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中 電 控 股 有 限 公 司

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Announcement of Annual Results from 1 January 2017 to 31 December 2017, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings increased 7.9% to HK$13,307 million, mainly driven by a 16.3% increase in the contribution from businesses outside Hong Kong; total earnings increased 12.1% to HK$14,249 million.
- Operating earnings from our local electricity business in Hong Kong rose by 2.6% to HK$8,863 million.
- Consolidated revenue rose by 15.9% to HK$92,073 million.
- Fourth interim dividend of HK$1.14 per share; including the first three interim dividends paid, total dividends for 2017 are HK$2.91 per share (2016: HK$2.80 per share).

CHAIRMAN'S STATEMENT

I am pleased to report that the CLP Group has continued to perform well in 2017. We recorded steady growth and our financial results exceeded those of the year before.

During the year, Group operating earnings increased 7.9% to HK$13,307 million from 2016. Total earnings were up 12.1% to HK$14,249 million. These earnings have enabled the Board to approve a fourth interim dividend of HK$1.14 per share for 2017. Together with the three interim dividends already paid, our total dividends this year are HK$2.91 per share, a 3.9% increase from HK$2.80 in the previous year.

These results reflect the strength of our Group that comes from the diversity of our business. The nature of our industry along with the fluctuations in economic activity around the world introduce a certain level of volatility from time to time. It is the diverse elements of our portfolio that enable us to achieve a balance across the range of our businesses while charting a steady course. This business model has worked for us over a long period of time and I have no doubt it will continue to do so. Hong Kong will remain our core market for the foreseeable future while the dynamic markets of Mainland China, India and Australia continue to provide the prospect for long-term growth.

In Mainland China, where we have been investing for nearly four decades, our recent acquisition of a 17% interest in Yangjiang Nuclear Power Co., Ltd. will deliver significant additional earnings and boost our presence in the country’s low carbon future. The Yangjiang investment further strengthens our position in sharing the growing prosperity of our neighbouring Pearl River Delta.

In India, where an estimated 300 million people still live without electricity, long-term and capital-intensive investment is required to expand and enhance its power infrastructure. We hope to continue to contribute to that need by broadening our activities and participating in other parts of the energy supply chain such as transmission, distribution and decentralised generation.

In Australia, our emphasis has been on restoring value to our existing investments. This endeavour has been progressing ahead of plan and has strong momentum. We are now increasingly focused on long-term value creation. As in many markets, Australia is challenged by the need for an energy transition while maintaining affordability and reliability of energy. This provides potential opportunities for new investments.

In my Statement last year, I paid particular attention to the adoption and ratification of the Paris Climate Change Agreement. We welcomed this accord and committed our Group to playing our part in achieving its goals. Over a decade ago, CLP voluntarily introduced our Climate Vision 2050 where we committed to lower the carbon intensity of our generating portfolio by approximately 75% of our 2007 position by 2050. Now, to further support the efforts galvanised by the Paris Agreement and the rising expectations of our stakeholders, we have decided to strengthen our commitment. After a comprehensive review of the energy transition underway in each of our key markets, the Board has set even more ambitious targets of reducing our carbon intensity by 82% by 2050 while increasing the share of non-carbon emitting generating capacity from 30% to 40% and renewable energy capacity from 20% to 30% by 2030.

As part of this commitment, we are working to support the Hong Kong Government’s Climate Action Plan which calls for a reduction of carbon intensity by 65-70% from 2005 levels by 2030 and requires an increase in the use of natural gas to around half of the total fuel mix for electricity generation in 2020.

The new gas-fired generation unit to be built at Black Point Power Station and our plan to develop an offshore LNG terminal are both very much part of this effort. The gas unit will start commercial operation in time for the 2020 deadline and the environmental impact assessment for the LNG terminal, which aims to enhance Hong Kong’s energy security, will soon be presented to the Government.

As I have said many times in the past, Hong Kong is our home and remains our core business, I was thus pleased to see the Government’s approval in 2017 of a new Scheme of Control (SoC)

Agreement. The new agreement, which will run for 15 years from 2018 to 2033, provides us with the regulatory certainty that an industry such as ours requires for long-term planning and investment decisions. With that in mind, we have already submitted to Government a new Development Plan setting out our investment strategy for the next five years.

As part of the new SoC Agreement, more initiatives will be introduced to promote the development of renewable energy, enhance energy saving and demand management. This sits well with our ambitions to keep abreast or, where we can, stay ahead of the technological changes that are reshaping the way utilities do business. We are strengthening our management team with the appointments of experts in the field to drive our innovation strategy and better utilise the wealth of data we collect. We have a number of ideas under development in this area that will be discussed by the Chief Executive Officer in his Strategic Review.

As we continue to work towards a brighter future it is important to reflect on the challenges and achievements of our past that have led us to where we are today. In October 2017, we premiered our documentary *A Century of Power* to a large audience. The documentary traces the history of CLP from its beginning more than 115 years ago and, as Hong Kong's Chief Executive Mrs Carrie Lam put it, pays tribute to the hard work and perseverance of our past generations in making Hong Kong a modern world-class city. It is a shared history that we can all be proud of.

In closing, while I am glad to report the good performance we achieved in 2017, I must add that no matter how good the results are, a job is not well done if it is not done safely. During the course of 2017, four workers of our contractors lost their lives while working on our sites. I once again express my deepest sympathy to the families of the deceased and reiterate that we are making every effort to find ways to help us avoid similar accidents in the future.

The Honourable Sir Michael Kadoorie

CEO'S STRATEGIC REVIEW

Against the background of all the unpredictable international events I pointed to in my Strategic Review last year, it is indeed pleasing to report that we achieved solid performance in 2017. Our industry continues to confront challenges and opportunities brought about by climate change and technological advances. We are tackling these challenges head-on and embracing the new opportunities they present. We remain true to our purpose which is to address the energy trilemma: providing a safe and reliable electricity supply in an environmentally responsible way and at a reasonable cost.

In particular, energy security is a key but often overlooked issue. We need long-term, reliable fuel supply to cope with economic developments and environmental needs, as in the case of Hong Kong. We also need a flexible, well-coordinated energy system to react promptly to sudden changes in the supply-demand balance, as in the case of Australia. At the same time, we need to be able to answer the combined need for new capacity while accelerating the retirement of older, carbon intensive facilities, as in the case of our growth markets of Mainland China and India. Addressing this requires long-term vision, continuous investment and regulatory support.

For now, I would like to focus on our performances in the five markets where we operate and outline the most important issues facing us in these areas.

Hong Kong

In 2017, operating earnings from our Hong Kong electricity business increased 2.6% to HK$8,863 million. The new SoC Agreement we reached with the Hong Kong Government for 2018 to 2033 gives us the certainty to plan for our future investments and developments. The new SoC reinforces our commitment to working closely with the Government to implement its clean energy policies aimed at making Hong Kong smarter and greener. We are also ready to serve growing demand from new housing development and infrastructure projects in our supply area. To this end, we have submitted a five-year Development Plan to the Government.

To build a cleaner Hong Kong, the Government targets to reduce carbon intensity by 65-70% in 2030 from the 2005 levels. Significantly for us, it has mandated an increase in the use of natural gas to around 50% of the total fuel mix for electricity generation in 2020. We are currently constructing a new HK$5.5 billion gas-fired unit at Black Point Power Station which will start operating before 2020 and we are planning an offshore LNG terminal in Hong Kong waters, for which we plan to submit an environmental impact study soon. This initiative will help ensure Hong Kong's energy security and allow us to source fuels at competitive prices and deliver a reliable supply to power the city's transformation to a lower carbon future.

In the meantime, we are working on implementing a number of initiatives contained in the new SoC Agreement. One such is introducing a Feed-in Tariff programme which provides financial incentives to customers generating their own renewable energy. We are also issuing renewable energy certificates to provide customers opportunities to participate in the local development of renewable energy. We hope that these initiatives will help provide impetus for the development of more renewable energy in Hong Kong.

Mainland China

Operating conditions in Mainland China continued to be challenging in 2017, particularly for coal-fired generation facilities. As a result, operating earnings fell 18.6% to HK$1,238 million.

During 2017, coal prices remained high. This was primarily the result of tight supplies of coal brought about by the country's efforts to clean up the wider coal sector by shutting down smaller, less efficient mines. On-grid electricity prices from coal-fired generation, however, were not adjusted accordingly. This affected the profitability of our coal-fired projects.

While thermal generation has been impacted by China's transition to a lower carbon future, non-carbon emitting generation plays an increasingly important role. CLP's clean energy portfolio was strengthened in 2017 by the completion of the Yangjiang investment, which signified a key milestone not only for our operation in Mainland China, but also for the Group as a whole. The investment is not only important from an environmental perspective, it will also bring a positive impact to our earnings.

Meanwhile, the performance of our renewable projects was solid, thanks to continuous growth of our wind and solar portfolio.

As the Central People's Government continues to reform the energy sector and introduce mechanisms to open up the market, the proportion of market sales substantially increased, bringing down the average price of our realised sales. With a balanced portfolio in place, this enables us to effectively compete in this rapidly evolving market.

India

Our operations in India had a solid year as both our thermal and renewable projects performed well. This gave rise to a 38% increase in operating earnings to HK$647 million.

We are well aware of the worsening pollution in India and have always been mindful of the impact of thermal projects on the environment. This is why we installed state-of-the-art environmental facilities for both Jhajjar and Paguthan power plants.

We are particularly pleased by the near completion of our first solar project in India, Veltoor, in the south of the country. Renewables are an integral part of CLP's strategy in India and are expected to continue making a vital contribution to our business and the environmental performance of the country.

Southeast Asia and Taiwan

In 2017, our operations in Southeast Asia remained steady. However, operating earnings decreased 41.6% to HK$160 million largely because our project in Taiwan, Ho Ping, was affected by higher coal costs and unplanned outages in the second half of the year. In the meantime, we continued to press ahead with the development of our two coal-fired projects in Vietnam.

Australia

I am glad to report that value restoration in our Australia business has strong momentum and is ahead of plan. In 2017, we achieved solid results in a very competitive market. Higher wholesale prices drove an increase in earnings from our Energy segment, while the Customer segment benefitted from the hard work we put in over recent years which puts our customers first and successful initiatives to lower costs. These resulted in a 48.1% increase in operating earnings to HK$2,738 million.

Energy policies in Australia have been complex and sometimes conflicting. In October 2017, the Federal Government announced its National Energy Guarantee plan. We have examined it carefully and hope it can lead to agreement between state and federal governments resulting in a national approach. We continue to work with our stakeholders on the redesign of the energy market assuring it does not lead to unnecessary cost for customers. Attracting investment in new generation is critical to restoring the vitality of the National Electricity Market. To achieve that, there is no substitute for stable energy policies.

Our results prove that our integrated business model works well. We are delivering to our customers the energy products, services and choices they need to manage the impact of rising prices while helping vulnerable customers deal with hardship. We can do this thanks to a strong and diversified portfolio of physical assets and contracts, including our initiative to underpin the development of 500MW of renewable energy with contractual offtake arrangements. Australia also urgently needs energy storage and reserve capacity to address the current energy security issue. EnergyAustralia is studying battery, pumped storage and demand response as part of a portfolio to help address that issue and provide reliable, affordable and cleaner energy for all customers. With a stable, national framework CLP is ready to help lead the shift to a cleaner energy future for all Australians.

