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 2020 to 31 December 2020, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings increased 4.1% to HK$11,577 million driven by higher earnings from Hong Kong electricity business and positive changes in the fair value of energy hedging contracts in Australia.
- Total earnings increased about 1.5 times to HK$11,456 million in 2020 due to significant impairment of EnergyAustralia's retail goodwill recognised in 2019.
- Consolidated revenue decreased 7.1% to HK$79,590 million.
- Fourth interim dividend of HK$1.21 per share; including the first three interim dividends paid, total dividends for 2020 are HK$3.10 per share (2019: HK$3.08 per share).

CHAIRMAN'S STATEMENT

We look back on 2020 as one of the most extraordinary years in living memory – a year of challenges and changes with profound impacts on the way we live and work.

In the fight against the COVID-19 pandemic, we are all immensely grateful to healthcare professionals and support staff who have devoted themselves to keeping our communities safe. As an energy supplier, our focus has been keeping the lights on and providing support to the local communities and our customers to help them get through tough times. Our thoughts remain with those around the world affected by the pandemic.

Facing this unprecedented crisis, we have demonstrated resilience, something we owe to the remarkable efforts of our people. Our long-term strategy and robust crisis planning also helped us adapt while maintaining operational excellence. Managing through the pandemic has highlighted the importance of sound governance as a core corporate value, and crisis preparation as a key governance practice. In 2003 when SARS hit Hong Kong, CLP developed specific crisis management policies and procedures that have been reviewed and refined regularly. As the severity of COVID-19 became evident, those plans could readily be brought to bear across all our operations.

While COVID-19 has dealt a heavy blow to the global economy, its impact on essential services like electricity has so far been less severe than on many other sectors.

In 2020, the Group's operating earnings increased by a modest 4% to HK$11,577 million while total earnings rose significantly to HK$11,456 million from 2019 when an impairment of goodwill was booked in the Australian business. The Board remains confident in the Group's prospects, yet in the short term it recognises that the ongoing pandemic creates uncertainties. As such, it approved a fourth interim dividend payment for 2020 of HK$1.21 per share, a 1.7% increase compared with the same period in 2019. Total dividends per share for 2020 are HK$3.10 per share, 0.6% higher than a year ago.

While the impacts of the pandemic are visible to all, our vision for the future means we must also continue to work hard today to meet the challenge of climate change. Globally, there has been a welcome intensification of focus on decarbonisation with China announcing carbon neutrality targets for 2060, Hong Kong for 2050, and the US rejoining the Paris Agreement. 2021 is the year of the 26th United Nations Climate Change Conference where the world will be looking for countries to strengthen their commitments made under this Agreement. More leadership and ambition from Governments enables businesses to accelerate our contributions and we look forward to further policy clarity in support of decarbonisation.

As a diversified business we know well that not all of our markets face the same circumstances at the same time. It has long been our approach to remain mindful of the local contexts and the ways in which different markets evolve, and act accordingly in line with our broader decarbonisation strategy and growth plans.

In our home market Hong Kong, we are taking steps to serve the city with lower-carbon energy with the commissioning in 2020 of a highly-efficient natural gas-fired generating unit at Black Point Power Station and the beginning of the construction of another similar facility on the same site. We continue to make significant progress on the offshore LNG terminal to help diversify the region's gas supplies to these developments. These important infrastructure projects underscore our commitment to reduce the carbon intensity of our electricity supply and contribute to Hong Kong's sustainable future.

The Chinese economy has emerged from 2020 stronger than at the start and we are keen to further expand our investments particularly in the Guangdong-Hong Kong-Macao Greater Bay Area. We look to build on our presence and operating experience in the region as well as existing partnerships to capture the opportunities in a market that is close to our Hong Kong business and is going through large-scale electrification and digitalisation. Recently, we joined our long-standing partner China Southern Power Grid Co., Ltd (CSG) to invest in the CSG Energy Innovation Equity Investment Fund that targets innovative energy developments, new energy infrastructure, and smart energy in the Greater Bay Area. This represents just one of the many early opportunities we are pursuing in the region.

In India, as with our other markets, growth in renewable energy and the infrastructure required to support it has continued despite the impact of the pandemic. Leveraging the benefits of our partnership with Caisse de dépôt et placement du Québec, we will continue to focus on zero-carbon-emission projects and diversify our investment portfolio in the country.

We see the energy transition in Australia picking up pace. This is a journey that requires the support of substantial investments in the coming years and presents opportunities to those who are agile and visionary in their approach to business. We are committed to playing a responsible role in the energy transition, ensuring the security of electricity supply while working towards the modernisation and decarbonisation of our overall position.

Our growing capabilities in digitisation and innovation ensure that we are ready for new opportunities – whether it is maximising the potential of existing energy assets, powering data centres and electric vehicles, or bringing energy solutions to our customers. In Hong Kong, our progress in digital is marked by our continual roll-out of smart meters across the city and we will likely hit the one million mark early in 2021.

As the world around us changes, we continue our transition towards a Utility of the Future with diversified, strategic investments in new business models and technologies. Throughout our history, CLP has recognised the need to re-evaluate and realign our activities in the face of changing external circumstances and policies.

As part of our ongoing efforts to ensure that we have the best Board we can to support us on our journey, I was delighted to welcome Ms Christina Gaw and Mr Chunyuan Gu to our Board in 2020. In a similar vein, our Chief Financial Officer Mr Geert Peeters is changing roles to become Group Director & Chief Strategy & Transformation Officer – a sign of our commitment to ongoing evolution – and I am pleased Mr Nicolas Tissot is joining as our new Chief Financial Officer.

2021 is our 120th anniversary year. Twelve decades ago, with just a single generating unit, CLP started providing power to Hong Kong, beginning a century of resilience, passion and creativity. Today, we are right at the heart of the city’s energy system as another new era begins. As we mark this significant milestone, our shared vision of an even-better tomorrow and a sense of deep responsibility to our communities is as much a part of our DNA as it was when our Company first flickered into life in 1901.

The Honourable Sir Michael Kadoorie

CEO’S STRATEGIC REVIEW

2020 was a challenging year as the COVID-19 pandemic profoundly affected every company, every community, and every individual. During this time, our priorities were to maintain a reliable power supply, ensure business continuity and care for our colleagues, customers and the communities. We also remained focused on progressing key infrastructure projects, including the development of two Combined-Cycle Gas Turbines (CCGTs) and an offshore LNG terminal in Hong Kong, and the ongoing evolution of our strategy. Our 2020 results reflect our resilience as a business.

The pandemic reinforces the importance of paying attention to the broader issues of sustainability in business. Climate change is one of the greatest challenges facing the energy sector as we know it. With so much of the world increasingly focused on decarbonisation, and with a growing awareness of previously set targets, we are mindful that the time horizons for change are shorter than they may first seem.

To succeed in an increasingly complex energy industry, a utility like CLP will need to be more responsive, resilient and agile. We have long believed in the value and strength that comes from diversity, and our evolving approach to our home and core markets is a continuation of this philosophy.

While Hong Kong remains at the heart of our business, Mainland China is another key market for the CLP Group. Together with India and Australia, this provides diversity to our portfolio. Our objective for EnergyAustralia is to strengthen our position as a leading integrated, customer-centric energy supplier with a more flexible fleet of generation assets to supply the changing needs of our mass market and commercial customers. In India, we aim to further expand our portfolio focusing on renewables and low-carbon opportunities. In Mainland China, we will continue to focus on our recent investments in renewables and nuclear. Our strategy for the Greater Bay Area (GBA) is to pursue more diversified opportunities as a natural extension of our activities in Hong Kong.

Hong Kong

COVID-19 had a severe impact on Hong Kong. Our priorities were to maintain a safe and reliable service, and support our own people and customers. The modest fall in electricity sales as a result of more subdued economic activities was largely balanced by increased residential consumption as more people worked from home and the hotter summer months. In the second half of the year demand returned to something closer to normal expectations. During the year, operating earnings of Hong Kong’s electricity business increased 5% to HK$7,818 million.

To cope with the pandemic, we rolled out personal protective equipment to our teams, further diversified procurement to build resilience into our supply chain and moved to safer ways of working. We were able to achieve the target of generating about 50% of our electricity from gas, boosted by the new 550MW CCGT at Black Point Power Station. Ground has now been broken on a further unit on the same site.

Good progress has been made on the offshore LNG terminal with construction work in the sea commenced in December. Natural gas remains an important part of the territory's energy mix for the medium-term and this facility will enhance Hong Kong’s energy security and the sustainability of supply.

CLP has a key role to play in Hong Kong’s decarbonisation journey. We are seeing a clear shift from incremental improvements to an acceleration of the desire for change. This will create further opportunities given our strong existing position in the market. Offshore wind is one option for local clean energy and we will look carefully at the business cases as they emerge. In 2020, the Hong Kong Government announced a target to be carbon neutral by 2050. We are committed to working with the Government and all stakeholders to contribute our power expertise to discussions on how all sectors together can make this a reality.

Mainland China

Electricity demand was affected by lower industrial activity as a result of COVID-19 in the earlier part of 2020 before rebounding strongly as the Chinese economy started picking up. In this environment, the performance of our diversified portfolio held up well. Operating earnings for 2020 were HK$2,233 million, a decrease of only 2% when compared with 2019.

Safety is one of our core values and I am delighted that our nuclear projects won several prestigious awards for their construction and safety standards. Nothing will ever be more important than the safe operations of all our sites and external recognition of our approach is a reward for the hard work of our teams.

During the year, we were pleased to commission phase III of the Laiwu wind farm in Shandong province. This took the total capacity of the project to 149MW, making it the largest operational wind project across the CLP Group. We also committed to invest in phase III of the Qian'an wind project (100MW) in Jilin province – which will be CLP's first grid-parity project in the country. Our aspiration is to continue to grow our portfolio of renewable energy projects in Mainland China but we will continue to take a selective approach to our evaluation of these opportunities.

CLP has been operating in the GBA for many years and we have established partnerships including those with China Southern Power Grid Co., Ltd and China General Nuclear Power Corporation. The GBA presents significant opportunities thanks to the size of its economy and its part in China's journey to carbon neutrality by 2060.

There is a need not just for individual renewable projects but for the integrated provision of supporting infrastructure and energy solutions. The evolution of the energy system in the GBA could bring new opportunities across the electricity supply chain – from generation assets, transmission and distribution to new business models around energy-as-a-service.

India

India was one of the countries hardest hit by COVID-19 and it was not without impact on the operations of CLP India. During this difficult period, the Jhajjar coal-fired plant nonetheless performed steadily. While CLP India's wind portfolio experienced unfavourable weather conditions, its solar and transmission assets showed good performance. Our acquisition of two solar farms in Telangana has brought us an additional 80MW capacity and both projects performed well. During the year, operating earnings attributable to CLP decreased 33.5% to HK$175 million.

