156	**128,133**
Goodwill and other intangible assets	5,545	5,471	29	-	20,084	-	**31,129**
Interests in joint ventures	18	9,177	-	1,723	258	-	**11,176**
Interest in an associate	-	786	-	-	-	-	**786**
Deferred tax assets	-	95	6	-	3,727	-	**3,828**
Other assets	15,819	5,024	5,341	70	12,251	1,106	**39,611**
Total assets	118,754	25,917	16,635	1,793	50,302	1,262	**214,663**
Bank loans and other borrowings	40,644	3,516	8,656	-	14,619	-	**67,435**
Current and deferred tax liabilities	12,322	1,483	403	-	-	-	**14,208**
Obligations under finance leases	-	-	-	-	27	-	**27**
Other liabilities	24,571	1,611	724	3	9,909	216	**37,034**
Total liabilities	77,537	6,610	9,783	3	24,555	216	**118,704**

* EBITDAF stands for Earnings before interest, tax, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on derivative financial instruments relating to transactions not qualifying as hedges and ineffectiveness of cash flow hedges.

5. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2013							
Revenue	34,172	991	4,371	14	64,976	6	104,530
EBITDAF of subsidiaries	14,768	620	1,109	(26)	321	(386)	16,406
Share of results, net of income tax							
Joint ventures	1,235	1,188	-	262	(14)	-	2,671
An associate	-	612	-	-	-	-	612
EBITDAF of the Group	16,003	2,420	1,109	236	307	(386)	19,689
Depreciation and amortisation	(4,412)	(213)	(424)	-	(2,506)	(37)	(7,592)
Fair value adjustments	83	-	5	-	4	-	92
Finance costs	(3,685)	(205)	(957)	-	(1,620)	(55)	(6,522)
Finance income	11	4	80	5	44	29	173
Profit/(loss) before income tax	8,000	2,006	(187)	241	(3,771)	(449)	5,840
Income tax (expense)/credit	(1,010)	(151)	78	-	1,315	-	232
Profit/(loss) for the year	6,990	1,855	(109)	241	(2,456)	(449)	6,072
Earnings attributable to other non-controlling interests	-	(12)	-	-	-	-	(12)
Earnings/(loss) attributable to shareholders	6,990	1,843	(109)	241	(2,456)	(449)	6,060
Excluding: One-off items	-	372	293	-	2,582	-	3,247
Operating earnings	6,990	2,215	184	241	126	(449)	9,307
Capital additions	9,292	483	1,243	-	2,139	39	13,196
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	-	38	-	-	3,862	-	3,900
Goodwill and other intangible assets	-	-	-	-	773	-	773
Interests in joint ventures	-	297	-	-	-	-	297
Receivables and others	-	3	716	-	897	-	1,616
At 31 December 2013							
Fixed assets	93,782	5,405	11,628	-	15,889	172	126,876
Goodwill and other intangible assets	-	40	29	-	23,778	-	23,847
Interests in joint ventures	9,478	8,349	-	1,789	324	-	19,940
Interest in an associate	-	1,675	-	-	-	-	1,675
Deferred tax assets	-	60	3	-	3,021	-	3,084
Other assets	10,044	3,177	5,443	87	15,702	1,810	36,263
Total assets	113,304	18,706	17,103	1,876	58,714	1,982	211,685
Bank loans and other borrowings	28,293	3,457	8,479	-	14,406	1,416	56,051
Current and deferred tax liabilities	8,193	188	308	-	-	-	8,689
Obligations under finance leases	27,947	-	-	-	29	-	27,976
Other liabilities	13,768	400	1,426	3	15,708	183	31,488
Total liabilities	78,201	4,045	10,213	3	30,143	1,599	124,204

6. Other Gain

	2014 HK$M	2013 HK$M
Net gain on CAPCO and PSDC acquisitions (Note 3)		
Gain on deemed disposal of previously owned interests in joint ventures	**7,363**	-
Loss on settlement of a pre-existing finance lease payable	**(5,338)**	-
	2,025	-
Gain on bargain purchase of Mount Piper and Wallerawang (note)	**-**	751
	2,025	751

Note: In 2013, the gain on bargain purchase arose from the acquisitions of Mount Piper Power Station and Wallerawang Power Station that underpin the Delta Western GenTrader contracts previously acquired.