Performance Highlights

Operating Earnings[1] by Market:

	Contribution to Operating Earnings [1] (%)
Hong Kong electricity and related activities	66
Mainland China	9
India	4
Southeast Asia and Taiwan	1
Australia	20

5.2 million customer accounts[2]

Equity electricity sent out 83.9 TWh[3]

Notes
1 Before unallocated expenses
2 Including 2.56 million in Hong Kong and 2.62 million in Australia
3 Equity basis and capacity purchase arrangements. Also includes long-term power contracts from facilities in which we hold an equity interest

Safety

At CLP, we take safety to heart. The two fatal accidents in our Hong Kong operation last year which claimed four lives were a tragic reminder that we must be forever vigilant in our efforts to protect the safety of our staff, contractors and customers. In 2017, under the supervision of the Board, we carried out a fundamental review of our health and safety practices. Contrary to safety management theory and our expectation, we have seen the level of serious incidents across the Group remain relatively stable despite a strong downward trend in the total number of safety incidents. As a result, we significantly strengthened the focus of our safety procedures on the reduction of serious incidents, introduced action plans to improve standards in this area and further elevated the classification of safety in our Group risk register to ensure a sustained increase in oversight on safety. We have also appointed a new Senior Director of Health, Safety and Environment to oversee the new approach. We will closely monitor the implementation of these plans on an ongoing basis with a determination to do as much as we possibly can to prevent a recurrence of such tragic accidents.

Climate Change

It is now 10 years since CLP's Climate Vision 2050 was first published. During this period, climate change science has progressed, technology has advanced, our business has evolved and the Paris Agreement has increased global ambition to limiting temperature increases to 1.5 degrees. Against this backdrop, we undertook a comprehensive review of Climate Vision 2050.

It is now clear that increasing global demand for renewables has reduced costs to the point where in some situations renewable energy no longer requires subsidies. In the context of growing societal expectation and increasing technological promises, we have set ourselves tougher targets than those formulated in 2007. We now propose decarbonising our portfolio by over 80% from the 2007 levels and have introduced new carbon intensity reduction targets for 2030 and 2040 to replace the existing 2035 one. Our new goals are to have 30% of our generation capacity coming from renewables in 2030 and 40% from non-carbon emitting sources that year.

Finally, as business models evolve and decentralised generation takes up an increasing part of the system, contracting new renewable energy becomes more mainstream. CLP has historically reported our carbon intensity, proportion of renewable and non-carbon emitting generation on an equity basis reflecting solely our ownership in the generating plant. However, we believe this approach reflects a relatively narrow view of our generation position as it does not take into account the capacity purchases that we make from plant we don’t own. Therefore, from now on, we will also report our targets and progress on a basis that includes our capacity purchases.

Innovation

The digital revolution means the world is changing at a rapid pace and our industry needs to seize the opportunities presented by this phenomenon. We have long recognised this and have made innovation a priority in our long-term plans for the Group. Since 2016, we have appointed a Senior Director of Innovation and a Director of Big Data to our new innovation team, which has been tasked to define and refine how we can leverage all the new and emerging technologies that can help us to be better and more efficient at what we do. This process will help our customers to save energy usage and costs.

We are already making progress. In 2017, we invested in a venture capital fund in Silicon Valley which can help us explore new opportunities. We have also applied new technologies in our operation to boost performance and efficiency. For example, in Hong Kong, we are using drones as “inspectors” to look at aspects of our Black Point Power Station, in particular the operational areas where access by our staff is difficult or potentially dangerous. In Mainland China, we started using robots to clean our solar panels. In Australia, we have rolled out the Redback Smart Hybrid System which combines a solar inverter with battery storage and a smart home energy management software, and a demand response trial for customers to have better control of their energy use. We also utilise data analytics to enhance asset management across the Group.

Changes to the first registration tax waiver on electric vehicles have dramatically reduced the sale of electric vehicles in Hong Kong and has impacted our Smart Charge business which we launched in 2016. However, many manufacturers are now focusing on the development of newer and cheaper electric car models which may again boost sales. We remain confident in the long term for this 50%-owned enterprise.

As the world becomes smarter and connectivity increases, the probability of cyberattacks is also on the rise. Today’s utilities are far more vulnerable to these attacks as our infrastructure has become more complex and digital. Therefore, we are actively strengthening our systems and improving our response capabilities to deal with potential cyber events. To keep up to date in this challenging area, we have also taken steps to strengthen our cyber resilience through collaboration with leading international utilities.

Outlook

Since the launch of our "Focus · Delivery · Growth" strategy in 2014, we have been focusing on what we do well – managing our operations professionally – and delivering a dependable and increasing return. We have also been growing our portfolio at a steady pace. Our positions are strong and our pathways are clear.

In Hong Kong, the new 15-year SoC Agreement provides certainty for our investments in the energy transition and the new technologies necessary to meet our customers' needs. We look forward to a future that is continuously underpinned by a clear and stable regulatory framework with confidence.

For the longer term, Mainland China and India will remain our major growth markets.

In Australia, there has been a long period of energy policy uncertainty which has brought with it significant market volatility and rising energy costs. Having said that, our value restoration programme has borne fruit since introduction in 2014 and from now on, providing and assuming the introduction of a more stable and modern regulatory framework, our focus will be to create value for the long term.

Globally, we note the trend in the development of smart cities, which comes with unprecedented connectivity across all sectors and regions. To support the development of a smart city in Hong Kong, we believe a reliable, efficient and clean energy system will be needed. At CLP we have the drive, desire and expertise to be an integral part of these exciting new developments.

I should stress that the energy industry is a fundamentally solid business amid all these challenges. We are well-prepared to recognise and seize the opportunities that they are bringing, benefitting from a diversified portfolio, our forward-thinking, clear focus, agility, strong financial structure and a capable workforce. With these new opportunities coming up, we will continue to strengthen our talent pool. The launch of the CLP Power Academy in Hong Kong last year is one good example of this effort.

In the past year, we undertook an exercise to review our brand identity. Our refreshed brand and our new tagline – Energy for Brighter Tomorrows – speak to our purpose to deliver a fundamentally positive contribution to the community as a reliable and engaging energy service provider. It reflects both our achievements over the years in providing energy for the communities we serve and our determination and commitment to continue to innovate and improve. We look forward to a dynamic and bright future and positive engagement with all our stakeholders.

Richard Lancaster

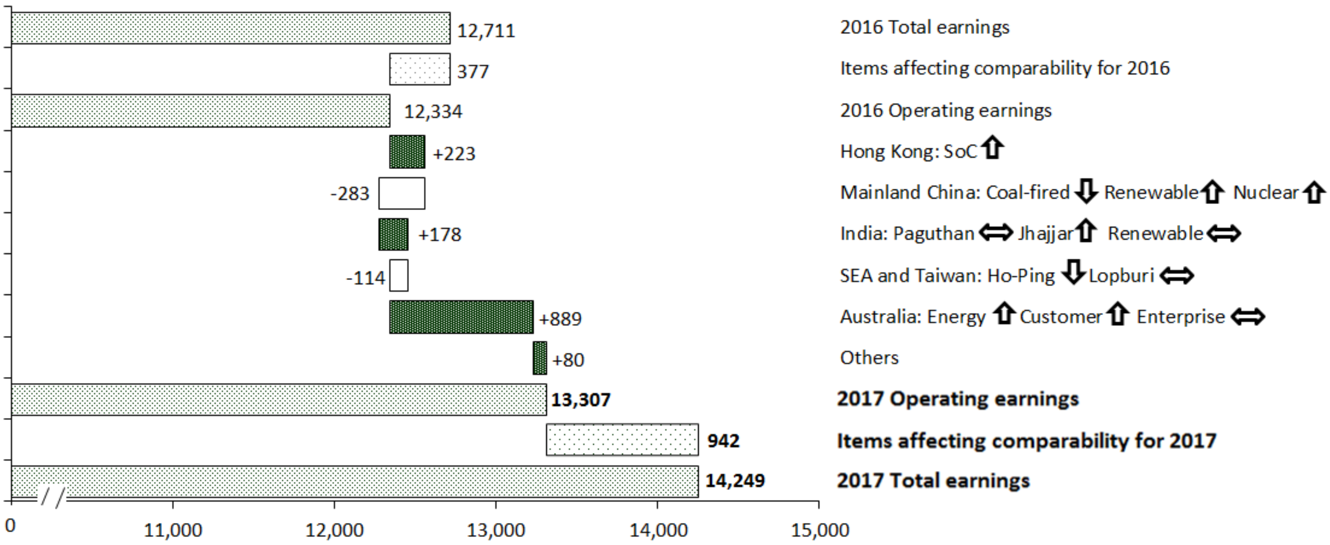
FINANCIAL PERFORMANCE

Group operating earnings increased 7.9% to HK$13,307 million, mainly driven by a 16.3% increase in the contribution from businesses outside Hong Kong; total earnings increased 12.1% to HK$14,249 million.

	2017 HK$M	2016 HK$M	**Increase/ (Decrease) %**
Hong Kong electricity business	**8,863**	8,640	2.6
Hong Kong electricity business related*	**335**	203	
Mainland China	**1,238**	1,521	(18.6)
India	**647**	469	38.0
Southeast Asia (SEA) and Taiwan	**160**	274	(41.6)
Australia	**2,738**	1,849	48.1
Other earnings in Hong Kong	**(65)**	62	
Unallocated net finance (costs)/income	**(2)**	33	
Unallocated Group expenses	**(607)**	(717)	
Operating earnings	**13,307**	12,334	7.9
Items affecting comparability			
Property revaluation and transaction	**369**	497	
Reversal of tax provision for			
acquired derivatives in Australia/	**573**	-	
capital gain in Mainland China	**-**	83	
Impairment and provision reversal	**-**	(203)	
Total earnings	**14,249**	12,711	12.1

* Hong Kong electricity business related includes PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

Earnings for the Year (HK$M)



The performance of individual business is analysed under individual business section.

BUSINESS PERFORMANCE

Electricity Business in Hong Kong

Financial and Operational Performance

Overview

CLP worked hard to deliver a highly reliable, environmentally responsible and safe electricity supply to customers in 2017. Regrettably, during the year there were two industrial incidents which led to four casualties.

In 2017, operating earnings from our electricity business increased 2.6% from a year ago to HK$8,863 million.

CLP's operations in Hong Kong have been regulated by the Government under the SoC Agreement for more than 50 years. This arrangement has provided the stability to allow us to respond to the changing needs of Hong Kong society and deliver a constantly improving environmental performance.

A new SoC Agreement was signed with the Government in April 2017, giving CLP the opportunity to continue to power the growth of Hong Kong. It comes into effect in October 2018 and runs until December 2033. The new Agreement provides certainty for our customers, employees, shareholders, and everyone who uses the electricity infrastructure of Hong Kong. It will help us to undertake the long-term investments needed to support Hong Kong's transition to a low carbon economy guided by the Hong Kong Government's 2020 and 2030 carbon intensity targets. In accordance with the requirements of the new SoC Agreement, we have submitted a Development Plan for 2018-2023 to the Government.

Meeting Customer Needs

The number of customers served by CLP in 2017 increased year-on-year from approximately 2.52 million to 2.56 million. Local sales of electricity decreased slightly by 0.2% to 33,164 gigawatt hours (GWh) compared with the previous year. The reduction was caused mainly by a dip in demand from the residential sector because of mild weather in the first half of the year. Sales to Mainland China amounted to 1,341 GWh, an 11.3% increase from 2016. As a result, total electricity sales in 2017 saw a marginal increase of 0.2% to 34,505 GWh. We recorded a local demand peak of 7,155MW on 22 August, 1.8% higher than the previous record set in 2014 and 4.6% above the day of highest demand in 2016. The demand peak during the year would have been higher had we not actively pursued demand response initiatives under which we incentivise key customers to reduce electricity usage.

We are mindful of the impact of tariff increases on people's livelihood and business, and have maintained a relatively stable Basic Tariff over the past decade. For 2018, with the offering of a Rent and Rates Special Rebate, we adjusted the Average Net Tariff by 1.9% to HK$1.154 per unit of electricity amid the pressure of continuing inflation, increasing fuel costs due to increased gas generation by 2020 and rising operating costs.