Meanwhile, we were particularly delighted to receive further recognition of our efforts on safety including an award from the Royal Society for the Prevention of Accidents in the UK for Jhajjar's performance.

Our strategy in India remains focused on pursuing opportunities in renewable energy projects and non-carbon generating businessess such as transmission assets. During 2020, as the country adjusted to disruptions associated with COVID-19, we experienced delays to some regulatory approvals. In the context of the Government's new rules on foreign investments, we will continue to work with the administration to facilitate our future investments.

Australia

Never has our focus on people been more important than in Australia in 2020 where the devastating impact of bushfires through late 2019 and early 2020 was followed soon after by COVID-19.

We have proactively supported both residential and small business customers with initiatives ranging from freezing debt collection to dedicated payment plans. While we cannot solve all the challenges that people face, we can play our part in relieving some of the burdens where appropriate.

Australia's COVID-19 lockdown measures, some of which fell disproportionately in areas where we operate, led to the country's first economic recession in almost 30 years and inevitably affected our results. The National Electricity Market experienced a significant decline in wholesale prices driven by increased renewable generation and changing energy consumption patterns due to the pandemic. This, together with lower generation while we undertook major, planned maintenance programmes, led to reduced earnings from our Energy business.

Meanwhile, the ongoing impact of retail price regulation and intensified competition in the retail markets, including from newer retailers, put significant pressure on margins in our Customer business. Earnings at an underlying operational level therefore saw a decrease. However, once non-cash changes in the fair value of our energy hedging contracts are included, EnergyAustralia recorded an increase in operating earnings of 8% to HK$1,690 million.

The new initiatives introduced by the State and Federal Governments in 2020 show that Australia's energy transition is gaining momentum and the shifts will be potentially significant for the industry. EnergyAustralia is committed to playing a constructive role in this accelerated energy transition in close dialogues with Governments and the communities.

Unlocking the Benefits of Digitalisation

In 2020, as large parts of the world were grounded to a near standstill by the impact of COVID-19, we put in place special work arrangements to strengthen the protection of our employees. The conscious decision we made a few years ago to enhance our information technology infrastructure now allowed colleagues to switch between remote working and mixed mode working as social distancing rules evolved.

Our ongoing investments in digitalisation also supported our efforts to deliver more user-centric and smart energy services to customers. In Hong Kong, we rolled out an upgraded mobile app that brings to our customers a host of new and easier functions. The app saw a big jump in both downloads and usage in 2020 as a growing number of people preferred remote services during the pandemic. As we moved further along the digitalisation path, we are mindful of greater exposure to cybersecurity-related risks and are therefore stepping up efforts to enhance our cybersecurity.

Since its launch in 2019, Smart Energy Connect, Asia's first online energy app store, has helped more businesses and organisations improve energy efficiency and automation with its offering of energy management solutions. In the post-pandemic world, the digitalisation of energy services will be of particular importance as businesses worldwide look to boost operational resilience.

Building a Sustainable Business for the Future

This decade has experienced a profoundly challenging first year, but with the increasing pace of decarbonisation there is a growing depth and breadth of opportunity.

With a clear need for new infrastructure, the 2050 deadline under the Paris Agreement is now less than 30 years away meaning an acceleration in initiatives is called for. For CLP, we have achieved the 2020 carbon intensity targets laid out in our Climate Vision 2050. We will be reviewing and strengthening our climate targets within this year as planned.

Our foundation of sound governance, risk management and taking responsibility for our people and communities gives this business a strong platform for success. We have seen this year the benefits of strong business continuity planning. The impacts of COVID-19 cannot be ignored but a time will come when we look back on these times as a memory.

Throughout the year we have continued to invest in our people. We delivered health and wellbeing programmes, including a focus on mental health, to our teams. We are also investing in our next generation of talent, providing opportunities for the younger generation. In Hong Kong, our graduate internships are equipping them with skills and expertise for them to develop and prosper. Every decision we make is delivering for today but also laying the foundation stones of the young people’s future.

CLP has a proud history of 120 years. In that time, our territories have experienced many extraordinary ups-and-downs and we have evolved with them. Our anniversary – this milestone – highlights our experience and resilience but also reminds us that we are now renewing once more.

The team of today has worked incredibly hard in 2020. On behalf of the Chairman and the whole Board, I sincerely thank them. While we earnestly hope that 2021 will prove itself to be an easier year, we remain alert. We are ready to pursue new opportunities in this fast-changing world, as well as ensuring we continue to build a sustainable business apt for the future.

Richard Lancaster

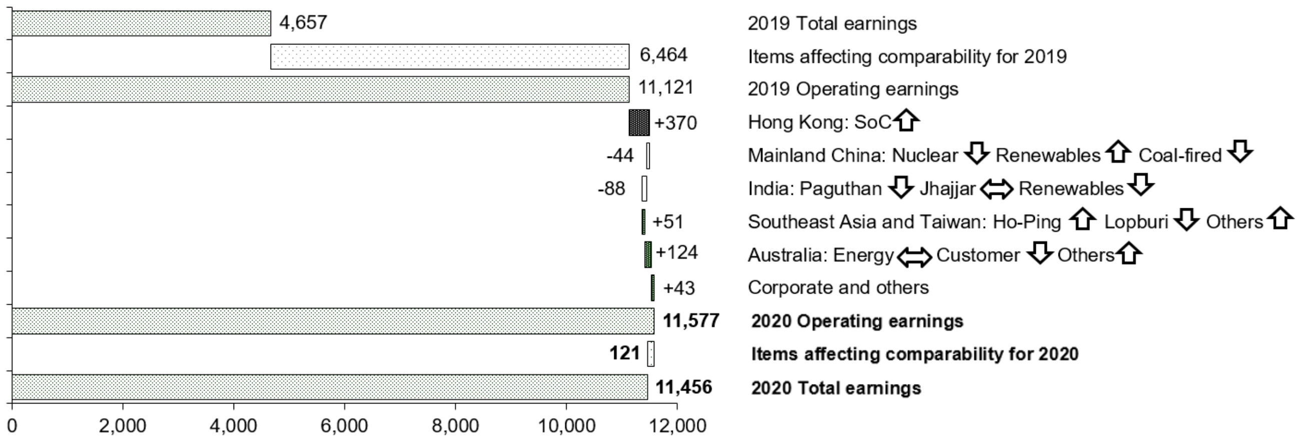
FINANCIAL PERFORMANCE

Group operating earnings increased 4.1% to HK$11,577 million driven by higher earnings from the Hong Kong electricity business and positive changes in the fair value of energy hedging contracts in Australia. Total earnings increased about 1.5 times to HK$11,456 million in 2020 following a significant impairment of EnergyAustralia's retail goodwill recognised in 2019.

	2020 HK$M	2019 HK$M	**Increase/ (Decrease) %**
Hong Kong electricity business	**7,818**	7,448	5.0
Hong Kong electricity business related*	**270**	211	
Mainland China	**2,233**	2,277	(1.9)
India	**175**	263	(33.5)
Southeast Asia and Taiwan	**386**	335	15.2
Australia	**1,690**	1,566	7.9
Other earnings in Hong Kong	**(238)**	(199)	
Unallocated net finance income/(costs)	**24**	(42)	
Unallocated Group expenses	**(781)**	(738)	
Operating earnings	**11,577**	11,121	4.1
Items affecting comparability			
Property revaluation	**(121)**	(83)	
Impairment of retail goodwill	**-**	(6,381)	
Total earnings	**11,456**	4,657	146.0

* Hong Kong electricity business related includes PSDC and Hong Kong Branch Line

Earnings for the Year (HK$M)



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

BUSINESS PERFORMANCE AND OUTLOOK

Hong Kong

Financial and Operational Performance

Overview

2020 has been a year of considerable economic and emotional stress for the people of Hong Kong. Throughout this time, CLP has continued to provide a steady electricity supply with a 99.999% reliability to maintain the necessities of daily life. It has also taken exceptional steps to support its people and extend care to customers and businesses suffering from the impact of the pandemic. While demand for electricity was affected by the virus, the impact was mostly confined to non-residential sectors. Sales in the residential sector rose 9% to 10,298GWh as more people stayed and worked from home, and Hong Kong experienced a hot summer.

Overall, sales of electricity in Hong Kong fell 0.9% to 33,963GWh compared with 2019. The fall in sales would have been larger if demand from data centres had not continued to rise, driven by the increased adoption of big data and cloud computing.

The number of customer accounts meanwhile rose to 2.67 million, compared with 2.64 million in 2019.

Hong Kong Electricity Sales in 2020

	Year-on-Year Change Increase/(Decrease)		Share of Total Local Sales
	GWh	%	%
Residential	847	9.0	30
Commercial	(706)	(5.2)	38
Infrastructure and Public Services	(415)	(4.3)	27
Manufacturing	(47)	(2.8)	5

Operating earnings of Hong Kong electricity business rose 5.0% from 2019 to HK$7,818 million in 2020, in line with the increase in invested capital.

Supporting Hong Kong and the Community

CLP introduced a range of measures to ease the hardships suffered by many Hong Kong people as a result of COVID-19. Dining coupons were given to underprivileged families and elderly customers on concessionary tariffs, generating business for around 700 restaurants at a time when the catering industry suffered a heavy blow to patronage. Separately, a two-month electricity bill payment deferral programme was offered to small and medium-sized enterprises in the catering, hotel, and retail sectors, whose businesses were particularly hard-hit by the pandemic.

In November, CLP announced the launch of a series of support programmes for 2021 totalling more than HK$160 million funded by CLP Community Energy Saving Fund to encourage consumer spending and help the Hong Kong economy regain momentum.

CLP managed to keep its Average Net Tariff unchanged at HK$1.218 per unit of electricity for 2021, despite a substantially increased proportion of gas-fired generation. A fall in international fuel prices over the course of 2020 meant the Fuel Cost Adjustment could be reduced to the benefit of customers.

Decarbonising Our Portfolio for Hong Kong

Although COVID-19 hampered economic activity in general, CLP was able to manage the challenges and move forward with a number of strategic projects aimed at increasing the use of natural gas in power generation and enhancing Hong Kong's energy security and the sustainability of gas supply.

A new Combined-Cycle Gas Turbine (CCGT) unit at Black Point Power Station was commissioned, marking the first new major generation unit deployed by CLP in Hong Kong since 2006. Statutory approvals were also obtained for a second CCGT unit at Black Point and early civil works got under way while engineering, procurement, and construction contracts were finalised. Development of the offshore LNG terminal also progressed as fabrication works continued and marine installation works started during the year.

