CLP 中電

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中 電 控 股 有 限 公 司
CLP Holdings Limited

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

Announcement of Interim Results as from 1 January 2022 to 30 June 2022, Dividend Declaration and Closure of Books

Financial Highlights

- Consolidated revenue increased 16.9% to HK$47,594 million.
- Group earnings were significantly affected by the fair value loss of energy hedging contracts in Australia of HK$7,957 million triggered by unprecedented market volatility in 2022.
- Despite a strong performance in Hong Kong and from the zero-emission portfolio in Mainland China, Group operating earnings before Australia's unfavourable fair value movements decreased 25.4% to HK$4,111 million mostly due to lower earnings from our generation portfolio in Australia and continued high coal prices.
- Total earnings for the first six months were a loss of HK$4,855 million after taking into account items affecting comparability, mainly the HK$986 million loss on measurement relating to the sell down of Apraava Energy.
- Second interim dividend declared at HK$0.63 per share, same as 2021.

CHAIRMAN'S STATEMENT

The first six months of 2022 has seen a period of instability and uncertainty globally. This has been caused primarily by the conflict in Ukraine and the consequential impact on global energy and commodity prices against a backdrop of the accelerating energy transition and the COVID-19 pandemic which still affects countries around the world. CLP continues to navigate these challenges, driven by our long-term strategy.

As we reported earlier in the year, high energy prices had a particular impact on our business in Australia. The sustained increase and volatility in wholesale prices and the ensuing turmoil are affecting all participants. A way to reduce exposure to this volatility is for generators to enter into forward energy contracts and this is EnergyAustralia's approach. These contracts are valued at the prevailing market price on 30 June 2022. As wholesale prices have risen significantly above the prices that EnergyAustralia agreed to in its forward contracts, an unrealised accounting loss of HK$7,957 million was recorded in the first half of 2022.

It is important to note that this is an unrealised loss. On the contract settlement date, the original forward sale price will be realised with the unrealised fair value losses unwound, provided EnergyAustralia's generating assets are available to meet the contracted supply.

As a result, despite the stable performance of our core Hong Kong operation and our nuclear and renewables businesses in Mainland China, the Group's operating loss was HK$3,846 million in the first half of 2022, compared to operating earnings of HK$5,698 million in the same period in 2021. Total earnings decreased to a loss of HK$4,855 million after taking into account the HK$986 million loss relating to the sale of an additional 10% in Apraava Energy to our partner CDPQ signed in July and expected to be closed in the coming months. Our first and second interim dividends were maintained at HK$0.63 per share, unchanged from the same periods in 2021, signifying the Board's confidence in CLP's business strategy and its ability in overcoming the current challenges.

Increasing international energy prices led to higher fuel costs in the first half of the year, creating significant impact on electricity bills around the world and Hong Kong is not immune. We expect global fuel prices to remain volatile and continue to add pressure on customer tariffs.

In June, a fire in a cable bridge in Hong Kong led to a loss of supply to some of our customers in New Territories West. We are extremely sorry for the disruption. I was, however, struck not just by the ability of our teams to restore service quickly, but also by the understanding our customers showed. I would also like to thank relevant Government departments and community stakeholders for their assistance throughout the incident. The event reminds us of the importance to continue to strengthen the resilience of our Hong Kong network as part of the steps we take to manage the energy transition.

CLP continued to work hard to manage global supply chain disruptions and COVID-19's impact, minimising delays to our decarbonisation infrastructure projects. The second new 600MW combined-cycle gas turbine unit at Black Point Power Station is expected to open in 2023. The offshore LNG terminal will also be completed in 2023 with works on major components including the subsea cables and marine jetty moving forward.

In addition, our engineers are working on the geotechnical site study for a possible wind farm in Hong Kong's waters, which could become the first offshore wind project in our portfolio.

In support of our strategic priority to serve growing demand for energy solutions, we have signed a memorandum of understanding (MoU) with real asset manager ESR HK Limited (ESR) to explore how we can serve the demand for low-carbon data and logistic centres in Hong Kong and the Greater Bay Area (GBA). We will also soon be establishing a joint venture with smart equipment manufacturer Qingdao TGOOD Electric Company Limited (TGOOD) to accelerate the roll-out of electric vehicle charging networks in the GBA and drive the electrification of transportation.

While higher coal prices affected margins of our few legacy thermal projects in the Mainland, CLP's nuclear business in China was stable with strengthening output at both Daya Bay and Yangjiang power stations. The 100MW Qian'an III wind farm with an accompanying 5MW battery storage facility also started operations, strengthening our renewable portfolio in Mainland China.

The four-year relationship between CLP and CDPQ in India, now successfully operating under the new Apraava Energy brand, has deepened further in July with CDPQ agreeing to increase its shareholding in the Indian company from 40% to 50%. It is a strong testament to the success of our approach to engage strategic partners where appropriate and we will continue to explore this in relevant regions. Partnerships support our strategic priority of growing a sustainable portfolio underpinned by capital discipline, and the refreshed relationship in India will enable us to capture further opportunities including in renewables, transmission and distribution.

Another partnership has deepened in Australia where we will work with Edify Energy on two new battery storage projects in New South Wales. Scheduled for completion by the end of 2023, these new projects bring to life our focus to help advance Australia’s clean energy future by supporting more renewables to enter the system.

Tallawarra B Power Station, which continues to make good progress, will also play an important role in balancing Australia’s energy supply as the country’s first net-zero emissions, hydrogen-ready, fast start, gas power plant. The plant will help provide reliable, affordable and cleaner electricity to Australia as coal-fired generation is phased out.

In the second half of 2022, we expect the global energy industry will continue to face changing and challenging dynamics. We remain optimistic about opportunities in our core markets of Hong Kong and the GBA, and beyond, serving a growing need for electrification of carbon intensive industries and greater demand for energy solutions from customers. We at CLP want to continue to be a leader in solving energy challenges in an increasingly digital driven world. To this end, we have reorganised ourselves in the first half of this year, redefining our structure and how we work together to move towards a Utility of the Future.

As we celebrate the 25^{th} anniversary of the establishment of the HKSAR, we also welcomed a new administration led by the Chief Executive Mr John Lee. Our close collaboration with the Hong Kong Government is at the heart of our commitment to our home market. We look forward to working closely with the new administration in reviving the local economy, enhancing Hong Kong’s competitiveness and most importantly, developing a green, smart future for the next generation.

I have spoken often about the resilience of Hong Kong and the strength that can be derived by looking beyond its borders. The region’s future, especially in the vital decarbonisation of the energy industry in the coming decades, will be delivered through partnership and collaboration. CLP’s strength has always been its ability to adapt and serve its communities through changes, something that has never been more relevant than now as we transition to a sustainable energy future.

The Honourable Sir Michael Kadoorie

FINANCIAL PERFORMANCE

Excluding the fair value loss of energy hedging contracts in Australia of HK$7,957 million triggered by unprecedented market volatility and despite a strong performance in Hong Kong and from the zero-emission portfolio in Mainland China, Group operating earnings decreased 25.4% to HK$4,111 million mostly due to lower earnings from our generation portfolio in Australia and continued high coal prices. Total earnings for the first six months of this year were a loss of HK$4,855 million after taking into account items affecting comparability, mainly the HK$986 million loss on measurement relating to the sell down of Apraava Energy.

	Six months ended 30 June		**Increase/**
	2022	2021	**(Decrease)**
	HK$M	HK$M	**%**
Hong Kong energy business^	**4,073**	3,864	5.4
Hong Kong energy business related*	**127**	134	
Mainland China	**1,240**	962	28.9
Australia	**(8,683)**	837	
India	**98**	111	(11.7)
Southeast Asia and Taiwan	**(126)**	152	
Other earnings in Hong Kong^	**(29)**	41	
Unallocated net finance costs	**(8)**	(4)	
Unallocated Group expenses	**(538)**	(399)	
Operating earnings	**(3,846)**	5,698	
Items affecting comparability	**(1,009)**	(1,083)	
Total earnings	**(4,855)**	4,615	

^ The 2021 earnings of CLP*e* have been reclassified from other earnings in Hong Kong to Hong Kong energy business to align with current year presentation to reflect our business initiatives in energy and infrastructure solutions in Hong Kong

* Hong Kong energy business related includes PSDC and Hong Kong Branch Line supporting SoC business

The financial performance of individual business segment is analysed as below:

Hong Kong

Higher permitted return from continuous capital investment offset by lower fair value gain from innovation funds and increase in development expense for business initiatives for energy solutions

Mainland China

Increased generation and higher tariff from Yangjiang and stable operation at Daya Bay; higher profit from renewable projects mainly due to higher water resource for hydro projects and profit contributed by Qian'an III wind farm since January 2022, partially offset by lower wind resource; excluding the loss from Shandong projects (mainly due to unfavourable adjustments to operating and maintenance fees) in 2021, lower contribution from coal-fired projects resulting from higher coal prices and lower generation from Fangchenggang despite higher tariff in 2022

Australia	Significant reduction in contribution from Energy business attributable to lower realised prices (with energy hedging contracts entered previously at prices much lower than 2022 spot prices), lower generation from Yallourn and Mount Piper (despite higher generation from gas assets), and negative gross margin from energy derivative contract settlements when there was generation shortfalls; higher contribution from Customer business mainly driven by lower realised energy procurement costs reflecting favourable hedging outcomes
India	Lower capacity charge and lower incentive at Jhajjar, lower solar generation and higher operating costs for renewable projects despite higher wind resource, partly offset by six-month profit in 2022 from KMTL transmission project
Southeast Asia and Taiwan	Share of loss (2021: profit) from Ho-Ping power station due to surging coal prices since second half of 2021 despite higher energy tariff (reflecting the lagging effect of prior year's high coal prices); with steady solar resource, lower Lopburi's results following tariff reduction under the power purchase agreement
Items affecting comparability	Mainly related to the loss of HK$986 million on measurement of the Group's 60% interest in Apraava Energy to fair value in connection with the sale of an additional 10% interest to CDPQ which is pending for completion. Realisation of losses in translation and hedging reserves to profit or loss will lead to an accounting (non-cash) loss of HK$2.3 billion (estimated based on 30 June 2022 position) upon the completion of the transaction and subsequent deconsolidation of Apraava Energy. More details can be found on Note 3 to the Financial Information of this Announcement.

