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中電控股有限公司

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Announcement of Annual Results from 1 January 2021 to 31 December 2021, Dividend Declaration and Closure of Books

Financial Highlights

- Consolidated revenue increased 5.5% to HK$83,959 million.
- Notwithstanding a solid performance in Hong Kong, Group operating earnings decreased 17.8% to HK$9,517 million mostly due to challenging energy market conditions in Australia and Mainland China.
- Total earnings for the year reduced to HK$8,491 million after taking into account items affecting comparability.
- Fourth interim dividend of HK$1.21 per share; including the first three interim dividends paid, total dividends for 2021 are HK$3.10 per share, same as 2020.

CHAIRMAN'S STATEMENT

2021 has been a year of conscientious effort and commitment at CLP. We have been adapting and building our resilience to COVID-19, sustaining operational excellence and strengthening our commitment to decarbonisation.

More than two years into the pandemic, we continued to make it our priority to look after people – our colleagues, customers and the communities. Many of our markets have seen the beginning of their economic recovery from COVID-19 although a recent surge in variant cases is disrupting the course.

The lingering impact of the pandemic and other challenges such as the energy crisis and high fuel prices impacted CLP's financial performance in Australia and our thermal assets in Mainland China. However our main Hong Kong operation was largely dependable. We remain cautiously optimistic on the region's economic outlook, especially given the strengths of our position in our home market Hong Kong alongside our long-term commitment in Mainland China.

In 2021, the Group's operating earnings decreased 17.8% to HK$9,517 million, while total earnings fell 25.9% to HK$8,491 million from 2020. The drop in total earnings was primarily due to significantly lower earnings from the generation portfolio of our Australian business and high coal prices in Mainland China. There were also several one-off charges including settlement of a long-running litigation in Australia and costs in ensuring the safe operation of the Yallourn mine following the impact caused by extreme weather.

Notwithstanding this, the Board is confident in the Group's ability to maintain the integrity of its operations and has approved a fourth interim dividend payment for 2021 of HK$1.21 per share, in line with the same period in 2020. Total dividends per share for 2021 are maintained at HK$3.10.

The world was watching as the 2021 United Nations Climate Change Conference (COP26) unfolded in Glasgow in November. Given the complexity of the issue and the diversity of stakeholders involved, we welcome the progress that emerged from the summit and the strengthened commitments many countries made in 2021. In spite of the progress and commitments demonstrated so far, more needs to be done. We must all recognise that success will not appear overnight, and we are just embarking on this long journey.

In September, we unveiled our updated Climate Vision 2050 with a commitment to achieving net-zero emissions across our business by 2050. We brought forward the date of the complete phase-out of the coal-fired generation assets in our portfolio to 2040, a decade earlier than previously pledged.

We have set new targets for 2030 and further strengthened our 2040 targets to align with what the latest climate science deems necessary to meet the goals of limiting global warming to well-below 2°C above pre-industrial levels. To pursue efforts to limit warming to 1.5°C, we remain committed to strengthening our decarbonisation targets at least every five years. As we race against time and move towards net zero, careful long-term planning and coordination to balance different interests as well as large-scale investments to support the transition will become ever more critical.

As one of the largest integrated utility companies in the Asia-Pacific region, CLP's approach to tackling the threats of climate change has a dual focus: to progressively decarbonise our business operations while providing sustainable and commercially viable energy solutions that will deliver net-zero for this generation and the next. We are also keenly aware that once our industry is decarbonised, greater use of electricity can enable other sectors in the economy such as transportation and manufacturing to reduce their carbon footprint.

We ended 2021 with the Group's commitment to capital expenditure at a high level, mainly driven by the decarbonisation investments in Hong Kong, Mainland China, Australia and India. While these investments reflect our commitment to decarbonisation and confidence in the economic prospects of our markets, they also highlight the importance of partnerships given the significant capital required.

In India, we have built a successful partnership with the Canadian pension fund Caisse de dépôt et placement du Québec (CDPQ) to jointly explore the many non-carbon opportunities offered by the country. Our collaboration since 2018 has enabled Apraava Energy – the new brand of our Indian business – to venture into new industry segments and secure a number of significant investments including two transmission projects.

This business model of bringing in new capital to fund the investments required for the energy transition in our markets has proven effective. CLP is open to replicate this in other markets to draw on support from investors and financiers.

Closer to home we are witnessing the growth opportunities created by a rise in the demand for smart, green energy services in the Greater Bay Area. We believe innovation will be at the epicentre of the energy transition and CLP is keen to leverage technology and our expertise in Hong Kong to bring sustainable energy solutions to a wider audience.

2021 is a year to be remembered. It was CLP's 120th anniversary – an opportune time to reflect on our long history in Hong Kong, our growing capabilities in Mainland China and other territories, and the abilities to deliver in such fast-changing markets. During our anniversary year, we took the opportunity to reinforce our long-standing commitment to Hong Kong and deepen our connections with the communities of which we have been a proud member since 1901. In October, I had the pleasure – together with the Chief Executive of the Hong Kong Special Administrative Region The Honourable Mrs Carrie Lam Cheng Yuet-ngor – to officiate the opening of a state-of-the-art gas-fired generation unit at our Black Point Power Station. The addition of this new facility is a strong testament to our dedication to continue to serve this city with less carbon emission.

Our resilience today, just like our historic successes, is of course built on the people who make up this business. To the 8,116 CLP colleagues around the world, whose passion and expertise inspire us every day, may I thank you.