Over the years, CLP has delivered a stable, and reliable electricity supply for Hong Kong while continuing to decrease its carbon emissions-intensity. In 2020, with the new CCGT unit at Black Point going into operation, CLP substantially increased the proportion of gas-fired generation to around 50%. This represents a reduction of around 20% in the carbon intensity of CLP's electricity supply.

CLP welcomes the announcement by the Chief Executive of Hong Kong in her Policy Address that the city will strive to achieve carbon neutrality by 2050. The new target will have major implications not just for the electricity industry but also for Hong Kong as a whole. CLP is already well into decarbonisation and will work closely with the Government and the community to support the formulation of a practical roadmap to reduce carbon emissions and contribute strongly towards that goal.

To support Hong Kong in achieving its 2050 target, CLP will continue to promote the development of renewable energy, help customers improve their energy efficiency, and closely monitor the latest technological developments in new zero-carbon energy. CLP's first landfill gas generation project in Hong Kong, capable of producing 10MW of electricity, went into commercial operation in March and provided a platform for CLP to use landfill gas as a renewable energy source. Meanwhile, over 1,800 solar panels were installed on the rooftops of some buildings in CLP's generation plants and substations. With a combined capacity of around 0.7MW, the system is capable of generating the annual electricity used by around 170 households.

CLP is considering the feasibility of constructing an offshore wind farm in the south-eastern waters of Hong Kong. The project has been under consideration for some time, but recent advances in the technology of wind turbine generators and an increasingly mature supply chain in the region make it appear more feasible.

Electrification is another key driver to lower carbon emissions, and CLP is committed to promoting low-carbon transport to make Hong Kong a greener, smarter city. CLP launched an advanced service called Eco Charge 2.0 in support of a Government scheme that subsidises the installation of electric vehicle charging facilities at residential premises. Eco Charge 2.0 provides one-stop technical support and customer service to applicants interested in applying for funding for electric vehicle charging-enabled infrastructure under the Government's scheme. In the meantime, CLP extended its free EV charging service until the end of 2021, providing EV drivers with a convenient, territory-wide network through 54 semi-quick and quick EV charging stations with a total of 161 chargers across its supply area.

Providing a Greener Customer Experience

CLP continued to equip its customers with the most up-to-date technologies and products to help them adopt greener lifestyles in 2020. By the end of the year, over 840,000 smart meters were connected across CLP's supply area, giving customers rapid access to electricity usage data to allow them to better manage their consumption. Another feature of smart meters is that they can help detect supply failures quickly and reduce repair times. Given the severe damage caused by Super Typhoon Mangkhut in 2018 to power supplies to remote villages, CLP prioritised the connection of smart meters in areas served by overhead lines, which are more prone to typhoon disruption. This work was completed in 2020.

CLP has seen a significant increase in interest in the Feed-in Tariff (FiT) scheme thanks to Hong Kong people's commitment to a more sustainable future and the falling cost of renewable energy equipment. By the end of 2020, more than 13,000 applications had been received, nearly twice as many as the 6,900 received in 2019. Around 87% of the projects have already been approved or connected to our grid. They represent a combined capacity of 175MW, equivalent to the annual electricity consumption of around 42,800 households.

Sales of Renewable Energy Certificates grew about 70% compared with last year. Even more encouragingly, some customers expressed interest in larger purchases of certificates, either for a greater amount or for a longer period, demonstrating their commitment to a greener, lower-carbon Hong Kong.

The CLP Eco Building Fund provided subsidies for over 700 residential and commercial buildings to install energy-efficient equipment in 2020, saving a total of more than 48GWh of electricity.

Continuing the Digitalisation Journey

For all its negative impact globally, one silver lining of the COVID-19 pandemic is that it has quickened the pace of digitalisation. From the beginning of the outbreak in early 2020, CLP swiftly implemented flexible working policies with most of its workforce working remotely during peaks of the pandemic. This was made possible by CLP's strategy of moving to cloud computing several years ago, underpinned by investments in system enhancement.

The new CLP mobile app provides customers with an end-to-end digital experience, from move-in services and eBill applications, to mobile payments and a Smart Shopping platform. Downloads and usage of the app saw a nearly 50% increase compared with the previous year as growing numbers of customers opted for online services.

To demonstrate the immense range of new possibilities, a CLP customer services centre was renovated and upgraded to feature multi-function self-service kiosks, deploying the latest digital technology to give customers a convenient and flexible account service and shopping experience. CLP also introduced robotic process automation to enhance its operational efficiency in a number of areas, including customer application processing and marketing consent checking.

Environmental Performance

Environmental Regulatory Compliance

All Hong Kong assets under CLP's operational control maintained full compliance with environmental regulations in 2020. CLP also complied with all the emissions caps set by the Government during the year. It achieved this by optimising its diversified fuel mix and maintaining the effectiveness of its emissions control facilities.

Air Emissions

The new CCGT unit at Black Point enables CLP to support the Government's target of increasing natural gas use to around 50% of Hong Kong's fuel mix for power generation from 2020 in order to improve air quality. Together with the second CCGT unit being developed, it will contribute to the gradual phase-out of the oldest coal-fired units at Castle Peak Power Station which are expected to reach the end of their operating life in the mid-2020s. Furthermore, the new landfill gas project will help CLP reduce the carbon dioxide emissions of its generation activities in Hong Kong.

Outlook

In the same way that CLP has supported the community through the pandemic in 2020, it will continue to support Hong Kong through the challenges that lie ahead; helping the city and its people go through the end of the pandemic and then recover from it, getting the economy back on track, and continuing the important transition to a lower-carbon future.

As we move into a new year with new targets and goals, CLP is reviewing the data for an offshore wind farm and conducting a detailed development study to determine whether this large-scale renewable energy project is viable.

In the meantime, CLP will roll out more smart meters, support customers in improving their energy efficiency and in electrifying their transport needs, and promote the increased use of renewable energy. It will also continue to bring more lower-carbon gas-fired power generation to Hong Kong as part of the city's energy transition. CLP will focus on completing construction of the offshore LNG terminal and the second CCGT unit at Black Point, which are expected to go into service in 2022 and 2023 respectively. All these elements will help Hong Kong reduce its carbon footprint and significantly contribute to the city's strategy to achieve carbon neutrality by 2050.

Digitalisation will continue to be a major priority. Operational and business transformation will accelerate momentum towards automation and digitalisation, while the adoption of digital channels to engage customers will become increasingly mainstream. Looking ahead, smart operations enabled by digital technologies, big data analytics, and innovation will drive the Company's digital capabilities forward, and help CLP achieve its constant objective of meeting and exceeding customer expectations.

Mainland China

Financial and Operational Performance

Overview

China was the first country to experience the devastating impact of COVID-19, an unprecedented global challenge in 2020. Thanks to the Government's strong effort to contain the pandemic, the Chinese economy was one of the first to reopen, giving it a head start in recovery. Reflecting the comparatively early rebound in industrial activity, power consumption was up 3% during the year.

In these difficult circumstances all areas of CLP's operations in Mainland China performed well, resulting in a decrease in operating earnings limited to 1.9% to HK$2,233 million.

CLP's performance in Mainland China is summarised below:

Operating Earnings	**2020** **HK$M**	2019 HK$M	Change %
Nuclear Energy	**1,594**	1,688	(5.6)
Renewable Energy	**565**	547	3.3
Thermal Energy	**203**	264	(23.1)
Operating and Development Expenditure	**(129)**	(222)	41.9
Total	**2,233**	2,277	(1.9)

Nuclear Energy

Nuclear energy projects continued to be the main contributor of CLP's operating earnings in Mainland China, accounting for about two-thirds of the total. While operation of Daya Bay Nuclear Power Station remained stable, earnings from the nuclear portfolio decreased 6% mainly because of lower contribution from Yangjiang Nuclear Power Station as a result of higher costs including taxes and despite increased generation.

Sent-out from Yangjiang was approximately 3% higher than in the previous year, largely due to the commissioning of its sixth and final operating unit in July 2019. However, the amount of sent-out was affected by unplanned outages and indirect impact of COVID-19 in the first half of the year.

Yangjiang won three national awards for engineering excellence, demonstrating the high standards of construction in CLP's nuclear portfolio. Daya Bay also received top-level certification from the Norwegian assurance and risk management company DNV GL for its outstanding safety, health, and environmental performance.

Renewable Energy

CLP's portfolio of renewable energy projects performed steadily in 2020, helped by improvements in wind and solar resources.

As part of its strategic focus on the development of renewable projects, CLP commissioned Laiwu III Wind Farm in Shandong province in September. With a total generation capacity of 149MW, this three-phase project is the largest operating wind farm across the CLP Group.

Laiwu III contributed to increased total generation by CLP's wind portfolio in Mainland China, which also benefitted from the full-year operation of Laizhou II Wind Farm in Shandong commissioned in June 2019 and record levels of generation by Sandu Wind Farm in Guizhou.

CLP also committed to invest in the 100MW Qian'an III Wind Farm in Jilin province. Construction is expected to start in the first half of 2021, and the plant will be the Company's first grid-parity project in Mainland China. Investing in grid-parity projects will allow CLP to reduce its dependence on national subsidy payments from the Chinese Government, delays in which continued to affect the cash flow of CLP's wind and solar projects. As of 31 December 2020, the total receivables relating to the unpaid national subsidies increased to HK$1.77 billion (2019: HK$1.27 billion).

The performance of the solar portfolio remained stable and sent-out from the Jinchang plant in Gansu province increased thanks to lower grid curtailment. Most hydro projects reported better performance except Huaiji Hydro Power Stations in Guangdong, which suffered from lower water resources. Some generation units at the plant also encountered unplanned outages because of landslides caused by flooding in June.

Thermal Energy

The performance of CLP's only majority-owned coal-fired project in Mainland China, Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region, remained good as the plant benefitted from lower coal costs in the first three quarters of the year combined with higher output and demand. However, these benefits were more than offset by lower average tariffs received. An electricity retail company was set up to facilitate market sales and act as the plant's interface with customers.

Fangchenggang was named 2018-2019 Outstanding Enterprise and one of 2020's Top 100 Enterprises by the regional Government in recognition of its outstanding performance in a range of areas including corporate governance, sustainability, innovation, finance, safety, environmental protection.

Minority-owned coal-fired projects in CLP's portfolio in Mainland China reported lower output, mainly because of the impact of COVID-19 in the first quarter.

New Opportunities and Innovation

CLP joined China Southern Power Grid and other investors in November to establish the CSG Energy Innovation Equity Investment Fund with the aim of capturing investment opportunities in innovative energy developments, new energy infrastructure, and smart energy in the Greater Bay Area.