BUSINESS PERFORMANCE AND OUTLOOK

Hong Kong

A CLP cable bridge in Yuen Long caught fire on 21 June, affecting electricity supply to 175,000 customers. Power was firstly restored to essential services including hospitals and railways. With the tremendous efforts of the engineering teams, supply to around 90% of the affected customers was restored in seven hours and subsequently to the remaining customers within 13 hours. The incident resulted in damages to three 132kV high-voltage circuits and some medium voltage and communication cables. The power supply capability of CLP's power grid in the affected regions was fully restored on 28 June after CLP's engineering teams made every effort to replace the infrastructure.

CLP has closely communicated with relevant Government departments and cooperated with their investigations. A preliminary report was submitted to the Government on 24 June, followed by a further report on 6 July. To alleviate public concerns, CLP has implemented a series of additional risk reduction measures including the immediate inspection of other cable bridges, and enhancing security systems and fire protection equipment at the cable bridges.

CLP has expressed sincere apologies to customers affected by this rare incident, and conveyed appreciation for their understanding. It would also like to thank relevant Government departments and community stakeholders for their assistance.

In the face of the severe fifth wave of COVID-19 affecting Hong Kong from early 2022, CLP assisted customers to deal with the impact of the pandemic. With extended COVID-19 restrictions constraining economic activities, CLP in March relaunched a bill payment deferral scheme for small and medium enterprises (SMEs) in the catering and retail sectors, which were particularly hard hit by the pandemic. The CLP Retail and Catering Coupons Programme was also resumed to ease the burden of underprivileged households – including elderly people and tenants of subdivided units – and promote consumer spending. The programme, supported by HK$80 million from the CLP Community Energy Saving Fund, saw coupons distributed to nearly 800,000 eligible households to spend at more than 2,800 participating retail outlets and restaurants.

During the peak of the fifth wave, CLP worked closely with Government departments to provide new power supplies in record-breaking time for the construction and operation of community isolation and treatment facilities. Employees also drew on their design thinking skills and technical expertise to develop a digital solutions management system for the pandemic relief organisation Hong Kong Community Anti-Coronavirus Link, allowing it to handle a flood of service requests as well as its volunteer database. CLP volunteers meanwhile helped hand out daily necessities and anti-virus supplies to low-income families, elderly people and other underprivileged customers.

In consideration of surging international fuel prices, CLP drew on multiple measures to freeze basic tariff for 2022, easing the financial pressure on customers. However, sharply rising international energy prices and global market volatility in the first half continued to drive fuel costs higher. CLP's monthly fuel cost adjustment in August 2022 was much higher compared to January 2022 and average net tariff during this period increased by close to 8%, representing significant impact on electricity bills for households and businesses.

Electricity sales fell by 4.1% to 15,743 gigawatt hours (GWh) in the first half of 2022 compared with the same period a year earlier. The decline in all sectors was largely due to the milder weather this year, with the much cooler than usual weather in May in sharp contrast to record high temperatures in the same month a year earlier. The impact to sales in the Commercial and Infrastructure and Public Services sectors was partially offset by higher demand from data centres, which continued to increase in line with the boom in the digital economy. The table below shows electricity sales by sector and year-on-year changes:

	Local sales by sector	% of Total Local Sales	% Increase (Decrease)
Residential	4,332GWh	27%	(5.0%)
Commercial	6,081GWh	39%	(4.7%)
Infrastructure and Public Services	4,563GWh	29%	(2.2%)
Manufacturing	767GWh	5%	(5.4%)

Decarbonisation is a strategic priority for CLP. During the first half, it continued to implement major infrastructure projects towards Hong Kong's energy transition despite the challenges of the pandemic. Engineering, procurement and construction works progressed for a new 600MW combined-cycle gas turbine generation unit at Black Point Power Station, which is due to go into service on schedule in 2023. The new unit, D2, will further add to CLP's gas generation capacity following the commissioning of the power station's D1 unit in 2020. These investments in lower carbon gas-fired capacity are essential to CLP's plan to gradually phase out coal-fired generation units at Castle Peak A Power Station.

Construction of the offshore LNG terminal progressed with work on the pipeline to Black Point Power Station nearing completion. Development works continued to be expedited to enable the project to enter service by the first half of 2023, minimising any delays due to current challenges on logistical issues.

CLP continued to explore options for greater use of renewable energy and began geotechnical site investigations for a possible offshore wind farm in the south-eastern waters of Hong Kong. Customers meanwhile showed further strong interest in CLP's Renewable Energy Feed-in-Tariff scheme, reflecting rising public awareness of the importance of low carbon energy. A total of 309MW of renewable energy capacity were approved or connected to the grid by the end of the first half, up from 265MW at the end of 2021.

As well as investing in decarbonisation infrastructure, CLP provided a diverse range of services and solutions to help customers reduce their carbon footprint and improve energy efficiency. These include electric mobility, carbon reduction and the deployment of digital technologies to support electrification and provide more options for energy saving.

CLP is committed to promoting electric vehicle adoption in Hong Kong. In addition to its network of EV charging stations providing services to users, CLP also offers technical support and solutions including the Eco Charge 2.0 programme, which helps customers with planning of charging infrastructure at their premises.

CLP's Renewable Energy Certificates (RECs) programme continued to provide a simple way for customers to support local clean energy generation and demand for the certificates from businesses remained strong, especially from the finance and retail sectors.

CLP provides professional advice and subsidies to commercial and industrial customers for implementing electrification and energy-saving projects to support their decarbonisation targets. In addition to their positive environmental impact, such projects may offer customers extra economic benefits as more banks in Hong Kong consider energy efficiency a key criterion when providing sustainability-linked financing.

The ongoing smart meter replacement programme provided more residential and SME customers with the ability to manage their electricity use effectively and access detailed consumption information through the CLP App. By the end of June, 1.5 million smart meters were connected, representing more than 50% of CLP's meters for residential and SME customers in Hong Kong.

CLP*e* Group (CLP*e*), a wholly-owned subsidiary of CLP providing integrated energy and infrastructure solutions, signed a contract to develop solar energy systems with combined capacity of about 800kW at 12 properties of Link Asset Management Limited in Hong Kong. The contract will provide renewable energy under an Energy-as-a-Service (EaaS) model, whereby the customer can enjoy the energy it uses without having to make upfront capital investments. CLP*e* is also working on EaaS solutions for construction companies to use battery storage systems to improve energy efficiency.

CLP Power Hong Kong and CLP*e* signed a memorandum of understanding with ESR in June to provide energy and infrastructure expertise as ESR sets up sustainable data centres and logistics centres in Hong Kong and the GBA. The collaboration covers project design, construction and operational aspects, including measures on energy efficiency and energy management.

Outlook

CLP will continue to work closely with relevant Government departments and aims to complete the investigation on the cable bridge fire incident as early as possible, with appropriate measures adopted to ensure the continuous supply of reliable and clean energy to our customers. CLP is committed to supporting the Hong Kong community as it recovers from the impact of the pandemic. International fuel prices are expected to remain volatile. While CLP will maintain prudent cost controls to mitigate the impact of rising fuel prices, significant pressure on tariffs will be inevitable.

CLP will continue to invest strategically and cost-effectively in the decarbonisation of Hong Kong's electricity supply. As Hong Kong works towards a goal of becoming carbon neutral by 2050, CLP will retain its focus on exploring renewable energy and clean energy technologies, including green hydrogen, while working closely with the Government to broaden regional cooperation on zero-carbon energy.

Mainland China

CLP made further progress in decarbonising its Mainland China business in the first half of the year, bolstered by solid contributions from the non-carbon portfolio as well as investments in new renewable energy and energy solutions projects. However, the performance of thermal power assets remained hindered by rising coal costs.

The nuclear energy portfolio in Guangdong province continued to perform strongly. Daya Bay Nuclear Power Station maintained its stable operations and earnings, and continued to excel in reliability and safety. Contributions from Yangjiang Nuclear Power Station rose from a year earlier as the plant increased generation to meet demand and benefitted from higher electricity tariffs.

Wind energy generation declined because of lower wind resources. This was partially offset by the beginning of commercial operations at Qian'an III Wind Farm in Jilin province in March. Qian'an III is CLP's first grid-parity renewable energy project in Mainland China, operating without Government subsidies. CLP aims to begin operations at the 50MW Xundian II Wind Farm in Yunnan province by the second half of the year, one of two grid-parity projects currently under development. Construction is expected to begin on the 150MW Bobai Wind Farm in Guangxi Zhuang Autonomous Region in the second half.

Generation from CLP's solar energy portfolio remained stable, and hydro output rose as a result of higher water resources for the Jiangbian plant in Sichuan province and Huaiji in Guangdong.

Delayed national subsidy payments for renewable energy projects amounted to HK$2,584 million for CLP's wind and solar energy subsidiaries in Mainland China as of 30 June, compared with HK$2,302 million at the end of 2021.