7. Operating Profit

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

	2014 HK$M	2013 HK$M
Charging		
Staff costs		
Salaries and other costs	**3,684**	2,715
Retirement benefits costs [(a)]	**296**	302
Auditor's remuneration		
Audit	**37**	34
Permissible audit related and non-audit services [(b)]	**7**	12
Operating lease expenditure on the agreement with Ecogen	**276**	311
Net loss on disposal of fixed assets	**282**	173
Impairment of *		
Fixed assets and leasehold land and land use rights under operating leases	**262**	150
Goodwill and other intangible assets	**2,225**	176
Inventories – stores and fuel	**41**	-
Finance lease receivables	**-**	519
Impairment and other provisions for EnergyAustralia's generation assets	**-**	4,437
Net fair value (gain)/loss on non-financing related derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	**(331)**	(437)
Fuel and other operating expenses	**(167)**	(201)
Transactions not qualifying as hedges	**(602)**	(91)
Ineffectiveness of cash flow hedges	**-**	(1)
Net exchange loss/(gain)	**126**	(73)
Crediting		
Revaluation gain on investment property	**(245)**	-
Gain on termination of an energy agreement in Australia	**(216)**	-
Net rental income from properties	**(47)**	(7)

*Excluding the impairment of EnergyAustralia's generation assets in 2013

7. Operating Profit (continued)

Notes:

(a) The retirement benefit plans for staff employed by the Group entities in Hong Kong are regarded as defined contribution schemes. The current scheme, CLP Group Provident Fund Scheme (GPFS), provides benefits linked to contributions and investment returns on the scheme. Contributions paid to defined contribution schemes, including GPFS and Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, totalled HK$222 million (2013: HK$218 million), of which HK$64 million (2013: HK$62 million) was capitalised.

Staff employed by the Group entities outside Hong Kong are primarily covered by defined contribution schemes in accordance with local legislation and practices. Total contributions amounted to HK$161 million (2013: HK$189 million).

(b) Permissible audit-related and non-audit services comprise Sustainability Report assurance, audits of CLP's provident funds, auditor's attestation and accounting/tax advisory services for business development.

8. Income Tax Expense/(Credit)

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

	2014 HK$M	2013 HK$M
Current income tax		
Hong Kong	**1,303**	534
Outside Hong Kong	**268**	305
	1,571	839
Deferred tax		
Hong Kong	**503**	473
Outside Hong Kong	**(806)**	(1,544)
	(303)	(1,071)
	1,268	(232)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

9. Dividends

	2014 HK$ per share	**2014** HK$M	2013 HK$ per share	2013 HK$M
First to third interim dividends paid	**1.62**	**4,093**	1.59	4,017
Fourth interim dividend declared	**1.00**	**2,526**	0.98	2,476
	2.62	**6,619**	2.57	6,493

At the Board meeting held on 26 February 2015, the Directors declared the fourth interim dividend of HK$1.00 per share (2013: HK$0.98 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements, but as a separate component of the shareholders' funds at 31 December 2014.

10. Earnings per Share

The earnings per share are computed as follows:

	2014	2013
Earnings attributable to shareholders (HK$M)	**11,221**	6,060
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**4.44**	2.40

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the year ended 31 December 2014 (2013: nil).

11. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property

Fixed assets, leasehold land and land use rights under operating leases and investment property totalled HK$136,383 million (2013: HK$130,903 million), which included assets under construction with book value of HK$13,776 million (2013: HK$11,597 million). Movements in the accounts are as follows:

(A) Fixed Assets

	Land		**Buildings**		**Plant, Machinery and Equipment**		
	Freehold HK$M	**Leased HK$M**	**Owned HK$M**	**Leased (note) HK$M**	**Owned HK$M**	**Leased (note) HK$M**	**Total HK$M**
Net book value at 1 January 2014	826	506	13,473	5,615	84,063	22,393	126,876
Acquisition of subsidiaries (Note 3)	-	-	5,544	(5,477)	22,333	(22,206)	194
Additions	-	-	1,178	18	7,379	569	9,144
Transfers and disposals	(79)	(6)	251	(41)	(527)	(65)	(467)
Depreciation	-	(14)	(482)	(115)	(4,432)	(678)	(5,721)
Impairment charge	(1)	-	(180)	-	(80)	-	(261)
Exchange differences	(34)	-	(132)	-	(1,465)	(1)	(1,632)
Net book value at 31 December 2014	**712**	**486**	**19,652**	**-**	**107,271**	**12**	**128,133**
Cost	727	592	30,932	-	186,235	30	218,516
Accumulated depreciation and impairment	(15)	(106)	(11,280)	-	(78,964)	(18)	(90,383)
Net book value at 31 December 2014	**712**	**486**	**19,652**	**-**	**107,271**	**12**	**128,133**

11. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property (continued)

(A) Fixed Assets (continued)

Note: At 31 December 2013, these leased assets included mainly CAPCO's operational generating plant and associated fixed assets of net book value of HK$27,947 million, which were deployed for the generation of electricity supplied to CLP Power Hong Kong under the Electricity Supply Contract between the two parties. This arrangement was accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17. Following the acquisition of CAPCO as a subsidiary (Note 3), these leased assets have been reclassified as owned assets.

(B) Leasehold Land and Land Use Rights under Operating Leases

	2014	2013
	HK$M	HK$M
Net book value at 1 January	**1,806**	1,866
Acquisition of subsidiaries (Note 3)	**3,811**	-
Additions	**214**	3
Amortisation	**(131)**	(48)
Impairment charge	**(1)**	(18)
Exchange differences	**(3)**	3
Net book value at 31 December	**5,696**	1,806
Cost	**6,258**	2,237
Accumulated amortisation and impairment	**(562)**	(431)
Net book value at 31 December	**5,696**	1,806

(C) Investment Property

	2014	2013
	HK$M	HK$M
At 1 January	**2,221**	-
Additions	**88**	-
Revaluation surplus	**245**	-
Transfers	-	2,221
At 31 December	**2,554**	2,221

The Group's investment property is located at Argyle Street, Kowloon.

12. Trade and Other Receivables

	2014 **HK$M**	2013 HK$M
Trade receivables	**11,040**	13,864
Deposits, prepayments and other receivables	**2,566**	3,187
Dividend receivables from		
Joint ventures	**1,127**	760
An associate	**785**	-
An available-for-sale investment	**64**	82
Current accounts with		
Joint ventures	**136**	58
An associate	**1**	2
	15,719	17,953

The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount not exceeding the highest expected charge for 60 days of consumption. For subsidiaries outside Hong Kong, the credit terms for trade receivables range from about 14 to 90 days.

EnergyAustralia determines its doubtful debt provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired.

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

	2014 **HK$M**	2013 HK$M
30 days or below	**8,596**	11,366
31 – 90 days	**976**	1,292
Over 90 days	**1,468**	1,206
	11,040	13,864

13. Trade and Other Payables

	2014 HK$M	2013 HK$M
Trade payables	**8,230**	11,336
Other payables and accruals	**6,222**	5,436
Advances from non-controlling interests	**6,703**	-
Current accounts with		
Joint ventures	**2**	1,474
An associate	**139**	55
Deferred revenue	**323**	1,024
	21,619	19,325