The incremental distribution network (IDN) in Fangchenggang Hi-Tech Zone, CLP's first investment in the distribution grid in Mainland China, went into service in January and began supplying electricity to customers in April.

In Sihong Solar Power Station in Jiangsu, the use of robots to regularly clean its solar panels improved the panels' efficiency while eliminating safety risks in the cleaning process. The power station subsequently deployed 62 automatic cleaning robots from September onwards to clean solar panels with a combined output of 10MW.

CLP has successfully trialled the use of smart glasses at Fangchenggang Power Station for remote consultation on construction, repair, and maintenance works. It plans to expand the application to other projects, in particular renewable energy farms in remote locations. Drones and robotic devices have also been experimented with to inspect and monitor the conditions of wind turbine structure and blades. Other new technologies such as virtual fencing are also being examined to improve project safety and productivity.

Environmental Performance

Environmental Regulatory Compliance

All assets under CLP's operational control in Mainland China maintained full compliance with environmental regulations in 2020.

Air Emissions

Since the completion of the emissions control retrofit project at Fangchenggang by the end of 2018, its sulphur dioxide (SO_2) emission intensity remains at a low level. In 2020, although output slightly increased when compared with 2019, emission intensity for SO_2, nitrogen oxides (NO_x) and particulate matter (PM) were still low.

Outlook

China aims to achieve carbon neutrality by 2060. To meet this goal, the country has committed to a number of 2030 targets, including cutting carbon intensity by more than 65% from 2005 levels, nearly tripling the capacity to generate electricity from wind and solar to more than 1,200GW, and increasing the ratio of non-fossil fuels in primary energy consumption to around 25%.

In support of this policy and CLP's own decarbonisation strategy, CLP will continue to focus on developing low-carbon projects in the coming years. Following the investment in Qian'an III Wind Farm, CLP will continue to explore other grid-parity project development opportunities. CLP is also pursuing opportunities to increase the adoption of rooftop solar power generation, and selective investment in offshore wind projects.

The Chinese Government has a mission to transform the Greater Bay Area into an international business hub by 2035 with an integrated economy and a strong focus on technology. CLP will pursue opportunities in this important emerging region, with new energy infrastructure and smart energy solutions as its priorities. CLP is committed to drawing on its core capabilities and partnerships to contribute to the sustainable growth and long-term development of the electricity sector in China.

CLP has incorporated a holding company in the Qianhai Free Trade Zone in Shenzhen. This will provide a platform for investment in clean energy and smart energy projects which look certain to play an increasingly important role in China's future growth and development.

India

Financial and Operational Performance

Overview

India is one of the countries most severely affected by the COVID-19 pandemic, recording more than 10 million cases and 150,000 deaths by the end of 2020 and enduring a nationwide lockdown for the majority of the year. Despite this, the operations of CLP India, which is co-owned by CLP and Caisse de dépôt et placement du Québec (CDPQ), maintained a high level of safety and availability, while protecting the health and wellbeing of employees.

During the year, CLP India maintained very high levels of availability at Jhajjar Power Station. While poor wind resources coupled with the impact of severe weather events resulted in relatively low wind power generation, this was partially offset by higher generation from the expanded solar portfolio.

As a result, CLP's operating earnings in India dropped 33.5% to HK$175 million. Our financial performance in India, which was also affected by impairment charges associated with the Paguthan plant and the Khandke wind farm for a total of HK$52 million after tax, is summarised below:

Operating Earnings[1]	**2020** **HK$M**	2019 HK$M	Change %
Renewable Energy	**104**	227	(54.2)
Thermal Energy	**66**	35	88.6
Transmission	**5**	1	400
Total	**175**	263	(33.5)

Note:
1 Net of CDPQ's share

Renewable Energy

The performance of CLP India's wind projects was affected by poor wind resources across all locations due to an erratic summer monsoon. In June, Andhra Lake Wind Farm in Maharashtra was out of service for nearly a month after its transmission system was damaged by Cyclone Nisarga. Flooding in Samana Wind Farm in Gujarat, meanwhile, prevented access and restoration of some turbines for nearly ten days in July, while gales at the Bhakrani Wind Farm in Rajasthan brought down a transmission tower and put the project out of service for five days.

The commencement of construction of the Sidphur wind project in Gujarat was delayed by COVID-19. Nevertheless, CLP India pushed ahead with preparation work for land development and application for necessary regulatory approvals. The execution of the engineering, procurement, and construction contracts was completed in December.

The solar portfolio of CLP India fared better as all operational activities were managed effectively during the pandemic. In addition, CLP India took full ownership of the operation and maintenance activities of all its solar assets in 2020, giving it greater operational control. In February, CLP India agreed to acquire three solar projects in Telangana with a combined capacity of 122MW. Two of the projects, with capacities of 30MW and 50MW, were transferred to CLP India in early 2020. Both assets quickly adapted to CLP safety systems and operating procedures and performed well, despite repeated flooding in the monsoon season. The purchase of the third project, with capacity of 42MW, was terminated by mutual agreement in September after the pandemic delayed the process.

Despite the COVID-19 situation, outstanding receivables from local distribution companies relating to the purchase of renewable energy reduced 4.2% to HK$771 million by the end of the year. CLP India also received HK$50 million of delayed payment charges and generation-based incentives.

Thermal Energy

The Jhajjar coal-fired power station in Haryana reported an exceptional operational performance due to a record commercial availability of 97.3%. It also won a number of awards for its outstanding safety performance, including a certificate of merit from the Frost & Sullivan Safety Awards 2020 and a Silver Award from the Royal Society for the Prevention of Accidents in the UK. In addition, the plant was recognised and appreciated by the Central Pollution Control Board and Environment Commission for staying within sulphur dioxide (SO_2) emission limits since February 2019. With its flue gas desulphurisation (FGD) facilities, Jhajjar is the only power plant in the National Capital Region to successfully keep SO_2 emissions within compliance levels.

CLP India continued to explore alternate uses for the Paguthan plant in Gujarat, which ceased operations upon the expiry of its previous power purchase agreement in December 2018. The site has been well monitored and maintained since with performance tests conducted periodically. CLP India is currently evaluating a number of options for the asset, including potentially participating in bids to supply “round-the-clock” power using a combination of renewable energy and thermal energy, and the possible sale of the plant.

Transmission

CLP India has broadened its low-carbon business by agreeing to acquire a portfolio of transmission projects. The first project – Satpura Transco Private Limited in Madhya Pradesh – was successfully transferred to CLP India in November 2019. It has maintained 100% availability since and contributed positively to CLP India’s 2020 earnings. Transaction of the second project with Alipurduar Transmission Limited was terminated after certain conditions precedent could not be fulfilled. The third project – Kohima Mariani Transmission Limited, spanning three north-eastern states – was commissioned in November 2020 and will be taken over by CLP India following the completion of conditions precedent, including obtaining approval from the Federal Government.

Environmental Performance

Environmental Regulatory Compliance

There was one minor licence limit exceedance for nitrogen oxide (NO_x) at Jhajjar in March 2020 but it did not result in any action by the local authorities.

Air Emissions

Thanks to the full operation of FGD units since February 2019, Jhajjar's SO_2 emission continued to fall from 0.74kg/MWh in 2019 to 0.63kg/MWh in 2020.

PM emission in 2020 was 0.12kg/MWh, slightly decreased when compared with 2019. The combustion optimisation carried out in 2018 continued to help reduce NOx emissions to 1.01kg/MWh in 2020, compared with 1.36kg/MWh* in 2017.

**Restated by using electricity sent-out, instead of gross output, to calculate the intensity*

Outlook

CLP India continued to focus on operational excellence, explore new initiatives and partnerships, and give steadfast support to communities surrounding its sites across the country throughout 2020. Throughout the darkest months of the pandemic, CLP India remained true to its principles and continued to connect with communities and build for a brighter and more sustainable future.

CLP India has been seeking clarification from the Government on new foreign direct investment rules announced in April and will continue to work with Indian ministry officials to allow for future investment and overcome uncertainties in approval timelines. Meanwhile, the Indian energy market is evolving rapidly with tariffs for renewable energy projects reaching historic lows amid intense competition from participants from the public and private sectors and lower funding costs.

Despite these issues, CLP India remains firmly committed to the market and its strategy of focusing on decarbonisation and renewable energy projects remains unchanged. It will continue to aspire to operational excellence and to explore new opportunities in India's dynamic power sector.

Southeast Asia and Taiwan

Financial and Operational Performance

Overview

Thanks to its high availability and lower coal prices, Ho-Ping Power Station in Taiwan recorded strong financial results in 2020. Lopburi Solar Farm in Thailand also operated smoothly during the year. However, its financial performance was affected by the expiry of tax exemption.

In line with the Group's undertakings under the updated Climate Vision 2050, CLP withdrew from the legacy Vung Ang II coal-fired development project in Vietnam in October 2020. Exit from the Vinh Tan III project is underway.

In 2020, operating earnings in Southeast Asia and Taiwan increased 15.2% to HK$386 million,which also reflects the impact of an impairment provision at Lopburi resulting from a step down in tariff as from December 2021 and the recovery of development expenses in Vietnam.

Our performance in Southeast Asia and Taiwan is summarised below:

Operating Earnings	**2020 HK$M**	2019 HK$M	Change %
Renewable Energy	**(60)**	80	N/A
Thermal Energy	**366**	272	34.5
Operating and Development Expenditure	**80**	(17)	N/A
Total	**386**	335	15.2

Outlook

Looking ahead, CLP will focus on maintaining safe and reliable operation of Ho-Ping and Lopburi and exploring investment opportunities in renewable energy in the Southeast Asia and Taiwan markets.

Australia

Financial and Operational Performance

Overview

In 2020, devastating bushfires in the early part of the year followed by the COVID-19 pandemic-imposed hardships across Australia tipped the country's economy into its first recession for nearly three decades. In response, EnergyAustralia's focus has been on the health, safety and wellbeing of its employees and customers together with the reliable supply of electricity to the communities it serves.

The combined effects of COVID-19, retail price regulation introduced in July 2019, and ongoing competition from new and existing energy suppliers placed considerable pressure on retail margins in the Customer business. Falling wholesale prices, meanwhile, affected margins in the Energy business. Under these influences EnergyAustralia's underlying operating earnings were lower than in 2019. However, including the favourable impact of non-cash fair value changes in energy hedging contracts, operating earnings increased 7.9% year-on-year to HK$1,690 million.

Focusing on Customers

The EnergyAssist hardship programme was expanded at the beginning of March under the impact of bushfires, COVID-19 and the emerging recession. Additional support staff were assigned to ensure vulnerable households received uninterrupted access to power and tailored assistance, such as payment extension schemes. Since then, EnergyAustralia has set up more than 40,000 new payment plans and arranged almost 200,000 payment extensions for residential customers and has referred tens of thousands to information on government grants. The Rapid Business Assist programme was meanwhile launched in April 2020 to provide support to small businesses.