As we look forward to 2022 and many more years ahead, I am pleased to say that we shall be moving our head office to a brand new building in the Kai Tak Development Area which will provide an exciting and truly modern place to work for our colleagues. In the last decade, this site of Hong Kong's famous old airport at Kai Tak has seen its own transformation to a modern business hub – a shining representation of Hong Kong's dynamic, digital future. The new head office project underlines our confidence in Hong Kong and commitment to continue to support the sustainable growth of our city.

In the face of the challenges and opportunities of this decade that are becoming increasingly clear, our focus and priorities are also well-defined. Working closely with partners and governments in our markets to support the realisation of climate targets, deliver a credible decarbonisation plan and leverage technology to serve growing demand for energy solutions are top of mind. But most important of all, building and organising an agile, innovative workforce with the right values and ability to thrive regardless of the external environment will come to define what CLP truly stands for as a Utility of the Future.

The Honourable Sir Michael David Kadoorie

CEO'S STRATEGIC REVIEW

Global challenges in the energy markets and the ongoing impact of the pandemic, alongside a clear and very welcome intensification of efforts to address climate change, mean that 2021 has further extended this period of fast change for the energy industry and for CLP.

Some of the core capabilities at CLP are adaptability and reliability, ensuring that we keep the lights on and deliver sustainable energy solutions for different customers regardless of the changes in our markets. I am pleased that the business continued to exercise the agility and dedication to maintain a high level of resilience across our operations during the year.

Climate change, with the associated natural disasters becoming more severe and frequent, represents a specific risk to our communities and our operations. CLP's strategy recognises not just our own important journey to net zero, but our ability to play a key role in supporting decarbonisation of the wider society wherever we operate.

The energy crisis in Europe, a power crunch in China and higher fuel prices in many regions have re-emphasised the need for careful planning and coordination to manage the energy transition smoothly. Any significant shocks to reliability, price and employment in the energy sector could easily threaten the necessary collaboration between energy companies, their customers and governments in delivering the energy transition.

It is reassuring that our Climate Vision 2050 is laying out a clear decarbonisation roadmap for the business. In 2021, we conducted a strategic review of Climate Vision 2050, taking into account a comprehensive range of factors including the latest climate science, technology trends, the regulatory environment, the risks and opportunities to the business and the views of key internal and external stakeholders, not least our investors. The updated document includes more ambitious targets and our pledge to accelerate the phase-out of coal. To deliver a safe, reliable and cost-effective energy transition, targeted investments in new low-carbon opportunities and close partnerships on the decarbonisation journey will now constellate.

In 2021, our partnerships with governments in markets where we operate have proved fruitful. Through these collaborations, we were able to contribute the most of our experience and expertise to support the achievement of national climate targets and the coordination of an orderly energy transition that leaves no one behind.

On an industry level, our partnerships with like-minded organisations helped galvanise the efforts required to enable solutions at scale. During COP26, CLP joined 27 other companies in making pledges to drive growth in demand for, and supply of, hydrogen. The pledges we made, through the World Business Council for Sustainable Development and The Sustainable Markets Initiative, sent a clear signal for an increased use of hydrogen as a low-carbon fuel in generation and transportation and a prompt to hydrogen producers to develop additional capacity at scale. As with any new low- and zero-carbon technology, scale will bring commercial viability. This will be key for the gradual introduction of hydrogen into our gas-fired power plants in Australia as well as Hong Kong.

Hong Kong

Hong Kong remains the cornerstone of our business and the city's gradual economic recovery from COVID-19 last year lifted electricity demand across sectors. In 2021, operating earnings from Hong Kong's electricity business increased 4.7% to HK$8,189 million as we continued to make investments to support the city's energy transition.

Two of the most important new projects being developed are the second combined-cycle gas turbine unit at Black Point Power Station and the new offshore LNG terminal. Both will facilitate the higher use of natural gas – an important bridging fuel – and play key roles in delivering the Hong Kong Government's long-term decarbonisation strategy outlined in its Climate Action Plan 2050. In spite of the global supply chain disruptions brought by the pandemic, good progress was made with the construction of these projects during the year.

Our focus on promoting local renewable and zero-carbon energy continued, including supporting customers and businesses to improve their energy efficiency even further. We are also pressing ahead with a feasibility study on building an offshore wind farm in Hong Kong's waters. In September, we reached a Memorandum of Understanding with GE to develop a decarbonisation roadmap to use hydrogen in CLP's gas-fired power generation facilities in Hong Kong.

We continued our digitisation journey including the further roll-out of smart meters and enhancing customer experience with greater digital interactions. The growing digitalisation of the overall economy – including, for example, the increased use of data centres – offers a significant opportunity for growth. In response to new electricity requirements from our customers, the Hong Kong Government in November approved an additional capital expenditure of more than HK$3 billion under the Development Plan for 2018-2023 for us to reinforce our network to meet the expected increase in demand.

The electrification of transportation is a trend we watch closely. CLP welcomes the Hong Kong Government's announcement in 2021 of a roadmap to promote the adoption of electric vehicles (EVs). We continued to support this policy direction by providing free EV charging facilities and offering support to private residential buildings interested in applying for government funding to install charging infrastructure.

As one of the city's two electricity providers, CLP operates within a regulatory framework which in turn provides stability and visibility to strategically plan investments, which are often made for decades. We will continue to invest for the long-term to support the Hong Kong Government's climate targets and the city's digitalisation pathway, and act as an orchestrator to facilitate our customers to decarbonise, electrify or improve their energy efficiency.