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

	2014 HK$M	2013 HK$M
30 days or below	**8,031**	10,641
31 – 90 days	**155**	472
Over 90 days	**44**	223
	8,230	11,336

14. Bank Loans and Other Borrowings

	2014 HK$M	2013 HK$M
Current		
Short-term bank loans	**4,908**	1,296
Long-term bank loans	**3,070**	4,442
Other long-term borrowings		
Medium Term Note (MTN) programme (HKD) due 2014 and 2015	**1,340**	1,380
MTN programme (AUD) due 2015	**318**	-
	9,636	7,118
Non-current		
Long-term bank loans	**28,320**	19,471
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	**10,731**	10,295
MTN programme (HKD) due 2016 to 2041	**9,075**	8,895
MTN programme (JPY) due 2021 to 2026	**2,022**	2,289
MTN programme (AUD) due 2015 to 2023	**698**	1,104
US private placement notes (USD) due 2017 to 2027	**6,953**	6,879
	57,799	48,933
Total borrowings	**67,435**	56,051

15. SoC Reserve Accounts

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

	2014 **HK$M**	2013 HK$M
Tariff Stabilisation Fund	**1,058**	19
Rate Reduction Reserve	**1**	9
Rent and Rates Interim Refunds (note)	**72**	-
	1,131	28

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. While the original Lands Tribunal judgment and the subsequent judgment on the review of valuation matters were received in CLP Power Hong Kong's favour, final resolution of the case will be subject to the outcome of appeals to the Court of Appeal against the Lands Tribunal judgment on points of law.

The interim refunds received by CLP Power Hong Kong from the Hong Kong Government in 2012 and 2013 totalling HK$1,641 million had been fully expended in Rent and Rates Special Rebate provided to customers during 2012 and 2013. In 2014, a further interim refund of HK$72 million was received. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and subsequent appeals.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate, which was ceased in October 2013, had been offset against the interim refunds received.

In the event that the final amount recovered on conclusion of these appeals is less than the total amount rebated to customers, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be returned to customers.

16. Share Capital

	2014		2013	
	Number of Ordinary Shares	**Amount HK$M**	Number of Ordinary Shares	Amount HK$M
Authorised				
Ordinary shares of HK$5 each (note)	-	-	3,000,000,000	15,000
Issued and fully-paid				
At 1 January	**2,526,450,570**	**12,632**	2,526,450,570	12,632
Transfer from share premium and capital redemption reserve (note)	-	**10,611**	-	-
At 31 December	**2,526,450,570**	**23,243**	2,526,450,570	12,632

Note: Under the Hong Kong Companies Ordinance (Cap. 622), which came into force on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with the said Ordinance, the Company's shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. In addition, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

17. Reserves

	Capital Redemption Reserve HK$M	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2014	2,492	856	1,175	2,862	59,225	66,610
Earnings attributable to shareholders	-	-	-	-	11,221	11,221
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	-	(2,630)	-	-	-	(2,630)
Joint ventures	-	(341)	-	-	-	(341)
An associate	-	1	-	-	-	1
Cash flow hedges						
Net fair value losses	-	-	(1,003)	-	-	(1,003)
Reclassification to profit or loss	-	-	179	-	-	179
Tax on the above items	-	-	186	-	-	186
Fair value gain on available-for-sale investments	-	-	-	80	-	80
Reclassification adjustment upon loss of joint control of joint ventures	-	(422)	-	(146)	146	(422)
Share of other comprehensive income of joint ventures	-	-	24	(74)	-	(50)
Total comprehensive income attributable to shareholders	-	(3,392)	(614)	(140)	11,367	7,221
Transition to no-par value regime (Note 16)	(2,492)	-	-	-	-	(2,492)
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(2)	2	-
Appropriation of reserves						
Subsidiaries	-	-	-	23	(23)	-
Joint ventures	-	-	-	8	(8)	-
Dividends paid						
2013 fourth interim	-	-	-	-	(2,476)	(2,476)
2014 first to third interim	-	-	-	-	(4,093)	(4,093)
Balance at 31 December 2014	**-**	**(2,536)**	**561**	**2,751**	**63,994**[a]	**64,770**

Note:

(a) The fourth interim dividend declared for the year ended 31 December 2014 was HK$2,526 million (2013: HK$2,476 million). The balance of retained profits after the fourth interim dividend of the Group was HK$61,468 million (2013: HK$56,749 million).