Powering Hong Kong

Hong Kong experienced a succession of extreme weather events in 2017. The territory was affected by seven typhoons with two particularly strong ones striking in the space of five days. We were able to maintain our highly reliable service despite these challenges. During Typhoon Hato, which triggered Hong Kong's most severe number 10 storm warning for the first time since 2012, CLP customers experienced an average of just 0.7 minutes of unplanned power interruption, down from 1.8 minutes when Typhoon Vicente hit Hong Kong five years earlier. Despite Hato's closer proximity and higher wind speeds, the number of customers affected also dropped to less than 23,000, compared with 32,000 during Vicente. These figures highlight the resilience of our systems, and more importantly underline the need for continuing careful and diligent investment in our infrastructure so that we can maintain and improve our reliability for customers as extreme weather events become more commonplace.

Solid and dependable infrastructure provides the backbone for us to serve our customers well. In 2017, we invested HK$8.1 billion to maintain and enhance our supply systems and generation assets to meet customer demand. We are upgrading the gas turbines in our existing gas-fired generation units while constructing new facilities. To support Hong Kong's infrastructure development, we commissioned two new 132kV substations to provide power supplies to a data centre in Tseung Kwan O and the new border control facilities at Heung Yuen Wai.

Building a Lower Carbon Economy

We are working hard to reduce the carbon intensity of our electricity supply with a significant change in the fuel mix we use at our power plants. Around one third of CLP's electricity supply is already non-carbon emitting, while about a quarter is produced by high efficiency and low emission gas-fired generation. Gas-fired power generation produces about half the carbon emissions of coal generation, so increasing the proportion of gas-fired generation makes a significant difference to the environment over time. To support the government's target of generating about half of Hong Kong's electricity from natural gas by 2020, we are building a new 550MW advanced combined-cycle gas turbine at Black Point Power Station which will operate with a world-class efficiency and environmental performance. The project will mainly be financed by an Energy Transition Bond issued at attractive rates under our new Climate Action Finance Framework. Construction is progressing well and we are on schedule to put the unit into operation before 2020.

As we become more reliant on gas to meet the Government's expectations for our fuel mix for power generation, we need to ensure we secure additional reliable supplies of natural gas at competitive prices from the global market. We are therefore working to develop an offshore LNG import terminal for our city, using a Floating Storage and Regasification Unit (FSRU) located in the southern waters of Hong Kong. Good progress has been made on LNG supply and the FSRU vessel arrangements. We are now finalising the environmental impact assessment study for the project and will soon submit it to the Government.

The new SoC Agreement contains important elements designed to support Hong Kong's transition to a low carbon economy. These include initiatives to increase the pace of energy efficiency projects undertaken by our customers, and the introduction of new programmes to promote renewable energy.

Two important new energy efficiency funds are being established. The new CLP Eco Building Fund will promote energy saving for buildings and the CLP Community Energy Saving Fund aims to encourage wider usage of energy efficient electrical appliances. We are also introducing a new Feed-in Tariff programme and Renewable Energy Certificates. The Feed-in Tariff programme will incentivise people to develop small-scale renewable energy projects by shortening the payback period of their investment. CLP will continue to facilitate easy grid connection for these small-scale renewable energy projects. Renewable Energy Certificates allow customers to buy clean energy from us and recognise the contribution that renewable energy makes to lowering emissions. These two instruments will give customers the opportunity to provide practical support to accelerate the development of renewable energy in Hong Kong.

We continue to play a direct role in the development of Hong Kong's renewable energy sources by connecting the Government's large-scale waste-to-energy projects to our grid and exploring other utility-scale renewable energy opportunities in Hong Kong. For example, we are pioneering Hong Kong's largest landfill gas power generation project at the West New Territories (WENT) Landfill site. An environmental permit was granted in April 2017 and we plan to install 10MW power generation units in the initial stage of the project that uses landfill gas as fuel. The amount of energy produced will be enough to meet the annual electricity demand of around 17,000 four-person homes. A commercial agreement for the project is being finalised and we expect it to go into operation in the middle of 2019.

Developing a Greener, Smarter Energy System

Electricity has a critical role to play in Hong Kong's efforts to transform itself into a smart city. It accounts for more than half of all the energy we use in our homes and businesses and in our infrastructure and transport networks. CLP's world-class reliability is more essential than ever to power our daily lives including the smart phones and computers that make our lives more manageable, and we have a unique opportunity to play a key role in creating a smarter, greener city.

We are making use of new technology to transform conventional transmission and distribution networks into a smart grid. Drones are being deployed to inspect power lines and generation facilities to improve efficiency and safety, and Virtual Reality technology is being applied to operational and safety training to enhance its effectiveness.

At the same time, we want to make smart technology directly available to more of our customers. The Smart Energy Programme launched in the middle of last year provided the opportunity for 26,000 residential customers to take part in a one-year demand side management pilot study to examine how they could better manage their consumption and make real savings on bills. Smart meters directly connected to CLP's energy management and customer service systems were installed and customers were incentivised to use less electricity at times of peak system demand, save money by shifting their electricity usage to off-peak periods, and use new smart phone apps to receive energy saving tips along with up-to-date information on their consumption. We hope to extend these benefits to many more customers in future.

To promote smart living, we launched a mobile app in July 2017 that allows customers to manage their electricity accounts, settle bills, shop for energy efficient appliances, and gain quick access to useful information including the locations of CLP customer service centres.

We opened the new CLP Smart Energy Experience Centre in Yuen Long in April 2017 to introduce one-stop advisory services on smart technology for homes and offices. The centre also acts as a shop window for home-grown companies by showcasing innovative products and services such as smart home controls, facial recognition devices, and voice-controlled appliances developed by local start-ups.

For business customers, we provide an energy audit service to assess their energy efficiency performance. This helps them identify savings opportunities and areas in need of improvement. More than 160 audits were conducted in 2017. We also launched the Smart Enterprise Service app, deploying an Internet of Things platform for total energy management solutions which enable customers to control and monitor their electrical equipment and devices remotely.

Green transport is a key requirement for any smart city. To promote green motoring and encourage the use of our city-wide electric vehicle (EV) charging service, we have expanded our EV charging network to 49 charging stations with 154 charging points across our service area. In parallel, we have upgraded the CLP mobile app which now provides users with the latest status of CLP's charging stations and helps drivers locate their nearest available charging points.

Promoting Education and Learning

The continuing success of the power industry in Hong Kong depends upon expertise, innovation and the ability to nurture talented individuals capable of keeping pace with the sector's rapid evolution. To ensure we have the best possible talent pool to help our city and country grow, we established the CLP Power Academy in October 2017, offering for the first time accredited professional programmes for electrical and mechanical tradespeople and people interested in joining our industry.

We also produced a milestone documentary film called *A Century of Power* which told the parallel and intertwined histories of CLP and Hong Kong. We hope the film will inspire our new generation to appreciate the contribution of electricity to our past, present, and future success of our city.

Meanwhile, we arranged a broad range of educational activities aimed at ensuring we have quality human resources for the development of both CLP and Hong Kong. The following highlights illustrate how we provide support for every stage of life's learning journey:

- A POWER YOU Kindergarten Education Kit was distributed to 1,000 kindergartens across the territory for free and supported by subsequent visits from graduate trainees to share basic knowledge of energy and safety.
- Green Elites Campus Accreditation Programme facilitates primary schools to adopt environmental friendly principles and encourages students to lead a greener lifestyle.
- Around 6,000 students took part in the Engineer in School programme.
- A new multi-purpose promotion truck was added to our Green Studio mobile classroom which delivers an engaging environmental message to schools and communities.
- The CLP Power Academy in partnership with the Vocational Training Council launched its first part-time programme. The Professional Diploma in Power Engineering attracted more than 170 applications for 40 available places.

- The CLP Power Low Carbon Energy Education Centre was opened at the City University of Hong Kong.
- Professor Charles Ng was inaugurated as the first CLP Holdings Professor of Sustainability at the Hong Kong University of Science and Technology.

Environmental Performance

Air Emissions

Reducing air emissions is a vital step in creating a better living environment. We engage a comprehensive and robust system for our generation portfolio to carefully monitor environmental performance, ensure full compliance, and explore opportunities for improvement.

In 2017, we were able to comply with all the emissions caps set by the Government seeking a 9% reduction in emissions compared with 2016. We were able to achieve the targets while maintaining supply reliability and a reasonable tariff level by optimising our diversified fuel mix, and maintaining the effectiveness of our emissions control facilities.

We also completed a review with the Government for a new set of emissions caps for our power stations which will come into effect from 2022. The emissions caps for sulphur dioxide, nitrogen oxides, and respirable suspended particulates will be substantially reduced by 80%, 53%, and 53% respectively compared with 2010 levels.

Environmental Regulatory Compliance

All Hong Kong assets under our operational control maintained full compliance with environmental regulations in 2017.

Outlook

At CLP, we strive to provide our customers with a world-class electricity supply with high supply reliability, an improving environmental performance, and reasonable tariffs. We are committed to continue to do so in the future despite the challenges of extreme and changing weather, an uncertain global economic outlook, volatile international fuel markets, and rising environmental performance expectations. We will ensure the safe and timely construction of the new combined-cycle generating unit at Black Point Power Station. We will press ahead with the development of an offshore LNG terminal to maintain our supply reliability, fuel source diversity, and our ability to procure fuel on competitive terms. We will work closely with the Government on the next Development Plan to ensure appropriate investment and resources are available for us to maintain our world-class service to customers. We will also explore options to further reduce Hong Kong's carbon emissions in the long term, including the possibility of an even cleaner fuel mix and the import of clean energy.

We are committed to working with our customers to put the new SoC Agreement into effect and to energetically promoting renewable energy and greater energy efficiency. We will make more details of the Feed-in Tariff programme and Renewable Energy Certificates available during 2018 and preparation is underway to launch the new Eco Building Fund and the Community Energy Saving Fund to help lead Hong Kong towards a lower carbon future.

In a fast-changing world, CLP will capitalise on technological advances to continually improve our operations and to provide better value for our customers. We will make use of data analytics and robotics to optimise our asset management and improve our predictive operational management capability. New forms of technology such as chatbots will be deployed to enhance our services and customer offerings. We will also continue to work closely with our stakeholders and support the community in practical and meaningful ways, providing environmental education, supporting youth development, and helping disadvantaged people in our community. As Hong Kong becomes a world-class smart city, it needs a smart utility to support and facilitate the transformation. CLP is ready to take that role.

Electricity Business in the Mainland China

Financial and Operational Performance

Overview

China maintained strong economic growth in 2017 with GDP expanding 6.9% from a year earlier, contributing to a 6.6% growth in demand for electricity. However, the Central People's Government has launched a series of campaigns to address coal oversupply issues over the last few years, leading to coal mine closures. As a result, coal costs started to rise rapidly in the second half of 2016. This, together with overcapacity in the industry, has a major impact on the profit levels of electricity generation facilities, most notably for our thermal plants. Meanwhile, as the electricity market reform continued to gather pace, an increasing portion of our sales were carried out through competitive bidding, which often resulted in tariff levels that are lower than the approved benchmark rates.

Against this background, the operating earnings of CLP in Mainland China fell 18.6% to HK$1,238 million. However, earnings of our renewable projects were higher, benefitting from the addition of five new projects since 2016. Daya Bay Nuclear Power Station operated reliably with higher generation and stable earnings. Our performance in Mainland China is summarised below.