Mainland China

We maintained output during the challenging time to support the Chinese economy. While our non-carbon portfolio continued to perform reliably, the coal-based assets were impacted negatively by notably higher fuel prices. Although coal assets are only a small part of our generation portfolio, they saw a loss in 2021 due to high fuel prices and sustained periods of use. This weighed on Mainland China's operating earnings, which decreased 25.7% from a year ago to HK$1,660 million. As coal prices continued to stabilise, we do not expect this particular issue to repeat in 2022.

Besides the higher contributions from our nuclear portfolio, there were steady operations from our wind and solar energy assets, including the new Laiwu III wind farm in Shandong province. We also saw the completion of our first grid-parity wind project which does not rely on government subsidies – Qian'an III in Jilin province – with an accompanying battery storage.

In a good example of innovative business model we expect to see thrive in the Greater Bay Area (GBA), we have signed our first contract to invest in and operate a centralised cooling system at a shopping centre in Guangzhou, a city near Hong Kong. We are exploring other emerging smart energy opportunities including more work with data centres and energy management systems. Retail energy also remains an area of potential interest especially as the industry continues to reform, opening up more opportunities for private investment.

The adoption rate for EVs in China is one of the highest in the world. We will continue to analyse the scale and nature of the opportunity for us to participate in this sector, and invest in the right way at the right time.

2022 will see us maintain our focus on restoring the financial performance of our coal-fired assets and pursuing new grid-parity renewable energy projects, as well as continuing to explore smart energy opportunities and strengthen collaboration across the GBA, aligned with the Government's 14^{th} Five-Year Plan.

Australia

During the year we continued to look after our customers and maintained our focus on the ongoing energy transition commencing major decarbonisation projects.

There was significant progress on EnergyAustralia's future clean energy portfolio with the support of Federal and State Governments, all of which have in place net zero by 2050 as a policy and this is helping to create a clearer energy policy environment, something that is most welcome. In a highlight of EnergyAustralia's own efforts, the company updated its Climate Change Statement with enhanced commitments mirroring those in the Group's Climate Vision 2050.

As part of our commitment to phase out coal, we collaborated with the Victorian Government to advance the retirement of Yallourn Power Station to 2028. We have progressed our investments in the Wooreen battery storage project which is expected to support the Victorian electricity system's reliable supply. EnergyAustralia also secured a market operational agreement related to Kidston pumped hydro energy storage project which will commence once that facility is commissioned in 2024.

We announced an expansion of the Tallawarra Power Station located in New South Wales which will be capable of running with 5% hydrogen in its fuel mix from day one. This will be the first net-zero emissions hydrogen and gas capable power plant in Australia, with direct carbon emissions from the project offset over its operational life.

To support Australia's energy transition, significant capital will be needed for major infrastructure projects. We will consider to tap on available funding in the market in order to deliver on lower- and zero-carbon investments.

Financially, 2021 was a challenging year where operating loss was at HK$83 million due to the unfavourable factors of higher gas costs, low wholesale electricity prices, adverse fair value movements as well as accelerated depreciation and lower generation at Yallourn. Furthermore, total earnings were impacted by the one-off settlement of the Iona gas plant disposal litigation and the expenses related to the extreme rainfall event in June, which damaged the Morwell River Diversion at the Yallourn mine and led to a temporary suspension of mine production, resulting in the aforementioned lower generation.

As the pace of the energy transition in Australia increases, the industry as a whole will face volatile and uncertain operating conditions including an increasingly competitive landscape. Against that backdrop, EnergyAustralia may continue to be affected by challenging market conditions during 2022 including the continuation of low realised wholesale electricity prices, higher gas costs and intense competition in retail energy markets.

India

Our partnership with CDPQ, which has a 40% stake in our business in India, continued to function well and deliver stable business performance during the year. Our focus operationally was on protecting the health of employees amid a severe second wave of COVID-19 pandemic in India in the second quarter of the year. We continued to make contributions to relief efforts at both the Group and national level. The recovery in overall electricity demand in India reflected a gradual easing of the pandemic towards the end of 2021.

We continued to work with the Indian Government to seek clarifications of the new foreign investment laws and were pleased to receive requisite regulatory approvals to acquire a 49% shareholding in Kohima-Mariani Transmission Limited (KMTL), the beneficial owner of an interstate transmission project in northeastern India, as well as a registration which enables Apraava Energy to participate in new greenfield bidding opportunities.

In 2021, wind generation increased, helped by higher monsoon wind and there was increased solar generation from the addition of new projects. The Jhajjar coal-fired station continued to demonstrate robust operations despite growing coal costs, although contributions were slightly lower due to a reset in tariff. Overall, Apraava Energy's operating earnings were 26.3% higher at HK$221 million.

The rebranding from CLP India to Apraava Energy – a name inspired by the combination of four Sanskrit words – Agni (Fire), Prithvi (Earth), Ambu (Water) and Vayu (Wind), is symbolically significant as it represents the growth potential that will come from renewable energy. India is on an ambitious drive to be one of the world's leading centres of clean energy and Apraava Energy is well placed to be an important contributor to that new energy future. With a strategic focus on clean energy and customer-focused energy businesses, we aim to see Apraava Energy double the size of its portfolio in the next two to three years.

A new era of changes and opportunities

Although the impacts of climate change have no regard for borders, we do not expect all our markets to be the same on their energy transition. In a world where energy transitions will move at different paces, our strategy will see us flexing what we do in each territory to deliver solutions adapted to each localised context.

Our core markets of Hong Kong and Mainland China will continue to see growth in our asset base. The energy transition continues to present new business opportunities in the GBA, not least as we see more regional integrations across the energy industry. Our Hong Kong business is naturally well placed to extend, given our expertise and capabilities across retail, generation, nuclear and smart energy services.