Rising coal prices continued to affect the margins of Fangchenggang Power Station in Guangxi Zhuang Autonomous Region as the Ukraine conflict triggered further increases in fuel costs. Higher tariffs negotiated with customers partially alleviated but were insufficient to offset the fuel cost impact for the power station. CLP is in the process of transforming the power station into an integrated energy provider by offering steam as well as electricity sales.

CLP is focused on developing business models that integrate energy infrastructure and services to meet growing demand for smarter, cleaner energy solutions in the GBA. Retrofitting works to modernise the centralised cooling system at Po Park Shopping Plaza in Guangzhou were completed in March. The project represents a new business model for CLP in the GBA, with a contract to operate cooling services providing a steady income stream for at least 15 years.

A partnership with TGOOD to develop an EV charging business in the GBA was announced in April. CLP will have a 60% shareholding of the joint venture, which will be formed after final negotiations are completed and approval from authorities granted. The project aims to accelerate green transport and the construction of smart charging networks in the GBA. In June, CLP*e* signed a partnership with a public rail operator to provide solar energy to transportation facilities in the GBA under an EaaS model.

Outlook

CLP will remain focused on further developing non-carbon opportunities, including the Xundian II and Bobai wind farms, while exploring other grid-parity renewable energy projects. It is committed to supporting the decarbonisation of the Chinese electricity industry in line with Government's goals of achieving peak carbon emissions by 2030 and carbon neutrality by 2060. CLP will continue to adopt measures to mitigate the impact of high coal prices on operations and margins at Fangchenggang Power Station.

The GBA has a strategic role to play in leading the green transformation of the Chinese economy under the 14^{th} Five-Year Plan, and CLP will continue to explore investment opportunities in energy infrastructure projects for industrial parks and commercial sites, including cooling systems and data centres. CLP also aims to deploy innovative technologies and business models to capture emerging opportunities in the EaaS sector.

Australia

EnergyAustralia faced considerable operational challenges in the first half of the year amid unprecedented conditions in Australia's energy markets. The business incurred high costs to settle forward contracts that could not be covered due to reduced generation at its biggest power stations, after tight power supply and high fuel costs led to a more than tripling in prices in the National Electricity Market (NEM) this year.

Output at Yallourn Power Station in Victoria was reduced due to a series of unplanned outages including a coal conveyor system fire that briefly restricted operations of two generation units and recurring maintenance issues. Mount Piper Power Station's output was also lower as the result of a major planned outage and curtailed generation to conserve fuel as coal deliveries from the supplier were lower than contracted.

In line with its long-standing hedging policies, most of EnergyAustralia's generation was contracted in advance of this year's higher wholesale power prices. The sold contract prices were therefore significantly lower than prevailing spot market rates, negatively impacting earnings of the Energy business due to the increased costs to settle contracts that could not be covered as a result of the generation shortfall from Yallourn and Mount Piper.

The exceptional market conditions were demonstrated in June when the Australian Energy Market Operator (AEMO) suspended spot trading in the NEM for over a week, following outages at major Australian coal-fired power stations and increased power demand due to cold weather. EnergyAustralia offered all its available generation capacity to AEMO during the market suspension while diligently addressing issues that could lead to plant outages.

In addition, the requirement to mark-to-market the energy hedging contracts not qualifying for hedge accounting against higher forward prices resulted in significant, unfavourable fair value movements which affected operating earnings. These unrealised losses reflect an opportunity cost versus prevailing prices at a particular point in time. The original sale price of the contract will be realised at contract expiry matched against the generation hedged, with the fair value losses unwound. The losses are not related to the underlying operational business performance.

Earnings in the Customer business improved with lower costs of supplying to retail customers due to gains from electricity hedging practices maintained by EnergyAustralia, as well as reduced bad debt expenses. As several smaller energy retailers ceased services amid the challenging market conditions this year, some of their customers were transferred to EnergyAustralia under the Australian Energy Regulator's Retailer of Last Resort mechanism, which is designed to protect consumers of failed retailers by passing them on to new providers to make sure their energy service continues. At the end of June, EnergyAustralia had 2.45 million retail customer accounts, a slight increase compared to six months earlier.

Reflecting the rise in wholesale energy prices this year, EnergyAustralia announced increases in electricity and gas tariffs effective 1 August for most residential and small business customers who are not on fixed-rate contracts. EnergyAustralia remained committed to offering affordable energy services and value for customers in the face of rising power costs, cost of living pressures and the ongoing impact of the COVID-19 pandemic. Temporary relief was extended on billing and collection, and access to hardship programmes was provided for customers impacted by flooding across Queensland and northern New South Wales in February.

In June, EnergyAustralia was fined A$12 million (HK$67 million) by the Federal Court after the business self-reported in 2019 breaches of the life support rules applicable to its business and admitted that it did not have adequate systems in place to fully comply with the life support rules for a period of time. EnergyAustralia has updated its systems and processes to improve and ensure compliance.

EnergyAustralia is committed to developing flexible capacity to support the energy transition. Construction of the Tallawarra B plant in New South Wales began in March. It is due to be completed by the 2023/24 Australian summer, and will be the country's first carbon offset hydrogen and gas-capable power plant. In April, EnergyAustralia entered a partnership with Edify Energy to develop two utility-scale batteries in New South Wales with a combined capacity of 90MW/180MWh, to be completed in 2023. Meanwhile, EnergyAustralia continued to assess a potential pumped hydro energy storage project at Lake Lyell, which currently supplies water to Mount Piper Power Station. In Victoria, EnergyAustralia is evaluating potential contractors for its 350MW Wooreen battery storage project. Construction continued to progress at the 250MW Kidston pumped hydro storage project in Queensland, underpinned by EnergyAustralia through a long-term energy dispatch agreement with the developer.

EnergyAustralia also continued its clean energy collaboration with the Melbourne Cricket Ground (MCG). All energy used by the MCG has come from renewable sources since January, making it the first major Australian stadium to run entirely on clean power.

The rollout of the Solar Home Bundle programme across New South Wales was extended. Customers signing up to the programme have integrated solar and battery systems installed in their homes with no upfront costs after committing to seven-year electricity contracts on affordable tariffs.

Outlook

Despite challenging operating conditions, rising wholesale power prices are expected to benefit EnergyAustralia's operations in the longer term, and futures margin account requirements previously made will progressively return to EnergyAustralia with ongoing energy hedging contracts roll off, provided it can purchase the fuel required and generate and dispatch electricity at higher prices. EnergyAustralia is planning a maintenance programme at Yallourn Power Station to address the conditions identified in unplanned outages this year, while fuel supply to Mount Piper Power Station is expected to improve. Additional short term coal and gas purchases have been made to enable EnergyAustralia's power stations to support customers and the broader energy market in the second half.

Volatility in spot prices in response to weather variations and changes in supply and demand looks set to continue amid the net-zero transition in Australia. In this light, EnergyAustralia's investments and contracts in batteries, pumped hydro and fast start gas and hydrogen generation are expected to improve financial results as these projects come online.

EnergyAustralia welcomes the new Federal Government following May's elections, and remains strongly committed to engagement with policymakers at all levels to advance the clean energy transition. Policy developments including the potential introduction of the capacity mechanism proposed by the Energy Security Board are expected to promote investments in new dispatchable capacity, enabling more renewable energy to enter the grid reliably and affordably. EnergyAustralia will continue to strengthen its capital structure to fund its current and future investment needs, providing the reliable supply needed to support customer demand and the transition to a lower-carbon power market.

India

Apraava Energy maintained solid performance of its portfolio of generation and power transmission assets in the first half of 2022 as a prolonged heatwave and an easing COVID-19 situation fuelled rising electricity demand in India. The business also remained focused on expanding its investments in renewable energy.

Generation from wind increased compared with the same period in 2021, with the early onset of windy conditions in the second quarter compensating for lower resources at the beginning of the year. Operations at Chandgarh Wind Farm in Madhya Pradesh state returned to normal after they had been affected by vendor service disruptions earlier in the year. Apraava Energy continued to enhance its wind energy portfolio by implementing performance upgrades to wind turbines at the Tejuva plant in Rajasthan state and the Theni plant in Tamil Nadu state. Construction of the new 251MW Sidhpur wind energy project in Gujarat state made solid progress, and the plant is expected to go into service in the second half of the year.

Solar generation was lower in the first half. The Gale and Tornado solar farms in Maharashtra state resumed normal operations in April following the partial resolution of a land settlement dispute involving local farmers and the original developer of the two plants.

Outstanding receivables from local distribution companies related to the purchase of renewable energy were reduced by 10% to HK$798 million at the end of June, compared with HK$883 million at the start of the year.

Kohima-Mariani Transmission Limited, an interstate transmission line in north-eastern India in which Apraava Energy has a 49% stake, continued to report 100% availability. The wholly-owned Satpura Transco Private Limited intrastate transmission line in Madhya Pradesh state also reported full availability.

A major maintenance programme for one of the generation units at Jhajjar Power Station in Haryana state was completed in April, further strengthening the plant's reliability and performance. The power station concentrated on ensuring an adequate fuel supply to meet high electricity demand, including securing access to domestic and imported coal.

Outlook

CLP and CDPQ announced the strengthening of their strategic partnership in July. Apraava Energy is now strongly positioned to pursue a faster pace of growth in its clean energy investments and to play a key role in accelerating the decarbonisation of India's economy.

In the near term, the business will focus on completing the Sidhpur wind project on schedule, while continuing to explore new opportunities in solar and wind energy and transmission, including potential acquisitions and participation in public auctions. Apraava Energy remains committed to enhancing the operational performance of its portfolio and access to fuel supplies as demand surges amid India’s post-pandemic recovery.