The impact of the pandemic on customers' capacity to pay necessitated an increase in provision for bad and doubtful debts charged to the income statement to A$91 million (HK$491 million) for the year, up from A$65 million (HK$352 million) in 2019.

EnergyAustralia recorded an improved Net Promoter Score as a higher proportion of retail customers said they were willing to recommend the company to others. Market churn reduced across all states from the beginning of the COVID-19 pandemic and EnergyAustralia's churn reduced in line with market trends. Mass market customer accounts decreased by just over 1%, or around 28,000, over the course of the year with the bulk taking place in the first half. The company's focus on continuous improvement in customer service helped stabilise customer numbers in the second half.

EnergyAustralia operates in an environment of increasing regulatory scrutiny and engagement, requiring faster responses to regulator requests and the ability to understand and act upon significant regulatory changes. At the same time, regulators are more vigorous in enforcing compliance.

The Australian Energy Regulator (AER) began proceedings against EnergyAustralia in November 2019 for self-reported non-compliance with hardship disconnection rules in relation to eight customers. EnergyAustralia paid a penalty of A$1.5 million.

A number of incidents were self-reported to the AER by EnergyAustralia in 2019 regarding the registering of life support needs for some of its customers. The AER launched proceedings which were ongoing at the time of this report going to press. EnergyAustralia has made a number of changes which have improved compliance materially in this respect and is diligently responding to the proceedings.

Ensuring asset reliability

To help ensure the long-term reliability of supply to customers, EnergyAustralia's generation assets underwent major maintenance works in 2020 ahead of the summer peak demand period anticipated in early 2021. These included a large maintenance programme at Yallourn Power Station in Victoria with one of the power station's units being taken out of service in July for several months. The programme was significantly adjusted to ensure the health and safety of the workforce as they undertook this critical and complex project during the COVID-19 outbreak. A similar outage is scheduled for another unit in 2021.

Mount Piper Power Station in New South Wales (NSW) produced substantially more energy in 2020 than in the previous year following the restoration of its full coal supply in late 2019. Major planned maintenance work was meanwhile carried out on one of its units, putting it out of service from late September to late December. The work included a turbine upgrade to deliver an additional 30MW of generation capacity. This extra generation capacity is achieved without requiring the burning of any additional coal, thus reducing overall emissions intensity. The other unit at Mount Piper will undertake a major outage of similar length in the coming year.

EnergyAustralia's gas-fired power facilities in NSW, Victoria, and South Australia operated with a high degree of reliability throughout the year, supporting the company's generation portfolio through a variety of market conditions. EnergyAustralia currently has the dispatch rights to two grid-scale batteries in Australia, and these were used during periods of high volatility to help ensure stable frequency in the National Electricity Market.

Average wholesale spot prices were significantly lower than in 2019. This was a result of increased renewable energy generation combined with a decrease in business and industrial activity as the country experienced its first recession in nearly 30 years.

Towards a Low-Carbon Future

The energy industry is in a period of transition, and EnergyAustralia continues to believe that a stable, national policy framework is advisable to guide the investment needed to integrate renewable energy into a modern energy system.

EnergyAustralia has committed to power purchase agreements representing a cumulative total of more than 820MW.

To accelerate the integration of solar and wind power into the National Electricity Market, EnergyAustralia continued to assess potential investments in new, flexible generation and storage projects.

EnergyAustralia signed an energy storage services agreement with Genex Power Limited in March 2020 for full dispatch rights to the 250MW Kidston pumped storage hydro project in Queensland. The project is expected to reach financial close during 2021 and, subject to these final approvals, will begin operation in 2024. EnergyAustralia also received conditional planning approval in April from the NSW Government to expand its gas-fired Tallawarra Power Station. An economic assessment is being conducted before a decision is made on the investment in the first half of 2021.

Federal and State Governments announced a number of measures which have potentially far-reaching impact on the industry and EnergyAustralia. The Federal Government's Technology Investment Roadmap affirms EnergyAustralia's focus on investing in flexible capacity to allow for the integration of more renewable energy. In addition to emissions reductions, the discussion paper promotes technologies and industries that support job creation and regional economic growth, as well as Australia's research and development sector. EnergyAustralia will continue its constructive dialogue with Government officials on the future share of the industry.

The NSW Electricity Infrastructure Investment legislation announced in November 2020 is an ambitious plan to create an environment for significant generation and network capacity. It is a significant reform on many levels, setting renewable energy targets, creating renewable energy zones and forming a trustee to represent consumers' interests. EnergyAustralia is in the process of examining the implications of the framework for its business and its customers.

EnergyAustralia is also contributing to the Energy Security Board's post-2025 market design work and a range of significant Australian Energy Market Commission rule change processes.

New Business

In September, EnergyAustralia acquired the remaining 51% equity of solar and LED lighting company Echo Group, following an initial investment in 2019. This acquisition supports EnergyAustralia's commitment to offer customers clean, modern energy solutions.

"Go Neutral", EnergyAustralia's leading electricity carbon offsetting programme, was expanded to include residential gas customers in September, enabling them to offset all their household energy emissions at no extra cost. A quarter of a million EnergyAustralia electricity customers have already signed up to "Go Neutral", which is the largest carbon offset product of any energy retailer or generator in Australia, and one of the largest certified carbon offset products in the country.

In November, EnergyAustralia began work with one of its "sustainable icons", the Melbourne Cricket Ground, to install solar panels on the roof of a spectator stand. Energy generated by the panels will be used to help run the water recycling facility, with excess electricity transferred to lighting and power in other areas of the venue.

"On by EnergyAustralia" was launched in late 2019 to rapidly test new products and services with customers to help shape future offerings. Following the launch of its first product in 2019 which allows customers to pay a flat monthly "subscription" fee for energy, two further products were introduced in 2020: a solar and battery plan to make household solar more affordable and accessible, and an innovative offering where eligible customers pay nothing for their home electricity on Saturdays for a year in lieu of traditional discounts.

EnergyAustralia's partnership with the Startupbootcamp programme, which fast-tracks new energy-related start-up businesses, continued into its third year despite the challenges brought about by the pandemic. Nine start-ups chosen from an initial pool of 1,000 applicants pitched their concepts from home in a live-streamed demo day held in September and EnergyAustralia has been working with five of the companies on testing and piloting their ideas.

<u>Environmental Performance</u>

Environmental Regulatory Compliance

EnergyAustralia was not subject to any fines or prosecutions arising from environment-related regulatory non-compliances in 2020.

However, three environmental licence non-compliances were reported. At Newport Power Station, there was one minor chemical spill incident of ferrous sulphate in January. At Mount Piper Power Station, there was a minor brine waste leakage incident in March 2020. The Environment Protection Agency (EPA) was notified and no fines or penalties were imposed. In addition, there was an administrative breach with the water quality monitoring requirements under the new licence at Mount Piper. Corrective actions have been taken to prevent a repeat of these incidents.

Air Emissions

Overall carbon dioxide emissions intensity from EnergyAustralia's power stations were comparable with 2019. Yallourn saw a 8% reduction in emissions after output dropped by 6%. Emissions from Mount Piper increased 32% after output rose 46% while those at Tallawarra were 33% lower as output decreased 35%. Generation at Hallett was 19% lower, resulting in a 40% decrease in emissions. Jeeralang and Newport, which started reporting emissions data from 2019, saw a 65% and 67% reduction in emissions after output dropped 67% and 74% respectively.

<u>Ensuring a Safe Workplace</u>

EnergyAustralia reacted swiftly to COVID-19 and implemented a coordinated response plan that prioritised the health and safety of its employees. In a year that saw a pandemic and large-scale maintenance works, it recorded one of its best safety performances.

WorkSafe Victoria completed its investigation into the 2018 fatal incident at Yallourn. It decided it would not pursue proceedings against EnergyAustralia however, as is allowable under the Occupational Health and Safety Act 2004, WorkSafe's decision will be referred to the Director of Public Prosecutions for consideration, and so is subject to revision.

<u>Outlook</u>

EnergyAustralia will continue to face challenging market conditions as the economy emerges from COVID-19. The level of customer hardship, the speed of demand recovery, the intensity of retail competition, and the longer-term outlook for price regulation will all have a significant impact on the Customer business. The Australian Energy Market Commission expects residential electricity prices and bills to decrease until 2021-22 in line with wholesale cost reductions before increasing as supply-demand conditions tighten.

Margins in the gas business are going to be under pressure as legacy gas supply contracts expire. In addition, the continuing decline of forward prices in the wholesale market and other regulatory changes will put pressure on margins in the Energy business.

EnergyAustralia's focus will remain the optimisation of a diversified generation portfolio, enhancing asset reliability. It will continue to work to ensure an adequate fuel supply for Mount Piper Power Station in the long term. It will also continue to develop and integrate flexible capacity options, including pumped hydro, gas-fired generation, and batteries. Such projects have the potential to safeguard and enhance the power system's reliability and security as Australia moves towards a low-carbon future.

In response to the competitive market in which EnergyAustralia operates, the focus on improving customer experience remains. EnergyAustralia continues to invest in measures which will improve the speed and performance of the business, enhancing its competitiveness and efficiency.

Safety

Starting in January 2020, country- and site-specific pandemic plans were enacted encompassing special access controls to ensure business continuity and special work arrangements including work-from-home, flexible working hours and reduction of non-essential works. CLP provided necessary protective equipment to the workforce, increased deep cleansing and temperature testing at work sites, offered physical and mental health and wellbeing support and assistance to all employees and also provided special leave for purposes of self-isolation, care and reunion with families overseas. Proactive communications with employees and their families continue.

CLP is committed to ongoing improvements in safety in its operations. The Group reported a reduction in its Total Recordable Injury Rate (TRIR) in 2020. While the Lost Time Injury Rate (LTIR) was unchanged from 2019, the number of injuries decreased. Injuries in major projects were significantly reduced, as project activities were lower. CLP continued efforts to promote health and safety for employees and contractors, with a focus on addressing risks from high-consequence, low-probability events. The Group reported no workplace fatality for employees and contractors in 2020, the first time since 2015.

CLP aims to provide an operating environment that encourages the reporting of safety-related incidents, as the development of a mature safety culture is a key goal of the Group's ongoing efforts to improve performance on health, safety and the environment (HSE). Safety leadership programmes were offered across business units in the region to provide leaders with the skills to support their teams and spread best practices among employees and contract workers.