This new growth cycle is reflective of the whole energy market being in transition. The world's biggest challenge – decarbonising electricity – is also our biggest opportunity. The more successful we are at decarbonising electricity, the stronger our markets and our business will be.

Companies like CLP that are at the forefront of the energy transition must themselves transition and transform to embrace these challenges and opportunities while keeping the best interest of the customers in mind. We will adapt the way we operate and organise ourselves as appropriate to ensure we deliver against our strategy at the right pace. We will also instil new ways of working among our people, emphasising on agility and the capability to leverage cutting edge technologies.

I am delighted by the ongoing partnerships we are seeing in 2021 – from national, local and regional governments to private sector partnerships that will power our transition forward. We look forward to working even more closely with the public and private sector as well as the broader finance industry on this journey. Our investors are our key partners and we welcome their ongoing, positive engagement with our transition.

CLP brings energy expertise and continual evolution stretching back more than 120 years. In the face of crises like COVID-19 and climate change, our long-term thinking and resilience will become ever more critical. In the coming years, we will strengthen our capability, agility and adaptability to identify and provide the energy solutions suitable for each of our markets and create most value from one generation to the next.

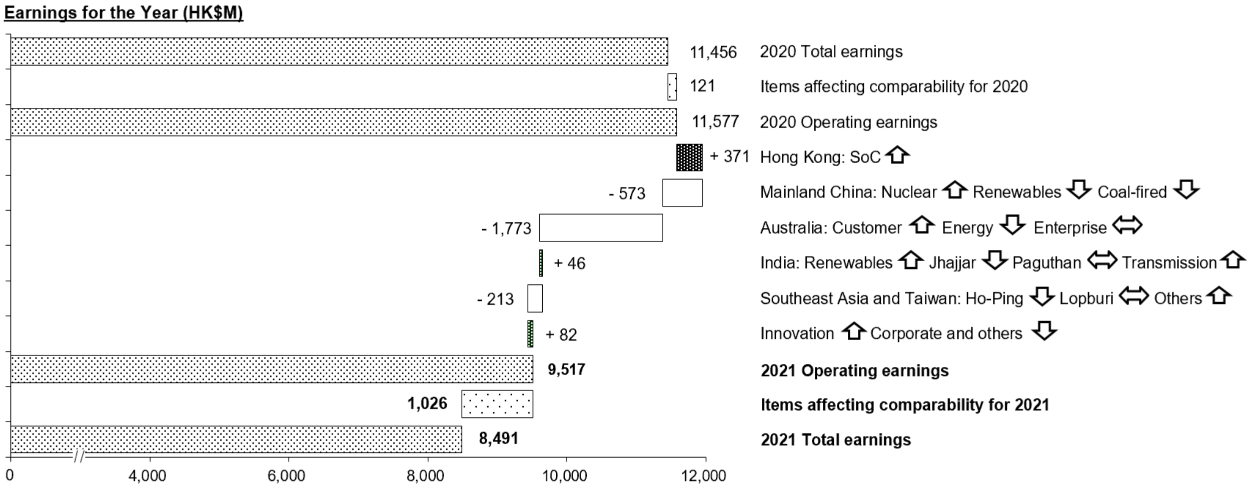
Richard Lancaster

FINANCIAL PERFORMANCE

Group operating earnings decreased 17.8% to HK$9,517 million, the strong performance in Hong Kong only partially offsetting lower earnings from our generation portfolio in Australia and high coal prices impact in Mainland China. Total earnings reduced to HK$8,491 million after items affecting comparability.

	2021 HK$M	2020 HK$M	**Increase/ (Decrease) %**
Hong Kong electricity business	**8,189**	7,818	4.7
Hong Kong electricity business related*	**301**	270	
Mainland China	**1,660**	2,233	(25.7)
Australia	**(83)**	1,690	N/A
India	**221**	175	26.3
Southeast Asia and Taiwan	**173**	386	(55.2)
Other earnings in Hong Kong	**(66)**	(238)	
Unallocated net finance (costs)/income	**(9)**	24	
Unallocated Group expenses	**(869)**	(781)	
Operating earnings	**9,517**	11,577	(17.8)
Items affecting comparability	**(1,026)**	(121)	
Total earnings	**8,491**	11,456	(25.9)

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



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

BUSINESS PERFORMANCE AND OUTLOOK

Hong Kong

Overview

Hong Kong's economy continued to recover from the impact of COVID-19 in 2021 due to rising vaccination rates, falling case number and the Government's stimulus measures that gradually opened up the economy. However, the spread of new variants across the globe and lingering international travel restrictions have made the timeline for full recovery uncertain, with some sectors particularly badly hit. Meanwhile, volatile international fuel prices and supply chain issues led to surging electricity tariffs and even the collapse of some overseas energy companies. Against this challenging backdrop, CLP took decisive and timely steps to ensure the impact of international fuel market volatility could be minimised while its customers continued to receive a stable, safe electricity supply with a world-class 99.999% reliability rate.

Electricity sales in Hong Kong rose 4.1% to 35,355 gigawatt hours (GWh) as easing social restrictions and increased consumer spending spurred economic activity, lifting demand in all sectors. The infrastructure, public services and commercial sectors saw the biggest increases in demand as schools, social activities and Government services gradually resumed normal after disruptions caused by the pandemic since 2020. Restaurants, shops and hotels also saw increased activity from a low base at the beginning of 2021 as the COVID-19 situation eased. Record temperatures in March, May and September also contributed to higher electricity sales.