Southeast Asia and Taiwan

Ho-Ping Power Station in Taiwan reported reliable operations after a major overhaul was completed in the first quarter. An operating loss was recorded in the first half of the year as the tariff increase proved insufficient to offset the higher coal costs. The tariff at the power station is adjusted annually to follow the trend in prior-year coal costs, and so is likely to increase next year and relieve pressure on margins. Operations were stable at Lopburi Solar Farm in Thailand but its contribution was lowered by a decrease in the tariff for one phase of the plant, following the expiration of the preferential tariff period.

Outlook

Ho-Ping Power Station will focus on managing fuel costs and supply through the coming period when international coal prices are expected to stay high.

Human Resources

The CLP Group had 8,183 full-time and part-time employees on 30 June 2022, compared with 8,074 at the same time in 2021. A total of 5,434 were engaged in CLP’s businesses in Hong Kong and Mainland China, and 2,749 by businesses in Australia, India, Southeast Asia and Taiwan. Total remuneration for the six months to 30 June was HK$3,330 million, compared with HK$3,349 million for the same period in 2021, including retirement benefit costs of HK$315 million, compared with HK$319 million a year earlier.

With the COVID-19 pandemic ongoing, CLP maintained comprehensive measures to safeguard the wellbeing of employees and contractors and ensure business continuity. The measures include special work arrangements, closed-loop work systems, temperature testing and site access controls and access to health education and mental health support. Testing kits, health and food supplies were provided to affected employees. Across all jurisdictions, CLP continued to support efforts to increase rates of vaccination among staff.

To sharpen focus on delivering decarbonisation and seizing opportunities arising from the development of the GBA, CLP launched a new operating model earlier in the year that aims to deliver synergies across its businesses in Hong Kong and Mainland China, and support growth in renewable energy assets and energy solutions. To enable digitalisation, IT and digital capabilities were also brought together. Recruitment of experienced and entry-level talent was strengthened across all jurisdictions and expanded in Mainland China, addressing new talent demands and labour market challenges.

CLP made further enhancements to workplace policies this year in line with its ongoing focus on attracting and retaining a diverse workforce. More flexible work-from-home arrangements were introduced in Hong Kong, along with new part-time working options.

The CLP Group was named Hong Kong's most inclusive employer and fourth in the Asia-Pacific region, in the Inclusive Index Report by international consultancy Equality Group. CLP Power Hong Kong was also certified as a MindCare Company by Bupa and the Mental Health Association of Hong Kong last year, in recognition of its efforts to prioritise employee mental health and provide support. Both awards are testament to CLP's commitment to create a diverse, inclusive workplace.

Health and Safety

CLP strengthened efforts to improve safety in the first half of 2022, launching a new multi-year health, safety and environment (HSE) strategy with a focus on designing safer work processes through improved organisational learning.

The new HSE strategy will enhance capabilities across the business – from senior managers to frontline workers – to increase safety and operational resilience through increased understanding of work activities and improvements to systems and processes. A key objective of the strategy is to prevent fatalities and life-changing incidents.

Digitalisation is at the heart of the new strategy with new software systems planned to strengthen risk management and incident reporting. CLP meanwhile continued efforts to reduce the risks of working at height and other hazardous activities, improving processes to increase worker safety.

The total recordable injury rate (TRIR) and lost time injury rate (LTIR) for employees and contractors were marginally higher in the first half of 2022 compared with the same period in 2021, reflecting an increase in cases in Hong Kong related to a routine operation at a power station. CLP remains committed to continuously improving safety and reducing potential sources of harm for its workers.

	Employees		Employees and Contractors	
	Jan – Jun 2022[2]	Jan – Jun 2021[1]	**Jan – Jun 2022**[2]	Jan – Jun 2021[1]
LTIR	**0.02**	0	**0.10**	0.04
TRIR	**0.19**	0.11	**0.27**	0.19

Notes:
[1] Figures for 2021 were revised to reflect the reclassification of two cases, as well as minor adjustments to the number of hours worked.
[2] From 2021, the LTIR and TRIR figures are for work-related injuries only (excluding work-related ill health and commuting-related injuries), in line with requirements of the Global Reporting Initiative. There were three work related ill health injuries in 2022.

Environment

CLP took further steps to reduce harmful emissions and improve water management as part of its mission to minimise the environmental impact of its operations.

On emissions, a multi-year programme to upgrade eight older generation units at Black Point Power Station in Hong Kong was completed in January. The programme enables reduced emissions of nitrogen oxides (NOx), while the increased operational efficiency of the upgraded generation units has delivered an improved performance on carbon emissions.

Black Point Power Station's new D1 generation unit, commissioned in 2020, uses a selective catalytic reduction system to reduce NOx emissions. The same technology will be deployed in the D2 unit currently being constructed at the power station, which will further reduce emissions after its planned commissioning in 2023. Flue gas desulphurisation units deployed at Jhajjar Power Station in India and Fangchenggang Power Station in Mainland China meanwhile helped the plants lower emissions of sulphur dioxide.

In June 2021, exceptionally heavy rainfall resulted in heightened water flows and the need for inspections for damage to the Morwell River Diversion running through the Yallourn mine in Victoria. In the first half of 2022, EnergyAustralia completed repairs to a major section of the diversion, and a new pump system was constructed to enable water to bypass the structure, further reducing risks to operations of the mine. Further works are ongoing to implement systems to facilitate future management and maintenance.

At Mount Piper Power Station in New South Wales, the Springvale Water Treatment Plant continued to fulfil about 80% of daily water needs to the power station, significantly reducing the need to source river water for its operations. Fangchenggang Power Station continued to reuse treated wastewater for flue gas desulphurisation, dust suppression and irrigation for greening. Other initiatives to reduce water wastage included the continued deployment of robotic cleaning systems for dust removal at CLP's solar farms in Mainland China.

CLP is determined to fulfil its environmental obligations and closely monitors and responds to any changes in regulations in its operating areas. It reported no environmental regulatory non-compliance incidents resulting in fines or prosecutions during the first half of 2022.

Climate Action

CLP pushed forward with key investments in lower-carbon electricity infrastructure across its operating regions in Asia Pacific, and remained keenly focused on decarbonisation despite rising volatility in international energy markets and the ongoing impact of the pandemic.

Construction continued on the D2 generation unit at Black Point Power Station, which is due to go into service in 2023, further accelerating the transition to a cleaner electricity supply in Hong Kong with increased use of natural gas in the fuel mix.

In Mainland China, CLP began operations at the 100MW Qian'an III Wind Farm in Jilin province in March, and made steady progress with two other wind energy projects – the 50MW Xundian II project in Yunnan province and the 150MW Bobai project in Guangxi.

Apraava Energy in India, meanwhile, prepared to launch its 251MW Sidhpur Wind Farm in Gujarat state in the second half of the year, and EnergyAustralia began construction of its Tallawarra B power station. The plant in New South Wales state will be capable of using a blend of natural gas and green hydrogen as fuel, with residual direct carbon emissions offset over its operating lifespan.

Progress was also made on other flexible capacity projects to bring more renewable energy into the network, including the Kidston pumped hydro storage project in Queensland and two new battery storage projects in New South Wales developed with partner Edify Energy.

CLP's continued investments in support of the energy transition helped its businesses decarbonise in step with the Company's latest targets under Climate Vision 2050, which were further strengthened in September 2021. Revisions included new science-based targets for 2030 aligned with global efforts to limit warming to well-below 2°C and CLP's commitment to achieve net-zero greenhouse gas emissions across the value chain by 2050.

As well as providing infrastructure for a lower-carbon electricity industry, CLP remained committed to helping customers reduce their carbon footprints. In Hong Kong, business customers now have access to a range of initiatives to improve their energy efficiency, including the Retro-Commissioning Charter programme, the CLP Eco Building Fund, and the Electrical Equipment Upgrade Scheme.

CLP continued to seek out new partnerships to speed up the green economic transformation of Hong Kong and the GBA, including a collaboration with TGOOD to build electric vehicle charging infrastructure and a project with ESR to develop sustainable data centres.

Sustainability Performance

CLP’s latest Sustainability Report, published in March, concentrated on topics central to the business’s sustainable development, such as the transition to net-zero, resilience in a changing operating environment, and keeping pace with community, employee and customer expectations.

For the first time, CLP adopted a double materiality approach to make its reporting more integrated, with the Sustainability Report focusing on environmental, social and governance (ESG) issues that have an impact on people, the environment and the economy. As part of this approach, CLP’s Annual Report covered ESG topics that potentially create or erode enterprise value. In response to increasing interest in CLP’s response to climate change and its impact on business, CLP launched its first standalone Climate-related Disclosures Report.

CLP’s reporting was commended by the Task Force on Climate-related Financial Disclosures (TCFD). The Stock Exchange of Hong Kong Limited’s ESG Academy portal also recognised the positive attributes of CLP’s reporting, including its approaches to governance, materiality assessment, climate change and stakeholder engagement.

For the third consecutive time, CLP won the ESG Report of the Year, Best in ESG and Best in Reporting awards in the Large Market Capitalisation category of the BDO ESG Awards run by the international network of public accounting, tax and advisory firms BDO. CLP was also winner of the BDO’s Theme Award, presented to the company with the best carbon neutrality efforts.

CLP Holdings was the only Hong Kong company to achieve an A- rating in the climate change category from global disclosure system operator CDP. The Company’s efforts on sustainability were recognised by its inclusion in international stock indices based on ESG performance, including the Dow Jones Sustainability Asia/Pacific Index, the MSCI ESG Leaders Indexes, the Hang Seng Corporate Sustainability Index and the FTSE4Good Index.

Innovation

CLP continued to harness the latest technologies to offer businesses and consumers with sustainable energy solutions, helping them become more energy efficient and reduce their carbon footprints.