Rethinking risk is a key pillar of CLP's HSE improvement strategy, as the Group is committed to proactive measures to improve safety, moving beyond compliance. In 2020, CLP developed a new framework for Safety in Design (SiD), where risk is minimised in the design stage instead of relying upon post-design mitigations. This is supported by training to further increase capabilities in this area.

To help support the management of safety risks across business units, the Group is upgrading its internal management system to provide clear standards, with a focus on operations carrying higher safety risks. New documentation was released to support the revamped management system.

Human Resources

At the end of 2020, CLP had 8,060 full-time and part-time employees, compared with 7,960 a year earlier. A total of 3,910 employees were engaged in the Hong Kong regulated electricity business, 417 in Hong Kong non-regulated electricity-related businesses, 609 in the Mainland China, 2,762 by the businesses in India, Southeast Asia, Taiwan and Australia, with the remaining 362 employed by CLP Holdings in Hong Kong. Total remuneration for the year ended 31 December 2020 was HK$6,368 million compared with HK$6,054 million in 2019, including retirement benefit costs of HK$606 million compared with HK$593 million in 2019.

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 2020

	Note	**2020 HK$M**	2019 HK$M
Revenue	*3*	**79,590**	85,689
Expenses			
Purchases of electricity, gas and distribution services		**(27,183)**	(32,967)
Staff expenses		**(4,844)**	(4,535)
Fuel and other operating expenses		**(24,371)**	(26,039)
Depreciation and amortisation		**(8,476)**	(8,118)
		(64,874)	(71,659)
Other charge		**-**	(6,381)
Operating profit	*5*	**14,716**	7,649
Finance costs		**(1,873)**	(1,983)
Finance income		**136**	162
Share of results, net of income tax			
Joint ventures		**797**	885
Associates		**1,725**	1,828
Profit before income tax		**15,501**	8,541
Income tax expense	*6*	**(2,993)**	(2,787)
Profit for the year		**12,508**	5,754
Earnings attributable to:			
Shareholders		**11,456**	4,657
Perpetual capital securities holders		**138**	212
Other non-controlling interests		**914**	885
		12,508	5,754
Earnings per share, basic and diluted	*8*	**HK$4.53**	HK$1.84

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020

	2020	2019
	HK$M	HK$M
Profit for the year	**12,508**	5,754
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**3,651**	(936)
Cash flow hedges	**(820)**	423
Costs of hedging	**153**	10
Share of other comprehensive income of joint ventures	**2**	1
	2,986	(502)
Items that cannot be reclassified to profit or loss		
Fair value (losses)/gains on investments	**(58)**	31
Remeasurement losses on defined benefit plans	**(5)**	(4)
	(63)	27
Other comprehensive income for the year, net of tax	**2,923**	(475)
Total comprehensive income for the year	**15,431**	5,279
Total comprehensive income attributable to:		
Shareholders	**14,527**	4,263
Perpetual capital securities holders	**138**	212
Other non-controlling interests	**766**	804
	15,431	5,279

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	**2020 HK$M**	2019 HK$M
Non-current assets			
Fixed assets	*9*	**148,454**	143,615
Right-of-use assets	*10*	**7,061**	6,050
Investment property		**1,000**	1,121
Goodwill and other intangible assets		**20,559**	20,111
Interests in and loans to joint ventures		**11,017**	9,999
Interests in associates		**9,181**	8,708
Deferred tax assets		**571**	524
Derivative financial instruments		**1,697**	1,389
Other non-current assets		**1,300**	1,280
		200,840	192,797
Current assets			
Inventories – stores and fuel		**2,872**	2,510
Renewable energy certificates		**1,019**	996
Property under development		**2,976**	2,973
Trade and other receivables	*11*	**13,002**	12,986
Derivative financial instruments		**1,816**	1,035
Short-term deposits and restricted cash		**1,550**	445
Cash and cash equivalents		**10,158**	7,881
		33,393	28,826
Current liabilities			
Customers' deposits		**(5,908)**	(5,679)
Fuel clause account		**(346)**	(1,131)
Trade payables and other liabilities	*12*	**(18,141)**	(17,586)
Income tax payable		**(1,699)**	(1,522)
Bank loans and other borrowings		**(8,747)**	(13,551)
Derivative financial instruments		**(1,166)**	(993)
		(36,007)	(40,462)
Net current liabilities		**(2,614)**	(11,636)
Total assets less current liabilities		**198,226**	181,161

Consolidated Statement of Financial Position (continued)
as at 31 December 2020

	Note	**2020 HK$M**	2019 HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*14*	**88,957**	82,212
Shareholders' funds		**112,200**	105,455
Perpetual capital securities		**3,887**	3,887
Other non-controlling interests		**9,885**	9,987
		125,972	119,329
Non-current liabilities			
Bank loans and other borrowings		**45,601**	38,798
Deferred tax liabilities		**15,429**	15,117
Derivative financial instruments		**2,135**	1,305
Scheme of Control (SoC) reserve accounts	*13*	**2,374**	1,500
Asset decommissioning liabilities and retirement obligations		**3,963**	3,513
Other non-current liabilities		**2,752**	1,599
		72,254	61,832
Equity and non-current liabilities		**198,226**	181,161

1. General Information

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

The financial operations of the Company's major subsidiaries, CLP Power Hong Kong Limited (CLP Power Hong Kong) and Castle Peak Power Company Limited (CAPCO), are governed by a SoC Agreement 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 2020 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 years ended 31 December 2019 and 2020 included in this preliminary announcement of 2020 annual results does not constitute the Company's statutory annual consolidated financial statements for those years 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 Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2019 and 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622).

2. Changes in Accounting Policies

There have been a number of amendments to standards effective from 1 January 2020. Amendments which are applicable to the Group include:

- The Conceptual Framework for Financial Reporting 2018
- Amendments to HKAS 1 and HKAS 8 Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform – Phase 1

2. Changes in Accounting Policies (continued)

In addition, the Group has elected to early adopt the amendments to HKFRS 16 Leases on COVID-19 Related Rent Concessions on 1 January 2020. The amendments to HKFRS 16 allow the Group as a lessee not to account for COVID-19 directly related rent concessions as lease modifications when certain criteria are met. These amendments are effective for annual reporting periods beginning on or after 1 June 2020.

The Group applied these amendments for the first time in 2020. The impact of these amendments to the Group is immaterial. The Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

3. Revenue

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

	2020 HK$M	2019 HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**41,798**	40,473
Transfer for SoC from revenue (note)	**(660)**	(714)
SoC sales of electricity	**41,138**	39,759
Sales of electricity outside Hong Kong	**29,747**	35,801
Sales of gas in Australia	**5,077**	5,445
Others	**811**	995
	76,773	82,000
Other revenue		
Power Purchase Agreements		
Fixed capacity charge	**607**	748
Variable capacity charge	**284**	308
Energy charge	**1,587**	2,319
Others	**339**	314
	2,817	3,689
	79,590	85,689

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 a 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. 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 2020							
Revenue from contracts with customers	41,776	1,672	1,054	6	32,265	-	76,773
Other revenue	117	36	2,562	-	92	10	2,817
Revenue	41,893	1,708	3,616	6	32,357	10	79,590
EBITDAF*	16,288	1,590	1,481	(13)	4,117	(731)	22,732
Share of results, net of income tax							
Joint ventures	(19)	493	-	399	(76)	-	797
Associates	-	1,725	-	-	-	-	1,725
Consolidated EBITDAF	16,269	3,808	1,481	386	4,041	(731)	25,254
Depreciation and amortisation	(5,082)	(747)	(597)	-	(2,000)	(50)	(8,476)
Fair value adjustments	20	-	-	-	440	-	460
Finance costs	(1,012)	(255)	(486)	-	(110)	(10)	(1,873)
Finance income	16	18	46	-	22	34	136
Profit/(loss) before income tax	10,211	2,824	444	386	2,393	(757)	15,501
Income tax expense	(1,870)	(314)	(106)	-	(703)	-	(2,993)
Profit/(loss) for the year	8,341	2,510	338	386	1,690	(757)	12,508
Earnings attributable to							
Perpetual capital securities holders	(138)	-	-	-	-	-	(138)
Other non-controlling interests	(744)	(7)	(163)	-	-	-	(914)
Earnings/(loss) attributable to shareholders	7,459	2,503	175	386	1,690	(757)	11,456
Excluding: Items affecting comparability	121	-	-	-	-	-	121
Operating earnings	7,580	2,503	175	386	1,690	(757)	11,577
Capital additions	8,322	238	42	-	3,649	117	12,368
Impairment provisions							
Fixed assets	-	-	68	-	-	-	68
Goodwill	-	-	12	-	-	-	12
Receivables and others	19	-	10	-	490	-	519
At 31 December 2020							
Fixed assets, right-of-use assets and investment property	121,874	9,375	10,118	-	14,917	231	156,515
Goodwill and other intangible assets	5,545	3,936	14	-	11,064	-	20,559
Interests in and loans to joint ventures	693	8,104	-	2,220	-	-	11,017
Interests in associates	-	9,181	-	-	-	-	9,181
Deferred tax assets	3	88	20	-	460	-	571
Other assets	10,337	3,699	4,316	40	14,147	3,851	36,390
Total assets	138,452	34,383	14,468	2,260	40,588	4,082	234,233
Bank loans and other borrowings	43,257	5,769	5,322	-	-	-	54,348
Current and deferred tax liabilities	15,515	1,204	305	-	104	-	17,128
Other liabilities	22,886	1,016	460	2	11,940	481	36,785
Total liabilities	81,658	7,989	6,087	2	12,044	481	108,261