Hong Kong Electricity Sales in 2021

	Sales	Year-on-Year Increase	Share of Total Local Sales
	GWh	%	%
Residential	10,525	2.2	30
Commercial	13,423	4.2	38
Infrastructure and Public Services	9,742	6.2	27
Manufacturing	1,665	3.0	5
Total	35,355	4.1	100

In 2021, the number of customer accounts rose to 2.71 million, compared with 2.67 million in 2020.

Operating earnings of Hong Kong electricity business increased 4.7% to HK$8,189 million from a year earlier on the back of higher investment.

A steep rise in international fuel prices and the increased use of gas in line with environmental targets set by the Government drove up fuel costs, leading to an increase in electricity tariffs for 2022. To ease the financial burden on customers, a total of around HK$2.5 billion was drawn from the Tariff Stabilisation Fund, the Fuel Clause Recovery Account, and the CLP Community Energy Saving Fund, combined with a Rent and Rates Special Rebate. These measures resulted in a freeze in the Basic Tariff, while the deployment of two special rebates reduced the increase in the Average Net Tariff from 10.5 HK cents (8.6%), to 7.1 HK cents (5.8%). CLP also announced a HK$220 million package of community support programmes for 2022 to encourage energy saving, help people in need and accelerate Hong Kong's economic recovery.

Laying foundations for growth

CLP continued to benefit from increased demand created by new projects such as data centres and government infrastructure projects. To meet new growth, CLP expanded investment aimed at ensuring the demand could be met with high levels of safety and reliability, while moving Hong Kong towards a lower-carbon, smart city consistent with the Government's policy objectives.

As part of its ongoing review of CLP's capital expenditure programmes, the Government approved additional projects to meet evolving electricity demand requirements from customers. This will raise the total capital expenditure for the 2018 Development Plan, covering the period of October 2018 to the end of 2023 from HK$52.9 billion to HK$56.1 billion.

The Government also announced a number of long-term large-scale infrastructure projects, including the Northern Metropolis Development Strategy and the Lantau Tomorrow Vision, which are expected to create additional growth momentum. CLP will provide the energy infrastructure needed to support these developments as they take shape.

Cultivating a greener future

At home and overseas, 2021 saw landmark moments in the battle against climate change. Internationally, the 26th United Nations Climate Change Conference of the Parties (COP26) was attended by thousands of world leaders, policymakers, business executives, negotiators, scientists and activists. In Hong Kong, the Government published its Climate Action Plan 2050, setting out a clear roadmap to achieve carbon neutrality by 2050.

CLP gave its wholehearted support to Hong Kong's long-term decarbonisation strategy, following the Group's earlier announcement of the updated Climate Vision 2050 with targets to achieve net-zero greenhouse gas emissions across the energy value chain by 2050 and phase out coal in all operations by 2040. CLP will work closely with the Hong Kong Government and its customers to find the best ways to introduce new zero-carbon energy sources, reduce the carbon intensity of the power supply and speed up electrification to reduce carbon emissions from transport and other sectors.

In October, CLP held an official launch ceremony for D1, a combined-cycle gas turbine (CCGT) unit at Black Point Power Station using new generation technology. Unit D1 has been in operation since mid-2020 and lifted the ratio of natural gas in CLP's fuel mix from below 30% in 2019 to around 50% in 2020. D2, a second CCGT unit on an adjacent site due to go into service in 2023, will further add to CLP's gas generation capacity. Construction of unit D2 progressed on schedule in 2021, with CLP deploying mitigation strategies to minimise pandemic-related supply chain disruptions.

CLP meanwhile moved forward with the construction of an offshore LNG terminal in the south-western waters of Hong Kong, which will allow for increased reliability, diversity and competitiveness of our gas supply arrangements. Considerable progress was made with the jacket structures on the jetty site, and subsea pipelaying works were completed. The LNG terminal is expected to go into service in 2022.

Coal-fired generation facilities will be retired in stages as the use of natural gas increases. CLP plans to gradually phase out units at Castle Peak A Power Station in the coming years as it reaches the end of its commercial life. It will stop using coal for day-to-day electricity generation at Castle Peak B Power Station by 2035.

At the same time, CLP is promoting the development of renewable energy. Pre-development studies continued into the feasibility of an offshore wind farm in the south-eastern waters of Hong Kong. Early findings indicate improvements in turbine technology and costs will make offshore wind farms an increasingly viable option in the medium term.

At the end of 2021, 265MW of capacity had been approved or connected to the grid under the Renewable Energy Feed-in Tariff scheme, up from 175MW a year earlier. Renewable Energy Certificates received an increasingly positive response with sales growing 185% as more customers committed to larger and longer-term purchases. The biggest buyer, Hang Seng Bank, committed to purchase nearly 154GWh of renewable energy over a 10-year period from 2021, equivalent to a reduction of over 60,000 tonnes of carbon emissions from electricity use.

CLP's waste-to-energy generation station at the West New Territories (WENT) landfill site – Hong Kong's biggest facility using landfill gas for electricity generation which began operations in 2020 – provided 38GWh of clean energy to the grid. Construction meanwhile progressed on Hong Kong's first integrated waste management facility, which will burn municipal waste to produce energy. The facility on an offshore island will be connected to CLP's grid by a subsea cable.

CLP continued to work with the Government to explore ways to enhance regional cooperation on zero-carbon energy and to identify sources of carbon-free energy from neighbouring regions, including joint investment and development opportunities as well as zero-carbon energy projects near Hong Kong. The company will continue to explore emerging technologies and is looking at opportunities to convert its gas generation infrastructure to support the use of green fuels, such as zero-carbon hydrogen. Towards this end, the CLP Group signed a Memorandum of Understanding with GE, the multinational company, to jointly develop a decarbonisation roadmap for CLP's gas-fired generation facilities at Black Point Power Station and to explore new technologies for the use of low-carbon fuels such as hydrogen.