CLP*e* signed contracts to provide heating, ventilation and air conditioning (HVAC) systems to customers in Hong Kong and Mainland China, including Kai Shing Management Services, Nan Fung Property Management and Sino Group. HVAC systems use artificial intelligence to improve the performance and energy efficiency of cooling systems, and the technology – provided by CLP's Smart Energy Connect (SEC) digital energy solutions platform – was also deployed in a retrofitting of the centralised cooling system at Po Park Shopping Plaza in Guangzhou. The retrofitting works were completed in March.

Technologies from the SEC platform allowed CLP*e* to help customers better manage their energy use and control lighting and air conditioning in offices. CLP*e* also uses the platform to help property companies monitor energy consumption across multiple buildings, giving them detailed insights on consumption patterns for improved energy management.

CLP*e* expanded its range of services and solutions and launched the SEC ASPIRE digital tool, which allows businesses in Hong Kong to exchange resources that might otherwise be discarded. The digital tool promotes the development of a circular economy and was developed in partnership with Australian waste management technology provider ASPIRE.

Meanwhile, CLP*e*'s Domeo eShop provided online shoppers in Hong Kong with a widening selection of products and services, ranging from smartphones, home and kitchen appliances to air-conditioning cleaning services. Domeo eShop promotes greener lifestyles for users, enabling CLP customers to convert Eco Rewards earned for energy saving into online shopping incentives including retail coupons and discounts.

CLP continued to work with innovators around the world to keep pace with technological developments in its key focus areas, such as energy management and electric transport. The Company participated in the Free Electrons energy accelerator programme and benefited from an ongoing partnership with CYZone, a leading provider of technology-based information services in Mainland China.

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the condensed consolidated interim financial statements, which are unaudited but have been reviewed by the Group's external auditor, PricewaterhouseCoopers (PwC), in accordance with Hong Kong Standard on Review Engagements 2410 and by the Audit & Risk Committee. PwC's unmodified review report is included in the Interim Report to be sent to shareholders.

Consolidated Statement of Profit or Loss – Unaudited
for the six months ended 30 June 2022

	Note	**2022** **HK$M**	2021 HK$M
Revenue	*4*	**47,594**	40,729
Expenses			
Purchases and distributions of electricity and gas		**(20,164)**	(14,070)
Staff expenses		**(2,496)**	(2,568)
Fuel and other operating expenses		**(26,704)**	(12,433)
Depreciation and amortisation		**(4,719)**	(4,574)
		(54,083)	(33,645)
Other charges	*6*	**(1,635)**	(1,110)
Operating (loss)/profit	*7*	**(8,124)**	5,974
Finance costs		**(869)**	(904)
Finance income		**77**	48
Share of results, net of income tax			
Joint ventures		**33**	194
Associates		**1,135**	945
(Loss)/profit before income tax		**(7,748)**	6,257
Income tax credit/(expense)	*8*	**2,794**	(1,124)
(Loss)/profit for the period		**(4,954)**	5,133
(Loss)/earnings attributable to:			
Shareholders		**(4,855)**	4,615
Perpetual capital securities holders		**69**	69
Other non-controlling interests		**(168)**	449
		(4,954)	5,133
(Loss)/earnings per share, basic and diluted	*10*	**HK$(1.92)**	HK$1.83

Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited for the six months ended 30 June 2022

	2022	2021
	HK$M	HK$M
(Loss)/profit for the period	**(4,954)**	5,133
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(2,610)**	(551)
Cash flow hedges	**6,110**	317
Costs of hedging	**69**	(25)
	3,569	(259)
Items that cannot be reclassified to profit or loss		
Fair value (losses)/gains on investments	**(67)**	9
Remeasurement (losses)/gains on defined benefit plans	**(16)**	50
	(83)	59
Other comprehensive income for the period, net of tax	**3,486**	(200)
Total comprehensive income for the period	**(1,468)**	4,933
Total comprehensive income attributable to:		
Shareholders	**(1,245)**	4,482
Perpetual capital securities holders	**69**	69
Other non-controlling interests	**(292)**	382
	(1,468)	4,933

Consolidated Statement of Financial Position – Unaudited

	Note	30 June 2022 HK$M	Audited 31 December 2021 HK$M
Non-current assets			
Fixed assets	*11*	**143,853**	154,058
Right-of-use assets	*12*	**6,921**	7,130
Investment property		**943**	966
Goodwill and other intangible assets		**18,869**	19,710
Interests in and loans to joint ventures		**10,591**	10,602
Interests in associates		**8,659**	8,769
Deferred tax assets		**1,588**	376
Derivative financial instruments		**3,458**	2,007
Other non-current assets		**2,273**	2,303
		197,155	205,921
Current assets			
Inventories – stores and fuel		**3,641**	2,941
Renewable energy certificates		**482**	1,166
Property under development		**2,984**	2,980
Trade and other receivables	*13*	**25,933**	15,404
Income tax recoverable		**376**	546
Fuel clause account		**2,043**	1,116
Derivative financial instruments		**10,791**	1,475
Cash and cash equivalents and short-term deposits		**3,660**	8,260
		49,910	33,888
Assets of disposal group held for sale	*3*	**13,457**	-
Current liabilities			
Customers' deposits		**(6,491)**	(6,254)
Trade payables and other liabilities	*14*	**(21,757)**	(18,381)
Income tax payable		**(943)**	(1,349)
Bank loans and other borrowings		**(13,727)**	(10,512)
Derivative financial instruments		**(14,530)**	(1,302)
		(57,448)	(37,798)
Liabilities of disposal group held for sale	*3*	**(6,898)**	-
Total assets less current liabilities (including disposal group held for sale)		**196,176**	202,011

Consolidated Statement of Financial Position – Unaudited (continued)

	Note	30 June 2022 HK$M	Audited 31 December 2021 HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*16*	**83,905**	89,791
Shareholders' funds		**107,148**	113,034
Perpetual capital securities		**3,887**	3,887
Other non-controlling interests		**9,011**	9,788
		120,046	126,709
Non-current liabilities			
Bank loans and other borrowings		**48,857**	47,703
Deferred tax liabilities		**15,828**	15,886
Derivative financial instruments		**1,976**	1,364
Scheme of Control (SoC) reserve accounts	*15*	**2,482**	3,440
Asset decommissioning liabilities and retirement obligations		**4,569**	4,346
Other non-current liabilities		**2,418**	2,563
		76,130	75,302
Equity and non-current liabilities		**196,176**	202,011

Notes:

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (HKAS) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2021, together with the accounting policy on disposal group held for sale. The Group has applied the following amendments to standards for the current accounting period:

- Amendments to HKFRS 3 Reference to the Conceptual Framework
- Amendments to HKFRS 9 Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The adoption of amendments to standards above has had no significant impact on the results and financial position of the Group. The Group has not early adopted any new or amended standards that are not yet effective for the current accounting period.

The Group also implemented the IFRS Interpretations Committee agenda decision (the Decision) on demand deposits with restriction on use, which has resulted in the re-presentation of the comparatives of HK$299 million from restricted cash classification to cash and cash equivalent on the consolidated statement of financial position and the related update of the 2021 consolidated statement of cash flows.

The financial information relating to the year ended 31 December 2021 that is included in the 2022 Interim Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements (except for the implementation of the Decision as mentioned above). 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 2021 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).

The Company's auditor has reported on the 31 December 2021 financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 8 August 2022.

2. Australia Business Update in 2022

During the period, extreme and exceptional price surges and volatility have occurred in the Australian National Electricity Market (NEM) driven by the confluence of the unavailability of major coal-fired power stations and high commodity prices notably because of the conflict in Ukraine. In response to these conditions, the Australian Energy Market Operator temporarily suspended the spot market in the NEM in June 2022 for the first time since its inception in 1998. However, forward electricity prices remain elevated as compared to historic levels. This resulted in an unrealised fair value loss on our electricity forward contracts not qualifying for hedge accounting though they are used for economic hedging purpose of HK$11,367 million (A$2,031 million), after tax HK$7,957 million (A$1,422 million) included in fuel and other operating expenses for the first half of 2022. In addition, the operating earnings in Australia (before the unrealised fair value loss) reduced by HK$1,373 million as compared with the same period in 2021 mainly due to lower generation from Yallourn because of unplanned outages and Mount Piper due to coal supply constraints. Collectively the unrealised fair value losses and the generation constraints were the primary reasons for the Group's net loss of HK$4,855 million for the first half of 2022.

In addition, substantial futures margin account requirements were met to cover the short position on open derivative contracts which led to significant increase in other receivables (Note 13) at period end and our operating cash flows to be negative in the first half of the year. The cash outflows under these requirements have adversely impacted the liquidity position of EnergyAustralia Holdings Limited (EnergyAustralia). EnergyAustralia has obtained additional external credit facilities as well as internal short-term shareholder loans to strengthen its liquidity position. These liquidity challenges are expected to be short-term. More information on outlook of our Australia business can be found in Business Performance and Outlook of this Announcement.

To uphold the strong financial profile, CLP continues with its consistent and prudent liquidity risk management and has arranged various new debt facilities. For details, please refer to Supplementary Information on Treasury Activities of this Announcement.

3. Disposal Group Held for Sale

On 12 July 2022, CLP GPEC (Mauritius) Holdings Limited (CLP GPEC), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with CDPQ Infrastructures Asia II Pte. Ltd. (the "Purchaser"), pursuant to which CLP GPEC conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 10% shareholding in Apraava Energy Private Limited (Apraava Energy) in India for a total consideration of US dollar equivalent of Rs6.6 billion (the "Sell Down").

CLP GPEC and the Purchaser currently hold 60% and 40% of shareholding in Apraava Energy respectively. Following the completion of the Sell Down, the Group's equity interest in Apraava Energy will be reduced to 50%, Apraava Energy will cease to be a subsidiary and become a joint venture of the Group.