Operating Earnings	**2017** **HK$M**	2016 HK$M	Change %
Renewables	**441**	404	+9.2
Thermal	**45**	429	-89.5
Nuclear	**913**	863	+5.8
Operating and Development Expenditure	**(161)**	(175)	-8.0
Total	**1,238**	1,521	-18.6

Nuclear Projects

A highlight of CLP's operations in Mainland China in 2017 was the completion of the acquisition of a 17% equity interest in Yangjiang Nuclear Power Co., Ltd. in December. Yangjiang Nuclear Power Station is located in Guangdong province and consists of six generating units, of which four are in commercial operation while the remaining two are under construction with commissioning targeted for 2018 and 2019. The transaction was significant for a number of reasons. It increased our investment in low carbon technologies, strengthened CLP's longstanding relationship with the CGN Group which commenced with our investment in Daya Bay over 30 years ago, and made an immediate contribution to our earnings.

Daya Bay Nuclear Power Station continued to perform well and maintained a good safety performance without any licensing operational events or abnormal incidents as defined by the International Atomic Energy Agency.

Renewable Projects

The addition of 62MW of new projects and higher output at our wind and solar projects were the major drivers behind the better performance of our renewables business in 2017.

The Laiwu II wind project in Shandong was commissioned towards the end of the year. Together with the full-year contribution of the three projects that started commercial operations in 2016, the energy sold from our wind portfolio increased by more than 8% compared with 2016.

The performance of our hydro projects was satisfactory in general but variable reflecting local conditions. Dali Yang_er Hydro Power Station in Yunnan reported stable generation. However, Jiangbian Hydro Power Station in Sichuan was affected by grid curtailment while there was lower rainfall at Huaiji Hydro Power Station in Guangdong.

Generation from our solar portfolio increased slightly compared with the previous year. In June, we commissioned a new project at Huai'an in Jiangsu, which is our second solar-agriculture integrated farm in Mainland China.

Thermal Projects

Last year was challenging for coal-fired projects in Mainland China as coal prices were high while tariffs did not keep pace with costs and overcapacity was severe. The Central People's Government's clean energy policies also meant output from renewable or nuclear projects were often given priority. This affected our thermal projects across the board and was particularly severe at our Fangchenggang Power Station which was also impacted by the restrictions to import coal at certain ports.

As a result of these factors, we focused on optimising our current operations and finding ways to boost our future output. At Fangchenggang, we responded quickly by increasing the portion of market sales from two-fifths in 2016 to 100% in 2017. As we expected competition on the supply side to remain strong in the short to medium term, we also sought to secure some longer term market sales contracts with large industrial customers so that, going forward, the plant could increase sales and secure more generation hours.

The performance of our other minority-owned thermal projects was similarly affected by high coal prices, oversupply, and low tariffs.

Environmental Performance

Air Emissions

While the newer, Phase II of Fangchenggang Power Station was designed and built to fulfill the latest higher energy efficiency and air emissions requirements in Mainland China, we completed retrofitting Unit 1 of Phase I of Fangchenggang in 2017 to comply with energy and environmental standards. The upgrade of Unit 2 is expected to be completed in 2018, upon which both phases of the coal-fired plant will meet the stringent new energy saving and air emissions requirements in Mainland China which take effect from 2020. Despite an increase in output of around 66% compared to 2016, total air emissions at Fangchenggang were similar to 2016. This is testimony to the effectiveness of the emissions controls of Phase II that commenced operation at the end of 2016.

Water

At Fangchenggang, a water recycling system has been installed to collect used water from the coal yard. The water is treated and used for suppressing the dust of the coal piles and general cleaning.

Environmental Regulatory Compliance

During 2017, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our assets in Mainland China which we had operational control. In 2016, some environmental and forestry land damages occurred relating to the construction of the Sandu I Windfarm in Guizhou province. All site environment restoration and seasonal revegetation works were completed in 2017.

Outlook

The energy market in Mainland China is expected to remain challenging in the short term, largely because of overcapacity, keen competition for new projects, and the Government's commitment to transform the country into a low carbon economy. As a result of the import coal restrictions at certain ports, we have started to diversify our fuel sources and utilise more domestic coals at Fangchenggang.

Nevertheless, we remain positive about long-term growth prospects in Mainland China thanks to our diversified portfolio and strong presence in low carbon energy projects.

In December 2017, the Government announced the launch of a nationwide carbon market which is expected to be the world's largest carbon trading system and underscores Mainland China's determination to see carbon emissions peak by the end of 2030. The initial phase of the market will cover only power generation. Power generators will be given an emissions ceiling by the Government and those emitting beyond their allocation will have to procure the shortfall from the market. We will closely monitor the impact on our assets and ensure that all our projects comply with the new rules.

In the renewables sector, as competition for solar and wind quota intensifies and the Government phases out subsidies, we plan to adopt a more cautious approach and maintain our stringent investment discipline as we look for suitable new investment opportunities. We expect the two nuclear projects in particular Yangjiang to continue to contribute to our future earnings growth on the Mainland.

Electricity Business in India

Financial and Operational Performance

Overview

Electricity demand continued to rise in India in 2017. However, the growth rate slowed compared with previous year and was unable to keep pace with the expansion in supply. The market therefore continues to have spare capacity, limiting utilisation of thermal plants. Meanwhile, in light of India's big push for renewable energy, opportunities in grid-connected solar projects were fiercely competitive, making winning projects at financially attractive terms difficult. This was because India's renewables sector has transitioned from a feed-in tariff regime to competitive auctions, and aggressive bidding drove tariffs down to new lows.

In spite of that, CLP India achieved a 38.0% rise in operating earnings to HK$647 million in 2017. This strong increase was driven chiefly by better operating efficiency and higher utilisation of our coal-fired Jhajjar project, the steady performance of our gas-fired Paguthan plant and lower interest cost. Our renewables performance reflected the contribution from our first solar plant in the country as well as termination costs linked to the cessation of the development of a wind project. The performance of our operations in India is summarised below.

Operating Earnings	**2017 HK$M**	2016 HK$M	Change %
Renewables	**110**	135	-18.5
Thermal	**537**	334	+60.8
Total	**647**	469	+38.0

Renewable Projects

The addition of the Veltoor Solar Farm in Telangana in southern India marked a major achievement for CLP India, taking the size of our commissioned renewable portfolio to 970MW. In a testament to our "safety first" culture, we recorded zero lost time injuries during Veltoor's construction. This was achieved despite the long construction period, the vast size of the site and the large number of workers involved. CLP currently owns 49% of Veltoor and we have an option to acquire the remaining 51% in future from our partner Suzlon.

The operational performance of our wind business was strong. Although wind resources were lower than a year ago, our output remained steady due to higher machine availability and lower load restriction. Financially our operational improvement was offset by a loss recorded after we decided to cease construction of the Yermala project because of land issues.

Thermal Projects

In 2017, Jhajjar's profitability increased sharply by about 170%, driven by a nearly 85% rise in utilisation and improvement in coal supply in terms of both quantity and quality. This resulted in a significant improvement in efficiency, as well as record ash-sales. In fact, utilisation increased to nearly 65% in the second half of 2017, as the better coal quality helped reduce heat rates, significantly improving efficiency. This in turn translated into lower costs for our customers. Meanwhile, the plant's availability reached 78.9% for 2017 despite an extended planned maintenance outage in the first half. We expect it to exceed 80% by March 2018, at which level the entire capacity charges will be recovered. For the Indian fiscal year ended 31 March 2017, the plant not only fully recovered its fixed costs, but also earned an incentive for availability exceeding 85%.

At Paguthan, performance remained steady during the year. Availability remained high at 95.5% as we were able to use imported re-gasified LNG (RLNG). However, utilisation continued to be low because of the high cost of spot RLNG, which discouraged our customer from buying electricity from us.

Environmental Performance

New Environmental Regulations

A set of new statutory limits applicable to coal-fired power plants in India have been announced in a phased manner, with Jhajjar being expected to operate fully using the flue gas desulphurisation (FGD) units with effect from 1 January 2019. The new limits cover particulates, nitrogen oxides, sulphur dioxide, and mercury. There is also a water use intensity requirement. Jhajjar is already equipped with environmental control systems to comply with most of these limits, and a cross functional team has been formed to prepare Jhajjar for meeting these new requirements from January 2019.

Air Emissions

As mentioned in last year's report, overall air emissions levels in 2016 for both Jhajjar and Paguthan were lower than 2015 due to low dispatch. In 2017, Paguthan's continued decline in output resulted in even lower total air emissions. However, Jhajjar's output rose back up to a level similar to 2015 and so its total air emissions also increased commensurately. We continued to make improvements in our particulate controls at Jhajjar, resulting in further reduction in particulate emissions per unit of sent out. However, there were 13 licence limit exceedances for particulates during the year that did not result in any fines or penalties and so we will continue to work hard on minimising our particulate emissions at Jhajjar.

Water

In 2017, the cooling water system at Jhajjar was optimised. Combined with improved efficiency brought by higher plant load, raw water consumption dropped by 9% and water recirculation increased by 14% respectively in 2017 compared to 2016.

Environmental Regulatory Compliance

During 2017, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our India assets in which we had operational control.

Outlook

We expect India's power sector to grow steadily in the coming years, reflecting stable industry conditions brought about by the country's economic development and new growth potential from the Government's push for electric mobility. The financial health of the debt-laded distribution companies has gradually strengthened under the so-called UDAY scheme. India remains a primary focus for CLP and we will continue to explore new growth opportunities along the energy supply chain.

One of the unintended consequences of the country's rapid economic growth has been worsening pollution, which is taking a toll on some coal-fired power generation assets. Building on our experience in other markets, we constructed Jhajjar with FGD equipment that reduces emissions of sulphur dioxide, even though it was not a legal requirement at the time. The government has scheduled our FGD to begin operating in 2019 which will help improve air quality.

Over the years, we have worked hard to improve both the quantity and quality of the coal supply to Jhajjar. This will remain a key focus for us as dispatch from Jhajjar increases amid higher coal prices.

The power purchase agreement (PPA) signed by Paguthan and Gujarat Urja Vikas Nigam Limited will expire in December 2018. Even though the plant was commissioned some 20 years ago, it remains one of the country's most efficient power stations and continues to achieve the highest levels of safety and environmental standards. We do not expect the PPA to be extended in its current form beyond 2018. To best utilise this valuable asset, we are exploring various options including the prospect of merchant sales.

In the renewable energy sector, our current focus is to enhance the operation of our existing assets to improve availability, while exploring new projects to capitalise on the growing share of solar and wind generated electricity in the country.

Electricity Business in Southeast Asia and Taiwan

Financial and Operational Performance

Overview

In 2017, operational and financial performance of Ho-Ping Power Station was affected by high coal prices and the loss of generation in the summer after a typhoon damaged one of the transmission towers connecting the plant to the electricity grid, causing it to shut down. Through the concerted efforts of Ho-Ping and its contractors, and support from Taiwan's government agencies, a temporary transmission tower was constructed immediately after the typhoon and generation from the power plant was restored in two weeks. Construction of a strengthened permanent transmission tower is underway, and will be completed in the second quarter of 2018. We expect Ho-Ping's operation to return to normal then.

In Thailand, the Lopburi solar project recorded strong results, thanks to high availability and good solar irradiance.

Arrangement of project financing for our two coal-fired projects under development in Vietnam, namely Vinh Tan III and Vung Ang II, is well advanced. However, detailed negotiations with our Vietnamese counterparties on project agreements, particularly some key terms in the PPAs, have delayed our progress in 2017. Resolution of these issues is actively being pursued.

Our performance in Southeast Asia and Taiwan is summarised below.

Operating Earnings	**2017 HK$M**	2016 HK$M	Change %
Renewables	**65**	60	+8.3
Thermal	**142**	249	-43.0
Operating and Development Expenditure	**(47)**	(35)	+34.3
Total	**160**	274	-41.6

Outlook

We target to make final investment decisions regarding Vinh Tan III and Vung Ang II in 2018 so that we can commence construction for one or both projects. More broadly, we will continue to focus on our existing operations in the region.