18. Perpetual Capital Securities

During the year, the Group issued a total of US$750 million perpetual capital securities through its wholly owned subsidiary, CLP Power HK Finance Ltd. The securities are perpetual, non-callable in the first 5.5 years and entitle the holders to receive distributions at a distribution rate of 4.25% per annum in the first 5.5 years, floating thereafter and with fixed step up margins at year 10.5 and at year 25.5, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group's discretion, if the issuer and CLP Power Hong Kong, 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. As the perpetual capital securities do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

19. Capital Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases and investment property, as well as intangible assets contracted or authorised but not recorded in the statement of financial position is as follows:

	2014 HK$M	2013 HK$M
Contracted but not provided for	**5,859**	5,812
Authorised but not contracted for	**7,746**	9,834
	13,605	15,646

(B) The Group has entered into a number of joint venture arrangements to develop power projects. At 31 December 2014, remaining equity contributions of HK$111 million (2013: HK$742 million) were required to be made by the Group.

(C) At 31 December 2014, the Group's share of capital commitments of its joint ventures was HK$3,999 million (2013: HK$1,956 million).

20. Contingent Liabilities

(A) CLP India – Deemed Generation Incentive Payment and Interests on Deemed Loans

Under the original power purchase agreement between CLP India Private Limited (CLP India) and its off-taker Gujarat Urja Vikas Nigam Limited (GUVNL), GUVNL was required to make a "deemed generation incentive" payment to CLP India when the plant availability of Paguthan Plant (Paguthan) was above 68.5% (subsequently revised to 70% in 2003 and 80% in 2013). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$891 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$102 million) (2013: Rs.830 million (HK$104 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India in respect of deemed generation incentive up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,523 million (HK$310 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

20. Contingent Liabilities (continued)

(A) CLP India – Deemed Generation Incentive Payment and Interests on Deemed Loans (continued)

CLP India filed an appeal with the Appellate Tribunal for Electricity (ATE) against the decision of the GERC. GUVNL also filed an appeal in the ATE against an order of the GERC rejecting GUVNL's claims on interest on deemed loans and the time barring of the deemed generation claim to 14 September 2002. On 19 January 2010, the ATE dismissed both CLP India and GUVNL's appeals and upheld the decision of the GERC. CLP India has filed an appeal against the ATE order in the Supreme Court of India. The appeal petition was admitted on 16 April 2010 but the next date of hearing has not yet been fixed by the court. GUVNL has also filed a cross appeal challenging those parts of the ATE judgment which held that GUVNL's claims before September 2002 were time barred and which disallowed its claims for interest on "deemed loans".

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$458 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$61 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

Subsequent to the above deduction, CLP India represented to GUVNL that, during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$36 million) and interest of Rs.150 million (HK$18 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$2 million). At 31 December 2014, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,048 million) (2013: Rs.8,543 million (HK$1,073 million)). There have been no significant developments in this case and no hearing was held during the year. The next hearing has not been scheduled.

On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

(B) Indian Wind Power Projects – WWIL's Contracts

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 634MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 31 December 2014, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Jhajjar – Disputed Charges with Off-takers

Jhajjar Power Limited (Jhajjar) has disputes with its off-takers over applicable tariff of capacity charges, energy charges relating to transit loss, coal-handling agent charges and Unscheduled Interchange charges payable as per the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009. Total disputed amounts were Rs.1,725 million (HK$212 million) at 31 December 2014 (2013: Rs.1,433 million (HK$180 million)). Jhajjar has filed a petition against its off-takers in March 2013. The Group considered that Jhajjar has a strong case and hence, no provision has been made.

20. Contingent Liabilities (continued)

(D) Land Premium of a Property in Hong Kong

The Group received a demand note in 2013 from the relevant authorities of the Hong Kong Government in an amount of HK$280 million as land premium relating to the Group's office at Laguna Verde at Hung Hom.