The completion of the transaction is subject to the satisfaction of conditions precedent as set out in the sale and purchase agreement. Accordingly, Apraava Energy and its subsidiaries (Apraava Energy group) was presented as a disposal group held for sale in the Group's consolidated statement of financial position. The Sell Down is expected to be completed by end of 2022.

3. Disposal Group Held for Sale (continued)

The fair value of the disposal group is measured based on the total consideration of the Sell Down. Losses of HK$1,635 million (CLP's share: HK$986 million) for measurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in other charges (Note 6). The measurement losses have been applied to reduce the carrying amounts of goodwill and fixed assets within the disposal group.

Following the completion of the transaction and the resulting loss of control over Apraava Energy as a subsidiary, the total cumulative losses included in the reserves (30 June 2022: HK$2,266 million) of the disposal group held for sale will be released and charged to profit or loss. The loss on Sell Down may vary taking into account changes in the net asset value of Apraava Energy group, if any, and foreign exchange movement of Indian rupee at the time of completion.

4. Revenue

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

	Six months ended 30 June	
	2022	2021
	HK$M	HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**21,876**	20,324
Transfer for SoC to/(from) revenue (note)	**592**	(382)
SoC sales of electricity	**22,468**	19,942
Sales of electricity outside Hong Kong	**20,368**	15,952
Sales of gas in Australia	**2,273**	2,496
Others	**626**	498
	45,735	38,888
Other revenue		
Power purchase agreements		
Fixed capacity charge	**206**	298
Variable capacity charge	**163**	132
Energy charge	**1,308**	1,243
Others	**182**	168
	1,859	1,841
	47,594	40,729

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 the profit or loss.

5. Segment Information

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

	Hong Kong HK$M	Mainland China HK$M	Australia HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2022							
Revenue from contracts with customers	22,825	959	21,265	684	2	-	45,735
Other revenue	53	48	38	1,715	-	5	1,859
Revenue	22,878	1,007	21,303	2,399	2	5	47,594
EBITDAF*	8,439	807	146	(858)	(4)	(512)	8,018
Share of results, net of income tax							
Joint ventures	(10)	164	-	-	(121)	-	33
Associates	-	1,135	-	-	-	-	1,135
Consolidated EBITDAF	8,429	2,106	146	(858)	(125)	(512)	9,186
Depreciation and amortisation	(2,808)	(407)	(1,195)	(283)	-	(26)	(4,719)
Fair value adjustments	(56)	-	(11,367)	-	-	-	(11,423)
Finance costs	(388)	(125)	(79)	(266)	-	(11)	(869)
Finance income	51	3	4	16	-	3	77
Profit/(loss) before income tax	5,228	1,577	(12,491)	(1,391)	(125)	(546)	(7,748)
Income tax (expense)/credit	(732)	(203)	3,808	(78)	(1)	-	2,794
Profit/(loss) for the period	4,496	1,374	(8,683)	(1,469)	(126)	(546)	(4,954)
Earnings attributable to							
Perpetual capital securities holders	(69)	-	-	-	-	-	(69)
Other non-controlling interests	(406)	(7)	-	581	-	-	168
Earnings/(loss) attributable to shareholders	4,021	1,367	(8,683)	(888)	(126)	(546)	(4,855)
Excluding: Items affecting comparability	23	-	-	986	-	-	1,009
Operating earnings	4,044	1,367	(8,683)	98	(126)	(546)	(3,846)
At 30 June 2022							
Fixed assets, right-of-use assets and investment property	127,899	9,409	14,222	-	-	187	151,717
Goodwill and other intangible assets	5,545	3,532	9,792	-	-	-	18,869
Interests in and loans to joint ventures	1,744	7,219	-	-	1,628	-	10,591
Interests in associates	-	8,659	-	-	-	-	8,659
Deferred tax assets	5	83	1,500	-	-	-	1,588
Other assets	15,117	5,253	34,955	4	76	236	55,641
Assets of disposal group held for sale	-	-	-	13,457	-	-	13,457
Total assets	150,310	34,155	60,469	13,461	1,704	423	260,522
Bank loans and other borrowings	49,716	5,600	5,029	-	-	2,239	62,584
Current and deferred tax liabilities	15,501	1,229	9	-	32	-	16,771
Other liabilities	25,156	971	27,767	1	2	326	54,223
Liabilities of disposal group held for sale	-	-	-	6,898	-	-	6,898
Total liabilities	90,373	7,800	32,805	6,899	34	2,565	140,476

* EBITDAF stands for earnings before interest, taxes, depreciation and amortisation, and fair value adjustments.

5. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	Australia HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
Six months ended 30 June 2021							
Revenue from contracts with customers	20,265	870	17,154	597	2	-	38,888
Other revenue	61	37	23	1,716	-	4	1,841
Revenue	20,326	907	17,177	2,313	2	4	40,729
EBITDAF	8,435	811	638	775	(8)	(367)	10,284
Share of results, net of income tax							
Joint ventures	(10)	38	-	-	166	-	194
Associates	-	945	-	-	-	-	945
Consolidated EBITDAF	8,425	1,794	638	775	158	(367)	11,423
Depreciation and amortisation	(2,717)	(395)	(1,131)	(299)	-	(32)	(4,574)
Fair value adjustments	(7)	-	271	-	-	-	264
Finance costs	(478)	(131)	(67)	(221)	-	(7)	(904)
Finance income	14	7	4	20	-	3	48
Profit/(loss) before income tax	5,237	1,275	(285)	275	158	(403)	6,257
Income tax (expense)/credit	(933)	(177)	80	(88)	(6)	-	(1,124)
Profit/(loss) for the period	4,304	1,098	(205)	187	152	(403)	5,133
Earnings attributable to							
Perpetual capital securities holders	(69)	-	-	-	-	-	(69)
Other non-controlling interests	(371)	(2)	-	(76)	-	-	(449)
Earnings/(loss) attributable to shareholders	3,864	1,096	(205)	111	152	(403)	4,615
Excluding: Items affecting comparability	41	-	1,042	-	-	-	1,083
Operating earnings	3,905	1,096	837	111	152	(403)	5,698
At 31 December 2021							
Fixed assets, right-of-use assets and investment property	126,255	9,960	14,551	11,175	-	213	162,154
Goodwill and other intangible assets	5,545	3,675	10,476	14	-	-	19,710
Interests in and loans to joint ventures	1,191	7,531	-	-	1,880	-	10,602
Interests in associates	-	8,769	-	-	-	-	8,769
Deferred tax assets	5	88	246	37	-	-	376
Other assets	12,737	5,375	12,566	3,985	72	3,463	38,198
Total assets	145,733	35,398	37,839	15,211	1,952	3,676	239,809
Bank loans and other borrowings	46,351	5,856	-	6,008	-	-	58,215
Current and deferred tax liabilities	15,655	1,220	7	318	35	-	17,235
Other liabilities	24,291	1,252	11,153	467	2	485	37,650
Total liabilities	86,297	8,328	11,160	6,793	37	485	113,100

6. Other Charges

	Six months ended 30 June	
	2022	2021
	HK$M	HK$M
Loss on measurement of the disposal group (Note 3)	**1,635**	-
The Settlement (note)	**-**	1,110
	1,635	1,110

Note: In March 2021, full and final settlements of all claims made by Lochard Energy (Iona Operations Holding) Pty Ltd against EnergyAustralia arising from the disposal of Iona Gas Plant were paid.

7. Operating (Loss)/Profit

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

	Six months ended 30 June	
	2022	2021
	HK$M	HK$M
Charging		
Retirement benefits costs	**244**	249
Variable lease expenses	**10**	7
Net losses on disposal of fixed assets	**85**	125
Impairment of trade receivables	**74**	72
Revaluation loss on investment property	**23**	41
Morwell River Diversion solution[(a)]	**-**	379
Net exchange losses	**365**	6
Crediting		
Rental income from investment property	**(12)**	(11)
Dividends from equity investments	**(14)**	(15)
Net fair value (gains)/losses on non-debt related derivative financial instruments		
Cash flow hedge		
Reclassified from cash flow hedge reserve and cost of hedging reserve to		
Purchases and distributions of electricity and gas	**(336)**	(665)
Fuel and other operating expenses[(b)]	**(772)**	9
Ineffectiveness of cash flow hedge	**64**	(31)
Not qualified for hedge accounting	**11,752**	(233)
Fair value gains on investments at fair value through profit or loss	**(16)**	(93)

Notes:

(a) After exceptionally heavy rain in June 2021, cracks were discovered in the structures of the Morwell River Diversion which runs through the Yallourn mine site. For the period ended 30 June 2021, an expenditure of HK$379 million was recognised for repairs and damage assessment. The assessment activities have progressed and is expected to be concluded in the second half of 2022. There is no further material outflow of economic benefit expected.

(b) Net fair value gains of HK$542 million (2021: nil) were reclassified from cash flow hedge reserve upon hedge de-designation of certain energy contracts in Australia.

8. Income Tax Credit/(Expense)

	Six months ended 30 June	
	2022	2021
	HK$M	HK$M
Current income tax expense	**(750)**	(1,048)
Deferred tax credit/(expense)	**3,544**	(76)
	2,794	(1,124)

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

9. Dividends

	Six months ended 30 June			
	2022		2021	
	HK$ per Share	**HK$M**	HK$ per Share	HK$M
First interim dividend paid	**0.63**	**1,592**	0.63	1,592
Second interim dividend declared	**0.63**	**1,592**	0.63	1,592
	1.26	**3,184**	1.26	3,184

At the Board meeting held on 8 August 2022, the Directors declared the second interim dividend of HK$0.63 per share (2021: HK$0.63 per share). The second interim dividend is not reflected as a dividend payable in the interim financial statements.