Enhancing customer experience and empowerment

The journey to a net-zero future involves not only decarbonising the electricity supply but also encouraging customers to embrace low-carbon lifestyles leveraging the power of digital technologies. CLP promotes energy efficiency to reduce overall electricity demand and is rolling out smart meters across its supply area to allow customers to better manage their electricity use. Smart meters give customers access to detailed consumption data and allow them to participate in demand response programmes. Despite a shortfall in the supply of new meters resulting from a global chip shortage, CLP had connected more than 1.2 million smart meters by the end of 2021. Its goal of replacing conventional electricity meters with smart meters for all customers by 2025 remains on track.

An illustration of the benefits of energy saving by customers came on 27 July when electricity demand reached a new peak of 7,477MW. CLP managed its system load by incentivising more than 30,000 of its commercial, industrial and residential customers to take part in a demand response programme and reduce their energy use in the most critical hours. Without the demand response programme, peak power demand would have been over 70MW higher.

Other smart solutions were deployed to help larger businesses become more energy efficient. CLP teamed up with the Airport Authority Hong Kong to jointly design and develop the city's largest battery energy storage system (BESS) combined with a predictive control system for air conditioning in one of the airport's terminals. With a maximum power output of 4MW, the BESS serves as an emergency back-up power supply system, storing electricity produced by the existing generators during routine testing. The BESS operates without fuel and is more environmentally friendly than existing back-up generators.

The predictive control system, meanwhile, uses big data analytics tools to anticipate the cooling needs of the terminal building 24 hours in advance, then automatically adjusts the air conditioning system to provide the right amount of cooling and eliminate unnecessary energy consumption. The system, co-developed by CLP, the Airport Authority Hong Kong, and the Hong Kong Observatory, was named Energy Project of the Year for the Asia-Pacific Rim region by the US-based Association of Energy Engineers.

CLP launched an Electrical Equipment Upgrade Scheme in 2018 to provide subsidies for commercial and industrial customers to replace or upgrade lighting systems, air conditioners and other electrical equipment with more energy-efficient models. Increased awareness of the programme led to a rise of applications and a total energy saving of 33GWh in 2021.

Meanwhile, a new CLP website was successfully launched in October, upgrading the website from legacy technology to a modern, secure, and scalable cloud-based platform that offers better browsing experience and a new level of digital customer service. Customers are empowered to carry out more self-service in a shorter time thanks to a new help and support centre, personalised content based on their online behaviour, friendly chatbot assistance and a faster loading website. Responses have been positive with increases recorded in new visitors, unique sessions and time spent browsing pages. Feedback on web content and potential improvements will be constantly monitored to keep pace with customer expectations.

CLP continued to support the use of electric vehicles in Hong Kong by providing free charging facilities. In 2020, the company launched a programme called Eco Charge 2.0 to provide one-stop technical and customer support to owners and managers of private residential buildings interested in applying for government funding to install charging infrastructure in car parks. By the end of 2021, CLP had completed preliminary assessments for around 94% of the 451 applications received so far, covering proposals for around 119,000 parking bays.

<u>Outlook</u>

Power generation currently accounts for about two-thirds of Hong Kong's carbon emissions. As the city's largest electricity supplier, CLP has a key role to play in supporting Hong Kong's journey to a carbon-free future. CLP will continue to focus on the construction and realisation of a number of major decarbonisation infrastructure projects, including the offshore LNG Terminal, the D2 unit at Black Point Power Station, the enhancement of the Clean Energy Transmission System connecting the CLP grid to Guangdong and the possibility of an offshore wind farm.

The commissioning of the offshore LNG Terminal planned for 2022 will mark a significant step forward in the procurement of natural gas, and CLP is determined to work towards the project's successful completion and smooth operation. The company will also explore opportunities in zero-carbon hydrogen and other technologies to further reduce carbon emissions from electricity generation.

As it takes the next steps on the journey to net zero, CLP will continue to encourage customers and the community to be more energy efficient and accelerate the installation of smart meters. CLP is also committed to exploring new technologies to further enhance its digital capabilities, operational reliability and customer service, while promoting energy education and caring for people in need through a broadening range of community initiatives.

Mainland China

Overview

China's economy rebounded strongly in 2021 from the early impact of the pandemic, growing 8.1% year on year and driving a 10.3% increase in electricity consumption to meet rising industrial demand, albeit from a low base. However, higher fuel prices put heavy pressure on the margins of CLP's coal operations. Although the performance of the company's non-carbon portfolio was satisfactory, operating earnings in Mainland China decreased 25.7% to HK$1,660 million because of a loss in the thermal energy segment.

The performance of the business is summarised below:

Operating Earnings	**2021 HK$M**	2020 HK$M	Change %
Nuclear Energy	**1,908**	1,594	19.7
Renewable Energy	**545**	565	(3.5)
Thermal Energy	**(572)**	203	N/A
Operating and Development Expenditure	**(221)**	(129)	71.3
Total	**1,660**	2,233	(25.7)

Nuclear energy brings stable contributions

Nuclear power is a clean energy source that plays a key role in reducing carbon emissions, and its contribution accounted for the bulk of CLP's operating earnings in Mainland China in 2021. Yangjiang Nuclear Power Station reported record generation as users switched to nuclear energy for electricity at a stable cost in times of volatile fuel prices.

The output from Daya Bay Nuclear Power Station remained stable and utilisation was high. The operation of both nuclear plants in Guangdong province remained safe.