As an alternative to paying a land premium, the Group applied for a temporary waiver of the relevant lease approval which gave rise to the land premium. Under the waiver, an annual waiver fee is payable over the waiver term. While the Group is appealing on the quantum of the waiver fee, the Group accepted the other terms of the waiver offer and settled the waiver fees in July 2014. So long as the waiver remains in place, the above land premium will not apply.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in 2014 in support of the expansion of its electricity business. CLP Holdings and CLP Power Hong Kong each completed HK$5 billion acquisition loans in February 2014 and January 2014 respectively to help fund the CAPCO/PSDC acquisitions. Subsequently CLP Holdings fully repaid the HK$5 billion principal amount in October 2014. CLP Power Hong Kong syndicated the HK$5 billion loan to 12 banks. CLP Power Hong Kong successfully arranged its inaugural issuance of US$500 million (HK$3.9 billion) 4.25% perpetual capital securities in April 2014 (with about 2.4 times over-subscription by US$1.2 billion orders from about 100 global investors) and with an upsize of US$250 million (HK$1.9 billion) in June 2014 following strong reverse enquiry demand by investors. The perpetual capital securities achieved a record of the lowest fixed rate US dollar denominated corporate equity hybrid ever issued globally, and one of the tightest ever senior-hybrid premiums for a corporate equity hybrid. The securities are perpetual and non-callable in the first 5.5 years, are classified as equity in the Group financial statements and allow CLP Power Hong Kong to achieve 50% equity credit from Moody's for life and Standard and Poor's (S&P) for the first 5.5 years from issuance. The issuance further strengthens CLP Power Hong Kong's credit profile which filters through to CLP Holdings, diversifies funding sources and helps maintain the strong credit ratings of CLP Holdings and CLP Power Hong Kong. The US dollar principal amount of the perpetual capital securities was hedged back to Hong Kong dollars to mitigate foreign currency risk. CLP Power Hong Kong also completed HK$4.65 billion conventional debt funding in 2014 in bank and bond markets. These comprise: (i) JPY26 billion (HK$2 billion) 3-year cross-border bank loans syndicated to 24 regional and city banks in Japan with 1.3 times oversubscription in June 2014. The cost of such borrowing was lower than that of loans offered by Hong Kong based banks with the same tenor. Japanese yen proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk; (ii) HK$1.45 billion 12 and 15-year fixed rate bonds issued under the Medium Term Note (MTN) Programme in January, February, July and November 2014 at attractive terms; and (iii) HK$1.2 billion 5-year bank loan facilities arranged in March 2014 at preferential rates. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$4.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 31 December 2014, notes with an aggregate nominal value of approximately HK$25 billion have been issued under the MTN Programme.

In Australia, EnergyAustralia lengthened a A$700 million (HK$4.4 billion) working capital facility in June 2014 by one year to June 2017 with existing lenders at a lower interest margin. In India, Jhajjar Power Limited and CLP India Wind Farms arranged a total of Rs.10.35 billion (HK$1.3 billion) bank facilities and US$110 million (HK$853 million) 10-year corporate loans as well as issued Rs.2 billion (HK$245 million) commercial papers to replace existing bank facilities at lower cost, for working capital and wind farms construction. For Mainland China, CLP Power China diversified its funding to the more liquid, cost-effective offshore Renminbi bank loan market in Hong Kong to raise a 3-year loan to fund the construction and early period of operation of wholly-owned renewable energy projects, and arranged a RMB630 million (HK$787 million) on-shore project level loan for Sihong Solar Power project (51% owned by CLP).

As at 31 December 2014, the Group maintained HK$100.0 billion financing facilities, including HK$32.7 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK$67.4 billion had been drawn down, of which HK$23.3 billion related to EnergyAustralia and subsidiaries in India. The Group's total debt to total capital ratio as at 31 December 2014 was 39.6%, decreasing to 38.0% after netting off bank balances, cash and other liquid funds. EBIT (Earnings before interest and taxes) interest cover and FFO (Funds from operations) interest cover for the year ended 31 December 2014 were 6 and 9 times respectively.