10. (Loss)/Earnings per Share

The (loss)/earnings per share are computed as follows:

	Six months ended 30 June	
	2022	2021
(Loss)/earnings attributable to shareholders (HK$M)	**(4,855)**	4,615
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
(Loss)/earnings per share (HK$)	**(1.92)**	1.83

Basic and fully diluted (loss)/earnings per share are the same as the Company did not have any dilutive equity instruments throughout the six months ended 30 June 2022 and 2021.

11. Fixed Assets

	Freehold Land HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2022	1,108	22,408	130,542	154,058
Additions	3	636	5,968	6,607
Transfers and disposals	-	(8)	(104)	(112)
Depreciation	-	(447)	(3,728)	(4,175)
Loss on measurement of the disposal group held for sale	-	(170)	(1,452)	(1,622)
Reclassification to disposal group held for sale	(753)	(378)	(8,154)	(9,285)
Exchange differences	(56)	(171)	(1,391)	(1,618)
Net book value at 30 June 2022	**302**	**21,870**	**121,681**	**143,853**
Cost	381	37,267	228,344	265,992
Accumulated depreciation and impairment	(79)	(15,397)	(106,663)	(122,139)
Net book value at 30 June 2022	**302**	**21,870**	**121,681**	**143,853**

12. Right-of-Use Assets

	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 2022	5,864	618	648	7,130
Additions	49	33	1	83
Depreciation	(101)	(50)	(27)	(178)
Reclassification to disposal group held for sale	(47)	-	-	(47)
Exchange differences	(11)	(27)	(29)	(67)
Net book value at 30 June 2022	**5,754**	**574**	**593**	**6,921**

13. Trade and Other Receivables

	30 June 2022 HK$M	31 December 2021 HK$M
Trade receivables	**16,238**	11,707
Deposits, prepayments and other receivables[#]	**8,691**	2,526
Dividend receivables from		
Joint ventures	**137**	190
An associate	**846**	975
Equity investments	**14**	-
Current accounts with		
Joint ventures	**6**	5
An associate	**1**	1
	25,933	15,404

[#] Including EnergyAustralia's futures margin account of HK$7.2 billion (31 December 2021: HK$1.1 billion).

13. Trade and Other Receivables (continued)

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

	30 June 2022 HK$M	31 December 2021 HK$M
30 days or below*	**15,162**	9,285
31 – 90 days	**435**	670
Over 90 days	**641**	1,752
	16,238	11,707

* Including unbilled revenue

14. Trade Payables and Other Liabilities

	30 June 2022 HK$M	31 December 2021 HK$M
Trade payables	**9,740**	6,119
Other payables and accruals	**6,940**	7,504
Lease liabilities	**222**	217
Advances from non-controlling interests	**979**	832
Current accounts with		
Joint ventures	**1**	1
An associate	**707**	564
Deferred revenue	**3,168**	3,144
	21,757	18,381

The ageing analysis of the trade payables based on invoice date is as follows:

	30 June 2022 HK$M	31 December 2021 HK$M
30 days or below	**9,411**	5,800
31 – 90 days	**253**	219
Over 90 days	**76**	100
	9,740	6,119

15. SoC Reserve Accounts

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

	30 June 2022 HK$M	31 December 2021 HK$M
Tariff Stabilisation Fund	**2,145**	3,109
Rate Reduction Reserve	**3**	3
Rent and Rates Refunds (note)	**334**	328
	2,482	3,440

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 2017/18 in 2020, CLP Power Hong Kong further reached settlement with the Hong Kong Government in respect of the appeals from 2018/19 to 2020/21, and is in discussion with the Government for final resolution of the remaining 2021/22 appeal year.

Upon settlement of the appeals of 2018/19 to 2020/21, a refund of HK$200 million was receivable from the Hong Kong Government in full and final settlement for those years. Using the total amount of refunds from the Hong Kong Government for all appeal years up to 2020/21 of HK$2,991 million, CLP Power Hong Kong has provided customers with the Rent and Rates Special Rebate. Including the rebate of HK$194 million paid during the period, the Rent and Rates Special Rebate made to customers has reached an aggregate amount of HK$2,657 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.

16. Reserves

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

	Translation Reserve HK$M	**Cash Flow Hedge Reserve HK$M**	**Cost of Hedging Reserve HK$M**	**Other Reserves HK$M**	**Retained Profits HK$M**	**Total HK$M**
Balance at 1 January 2022	(5,372)	1,011	(3)	1,642	92,513	89,791
Loss attributable to shareholders	-	-	-	-	(4,855)	(4,855)
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(1,699)	(266)	-	-	266	(1,699)
Joint ventures	(437)	-	-	-	-	(437)
Associates	(309)	-	-	-	-	(309)
Cash flow hedges						
Net fair value gains	-	9,470	-	-	-	9,470
Reclassification to profit or loss	-	(855)	-	-	-	(855)
Tax on the above items	-	(2,541)	-	-	-	(2,541)
Costs of hedging						
Net fair value gains	-	-	73	-	-	73
Reclassification to profit or loss	-	-	4	-	-	4
Tax on the above items	-	-	(13)	-	-	(13)
Fair value losses on investments	-	-	-	(67)	-	(67)
Remeasurement losses on defined benefit plans	-	-	-	-	(16)	(16)
Total comprehensive income attributable to shareholders	(2,445)	5,808	64	(67)	(4,605)	(1,245)
Transfer to fixed assets	-	8	-	-	-	8
Appropriation of reserves	-	-	-	53	(53)	-
Dividends paid						
2021 fourth interim	-	-	-	-	(3,057)	(3,057)
2022 first interim	-	-	-	-	(1,592)	(1,592)
Balance at 30 June 2022	**(7,817)**	**6,827**	**61**	**1,628**	**83,206**	**83,905**

17. Commitments

(A) Capital expenditure on fixed assets, leasehold land and intangible assets contracted for but not yet incurred at 30 June 2022 amounted to HK$11,244 million (31 December 2021: HK$13,150 million) after excluding the commitments of Apraava Energy group of HK$1,130 million.

(B) At 30 June 2022, leases for assets committed but not yet commenced were as follows:

(i) Kidston Pumped Hydro Energy Storage Facility

The Group has entered into a long-term Energy Storage Services Agreement (ESSA) to be the market operator of the 250MW Kidston pumped hydro energy storage facility in Queensland. This facility is currently under construction and the ESSA is subject to a number of conditions precedent which must be satisfied before the lease commencement date, which is expected to occur before 31 December 2025. At 30 June 2022, the expected undiscounted contractual lease payments under this agreement were approximately HK$2.0 billion (31 December 2021: HK$2.1 billion).

(ii) Riverina Battery Storage Systems

The Group has entered into two long-term Battery Storage Services Agreements to be the market operator of two Riverina battery storage systems with a combined 90MW capacity in New South Wales. These facilities are currently under construction and the lease commencement date is expected to occur in December 2023. At 30 June 2022, the expected undiscounted contractual lease payments under these agreements were approximately HK$0.4 billion (31 December 2021: nil).

(C) At 30 June 2022, outstanding committed shareholder's loan facilities to a joint venture amounted to HK$473 million (31 December 2021: HK$518 million). In addition, equity contributions to be made for joint ventures and private equity partnerships at 30 June 2022 were HK$36 million (31 December 2021: HK$54 million) and HK$176 million (31 December 2021: HK$203 million) respectively.

(D) At 30 June 2022, the Group's share of capital, lease and other commitments of its joint ventures and associates were HK$4,148 million (31 December 2021: HK$4,219 million) and HK$816 million (31 December 2021: HK$782 million) respectively.

18. Contingent Liabilities

Indian Wind Power Projects – WWIL's Contracts

Apraava Energy 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. Dr Wobben, the controlling shareholder of Enercon GmbH, also brought actions against Apraava Energy group, as a customer of WWIL. Dr Wobben is seeking, among other things, an injunction restraining Apraava Energy group's use of certain rotor blades acquired from WWIL. Although Dr Wobben has passed away, his counsel have filed an application to implead Wobben Properties GmbH as second plaintiff in the matter, and the same is pending before the High Court. The next date of hearing is 17 August 2022.

As at 30 June 2022, the Group considers that Apraava Energy 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 took active steps in financing in the first half of the year to meet the needs of its operations and support growth. It continued to exercise prudence through regular reviews of its liquidity position to ensure ongoing financial integrity, and took timely action when appropriate to uphold a strong financial profile. The Company also moved pre-emptively to arrange major financing activities and lock in preferential terms, while spreading out the debt maturity profile and sources of funding.

The Group maintained adequate liquidity, with undrawn bank facilities of HK$19.5 billion and bank balances of HK$3.7 billion as at 30 June. By the end of July, the undrawn bank facilities and bank balances increased to HK$22 billion and HK$6.2 billion respectively, reflecting CLP's continuous effort to further strengthen its financial flexibility and capability to support business growth and guard against contingencies. CLP Holdings held HK$6 billion of liquidity on 30 June and added HK$3 billion of new credit facilities in July with a further total of HK$2 billion of new facilities pending execution. The high level of liquidity is expected to be maintained throughout the year, and will be supported by dividend payments and inflows from subsidiaries, joint ventures and associates.

CLP Power Hong Kong took early action to complete new medium-term emission reduction-linked banking facilities in the first quarter, before increased financial market volatility due to geopolitical tensions and faster-than-expected monetary tightening in major economies. CLP Power Hong Kong arranged a JPY15 billion (HK$1.0 billion) three-year samurai loan facility in January at an attractive floating rate. The loan was syndicated to Japan-based regional and city banks with overwhelming response. The full amount of loan proceeds was swapped back to Hong Kong dollars to mitigate currency risk through a sustainability-linked derivative, which was reportedly among the first of its type arranged for a corporate in Hong Kong. This cross-border samurai loan further lowered interest costs and diversified sources of funding. CLP Power Hong Kong also executed three-year revolving loan facilities totalling HK$1.0 billion at competitive terms. The above facilities arranged in the first quarter carried ESG features similar to existing facilities.