Green energy gathers momentum

CLP's renewable energy projects in Mainland China saw stable operations and benefited from the addition of a new wind project. The Laiwu III wind farm in Shandong province, which began commercial operations in September 2020, ran smoothly and provided impetus for additional earnings. The performance of solar projects was sound due to good resources, particularly in Yunnan and Jiangsu provinces.

Hydro projects suffered from decreased water flow, however, and their reduced contributions – combined with CLP's decision to withdraw from two ageing minority-owned wind projects in Liaoning province – contributed to a slight decline in operating earnings from renewable energy projects.

CLP continued to expand its renewable energy portfolio in support of China’s decarbonisation strategy. In a milestone for the company, Qian’an III wind farm in Jilin province (100MW) was connected to the grid five months ahead of schedule in December, despite COVID-19 restrictions, torrential rainfall and record-breaking snowfall. The three-phase project, with a combined capacity of 199MW, is the biggest wind farm in the company’s Mainland China portfolio and the first CLP project of its kind equipped with a battery energy storage system. Qian’an III is also the company’s first grid-parity renewable energy project in the country which does not rely on national subsidy payments. In addition, CLP committed to invest in two more grid-parity wind farms – the 50MW Xundian II farm in Yunnan province and the 150MW Bobai farm in the Guangxi Zhuang autonomous region. Construction is expected to begin in 2022.

By the end of 2021, delayed national subsidy payments for CLP’s renewable energy projects amounted to HK$2,302 million, compared with HK$1,774 million at the end of 2020. CLP has been receiving continuous settlements over the years.

Coal costs weigh heavily on thermal projects

Coal-fired projects in Mainland China had a challenging 2021 with volatile coal costs – which hit a record high during the year – resulting in both majority-owned and minority-owned projects reporting a loss for the year.

Fangchenggang Power Station in the Guangxi Zhuang autonomous region recorded stable operations, although output was lower than in 2020 because of limited coal supplies. The power station completed the retrofitting of two units to allow it to provide steam to industry users nearby as it transforms itself into an integrated energy provider. When a pipeline to the plant is completed, the power station will be able to sell steam as well as electricity.

Mainland China launched the world's largest carbon market in July to contribute to its decarbonisation objectives. All coal-fired projects are required to participate, and are assigned specific allowances based on the types and capacities of their generation units. Fangchenggang Power Station conducted a number of transactions in the market to familiarise itself with the process, ensure it has a robust internal process in place and equip employees with the necessary knowledge. While the power station has a slight surplus allowance because of its advanced technology, it is studying ways to raise efficiency levels as the Government is likely to continue to tighten emission control measures.

Greater Bay Area opportunities

CLP has set out a strategy to establish a greater presence and pursue opportunities in the Greater Bay Area (GBA). In line with that strategy, CLP signed a contract to invest in and operate a centralised cooling system at Po Park Shopping Plaza in central Guangzhou until 2036. CLP took over the operation of the chilling plant at the 20-year-old complex in November and began modernising it, with retrofitting work expected to be completed in the first quarter of 2022. The project offers a steady income stream and represents the first step into a field with high business potential.

CLP’s investment to provide electricity supply services to customers in the Fangchenggang Hi-Tech Zone, which began operations in January 2020, meanwhile continued to attract new users.

Outlook

China aims to peak carbon emissions before 2030 and to achieve carbon neutrality by 2060, favouring non-carbon projects using renewable and nuclear energy. In the coming years, CLP will focus on expanding its renewable energy portfolio by adding more grid-parity wind and solar projects, including the Xundian II and Bobai wind farms.

To help meet China's climate targets, the use of CLP's nuclear energy projects is likely to remain at a very high level. However, Yangjiang Nuclear Power Station will be exposed to higher market risk as the plant is going to offer more of its output through market sales.

Coal supply shortages combined with strong industrial demand resulted in a severe power crunch in China in 2021. CLP is working closely with the Guangxi Government to support the community and meet demand for electricity. Fangchenggang Power Station will endeavour to maintain stable operations to fulfil its sales commitments, and utilise its jetty to import coal and lower fuel costs. As coal prices stabilise in 2022, the performance of CLP's coal portfolio in Mainland China is expected to improve. However, to meet CLP's own target to phase out all coal-fired assets by 2040, CLP will start planning ahead for the next step for Fangchenggang Power Station and other minority-owned coal projects.

In the GBA, CLP will explore investment opportunities in two main business models – Energy-as-a-Service (EaaS), and energy infrastructure. The recent investment in Po Park Shopping Plaza highlights a growing potential for centralised cooling systems. Other EaaS solutions under consideration include charging facilities for electric vehicles and energy management systems. CLP is also looking to invest in energy infrastructure projects for industrial parks and commercial sites, including district and multi-building cooling systems as well as data centres. These efforts will be supported by CLP's investment in the CSG Energy Innovation Equity Investment Fund set up by China Southern Power Grid in 2020 which is expected to bring new smart energy and innovation-related opportunities.

Australia

Overview

EnergyAustralia maintained its support for customers as the national economy continued to be impacted by COVID-19. Despite the pandemic, the company remained focused on developing a portfolio of new projects to provide clean, flexible generation in support of the country's energy transition.

The Customer business improved as levels of bad and doubtful debts related to COVID-19 fell. However, earnings in the Energy business were adversely affected by reduced wholesale electricity prices, accelerated depreciation costs resulting from the advanced retirement plans for Yallourn Power Station, and the replacement of expiring gas purchasing arrangements at higher prices. In addition, roughly one third of the decline in EnergyAustralia's earnings was related to non-cash changes in the fair value of energy hedging contracts. As a result, EnergyAustralia reported an operating loss of HK$83 million in 2021.