Energy Business in Australia

Financial and Operational Performance

Overview

Australia's energy sector was extremely volatile. In the National Electricity Market (NEM), wholesale prices increased sharply in response to the closure of generators on short notice without significant reduction in demand. Most notable was the closure of ENGIE's 1,600MW Hazelwood power station in Victoria in March 2017 shortly after it was announced that Victoria's Portland aluminium smelter would remain open with a multi-year support package from the Victorian State Government. In the absence of committed replacement generation, wholesale energy prices rose across the NEM, impacting millions of households and businesses.

At the same time, continued uncertainty about energy and climate policies has eroded confidence and the willingness of businesses to invest in new, long-term generation assets. These supply and price issues prompted several industry reviews and interventions in energy markets by the Federal and various State Governments.

Despite the challenging market, EnergyAustralia made strong progress towards restoring value to its business, achieving an increase in operating earnings of 48.1% to HK$2,738 million compared to 2016.

Customer

EnergyAustralia's transformation programme has put the customer at the centre of our business and our decision-making. This approach has led us to develop a portfolio of energy products and services for both new and existing customers to move Australians towards more efficient and sustainable energy use.

In early 2017, we relaunched our brand, promising to "Light the Way" and engage customers in the transition to a cleaner energy future. We launched our carbon offset product *Go Neutral* in 2016, which is a government-certified carbon neutral programme that allows households to offset all the carbon emissions generated from their home's electricity use, at no additional cost to them. Over 100,000 Australian homes have joined this programme.

In the second half of 2017, rising prices resulted in a challenging market with intense competition leading to higher levels of customer churn. Despite this, EnergyAustralia maintained overall customer account numbers last year and achieved a churn rate below the market average.

To help ease pressure on households, in 2017 EnergyAustralia introduced a new product, *Secure Saver*, giving customers in Victoria, New South Wales (NSW) and Queensland the option of fixing their electricity and gas tariffs for two years. EnergyAustralia also committed an additional A$10 million to our hardship programme, boosting our ongoing support for our most vulnerable customers through various payment plan initiatives.

Following the implementation of the government-led national electricity metering reforms, "Power of Choice", which commenced in December 2017, EnergyAustralia is now able to directly offer customers a smart meter. Previously this had been the sole responsibility of energy distributors. These reforms were aimed at providing customers with more opportunities to make informed choices about the way they use electricity products and services.

Energy Production

In order to ensure supply reliability as Australia transitions to a cleaner energy future, we worked hard to optimise our generating assets during the year.

As planned, Yallourn Power Station in Victoria produced less energy than the prior year due to scheduled maintenance and other repair works. Yallourn will continue to perform a valuable role in supplying reliable power and maintaining grid stability as more renewable energy is integrated into the system.

Mount Piper Power Station in NSW also produced less energy than in 2016 as coal was rationed due to uncertainty about long-term supply from the Springvale mine. In October 2017, however, the NSW Government legislated to confirm planning consent for the Springvale mine. This enabled the signing of a long-term coal contract for Mount Piper. With progress on the new Water Treatment Plant which delivers a better environmental outcome than required under the planning consent Mount Piper is now positioned to supply the NEM through periods of tight supply.

Our gas-fired power facilities in NSW, Victoria and South Australia also play an important role in our generation portfolio. The flexible operation of these facilities helps provide our customers with protection from extreme pricing events caused by extreme weather and system constraints. We continue to focus on optimising the availability of our gas units so that they are available whenever needed.

In May 2017, legal proceedings were commenced against EnergyAustralia in the Supreme Court of Victoria by Lochard Energy seeking damages in relation to its purchase from EnergyAustralia of the Iona Gas Plant in 2015. EnergyAustralia is vigorously defending the action. Our view, based on available information, is that a material outflow of economic benefits from the CLP Group is unlikely.

Supporting a Low Carbon Future

EnergyAustralia has entered into several PPAs to underpin the development of more than 500MW of renewable generation capacity since we announced in December 2016 a programme to support new wind and solar farms in eastern Australia. These PPAs will help EnergyAustralia meet our obligations under the Australian Government's Renewable Energy Target which requires retailers in the NEM to source approximately 23.5% of electricity sales from renewable sources by 2020.

At the same time, we continued buying renewable energy from projects under existing contracts.

EnergyAustralia is assessing other projects which may play leading roles in a new, modern energy system in Australia. A proposed 225MW seawater pumped hydro project in South Australia is one example. During the year this project passed a major milestone with initial feasibility work indicating there were no “show stoppers” to the development. If developed, this project would store energy like a battery for times when it’s needed and would support the integration of intermittent renewable supply into the grid in a way that delivers affordable, reliable and cleaner power for customers.

Studies also determined that a 27MW energy recovery project at Mount Piper is technically and economically viable. This project would use non-recyclable household waste material to fuel electricity generation. It will now progress to the next stage of planning, including preparation of a comprehensive study of environmental impacts.

New Business

Our “NextGen” division focuses on new products and services that puts customers in control of their energy. It made a number of significant achievements in 2017.

The Redback Smart Hybrid System – developed through our partnership with Brisbane-based Redback Technologies – was commercially launched in September 2017. When paired with solar panels and compatible batteries, this technology transforms a standard solar system into an intelligent energy management system.

In October 2017, EnergyAustralia announced plans to deliver up to 50MW of demand response reserve capacity as part of a three-year pilot programme by the Australian Renewable Energy Agency and the Australian Energy Market Operator. This capacity, the largest single commitment under the programme, would be called upon at short notice should NEM reserves fall to critical levels. Demand response has the potential to maintain system reliability, support the integration of new renewable energy supplies and ease some pressure on prices. It is also another option for customers looking to take control of their energy usage.

In partnership with London-based Startupbootcamp, in 2017 we established a programme aimed at fast-tracking exciting new energy related start-up businesses. We also entered into a partnership with Kiah Research, part of the TCG Group, to provide EnergyAustralia with opportunities to partner with small and mid-size businesses specialising in new energy efficiency and digital application management technologies. We are studying various projects and opportunities arising from this partnership.

Environmental Performance

Air Emissions

EnergyAustralia had a stable year in terms of environmental performance. Overall, emissions from our Australian power stations decreased by 4% compared with the previous year. Decreased coal-fired generation from Mount Piper resulted in an almost 2% decrease in our total emissions in 2017. Yallourn also had lower energy output which results in an almost 8% decrease in total emissions compared to 2016. Overall emissions from gas-fired generation facilities increased in 2017 as higher wholesale prices led to higher generation volumes but total emissions remained small.

Environmental Regulatory Compliance

During 2017, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our assets in Australia where we had operational control.

We continued to implement the recommendations of our 2016 regulatory compliance audit at Yallourn. We also completed improvements to Mount Piper's pollution incident response management plan and to data reporting from the closed Wallerawang Power Station.

Outlook

Energy policy was subject to intense public and political discussion in Australia in 2017, focused both on prices and reliability of supply. EnergyAustralia believes that a stable and national approach to policy remains the best prospect for a lasting solution. We are optimistic that the proposed National Energy Guarantee can provide a way forward. Restoring certainty so that businesses have confidence to invest in reliable, affordable and cleaner supplies of energy is the key priority. We believe that a durable policy must begin by considering impacts on customers and that care must be taken to avoid adding cost and complexity.

Operationally, we expect wholesale market conditions to remain tight in 2018, with asset reliability remaining a key focus. Wholesale prices are trading at high levels in the short term before easing in 2019. Meanwhile, we see no easing in the extremely competitive retail market. EnergyAustralia will help ease pressure from higher wholesale prices by running our generation assets efficiently, supporting vulnerable customers and helping households and businesses to better manage their energy use.

Safety

To look after our human capital, we are committed to ensuring the highest standards of safety at every level of our operations and to continually improving our safety performance. We have reduced our injury rates by up to a third over the past eight years. Despite this downward trend, however, we had two fatal accidents resulting in the death of four workers of our contractors in Hong Kong in 2017. A fatality also occurred in March 2017 at a coal plant in Shandong where we have minority ownership but no operating control.

We have conducted thorough investigations into the incidents and an internal panel has looked into their causes and reviewed our safety standards and procedures. It was clear from our analysis that while our injury rates are generally lower, fatal incidents have declined only marginally. In addition, we have studied safety records worldwide as part of our examination for possible remedies and interventions.

Minor injuries such as hand injuries and sprains make up the majority of our injury statistics. However, focusing on them disproportionately does not help us prevent serious injuries and fatalities, which together account for around one in five incidents. We need to focus more intensively on those incidents to reduce serious injuries and fatalities in the workplace.

In view of this, we took a number of steps to strengthen our safety management system. We implemented six life-saving rules for employees and contractors involved in higher risk activities, improved reporting and investigation procedures for cases involving potential serious injuries and fatalities, and launched our first Behavioural-based Safety Observation programme in India at Jhajjar in July 2017 which included workshops and training. Similar safety programmes have been adopted in other regions.

We also reviewed in detail how each of our assets and regions addressed safety risks and concluded that a bottom-up approach of detailed risk registers was in place enabling us to ensure safety in our daily operation. In September, a risk management workshop was held where regional representatives shared their views and agreed on a standardised approach going forward.

We have since made progress in the alignment of risk management, setting comparable standards for the security risk framework, identifying generic environmental risks, and enhancing of the review of our Health, Safety, Security and Environment (HSSE) standards and management at Group level. We will continue with the standardised approach and refine it through quarterly HSSE risk reviews so that better information is available for the Group HSSE Committee and for risk management reporting. To ensure this work is coordinated and reported to the highest level of the organisation, we have recruited a new Senior Director for Health, Safety and Environment in 2017 who has also been tasked with reviewing the capabilities of our safety resources, assessing the suitability of the new approach, and addressing any issues found.

We benchmark our safety performance by measuring our 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. Our injury rates saw a notable rise in 2017 mainly because of increases in the number of non-serious incidents in Australia and Hong Kong. Both regions have undertaken safety improvement activities to address their injury performance. For example, safety coaching was made available to employees and contractors in Australia to raise safety and risk awareness.

Human Resources

At the end of 2017, the Group employed 7,542 people compared with 7,428 in 2016. A total of 4,269 were employed in the Hong Kong electricity and related businesses and 2,978 by our businesses in Mainland China, India, Southeast Asia, Taiwan and Australia, with the remaining 295 employed by CLP Holdings. Total remuneration for the year ended 31 December 2017 was HK$5,573 million compared with HK$5,151 million in 2016, including retirement benefit costs of HK$561 million compared with HK$440 million in 2016.

FINANCIAL INFORMATION

The financial information has been reviewed by the Audit & Risk 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 2017

	Note	**2017 HK$M**	2016 HK$M
Revenue	*3*	**92,073**	79,434
Expenses			
Purchases of electricity, gas and distribution services		**(38,121)**	(31,743)
Staff expenses		**(4,195)**	(3,892)
Fuel and other operating expenses		**(23,691)**	(19,744)
Depreciation and amortisation		**(7,368)**	(6,909)
		(73,375)	(62,288)
Operating profit	*5*	**18,698**	17,146
Finance costs		**(2,180)**	(2,261)
Finance income		**151**	137
Share of results, net of income tax			
Joint ventures		**508**	737
Associates		**950**	904
Profit before income tax		**18,127**	16,663
Income tax expense	*6*	**(2,780)**	(2,855)
Profit for the year		**15,347**	13,808
Earnings attributable to:			
Shareholders		**14,249**	12,711
Perpetual capital securities holders		**249**	247
Other non-controlling interests		**849**	850
		15,347	13,808
Earnings per share, basic and diluted	*8*	**HK$5.64**	HK$5.03

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

	2017 HK$M	2016* HK$M
Profit for the year	**15,347**	13,808
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**4,329**	(1,443)
Cash flow hedges	**(300)**	838
Costs of hedging	**(157)**	(187)
Share of other comprehensive income of joint ventures	**-**	20
	3,872	(772)
Items that cannot be reclassified to profit or loss		
Fair value changes on equity investments	**(280)**	(115)
Remeasurement gains on defined benefit plans	**91**	34
	(189)	(81)
Other comprehensive income for the year, net of tax	**3,683**	(853)
Total comprehensive income for the year	**19,030**	12,955
Total comprehensive income attributable to:		
Shareholders	**17,914**	11,865
Perpetual capital securities holders	**249**	247
Other non-controlling interests	**867**	843
	19,030	12,955

* Certain comparative figures have been reclassified to conform with current year's presentation.