Over the years, CLP remains committed to maintain good investment grade credit ratings. In November 2013, following the announcement of the proposed acquisition of a further 30% interest in CAPCO and the remaining 51% interest in PSDC, S&P and Moody's put the credit ratings of CLP Holdings and CLP Power Hong Kong on watch with negative implication. Since then, CLP had entered into constructive dialogues with credit rating agencies to show the strategic rationale of the acquisition as well as the sound business profile and robust cash flow of the transaction. CLP also reviewed the capital structure of the SoC business and issued an aggregate of US$750 million perpetual capital securities to further enhance the balance sheet structure of the regulated utility and holding company.

These proactive initiatives delivered good outcome. In response to CLP Power Hong Kong's issuance of the perpetual capital securities, Moody's revised the rating outlook of CLP Power Hong Kong to stable from negative and affirmed the A1 and A2 credit ratings of CLP Power Hong Kong and CLP Holdings respectively in April 2014. The rating outlook of CLP Holdings remains negative mainly due to challenges in EnergyAustralia's business.

Following the completion of the CAPCO and PSDC acquisitions in May 2014, S&P affirmed the credit ratings of CLP Holdings (A-) and CLP Power Hong Kong (A) and removed the ratings from credit watch, but kept the outlook for both companies negative. S&P assessed the business risk profile of CLP Power Hong Kong as "excellent" and opined that CLP Power Hong Kong would remain financially stable on a standalone basis. However, as S&P's rating methodology tightly links the outlook of an operating company with that of the holding company, CLP Power Hong Kong's outlook was affected by the operating environment for CLP Holdings' overseas businesses, particularly in Australia. In May 2014, S&P Australia affirmed the BBB- credit rating of EnergyAustralia with negative outlook.

The Group's investments and operations have resulted in exposures to foreign currency risk, interest rate risk, credit risk, as well as energy price risk associated with the sale and purchase of electricity in Australia. We actively manage these risks by using different derivative instruments with the objective of minimising the impact of rate and price fluctuations on earnings, reserves and tariff charges to customers. In meeting the objectives of risk management, we always prefer simple, cost-efficient and Hong Kong Financial Reporting Standards hedge-effective instruments. For instance, we prefer forward foreign currency contracts or cross currency interest rate swaps to structured products for managing financial risks. We also monitor our risk exposures with the assistance of "Earnings-at-Risk" (EaR) and "Value-at-Risk" (VaR) methodologies and Volumetric Limits. Other than very limited price discovery trading activities engaged by our Australia business, all derivative instruments are employed solely for hedging purposes.

As at 31 December 2014, the Group had gross outstanding derivative financial instruments amounted to HK$159.9 billion. The fair value of these derivative instruments was a net surplus of HK$8 million, representing the net amount receivable if these contracts were closed out on 31 December 2014.

CORPORATE GOVERNANCE

Since February 2005, the Company has adopted its own Code on Corporate Governance (the CLP Code). This incorporates all of the Code Provisions and Recommended Best Practices in the Hong Kong Stock Exchange's Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, save for the single exception regarding quarterly financial results which is specified and explained below and in our Corporate Governance Report, as part of our Annual Report. CLP has also applied all of the principles in the Stock Exchange Code. The manner in which this has been done is set out in the CLP Code and the Corporate Governance Report.

CLP's only deviation from the Recommended Best Practices relates to the recommendation that an issuer should announce and publish quarterly financial results. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. Quarterly reporting encourages a short-term view of a company's business performance. CLP's activities do not run and should not fall to be disclosed and judged on a three-month cycle. Preparation of quarterly reports also costs money, including the opportunity cost of board and management time spent on quarterly reporting. CLP's position is set out on our website. We do, however, issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major business activities.

Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code. Details of the continuing evolution of our corporate governance practices in 2014 are set out in the Corporate Governance Report.