* 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 for hedge accounting 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 2019							
Revenue from contracts with customers	40,457	1,629	1,217	11	38,686	-	82,000
Other revenue	131	45	3,434	-	66	13	3,689
Revenue	40,588	1,674	4,651	11	38,752	13	85,689
EBITDAF	15,743	1,405	1,657	6	(2,166)	(702)	15,943
Share of results, net of income tax							
Joint ventures	(18)	558	-	329	16	-	885
Associates	-	1,828	-	-	-	-	1,828
Consolidated EBITDAF	15,725	3,791	1,657	335	(2,150)	(702)	18,656
Depreciation and amortisation	(4,821)	(735)	(626)	-	(1,900)	(36)	(8,118)
Fair value adjustments	(5)	-	-	-	(171)	-	(176)
Finance costs	(1,014)	(276)	(520)	-	(109)	(64)	(1,983)
Finance income	1	28	62	-	49	22	162
Profit/(loss) before income tax	9,886	2,808	573	335	(4,281)	(780)	8,541
Income tax expense	(1,798)	(305)	(150)	-	(534)	-	(2,787)
Profit/(loss) for the year	8,088	2,503	423	335	(4,815)	(780)	5,754
Earnings attributable to							
Perpetual capital securities holders	(212)	-	-	-	-	-	(212)
Other non-controlling interests	(710)	(15)	(160)	-	-	-	(885)
Earnings/(loss) attributable to shareholders	7,166	2,488	263	335	(4,815)	(780)	4,657
Excluding: Items affecting comparability	83	-	-	-	6,381	-	6,464
Operating earnings	7,249	2,488	263	335	1,566	(780)	11,121
Capital additions	9,046	345	52	-	1,894	53	11,390
Impairment provisions							
Fixed assets	-	-	-	-	7	-	7
Goodwill	-	-	-	-	6,381	-	6,381
Receivables and others	4	-	36	-	354	-	394
At 31 December 2019							
Fixed assets, rights-of-use assets and investment property	119,272	9,021	10,454	-	11,873	166	150,786
Goodwill and other intangible assets	5,545	4,199	27	-	10,340	-	20,111
Interests in and loan to joint ventures	162	7,767	-	1,958	112	-	9,999
Interests in associates	-	8,708	-	-	-	-	8,708
Deferred tax assets	-	92	39	-	393	-	524
Other assets	8,099	3,252	3,951	41	12,163	3,989	31,495
Total assets	133,078	33,039	14,471	1,999	34,881	4,155	221,623
Bank loans and other borrowings	41,171	5,777	5,401	-	-	-	52,349
Current and deferred tax liabilities	15,150	1,214	267	-	8	-	16,639
Other liabilities	21,801	1,090	490	2	9,477	446	33,306
Total liabilities	78,122	8,081	6,158	2	9,485	446	102,294

5. Operating Profit

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

	2020	2019
	HK$M	HK$M
Charging		
Retirement benefits costs [(a)]	**462**	451
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**39**	39
Other auditor [(b)]	**2**	2
Permissible audit related and non-audit services		
PricewaterhouseCoopers [(c)]	**11**	9
Other auditor [(b)]	**-**	-
Variable lease payments expenses	**10**	67
Net loss on disposal of fixed assets	**358**	424
Impairment of		
Fixed assets	**68**	7
Goodwill [(d)]	**12**	6,381
Inventories – stores and fuel	**8**	11
Trade receivables	**511**	383
Revaluation loss on investment property	**121**	83
Net fair value losses/(gains) on non-debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve and cost of hedging reserve to		
Purchases of electricity, gas and distribution services	**66**	(53)
Fuel and other operating expenses	**196**	(162)
Ineffectiveness of cash flow hedge	**(2)**	7
Not qualified for hedge accounting	**(579)**	292
Crediting		
Rental income from investment property	**(26)**	(35)
Dividends from equity investments	**(13)**	(13)
Net exchange (gain)/loss	**(102)**	33

Notes:

(a) Retirement benefits costs for the year amounted to HK$606 million (2019: HK$593 million), of which HK$144 million (2019: HK$142 million) was capitalised.

(b) KPMG India has been the statutory auditor of CLP India Private Limited and its subsidiaries (CLP India group) since 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 of 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 fees charged to CLP India group. Other KPMG offices have also provided services to our businesses in other regions which amounted to HK$16 million during the year (2019: HK$16 million).

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

5. Operating Profit (continued)

Notes (continued):

(d) In 2019, the Default Market Offer and Victorian Default Offer in Australia impacted the energy retail cash generating unit (CGU) of EnergyAustralia Holdings Limited (EnergyAustralia) by lowering gross margin and resetting the market baseline for market offers. As a result, the goodwill included in the energy retail CGU was impaired and a loss of HK$6,381 million was recognised as other charge in the profit or loss.

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:

	2020	2019
	HK$M	HK$M
Current income tax	**2,529**	2,189
Deferred tax	**464**	598
	2,993	2,787

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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

	2020		2019	
	HK$ per Share	**HK$M**	HK$ per Share	HK$M
First to third interim dividends paid	**1.89**	**4,775**	1.89	4,775
Fourth interim dividend declared	**1.21**	**3,057**	1.19	3,007
	3.10	**7,832**	3.08	7,782

At the Board meeting held on 22 February 2021, the Directors declared the fourth interim dividend of HK$1.21 per share (2019: HK$1.19 per share). The fourth interim dividend is not reflected as dividend payable in the financial statements.

8. Earnings per Share

The earnings per share are computed as follows:

	2020	2019
Earnings attributable to shareholders (HK$M)	**11,456**	4,657
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**4.53**	1.84

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 2020 (2019: nil).

9. Fixed Assets

The movements during the year are set out below:

	Freehold Land HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2020	1,181	21,264	121,170	143,615
Acquisitions of subsidiaries (note)	49	-	532	581
Additions	-	1,325	9,363	10,688
Transfers and disposals	(91)	(44)	(483)	(618)
Depreciation	-	(738)	(6,458)	(7,196)
Impairment charge	(11)	-	(57)	(68)
Exchange differences	6	181	1,265	1,452
Net book value at 31 December 2020	**1,134**	**21,988**	**125,332**	**148,454**
Cost	1,247	36,574	230,720	268,541
Accumulated depreciation and impairment	(113)	(14,586)	(105,388)	(120,087)
Net book value at 31 December 2020	**1,134**	**21,988**	**125,332**	**148,454**

Note: In March and April 2020, the Group acquired 100% interest in each of Cleansolar Renewable Energy Private Limited and Divine Solren Private Limited, which own and operate a 30MW and a 50MW solar farm in the southern state of Telangana, India, for a consideration of HK$112 million (Rs1,084 million) and HK$126 million (Rs1,245 million) respectively. These transactions are accounted for as asset acquisitions since substantially all of the fair value of the gross assets acquired in both acquisitions was primarily concentrated in the solar generation assets.

10. Right-of-Use Assets

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

	Prepaid Leasehold Land HK$M	Land and Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2020	5,782	187	81	6,050
Acquisition of a subsidiary	-	1	3	4
Additions	7	618	604	1,229
Depreciation	(196)	(129)	(27)	(352)
Exchange differences	10	51	69	130
Net book value at 31 December 2020	**5,603**	**728**	**730**	**7,061**

11. Trade and Other Receivables

	2020	2019
	HK$M	HK$M
Trade receivables	**10,868**	10,791
Deposits, prepayments and other receivables	**1,860**	1,985
Dividend receivables from joint ventures	**139**	80
Loans to and current accounts with		
Joint ventures	**134**	129
Associates	**1**	1
	13,002	12,986

The Group has established credit policies for customers in each of its retail businesses. In Hong Kong, electricity bills are due within two weeks after issuance. To limit the credit risk exposure, customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount determined from time to time by reference to the usage of the customers, and in the normal course of events will not exceed the highest expected charge for 60 days. 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 Mainland China and India are due for settlement within 30 to 90 days and 15 to 60 days after bills issuance respectively.

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

	2020	2019
	HK$M	HK$M
30 days or below*	**8,559**	8,237
31 – 90 days	**601**	869
Over 90 days	**1,708**	1,685
	10,868	10,791

* Including unbilled revenue

12. Trade Payables and Other Liabilities

	2020 HK$M	2019 HK$M
Trade payables	**6,077**	5,850
Other payables and accruals	**7,136**	6,743
Lease liabilities	**219**	99
Advances from non-controlling interests	**1,021**	1,344
Current accounts with		
Joint ventures	**1**	1
Associates	**583**	468
Deferred revenue	**3,104**	3,081
	18,141	17,586

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

	2020 HK$M	2019 HK$M
30 days or below	**5,852**	5,580
31 – 90 days	**123**	172
Over 90 days	**102**	98
	6,077	5,850

13. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates 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:

	2020 HK$M	2019 HK$M
Tariff Stabilisation Fund	**2,019**	1,478
Rate Reduction Reserve	**18**	22
Rent and Rates Refunds (note)	**337**	-
	2,374	1,500

Note: CLP Power Hong Kong has been challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. Following the settlement of appeals up to 2007/08 in 2018, CLP Power Hong Kong reached settlement with the Hong Kong Government in 2020 in respect of the appeals for rating years from 2008/09 to 2017/18, with final resolution for the remaining appeals from 2018/19 onwards still to be completed.

In addition to the interim refund of HK$300 million received earlier in 2020 for the appeal years 2008/09 to 2017/18, a further refund of HK$437 million was received later this year from the Hong Kong Government in full and final settlement for those years. These additional refunds bring the total amount of refunds received for all appeal years up to 2017/18 to HK$2,791 million. Using these refunds, CLP Power Hong Kong has provided customers with the Rent and Rates Special Rebate. Including the rebate of HK$400 million paid during the year, the Rent and Rates Special Rebate made by CLP Power Hong Kong has reached an aggregate of HK$2,454 million.

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

14. Reserves

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

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2020	(8,282)	831	(39)	1,622	88,080	82,212
Earnings attributable to shareholders	-	-	-	-	11,456	11,456
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	2,655	35	-	-	(35)	2,655
Joint ventures	647	-	-	-	-	647
Associates	446	-	-	-	-	446
Cash flow hedges						
Net fair value losses	-	(886)	-	-	-	(886)
Reclassification to profit or loss	-	(41)	-	-	-	(41)
Tax on the above items	-	176	-	-	-	176
Costs of hedging						
Net fair value gains	-	-	132	-	-	132
Reclassification to profit or loss	-	-	31	-	-	31
Tax on the above items	-	-	(26)	-	-	(26)
Fair value losses on investments	-	-	-	(58)	-	(58)
Remeasurement losses on defined benefit plans	-	-	-	-	(7)	(7)
Share of other comprehensive income of joint ventures	-	2	-	-	-	2
Total comprehensive income attributable to shareholders	3,748	(714)	137	(58)	11,414	14,527
Transfer to fixed assets	-	1	(1)	-	-	-
Appropriation of reserves	-	-	-	(35)	35	-
Dividends paid						
2019 fourth interim	-	-	-	-	(3,007)	(3,007)
2020 first to third interim	-	-	-	-	(4,775)	(4,775)
Balance at 31 December 2020	**(4,534)**	**118**	**97**	**1,529**	**91,747** (note)	**88,957**

Note: The fourth interim dividend declared for the year ended 31 December 2020 was HK$3,057 million (2019: HK$3,007 million). The balance of retained profits after the fourth interim dividend of the Group was HK$88,690 million (2019: HK$85,073 million).

15. Commitments

(A) Capital expenditure on fixed assets and leasehold land as well as intangible assets contracted for but not yet incurred at the end of the year amounted to HK$7,930 million (2019: HK$6,580 million).