Consolidated Statement of Financial Position
as at 31 December 2017

	Note	2017 HK$M	2016* HK$M
Non-current assets			
Fixed assets	*9*	**137,207**	130,189
Leasehold land and land use rights under operating leases	*9*	**5,345**	5,444
Investment properties	*9*	**1,186**	3,788
Goodwill and other intangible assets		**29,087**	27,653
Interests in and loan to joint ventures		**10,383**	9,971
Interests in associates		**8,081**	813
Finance lease receivables		**620**	628
Deferred tax assets		**929**	981
Derivative financial instruments		**956**	1,519
Equity investments		**349**	1,528
Other non-current assets		**298**	181
		194,441	182,695
Current assets			
Inventories – stores and fuel		**3,050**	2,565
Renewable energy certificates		**1,047**	1,424
Property under development	*10*	**2,971**	-
Trade and other receivables	*11*	**15,427**	13,464
Finance lease receivables		**148**	136
Derivative financial instruments		**1,137**	1,282
Short-term deposits and restricted cash		**3,401**	200
Cash and cash equivalents		**6,529**	4,467
		33,710	23,538
Current liabilities			
Customers' deposits		**(5,221)**	(4,999)
Fuel clause account		**(2,212)**	-
Trade and other payables	*12*	**(18,978)**	(20,176)
Income tax payable		**(762)**	(792)
Bank loans and other borrowings		**(8,472)**	(10,651)
Derivative financial instruments		**(789)**	(977)
		(36,434)	(37,595)
Net current liabilities		**(2,724)**	(14,057)
Total assets less current liabilities		**191,717**	168,638

* Certain comparative figures have been reclassified to conform with current year's presentation. Details are set out in Note 2.

Consolidated Statement of Financial Position (continued)
as at 31 December 2017

	Note	**2017 HK$M**	2016* HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*15*	**85,454**	74,767
Shareholders' funds		**108,697**	98,010
Perpetual capital securities		**5,791**	5,791
Other non-controlling interests		**7,019**	1,972
		121,507	105,773
Non-current liabilities			
Bank loans and other borrowings		**48,869**	40,995
Deferred tax liabilities		**14,275**	13,819
Derivative financial instruments		**1,640**	1,580
Fuel clause account		**-**	2,867
Scheme of Control (SoC) reserve accounts	*13*	**977**	860
Asset decommissioning liabilities and retirement obligations	*14*	**2,987**	1,268
Other non-current liabilities		**1,462**	1,476
		70,210	62,865
Equity and non-current liabilities		**191,717**	168,638

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, and the principal activities of the subsidiaries are 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) (collectively referred as SoC Companies), are governed by a SoC entered into 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 Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement 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.

The financial information relating to the year ended 31 December 2017 included in this preliminary announcement of annual results 2017 does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2017. The auditor's report is unqualified; does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and does not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in Accounting Policies and Presentation

The Group has adopted the following amendments to standards effective from 1 January 2017.

Reference	***Description***
Amendments to HKAS 7 Disclosure Initiative	Amendments to HKAS 7 Disclosure Initiative require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. To meet this new disclosure requirement, a reconciliation between the opening and closing balances for liabilities arising from financing activities is presented in notes to the consolidated statement of cash flows of the Financial Statements.

2. Changes in Accounting Policies and Presentation (continued)

Reference	*Description*
Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses clarify that a company needs to consider whether tax law restricts the sources of taxable profits against which it may claim deductions on the reversal of that deductible temporary difference. The adoption of these amendments has had no impact on the results and financial position of the Group.

Certain comparative amounts have been reclassified or regrouped to conform with current year's presentation which mainly included:

- A reclassification of certain energy contracts with fair value of HK$590 million and related payable of HK$255 million from "Trade and other receivables" to "Derivative financial instruments" included under current assets and "Trade and other payables" to reflect the nature of the transaction; and

- Grouping asset retirement obligations of HK$352 million included in "Other non-current liabilities" with "Asset decommissioning liabilities" into "Asset decommissioning liabilities and retirement obligations".

3. Revenue

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

	2017	2016
	HK$M	HK$M
Sales of electricity	**78,751**	68,053
Sales of gas	**8,251**	7,382
Operating lease income under Power Purchase Agreement (PPA)	**3,142**	2,138
Lease service income under PPA	**487**	533
Finance lease income under PPA	**114**	117
Other revenue	**1,230**	951
	91,975	79,174
Transfer for SoC to revenue (note)	**98**	260
	92,073	79,434

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

4. Segment Information

The Group operates, through its subsidiaries, joint ventures and associates, 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.

4. Segment Information (continued)

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 the year ended 31 December 2017							
Revenue	39,965	1,305	4,887	14	45,895	7	92,073
EBITDAF* of subsidiaries	18,053	1,212	2,110	(15)	5,416	(572)	26,204
Share of results, net of income tax							
Joint ventures	(18)	339	-	171	16	-	508
Associates	-	961	-	-	(11)	-	950
EBITDAF of the Group	18,035	2,512	2,110	156	5,421	(572)	27,662
Depreciation and amortisation	(4,761)	(638)	(599)	-	(1,335)	(35)	(7,368)
Fair value adjustments	44	-	-	-	(182)	-	(138)
Finance costs	(1,049)	(241)	(713)	-	(140)	(37)	(2,180)
Finance income	-	39	57	4	16	35	151
Profit/(loss) before income tax	12,269	1,672	855	160	3,780	(609)	18,127
Income tax expense	(1,951)	(151)	(209)	-	(469)	-	(2,780)
Profit/(loss) for the year	10,318	1,521	646	160	3,311	(609)	15,347
Earnings attributable to							
Perpetual capital securities holders	(249)	-	-	-	-	-	(249)
Other non-controlling interests	(837)	(13)	1	-	-	-	(849)
Earnings/(loss) attributable to shareholders	9,232	1,508	647	160	3,311	(609)	14,249
Excluding: Items affecting comparability	(369)	-	-	-	(573)	-	(942)
Operating earnings	8,863	1,508	647	160	2,738	(609)	13,307
Capital additions	8,073	630	868	-	3,062	13	12,646
Impairment provisions							
Receivables and others	4	-	32	-	407	-	443
At 31 December 2017							
Fixed assets, leasehold land and land use rights and investment properties	112,270	8,522	11,698	-	11,138	110	143,738
Goodwill and other intangible assets	5,545	4,698	29	-	18,815	-	29,087
Interests in and loan to joint ventures	34	8,417	-	1,848	84	-	10,383
Interests in associates	-	8,050	-	-	31	-	8,081
Deferred tax assets	-	97	67	-	765	-	929
Other assets	11,157	3,894	5,081	121	13,239	2,441	35,933
Total assets	129,006	33,678	16,875	1,969	44,072	2,551	228,151
Bank loans and other borrowings	40,361	5,573	6,785	-	234	4,388	57,341
Current and deferred tax liabilities	13,232	1,228	282	-	295	-	15,037
Other liabilities	21,145	1,526	1,002	2	10,213	378	34,266
Total liabilities	74,738	8,327	8,069	2	10,742	4,766	106,644

* EBITDAF stands for earnings before interest, taxes, 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.

4. 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 the year ended 31 December 2016							
Revenue	37,968	1,197	3,808	13	36,441	7	79,434
EBITDAF of subsidiaries	17,703	951	1,954	(12)	3,796	(678)	23,714
Share of results, net of income tax							
Joint ventures	(12)	461	-	283	5	-	737
Associates	-	907	-	-	(3)	-	904
EBITDAF of the Group	17,691	2,319	1,954	271	3,798	(678)	25,355
Depreciation and amortisation	(4,432)	(583)	(571)	-	(1,284)	(39)	(6,909)
Fair value adjustments	(26)	-	-	-	367	-	341
Finance costs	(1,020)	(200)	(802)	-	(215)	(24)	(2,261)
Finance income	-	44	25	3	8	57	137
Profit/(loss) before income tax	12,213	1,580	606	274	2,674	(684)	16,663
Income tax expense	(1,880)	(67)	(137)	-	(771)	-	(2,855)
Profit/(loss) for the year	10,333	1,513	469	274	1,903	(684)	13,808
Earnings attributable to							
Perpetual capital securities holders	(247)	-	-	-	-	-	(247)
Other non-controlling interests	(831)	(19)	-	-	-	-	(850)
Earnings/(loss) attributable to shareholders	9,255	1,494	469	274	1,903	(684)	12,711
Excluding: Items affecting comparability	(497)	174	-	-	(54)	-	(377)
Operating earnings	8,758	1,668	469	274	1,849	(684)	12,334
Capital additions	8,498	918	115	-	943	27	10,501
Impairment provisions							
Fixed assets	-	-	-	-	38	-	38
Receivables and others	3	-	20	-	336	-	359
At 31 December 2016							
Fixed assets, leasehold land and land use rights and investment properties	112,014	7,679	10,854	-	8,746	128	139,421
Goodwill and other intangible assets	5,545	4,945	28	-	17,135	-	27,653
Interests in and loan to joint ventures	50	8,127	-	1,764	30	-	9,971
Interests in associates	-	786	-	-	27	-	813
Deferred tax assets	-	86	-	-	895	-	981
Other assets	4,846	5,528	4,839	100	9,839	2,242	27,394
Total assets	122,455	27,151	15,721	1,864	36,672	2,370	206,233
Bank loans and other borrowings	37,814	4,973	7,591	-	1,268	-	51,646
Current and deferred tax liabilities	12,895	1,270	182	-	264	-	14,611
Other liabilities	24,892	1,454	377	2	7,168	310	34,203
Total liabilities	75,601	7,697	8,150	2	8,700	310	100,460

5. Operating Profit

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

	2017 HK$M	2016 HK$M
Charging		
Retirement benefits costs [(a)]	**421**	334
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**39**	39
Other auditor [(b)]	**1**	-
Permissible audit related and non-audit services		
PricewaterhouseCoopers [(c)]	**9**	9
Other auditor [(b)]	**-**	-
Operating lease expenditure on the agreement with Ecogen	**255**	204
Net loss/(gain) on disposal of fixed assets	**407**	(386)
Impairment of		
Fixed assets	**-**	38
Inventories – stores and fuel	**3**	10
Crediting		
Net exchange (gain)/loss	**(143)**	228
Revaluation (gains)/losses on investment properties	**(369)**	146
Net fair value (gains)/losses on non-debt related derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserves to		
Purchases of electricity, gas and distribution services	**(144)**	(267)
Fuel and other operating expenses	**56**	(36)
Transactions not qualifying as hedges	**138**	(341)
Rental income from investment properties	**(48)**	(35)
Dividends from equity investments	**(9)**	(43)
Reversal of provision for onerous contract	**-**	(78)

Notes:

(a) Retirement benefits costs for the year amounted to HK$561 million (2016: HK$440 million), of which HK$140 million (2016: HK$106 million) was capitalised.