CAPCO arranged a HK$520 million two-year energy transition revolving loan facility, governed under the Climate Action Finance Framework, at an attractive interest margin for refinancing of an expired commercial loan for the D1 project at Black Point Power Station. In addition, CAPCO executed two-year emission reduction-linked revolving loan facilities totalling HK$800 million for general corporate purposes.

Both CLP Power Hong Kong and CAPCO have medium-term note (MTN) programmes in place under which bonds in aggregate amounts of up to US$4.5 billion and US$2 billion respectively can be issued. As of 30 June 2022, notes with aggregate nominal values of around HK$29 billion and HK$9.1 billion had been issued by the two entities respectively.

In April 2022, EnergyAustralia completed the upsizing of its revolving syndicated bank debt facility from A$2.5 million (HK$14 million) to A$750 million (HK$4.0 billion). With competitive interest rates offered by 12 participating banks, the facility comprised a A$150 million (HK$810 million) three-year tranche, and a A$600 million (HK$3.2 billion) five-year tranche. In July 2022, EnergyAustralia obtained an additional A$1 billion (HK$5.5 billion) credit facility to boost its liquidity and provide more financial buffer for its operations.

In India, Apraava Energy arranged Rs20 billion (HK$2.0 billion) of bank facilities at competitive interest rates, mainly to support the development of power transmission and renewable energy projects. Apraava Energy also concluded a debut issuance of Rs4 billion (HK$398 million) one-year unlisted commercial paper at a favourable coupon rate.

In Mainland China, CLP executed a RMB181 million (HK$212 million) 10-year onshore non-recourse project loan facility to refinance existing debt in a renewable project, extending the tenor and lowering the interest rate.

As at 30 June 2022, the Group maintained HK$82.1 billion in financing facilities, including HK$11.5 billion for subsidiaries in Mainland China and Australia. Of the facilities available, HK$62.6 billion had been drawn down, of which HK$10.6 billion related to subsidiaries in Mainland China and Australia. The Group’s net debt to total capital ratio at the end of June 2022 was 32.7%. This compared with 28.1% reported by the Group at the end of 2021. Fixed-rate debt as a proportion of total debt was 52% without perpetual capital securities at the end of June 2022, and 55% with perpetual capital securities. These compared with 61% and 64% reported by the Group at the end of 2021. Earnings before interest, taxes, depreciation and amortisation, and fair value adjustments (EBITDAF) interest cover for the six months to 30 June 2022 was 10 times, compared with 14 times for the same period in 2021.

In July 2022, S&P affirmed the A credit rating of CLP Holdings with stable outlook. S&P opined the Company is expected to overcome operational challenges in Australia and gradually recover profitability. S&P further opined that CLP Group will likely continue to generate stable cash flow from the regulated business in Hong Kong and investments in nuclear projects in Mainland China. In June 2022, Moody’s opined in its credit rating update that CLP Holdings, within its current A2 credit rating profile, should be able to manage the adverse financial impact due to substantially unfavourable fair value movement on the energy forward contracts of EnergyAustralia because of its strong financial capacity and solid liquidity.

In July 2022, S&P lowered EnergyAustralia’s credit rating from BBB+ to BBB- with negative outlook and revised its liquidity to adequate from strong. This rating action reflected S&P’s view of EnergyAustralia’s weakening credit position with prolonged operational issues amid challenging market conditions including several unplanned outages at its coal plants exacerbated by volatile wholesale market conditions and high prices.

As at 30 June 2022, the notional value of the Group’s aggregate outstanding derivative financial instruments amounted to HK$67.5 billion for hedging of foreign exchange and interest rate risks. Notional volumes of aggregate outstanding energy derivatives amounted to 366,900GWh, 10 million barrels and 3,303TJ for electricity, oil and gas respectively. The fair value of these derivative instruments was a net deficit of HK$2,257 million at the end of June 2022.

CORPORATE GOVERNANCE

Highlights for the First Half of 2022

We have always emphasised that our corporate governance practices should evolve as we continuously look for opportunities to improve.

- Mr David Simmonds, formerly Group General Counsel & Chief Administrative Officer and the Company Secretary, took up the role as Chief Strategy, Sustainability and Governance Officer on 1 April 2022, reflecting the importance of embedding sustainability into CLP's business strategy as a Utility of the Future.

- The Company, in collaboration with The Hong Kong Chartered Governance Institute and KPMG China, contributed to and sponsored the publication of *Climate Change Reporting: Imminent, Challenging & Mandatory – The Opening Moves* in July 2022, which helps companies better anticipate issues in adopting the proposed International Sustainability Standards Board's standards.

- Hybrid Annual General Meeting (AGM): The 2022 AGM was held in a hybrid format with our public shareholders joining online. There was a Principal Meeting Place, with attendance limited to Directors and management working on the AGM arrangements. The online AGM was attended by both registered and non-registered shareholders who were able to view a live webcast of the AGM, submit questions and cast votes in near real-time through the online platform. Through the online AGM, this enabled shareholders to express their views amid these special circumstances.

- Continuous Disclosure in 2022: Our Continuous Disclosure Committee conducts regular assessment of potential inside information including the timeliness of making any relevant regulatory announcements. We first reported in our Quarterly Statement 2022 (January – March) the negative impact on the Group's operating earnings from the significant unfavourable non-cash fair value movements concerning our business in Australia. This was disclosed as an inside information announcement and subsequent to this, we gave a further update on this and issued a profit warning announcement in late June.

Corporate Governance Practices

The CLP Code on Corporate Governance (CLP Code) is our own unique code and it is built on CLP's own standards and experience while respecting the benchmarks set by the Hong Kong Stock Exchange. The CLP Code is on our website and available on request. We are reviewing the CLP Code to update and reflect the new requirements under the Hong Kong Stock Exchange Corporate Governance Code (Corporate Governance Code), Appendix 14 of the Rules Governing the Listing of Securities (Listing Rules).

Our Code goes beyond the principles of good corporate governance and incorporates the Code Provisions on a "comply or explain" basis and certain Recommended Best Practices as set out in the Corporate Governance Code.

During the six months ended 30 June 2022, the Company had complied with the Code Provisions and applied all the principles in the Corporate Governance Code. CLP deviates from only one Recommended Best Practice in the Corporate Governance Code – that an issuer should announce and publish quarterly financial results. We do not issue quarterly financial results, but we issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities. Our considered reasons for not issuing quarterly financial results have been set out in the Corporate Governance Report on page 112 of our 2021 Annual Report.

The Audit & Risk Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022.

At the Company's AGM held on 6 May 2022, the re-appointment of PricewaterhouseCoopers as the Company's independent auditor for the financial year ending 31 December 2022 was approved by our shareholders with strong support of over 99.61% of the votes.

Further information of CLP's corporate governance practices is set out in the "About" and "Investor Relations" sections of the CLP website.

Remuneration – Non-executive Directors

In our 2021 Annual Report, we set out the proposed fees for our Non-executive Directors (including Independent Non-executive Directors) who serve on the Board and on the Board Committees of the Company for the ensuing three years ending on the date of the AGM in 2025 (see page 175 of the Company's 2021 Annual Report). At our 2022 AGM, the proposed fees were approved by our shareholders with strong support of over 99.99% of the votes.

Risk Management and Internal Control

The Audit & Risk Committee has the delegated responsibility from the Board to assure that effective risk management and internal control systems are in place and followed. The Audit & Risk Committee has continued to oversee CLP Group's risk management and internal control approaches and consider the internal audit reports submitted by Group Internal Audit. Details of CLP's risk management and internal control systems were set out in the Corporate Governance Report on pages 135 to 137 of the Company's 2021 Annual Report.

During the six-month period ended 30 June 2022, Group Internal Audit issued a total of nine opinion audit, four special review and one desktop review reports. All the opinion audit reports carried satisfactory audit opinion. No significant areas of concern that might affect shareholders were identified.

Interests in CLP Holdings' Securities

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and our own Code for Securities Transactions (CLP Securities Code) throughout the period from 1 January to 30 June 2022. 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.

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

There had been no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2022.

SECOND INTERIM DIVIDEND

Today, the Board of Directors of the Company declared the second interim dividend for 2022 of HK$0.63 per share (2021: HK$0.63 per share) payable on 15 September 2022 to shareholders registered as at 5 September 2022. The dividend of HK$0.63 per share is payable on the existing 2,526,450,570 shares in issue.

The Register of Shareholders will be closed on 5 September 2022. To rank for this second 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 Friday, 2 September 2022.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 8 August 2022

The Company's Interim Report containing financial statements and notes to the financial statements will be published on the Company's website www.clpgroup.com and the website of the Stock Exchange of Hong Kong by 15 August 2022 and despatched to shareholders on 23 August 2022.

中 電 控 股 有 限 公 司
CLP Holdings Limited

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

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

Non-executive Directors:	The Hon Sir Michael Kadoorie, Mr William Mocatta, Mr J. A. H. Leigh, Mr Andrew Brandler and Mr Philip Kadoorie
Independent Non-executive Directors:	Sir Rod Eddington, Mr Nicholas C. Allen, Mrs Fanny Law, Mrs Zia Mody, Ms May Siew Boi Tan, Ms Christina Gaw and Mr Chunyuan Gu
Executive Director:	Mr Richard Lancaster

Energy for Brighter Tomorrows