All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman (Mr Vernon Moore) and Mr Nicholas C. Allen having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters. Mrs Fanny Law has extensive experience in public administration and Ms Irene Lee has wide experience in financial services, including banking, funds management and general insurance.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Financial Statements for the year ended 31 December 2014. It has also reviewed the findings and opinion of Group Internal Audit (GIA) and Management on the effectiveness of the Company's system of internal control.

The Audit Committee reviewed the CLP Group's internal control review approach and received regular updates on internal control testing from management. No significant areas of concern that might affect shareholders were identified during the period from 1 January 2014 to the date of this announcement.

The Audit Committee received regular updates on its Customer Management and Billing System – Customer First (C1) and the status of customer integration from EnergyAustralia; and for the whole Group, the status of the testing of key controls and of outstanding internal audit issues.

The Audit Committee also reviewed the overall internal audit results for 2013 and 2014 and all the internal audit reports submitted in 2014. During the period from 1 January 2014 to the date of this announcement, the Audit Committee was advised that one report out of a total of 28 submitted by GIA carried an unsatisfactory audit opinion. It covered the Wholesale IT unit of EnergyAustralia. The issues arising from this audit had no significant impact on the Financial Statements and are being addressed by management.

Based on the information received from management, the external auditor and GIA, the Audit Committee believes that overall financial and operating controls in place for the Group during 2014 continue to be effective and adequate. Further information about control standards, checks and balances and control processes is set out in the Corporate Governance Report of the Annual Report. The Audit Committee confirms that it has discharged its responsibilities in accordance with the requirements of the CLP Code and is satisfied that the Group has complied with all the Code Provisions of the Stock Exchange Code with respect to internal controls.

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new statutory and regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. This Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2014 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.

We have voluntarily extended the ambit of the CLP Code for Securities Transactions to cover Senior Management (comprising the CEO and nine other managers, whose biographies are set out in the Annual Report and on CLP's website) and other "Specified Individuals" such as senior managers in the CLP Group. All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2014 they complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2014.

FOURTH INTERIM DIVIDEND

Today, the Board of the Company declared the fourth interim dividend for 2014 at HK$1.00 per share (2013: HK$0.98 per share). This fourth interim dividend will be payable on all shares in issue as at the close of business on 12 March 2015 after deducting any shares repurchased and cancelled up to the close of business on 12 March 2015. As at 31 December 2014, 2,526,450,570 shares of the Company were in issue. The fourth interim dividend of HK$1.00 per share will be payable on 24 March 2015 to shareholders registered as at 13 March 2015.

The Register of Shareholders will be closed on 13 March 2015. To rank for the fourth interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 March 2015.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board has proposed to make certain amendments to the Company's Articles of Association to align with the new Companies Ordinance which has come into operation on 3 March 2014 and for house-keeping purpose (the "Proposed Amendments").

The Proposed Amendments will be subject to the approval of the shareholders of the Company by way of a special resolution at the seventeenth Annual General Meeting (AGM). Details will be set out in the Explanatory Statement on the New Articles of Association attached to the Notice of AGM to be issued to the shareholders together with the 2014 Annual Report.

ANNUAL GENERAL MEETING

The seventeenth AGM will be held at the Jockey Club Auditorium, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong on Thursday, 7 May 2015, at 11:00 a.m. The Notice of AGM will be published on the websites of the Company and the Stock Exchange of Hong Kong Limited and despatched to shareholders on or about 27 March 2015.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 5 May 2015 to 7 May 2015, both days inclusive, during which period the registration of transfers of shares will be suspended. To be entitled to attend and vote at the AGM, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 4 May 2015.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 26 February 2015

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2014 will be published on the Company's website at www.clpgroup.com and the website of the Stock Exchange of Hong Kong on or about 12 March 2015. The Annual Report and the Notice of Annual General Meeting will be despatched to shareholders on or about 27 March 2015.
All of these will be made available on the Company's website.