(b) According to the Companies Act of India, CLP India group (CLP India Private Limited (CLP India) and its subsidiaries) is required to rotate its statutory auditor if the auditor has been appointed for a period of 10 or more consecutive years. To comply with the regulation, KPMG India (audit arm in India, BSR & Co LLP) was appointed as the statutory auditor of CLP India group to replace PricewaterhouseCoopers for the financial year commencing on 1 April 2017. The Group does not regard KPMG India as a principal auditor of the Group given the relative small quantum of the audit fees, which reflect the scale of operation in CLP India group. Our policy with regard to non-principal auditors for providing non-audit services is to ensure that, within country, the non-audit fees are not paid out of proportion to the audit fees so as to compromise in-country independence. The figure of audit related and non-audit services represented KPMG India's non-audit fees charged to CLP India group from 1 April 2017 to 31 December 2017. Other KPMG offices have also provided services to our businesses in other regions which amounted to HK$5 million during the period.

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

6. Income Tax Expense

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

	2017 **HK$M**	2016 HK$M
Current income tax	**2,094**	2,032
Deferred tax	**686**	823
	2,780	2,855

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

7. Dividends

	2017		2016	
	HK$ per Share	**HK$M**	HK$ per Share	HK$M
First to third interim dividends paid	**1.77**	**4,472**	1.71	4,320
Fourth interim dividend declared	**1.14**	**2,880**	1.09	2,754
	2.91	**7,352**	2.80	7,074

At the Board meeting held on 26 February 2018, the Directors declared the fourth interim dividend of HK$1.14 per share (2016: HK$1.09 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements.

8. Earnings per Share

The earnings per share are computed as follows:

	2017	2016
Earnings attributable to shareholders (HK$M)	**14,249**	12,711
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**5.64**	5.03

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 2017 (2016: nil).

9. Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Properties

Fixed assets, leasehold land and land use rights under operating leases and investment properties totalled HK$143,738 million (2016: HK$139,421 million) which included assets under construction with book value of HK$9,919 million (2016: HK$12,966 million). Movements in the accounts are as follows:

	Fixed Assets					Leasehold Land and Land Use Rights under Operating Leases	Investment Properties [a]
	Land Freehold	Land Leased	Buildings	Plant, Machinery and Equipment	Total		
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Net book value at 1 January 2017	745	417	19,501	109,526	130,189	5,444	3,788
Additions	17	-	792	10,049	10,858	74	-
Adjustment for decommissioning assets [b]	-	-	-	1,165	1,165	-	-
Revaluation gains	-	-	-	-	-	-	369
Transfer to property under development (Note 10)	-	-	-	-	-	-	(2,971)
Transfer and disposals	(35)	(19)	23	(677)	(708)	-	-
Depreciation/amortisation	-	(12)	(647)	(5,847)	(6,506)	(184)	-
Exchange differences	59	-	274	1,876	2,209	11	-
Net book value at 31 December 2017	**786**	**386**	**19,943**	**116,092**	**137,207**	**5,345**	**1,186**
Cost/valuation	892	517	32,754	208,912	243,075	6,441	1,186
Accumulated depreciation/ amortisation and impairment	(106)	(131)	(12,811)	(92,820)	(105,868)	(1,096)	-
Net book value at 31 December 2017	**786**	**386**	**19,943**	**116,092**	**137,207**	**5,345**	**1,186**

Notes:

(a) Investment property at 31 December 2017 represented the commercial interest of the retail portion of the Laguna Mall in Hong Kong.

(b) The discount rate used to calculate the asset retirement obligations was revised which resulted in an uplift of the provision estimate, and associated asset value, by A$198 million (HK$1,165 million). The impact is not material to the Group, hence no adjustment to prior year financial statements is made.

10. Property under Development

	2017 HK$M
Transfer from investment properties (Note 9)	**2,971**

On 18 December 2017, the Group and Sino Land Company Limited (Sino Land) agreed to collaborate on redeveloping the Group's former headquarters at Argyle Street for residential purposes and to preserve the Clock Tower building for community use. While site preparation works have been largely completed, the redevelopment is still undergoing government procedures and finalisation of project details.

The arrangement entered into by the Group and Sino Land does not involve an establishment of a separate legal entity and is considered as a joint operation under HKFRS 11 Joint Arrangements. Under the development arrangement, Sino Land is fully responsible for all development costs such as land premium, construction costs, professional fees etc. and paid a non-refundable upfront payment of HK$3 billion to the Group. When the property is completed and sold, the Group is entitled to share a percentage of the sale proceeds.

The balance of the account represented the fair value of the development site at Argyle Street on the date of the transfer from investment properties. The non-refundable upfront payment approximates to its fair value.

The non-refundable upfront payment forms part of the proceeds from the property development and is recorded as deferred revenue (Note 12 (c)). When legal titles of the units in the developed property are passed to the purchasers, deferred revenue and the percentage share of the sale proceeds which the Group is entitled will be credited to the profit or loss as revenue, while property under development will be charged to the profit or loss as cost of development.

11. Trade and Other Receivables

	2017 HK$M	2016 HK$M
Trade receivables	**12,228**	9,772
Deposits, prepayments and other receivables	**2,930**	2,479
Dividend receivables from		
Joint ventures	**68**	105
Associates	**-**	895
Loan to and current accounts with		
Joint ventures	**200**	212
Associates	**1**	1
	15,427	13,464

The Group has established credit policies for customers in each of its retail businesses. In Hong Kong, customers are allowed to settle their electricity bills within two weeks after issue. To limit the credit risk exposure, 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. In Australia, customers are allowed to settle their electricity bills in no more than 45 days after issue. Trade receivables arising from sales of electricity to the offtakers in India and Mainland China are due for settlement within 15 to 60 days and 30 to 90 days after bills issue respectively.

11. Trade and Other Receivables (continued)

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

	2017	2016
	HK$M	HK$M
30 days or below*	**9,465**	6,832
31 – 90 days	**882**	763
Over 90 days	**1,881**	2,177
	12,228	9,772

* Including unbilled revenue

12. Trade and Other Payables

	2017	2016
	HK$M	HK$M
Trade payables [(a)]	**7,092**	6,019
Other payables and accruals	**6,991**	6,767
Advances from non-controlling interest [(b)]	**1,514**	6,692
Current accounts with		
Joint ventures	**1**	1
Associates	**271**	606
Deferred revenue [(c)]	**3,109**	91
	18,978	20,176

Notes:

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

	2017	2016
	HK$M	HK$M
30 days or below	**6,507**	5,632
31 – 90 days	**146**	188
Over 90 days	**439**	199
	7,092	6,019

(b) The advances from non-controlling interest represented the advances from China Southern Power Grid International (HK) Co., Limited (CSG HK) to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power Hong Kong and CSG HK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and have no fixed repayment terms.

On 21 April 2017, CAPCO and its shareholders executed a Shareholder Capital Agreement in which an amount of advances from shareholders was reclassified into redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032. The redeemable shareholder capital attributable to CSG HK's pro rata share of HK$5,115 million was reclassified from "Trade and other payables" to "Other non-controlling interests" in the Group's financial statements.

(c) Deferred revenue included the non-refundable upfront payment for the property development at Argyle Street of HK$3 billion (2016: nil) (Note 10) and payments received in advance for other services.

13. 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:

	2017	2016
	HK$M	HK$M
Tariff Stabilisation Fund	**746**	786
Rate Reduction Reserve	**4**	2
Rent and Rates Interim Refunds (note)	**227**	72
	977	860

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 in March 2017, the Court of Final Appeal found in favour of the Hong Kong Government on a point of law, this did not impact the original Lands Tribunal judgment, and the subsequent judgment on the review of valuation matters, which were in CLP Power Hong Kong's favour. Final resolution of the matter is now subject to the application of the Lands Tribunal judgments to the rent and rates amounts for all rating years under appeal.

Interim refunds totalling HK$1,868 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 to 2014 and in 2017. 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 their application to all rating years under appeal.

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 continue to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million have 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.

14. Asset Decommissioning Liabilities and Retirement Obligations

	2017	2016
	HK$M	HK$M
Asset decommissioning liabilities [(a)]	**860**	916
Provisions for land remediation and restoration costs [(b)]	**2,127**	352
	2,987	1,268

Notes:

(a) Under the SoC, a periodic charge for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies.

(b) Included the effect of changes in discount rate of HK$1,306 million in 2017 (2016: nil).

15. Reserves

	Translation Reserves HK$M	Cash Flow Hedge Reserve HK$M	Costs of Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2017	(7,638)	1,001	81	2,776	78,547	74,767
Earnings attributable to shareholders	-	-	-	-	14,249	14,249
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	3,453	-	-	-	-	3,453
Joint ventures	754	-	-	-	-	754
Associates	118	-	-	-	-	118
Cash flow hedges						
Net fair value losses	-	(64)	-	-	-	(64)
Reclassification to profit or loss	-	(398)	-	-	-	(398)
Tax on the above items	-	125	-	-	-	125
Costs of hedging						
Net fair value losses	-	-	(262)	-	-	(262)
Amortisation/reclassification to profit or loss	-	-	103	-	-	103
Tax on the above items	-	-	25	-	-	25
Fair value losses on equity investments	-	-	-	(280)	-	(280)
Remeasurement gains on defined benefit plans	-	-	-	-	91	91
Share of other comprehensive income of joint ventures	-	1	-	(1)	-	-
Total comprehensive income attributable to shareholders	4,325	(336)	(134)	(281)	14,340	17,914
Transfer to fixed assets	-	3	-	-	-	3
Contribution from non-controlling interest of a subsidiary	-	-	-	-	(4)	(4)
Disposal of an equity investment	-	-	-	277	(277)	-
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(2)	2	-
Appropriation of reserves	-	-	-	83	(83)	-
Dividends paid						
2016 fourth interim	-	-	-	-	(2,754)	(2,754)
2017 first to third interim	-	-	-	-	(4,472)	(4,472)
Balance at 31 December 2017	**(3,313)**	**668**	**(53)**	**2,853**	**85,299** [a]	**85,454**

Note:

(a) The fourth interim dividend declared for the year ended 31 December 2017 was HK$2,880 million (2016: HK$2,754 million). The balance of retained profits after the fourth interim dividend of the Group was HK$82,419 million (2016: HK$75,793 million).

16. Capital Commitments

(A) Capital expenditure on fixed assets and investment properties, as well as intangible assets contracted for at the end of the year but not yet incurred amounted to HK$5,397 million (2016: HK$5,116 million).

(B) At 31 December 2017, equity contribution to be made for an associate was HK$15 million (2016: equity contribution of HK$24 million and outstanding commitment of HK$5.0 billion (RMB4.5 billion) for the acquisition of Yangjiang Nuclear Power Co., Ltd.).

Except the above, contribution required to be made for a private equity partnership at 31 December 2017 was HK$64 million (2016: nil).

(C) At 31 December 2017, the Group's shares of capital commitments of its joint ventures and associates were HK$475 million (2016: HK$490 million) and HK$1,310 million (2016: HK$101 million) respectively.

17. Contingent Liabilities

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

This is a dispute between CLP India and its offtaker Gujarat Urja Vikas Nigam Limited (GUVNL) under the power purchase agreement for Paguthan. GUVNL is required to make a "deemed generation incentive" payment to CLP India when plant availability is above a set threshold. 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 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$888 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) (2016: Rs.830 million (HK$95 million)).

In February 2009, the GERC found in favour of GUVNL on the "deemed generation incentive" but held that GUVNL's claim up to 14 September 2002 was time-barred under the Limitations Act of India. The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans". CLP India appealed the GERC's decision to the Appellate Tribunal for Electricity (APTEL). GUVNL also filed an appeal against the orders of the GERC which went against GUVNL. In January 2010, the APTEL upheld the decisions of the GERC. Both CLP India and GUVNL have filed further appeals in the Supreme Court of India. The appeal petitions have been admitted but the next date of hearing has not yet been fixed by the court.