(B) The Group has committed to purchase power transmission assets in India at a consideration of approximately HK$800 million (2019: HK$1.3 billion). At 31 December 2020, the transaction remains subject to certain regulatory approvals. At 31 December 2020, the outstanding committed shareholder's loan facilities to a joint venture amounted to HK$982 million (2019: HK$1,533 million). In addition, equity contributions to be made for joint ventures and private equity partnerships were HK$71 million (2019: HK$75 million) and HK$183 million (2019: HK$115 million) respectively.

(C) At 31 December 2020, the Group's shares of capital, lease and other commitments of its joint ventures and associates were HK$3,665 million (2019: HK$3,135 million) and HK$692 million (2019: HK$465 million) respectively.

16. Contingent Liabilities

(A) 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 (Lochard), the purchaser of the Iona Gas Plant, and certain related entities (together "the plaintiff"), commencing formal legal proceedings seeking A$967 million (approximately HK$5,754 million) or alternatively A$780 million (approximately HK$4,641 million) in damages (plus interest and costs). The claims allege that certain information regarding the technical performance of the Iona Gas Plant, and on which the plaintiff claims to have relied to make its offer, were incomplete or misleading.

On 6 May 2019, an amended Statement of Claim was issued by the plaintiff which introduced (as a third alternative method of quantifying its damages) a damages claim based on the cost to fix the alleged issues with the plant as well as alleged associated losses and costs. The plaintiff made further amendments to its Statement of Claim in 2020. In further particulars filed in February 2021, the plaintiff has indicated that it now estimates the amount of:

(a) its original claim to be in the range of A$457 million to A$1,449 million (approximately HK$2,719 million to HK$8,622 million); and

(b) its alternative claim to be in the range of A$289 million to A$370 million (approximately HK$1,720 million to HK$2,202 million),

(plus interest and costs). Each estimate is based on a range of specified assumptions.

The trial for this proceeding has been set down to commence in May 2021. Prior to this, the parties are required to participate in a mediation which is scheduled in March 2021.

EnergyAustralia has rejected the claims and is vigorously defending the legal proceedings. 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.

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

CLP India group has invested in approximately 533MW of wind power projects developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, 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 2020, the Group considers 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.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

CLP engaged in a range of new financing activities in 2020 in support of its operation and growth of its business. In view of the uncertainties of the COVID-19 pandemic and its impact on financial markets, CLP rigorously reviewed the liquidity position of its businesses and strengthened risk mitigation to ensure the Group's continued financial integrity. CLP took pre-emptive action to early complete major financings for all CLP entities in Hong Kong. CLP Power Hong Kong and CAPCO successfully completed several landmark public bond transactions to finance capital and operating expenditures approved under the 2018-2023 Development Plan with outstanding results. Overall, CLP Group preserved strong liquidity with undrawn bank facilities of HK$25.7 billion and bank balances of HK$11.7 billion at the end of December 2020.

CLP Holdings maintained HK$10.3 billion of liquidity as at 31 December 2020, and the high level of liquidity is expected to be maintained thanks to continuous dividend payments and inflows from subsidiaries, joint ventures and associates.

On 15 June 2020, CAPCO successfully issued a US$350 million (HK$2.7 billion) Energy Transition Bond at 2.2% fixed rate, which was reported to be the lowest coupon bond that a corporate has ever issued in Hong Kong at the date of placement, to partially replace the shorter-tenured bank loans for the offshore LNG terminal project. The bond was priced at a 1.625% margin over 10-year US Treasury Notes and received more than US$1.7 billion of orders from global fund managers and environment, social and governance (ESG) investors. This was the second Energy Transition Bond issued by CAPCO and has also been selected as the best energy transition bond in *The Asset* magazine's the Country Awards 2020. In addition, CAPCO executed inaugural HK$3.3 billion medium-term banking facilities and 15-year Sinosure-covered export credit agency (ECA) facility with energy transition elements to fund the remainder of the budget for the project. These Energy Transition Finance Transactions were arranged under the updated Climate Action Finance Framework to show our strong commitment to sustainable financing. The ECA facility was also the first ESG export credit facility in Hong Kong covered by Sinosure.

Leveraging on the strong investor support for the CAPCO bond issuance, on 22 June 2020, CLP Power Hong Kong issued US$750 million (HK$5.8 billion) 10-year, 2.125% bond, and US$250 million (HK$1.9 billion) 15-year, 2.5% bond. They carried 1.6% and 1.9% credit spreads respectively over 10-year US Treasury Notes, and replaced some of the short-term bank facilities in the debt portfolio. The 10-year tranche received more than US$3.0 billion of orders, which represented more than four times over-subscription, from over 170 global investors. The longer tranche was the first 15-year public US dollar bond issued by a Hong Kong corporate since 2012, when CLP Power Hong Kong pioneered this class of debt securities in the region. According to the arranging banks, the dual-tranche bonds set the lowest coupon record for 10- and 15-year bonds issued by Hong Kong based corporates at the time of placement. The full amounts of the bond proceeds raised by CLP Power Hong Kong and CAPCO were swapped into Hong Kong dollar fixed rates to mitigate foreign currency and interest rate risks.

Both CLP Power Hong Kong and CAPCO have Medium Term Note Programmes in place under which bonds in aggregate amounts of up to US$4.5 billion and US$2.0 billion may be issued respectively. As at 31 December 2020, notes with an aggregate nominal value of about HK$29.3 billion and HK$6.8 billion had been issued by the two entities respectively.

Meanwhile, CLP's business units outside Hong Kong continued to receive good support from lending institutions in 2020 and were able to obtain debt funding as required including new financing for selected new business expansion. In Australia, EnergyAustralia maintained no debt status, good liquidity position and achieved higher operating cash inflow than in 2019. CLP India issued INR3.0 billion (HK$315 million) of two- and three-year green bonds, arranged INR7.3 billion (HK$777 million) of four to 13-year project loan facilities and issued INR1.0 billion (HK$106 million) of three-year bond at very competitive rates. In Mainland China, CLP received an in-principle offer for a RMB200 million (HK$238 million) 15-year, non-recourse bank loan facility for a solar project.

CLP entities have so far not encountered any adverse impact arising from COVID-19 associated with financial covenants or repayment. As at 31 December 2020, the Group maintained HK$80.0 billion in financing facilities, including HK$14.3 billion for subsidiaries in Mainland China and India. Of the facilities available, HK$54.3 billion had been drawn down, of which HK$11.1 billion related to subsidiaries in Mainland China and India. The Group's net debt to total capital ratio was 25.1% (2019: 26.7%) and fixed-rate debt as a proportion of total debt was 63% (2019: 54%) excluding perpetual capital securities or 65% (2019: 57%) including perpetual capital securities. FFO (Funds From Operations) Interest Cover for the year ended 31 December 2020 was 13 (2019: 12) times.

Between May and August 2020, Standard & Poor's (S&P) and Moody's affirmed the credit ratings of CLP Holdings (A and A2), CLP Power Hong Kong (A+ and A1) and CAPCO (AA- and A1). In August 2020, S&P affirmed EnergyAustralia's BBB+ credit rating. All rating outlooks are stable. S&P opined that the ratings reflect the highly visible and stable operating cash flows of SoC business in Hong Kong, and EnergyAustralia's position as one of the integrated energy utilities in Australia with strong balance sheet capacity to undertake growth-related investments. Moody's recognised the CLP Group's strong and adequate financial metrics despite moderation, well-managed debt maturities, sound liquidity profile and good access to the domestic and international banks and capital markets.

As at 31 December 2020, the Group had notional value of outstanding derivative financial instruments amounting to HK$57.5 billion for hedging of foreign exchange and interest rate risks, and notional volumes of outstanding energy derivatives amounting to 212,089GWh, 10.4 million barrels and 2,240TJ for electricity, oil and gas respectively. The fair value of these derivative instruments was a net surplus of HK$212 million, representing the net amount receivable if these contracts were closed out on 31 December 2020. However, changes in the fair value of derivatives have no impact on cash flows until settlement.

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 (Hong Kong Stock Exchange).

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 2020, have been reviewed by the Audit & Risk Committee.

The Audit & Risk Committee's monitoring of the risk management and internal control systems was supported by the review work and reporting by Group Internal Audit and by the independent auditor's report of their testing of the control environment of the Group. During the period from 1 January 2020 to the date of this announcement, no internal control issue that would be material to the integrity of the financial statements was identified.

The Audit & Risk Committee analysed and was satisfied that the Group's risk management and internal control systems were effective and adequate for the year ended 31 December 2020 and up to the date of this announcement.

The Audit & Risk Committee also received and considered reports from the Senior Director – Group Internal Audit. Group Internal Audit issues two types of reports: a) audit reports provide independent appraisal of the audit unit's compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls; and b) special review reports focus on new business areas and emerging risks, where control advisory is provided. For the year 2020, a total of 28 audit and seven special review were completed. All the audit reports carried a satisfactory audit opinion. During the year, site access to some of the plants were restricted due to the safety measures taken and travel restrictions imposed under COVID-19, but the overall impact of these limitations were considered as not material to the audit opinions rendered. None of the control weaknesses identified had a material impact on the financial statements.

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 2020 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 2020 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 2020.

FOURTH INTERIM DIVIDEND

Today, the Board of Directors of the Company declared the fourth interim dividend for 2020 at HK$1.21 per share (2019: HK$1.19 per share). This fourth interim dividend will be payable on all shares in issue as at the close of business on 8 March 2021 after deducting any shares repurchased and cancelled up to the close of business on 8 March 2021. As at 31 December 2020, 2,526,450,570 shares of the Company were in issue. The fourth interim dividend of HK$1.21 per share will be payable on 18 March 2021 to shareholders registered as at 9 March 2021.

The Register of Shareholders will be closed on 9 March 2021. 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, 8 March 2021.

ANNUAL GENERAL MEETING

The twenty third Annual General Meeting (AGM) will be held on Friday, 14 May 2021, at 11:00 a.m. The Notice of AGM will be published on the websites of the Company and the Hong Kong Stock Exchange and despatched to shareholders on or about 24 March 2021.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 11 May 2021 to 14 May 2021, 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 Monday, 10 May 2021.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 22 February 2021

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2020 will be published on the Company's website at www.clpgroup.com and the website of the Hong Kong Stock Exchange on or about 8 March 2021. The Annual Report and the Notice of AGM will be despatched to shareholders on or about 24 March 2021. All of these will be made available on the Company's website.

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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 Mr Philip Kadoorie
Independent Non-executive Directors:	Sir Rod Eddington, Mr Nicholas C. Allen, Mrs Fanny Law, Mrs Zia Mody, Ms. May Tan, Ms. Christina Gaw and Mr Chunyuan Gu
Executive Directors:	Mr Richard Lancaster and Mr Geert Peeters

Energy for Brighter Tomorrows