17. Contingent Liabilities (continued)

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

At 31 December 2017, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,045 million) (2016: Rs.8,543 million (HK$975 million)). 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 India group has invested in around 533MW 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 2017, 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) JPL – Disputed Charges with Offtakers

Jhajjar Power Limited (JPL) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.2,117 million (HK$259 million) at 31 December 2017 (2016: Rs.1,917 million (HK$219 million)). The Group considers that JPL has a strong case and hence, no provision has been made.

JPL has filed a petition to Central Electricity Regulatory Commission (CERC) against its offtakers in September 2013. On 25 January 2016, CERC pronounced its judgment in favour of JPL, which supports the Group's decision that no provision should be made. JPL and its offtakers have filed appeals to APTEL.

(D) EnergyAustralia – Disposal of Iona Gas Plant

In December 2015, EnergyAustralia completed the disposal of its entire interest in the Iona Gas Plant for a total consideration of A$1,780 million (HK$9,991 million). On 19 May 2017, EnergyAustralia received a Statement of Claim issued by Lochard Energy (Iona Operations Holding) Pty Ltd, the purchaser of the Iona Gas Plant, and certain related entities, commencing formal legal proceedings seeking A$967 million (approximately HK$5,899 million) or alternatively A$780 million (approximately HK$4,758 million) in damages. The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the consortium claims to have relied to make its offer, were incomplete or misleading. EnergyAustralia has rejected the claims and is vigorously defending the legal preceedings. On the basis of currently available information, the Directors' view is that a material outflow of economic benefits is unlikely and no provision has been made in the financial statements.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

In 2017, the Group achieved a number of new financing arrangements to support the growth in our key markets. CLP Group maintained strong liquidity with undrawn bank facilities of HK$25.9 billion and bank balances of HK$9.9 billion as at the end of December 2017 to meet business growth and contingencies. In October 2017, CLP Holdings arranged HK$5.1 billion two-year bank loan facilities at preferential interest rates to fund the acquisition of a 17% equity stake in the Yangjiang Nuclear Power Co., Ltd., after applying HK$1.7 billion of RMB denominated internal resources to finance the transaction.

In 2017, CLP Power Hong Kong arranged HK$1.3 billion three-year revolving bank facilities and issued HK$0.8 billion private placement bonds all at very competitive rates. CLP Power Hong Kong's Medium Term Note (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 of 31 December 2017, notes with an aggregate nominal value of approximately HK$25.5 billion have been issued under the MTN Programme.

CAPCO executed a HK$4.3 billion five-year commercial loan agreement in January 2017 and a HK$1.4 billion 15-year loan facility supported by export credit agency in March 2017 at favourable terms to fund the 550MW Combined-Cycle Gas Turbine (CCGT) project at the Black Point Power Station. CAPCO also established its own MTN programme through its subsidiary Castle Peak Power Finance Company Limited. Under this MTN programme, bonds in an aggregate amount of up to US$2 billion may be issued and will be unconditionally and irrevocably guaranteed by CAPCO.

In July 2017, CAPCO successfully issued a US$500 million (HK$3.9 billion) 3.25% coupon, 10-year fixed-rate Energy Transition Bond, which represented the first climate financing arranged under our new CLP Climate Action Finance Framework and MTN programme. The bond was priced at US Treasury yield plus 1.025% with over US$1.25 billion (more than 2.5 times over-subscribed) in orders from global investors. The full amount of US dollar principal was swapped back to favourable Hong Kong dollar fixed-rate debt to mitigate foreign currency and interest rate risks. The bond serves to refinance a major portion of CAPCO's HK$4.3 billion five-year commercial bank loan facility to fund the CCGT project with more diversified, long-term, cost-efficient fixed-rate funding in continual support of CAPCO's contribution to Hong Kong's low carbon transition.

The Group's project entities outside Hong Kong continue to maintain healthy liquidity. In Mainland China, Fangchenggang I arranged RMB204 million (HK$245 million) syndicated bank loan facility for its emission control and energy saving project and Huai'an Solar executed RMB78 million (HK$93 million) project loan to fund its construction. In India, Jhajjar Power Limited (JPL) and CLP Wind Farms (India) Private Limited successfully negotiated with banks to reduce interest rate margins by up to 1%. In January 2017, JPL issued Rs. 2.7 billion (HK$326 million) five and six-year bonds with A+ credit rating from India Ratings and Research Private Limited to refinance an existing US dollar loan. In Australia, the financial profile of EnergyAustralia has further strengthened with improved operating performance.

As at 31 December 2017, the Group maintained HK$83.2 billion financing facilities, including HK$16.1 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK$57.3 billion had been drawn down, of which HK$7.0 billion related to EnergyAustralia and subsidiaries in India. The Group’s total debt to total capital ratio as at 31 December 2017 was 31.8%, decreasing to 27.8% after netting off bank balances, cash and other liquid funds. EBIT (Earnings Before Interest and Taxes) Interest Cover and FFO (Fund From Operations) Interest Cover for the year ended 31 December 2017 were 11 and 15 times respectively.

CLP always strives to maintain strong investment grade credit ratings. In May 2017, Standard & Poor’s (S&P) upgraded the credit ratings of CLP Holdings and CLP Power Hong Kong from A- to A and from A to A+ respectively with stable outlooks. In December 2017, Moody’s affirmed the A2 and A1 credit ratings of CLP Holdings and CLP Power Hong Kong respectively with stable outlooks. The rating upgrade by S&P is attributed to further strengthening of the Group's financial performance, CAPCO's improved capital structure after replacing 75% shareholders' loans with an equity-like instrument and CLP Holdings’ disciplined financial policy. S&P considers the new Scheme of Control (SoC) Agreement can provide CLP Power Hong Kong higher certainty to facilitate long-term capital deployment to meet the Hong Kong Government’s clean energy target. The credit ratings by Moody’s reflect the large earnings contribution from CLP Power Hong Kong, which will continue to generate predictable cash flow supported by a highly stable regulatory environment, and the Group's strong financial profile, well-managed debt maturities, sound liquidity profile and good access to the domestic and international bank and capital markets.

In June 2017, S&P assigned a first time credit rating of AA- to CAPCO with stable outlook. In the same month, Moody’s gave A1 long-term credit rating to CAPCO with stable outlook. S&P noted that CAPCO operates in an open and transparent landscape as a regulated utility, whereby returns are dictated by the SoC Agreement. The credit rating by Moody’s reflects the company’s predictable cash flow, strong financial profile and low-risk business profile underpinned by the SoC regime.

In July 2017, S&P raised EnergyAustralia’s credit rating from BBB to BBB+ and assigned the outlook as stable. S&P's opined that EnergyAustralia's long-term fuel supply at the Mount Piper power station is fully secured, and the company's enhanced operational stability and stable plant performance whilst maintaining its position as one of the three largest integrated energy retailers in Australia.

The Group’s investments and operations have resulted in exposures to foreign currency risk, interest rate risk, credit risk, as well as energy portfolio 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 risk management objectives, we always prefer simple, cost-efficient and Hong Kong Financial Reporting Standards hedge-effective instruments. For instance, we prefer forward foreign exchange 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. 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 2017, the Group had gross outstanding derivative financial instruments amounted to HK$81.0 billion. The fair value of these derivative instruments was a net deficit of HK$336 million, representing the net amount payable if these contracts were closed out on 31 December 2017.

CORPORATE GOVERNANCE

The "CLP Code on Corporate Governance" (CLP Code) is our own unique code on corporate governance (available on our website or from the Company Secretary on request). The CLP Code incorporates and goes beyond the principles of good corporate governance, and the two levels of recommendations (Code Provisions and Recommended Best Practices) in The Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) issued by The Stock Exchange of Hong Kong Limited.

CLP deviates from only one Recommended Best Practice in the Stock Exchange Code – that an issuer should announce and publish quarterly financial results. While CLP does issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities, we do not issue quarterly financial results. We have taken this considered approach as we are of the view that quarterly financial reporting does not bring significant benefits to our shareholders, and it encourages a short-term view of our business performance and activities which would not be consistent with the longer term nature of our activities and investments.

Throughout the year, the Company has met the Code Provisions and Recommended Best Practices, other than the exception explained above, as provided in the Stock Exchange Code.

The accounting principles and practices adopted by the Group, and the Financial Statements for the year ended 31 December 2017, have been reviewed by the Audit & Risk Committee (known as the Audit Committee until January 2018).

During 2017, the Audit & Risk Committee monitored and reviewed management's periodic internal control review updates and the Group's quarterly risk management reports, these were greatly assisted by the Group Internal Audit and by the external auditor's report of their testing of the control environment of the Group. During the period from 1 January 2017 to the date of this announcement, no material internal control issues were identified.

The Audit & Risk Committee also received and considered reports from the Senior Director – Group Internal Audit. Four reports out of a total of 31 submitted carried an unsatisfactory audit opinion. None of the issues identified had a material impact on the financial statements.

The Audit & Risk Committee was satisfied that the Group's risk management and internal control systems were effective for the year ended 31 December 2017 and that these continue to be effective and adequate as at the date of this announcement.

CLP's own Code for Securities Transactions (CLP Securities Code) is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2017 they have complied with the required standard set out in the Model Code and CLP Securities Code.

We appreciate that some of our staff may in their day to day work have access to potentially inside information. As such, our Senior Management and selected members of staff, "Specified Individuals", are subject to securities dealing restrictions in the CLP Securities Code.

All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2017 they have complied with the required standard set out in the Model Code and CLP Securities Code.

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 2017.

FOURTH INTERIM DIVIDEND

Today, the Board of Directors of the Company declared the fourth interim dividend for 2017 at HK$1.14 per share (2016: HK$1.09 per share). This fourth interim dividend will be payable on all shares in issue as at the close of business on 12 March 2018 after deducting any shares repurchased and cancelled up to the close of business on 12 March 2018. As at 31 December 2017, 2,526,450,570 shares of the Company were in issue. The fourth interim dividend of HK$1.14 per share will be payable on 22 March 2018 to shareholders registered as at 13 March 2018.

The Register of Shareholders will be closed on 13 March 2018. To rank for the fourth interim dividend, all transfers should be lodged with the Company’s Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12 March 2018.

ANNUAL GENERAL MEETING

The twentieth Annual General Meeting (AGM) will be held at the Grand Ballroom, 1/F., Crowne Plaza Hong Kong Kowloon East, 3 Tong Tak Street, Tseung Kwan O, Hong Kong on Friday, 4 May 2018, at 11:00 a.m. The Notice of AGM will be published on the websites of the Company and the Stock Exchange and despatched to shareholders on or about 28 March 2018.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 30 April 2018 to 4 May 2018, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 27 April 2018.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 26 February 2018

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2017 will be published on the Company's website at www.clpgroup.com and the website of the Stock Exchange on or about 12 March 2018. The Annual Report and the Notice of AGM will be despatched to shareholders on or about 28 March 2018. All of these will be made available on the Company's website.

中 電 控 股 有 限 公 司
CLP Holdings Limited

(incorporated in Hong Kong with limited liability)
(Stock Code: 00002)

The Directors of CLP Holdings as at the date of this announcement are:

Non-executive Directors:	The Hon Sir Michael Kadoorie, Mr William Mocatta, Mr J. A. H. Leigh, Mr Andrew Brandler and Dr Y. B. Lee
Independent Non-executive Directors:	Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen, Mr Vincent Cheng, Mrs Fanny Law, Ms Irene Lee and Mrs Zia Mody
Executive Directors:	Mr Richard Lancaster and Mr Geert Peeters

Energy for Brighter Tomorrows