Supporting and retaining customers

EnergyAustralia continued to provide extensive support for customers struggling with the financial pressures of the pandemic. More than 50,000 new payment plans were set up and more than 200,000 payment extensions arranged for residential customers and small businesses under the “EnergyAssist” and “Rapid Business Assist” programmes.

The company continued to record improvements on Net Promoter Score as an increased proportion of its retail customers said they were willing to recommend EnergyAustralia to others. Although overall market churn increased year on year, EnergyAustralia improved its customer churn performance, widening the gap between its own churn rate and the rest of the market to a favourable 2.6%. EnergyAustralia’s focus on continuous improvement in customer service led to a record low number of customer complaints, contributing to the overall improved performance. However, total customer accounts fell marginally to 2.44 million in the face of ongoing and intense competition.

Ensuring high reliability

Major planned maintenance works were carried out at Yallourn Power Station in Victoria between September and December, ahead of the summer peak demand period, to help ensure supply reliability. The critical and complex works were significantly adjusted to ensure the health and safety of the workforce and community in view of the COVID-19 situation.

Earlier in the year, exceptionally heavy rainfall resulted in heightened water flows through the Morwell River Diversion which runs through the mine at Yallourn. The plant was run at restricted capacity for around two weeks as the near-term impact on the Morwell River Diversion was assessed. A comprehensive damage assessment was launched to determine what long-term repairs are required at a cost of A$78 million (HK$452 million). Water diversions were constructed to enable inspection and repairs of the Morwell River Diversion structure over the 2021/22 summer. Despite the disruption, the power station’s output was only 4.9% lower than in the previous year.

The Victorian Environmental Protection Authority (EPA) informed EnergyAustralia in February 2022 that it considered a dust complaint against the Yallourn mine in October 2021 to be a licence non-compliance. EnergyAustralia is of the view that it has met relevant obligations as the incident took place on an extremely windy and dry day while all of its operational control measures were in use at the time to minimise fugitive dust emissions. EnergyAustralia is currently liaising with the EPA for a review of the case.

Major planned works at Mount Piper Power Station in New South Wales were deferred to 2022 to ensure the safety of employees, contractors and the community from the escalating COVID-19 situation in the state at the time. Output from the power station increased year on year and works were undertaken to ensure sufficient coal supply to enable uninterrupted running in 2022 and beyond. During the year there were two environmental licence limit exceedances at the plant, relating to total particulates emissions and surface water turbidity respectively. The EPA was notified, and corrective actions have been taken to prevent a repeat of these incidents. There were also two licence non-compliances. One was related to the loss of environmental data associated with continuous air emissions monitoring for five days following an equipment malfunction. The other case was related to a localised damage to the liner of a brine pond. The damage was detected in an adjacent monitoring bore that is used to ensure integrity of the pond liner. Given the liner is a core element to prevent water pollution, the EPA was notified as a precautionary approach and there has been no further action.

EnergyAustralia's gas-fired power facilities in New South Wales, Victoria and South Australia operated with a high degree of reliability, supporting the company's generation portfolio through a period of fluctuating market conditions. The company has dispatch rights to two grid-scale batteries which helped ensure stability in the National Electricity Market during periods of high volatility.

Forward wholesale electricity prices in Victoria and South Australia remain well below historic levels primarily because of increases in renewable energy generation. In Queensland and New South Wales, prices have recently returned to historic levels, reflecting the higher fuel costs and transmission constraints to deliver excess energy from the south.

Supporting Australia's energy transition

EnergyAustralia reached an agreement with the Victorian Government in March to bring forward the retirement of Yallourn Power Station to mid-2028, four years before the end of the plant's technical life. The retirement of the power station will reduce EnergyAustralia's direct carbon dioxide emissions by about 60% compared with current levels. To help ensure stability of energy supply in the state and allow for the use of more renewable energy, EnergyAustralia is developing the Wooreen Energy Storage System, which will be the first four-hour utility-scale battery with a 350MW capacity – larger than any battery system operating in Australia today. The Wooreen system is scheduled to go into operation by the end of 2026, ahead of the closure of Yallourn Power Station.

The transition to low-carbon energy inevitably affects lives and has a profound impact on power station employees and communities. EnergyAustralia is committed to providing support for employees and communities throughout the transition. EnergyAustralia will provide a comprehensive package of transitional services at Yallourn including training and skills development, career planning, assistance for redeployment and financial counselling.

EnergyAustralia began preparation works on Tallawarra B, a power plant designed to be net zero by offsetting its direct carbon emissions over its operational life, and to use a blend of green hydrogen and natural gas. With a generation capacity of more than 300MW, Tallawarra B is scheduled to enter service in time for the 2023/24 Australian summer, helping provide reliable, affordable and cleaner electricity as coal-fired generation is phased out.

In Queensland, construction began on a 250MW pumped hydro energy storage project on the site of a disused gold mine in Kidston. EnergyAustralia is underpinning the project through a long-term energy dispatch agreement with the developer. The plant is expected to be completed in 2024.

EnergyAustralia continued to assess potential investments in flexible generation and storage projects to accelerate the integration of solar and wind power into the National Electricity Market. One such opportunity is a potential pumped hydro energy storage facility at Lake Lyell, which currently supplies water to Mount Piper Power Station. Early estimates suggest the facility would be capable of producing 350MW of electricity with around eight hours of storage.

In addition, EnergyAustralia has in place power purchase agreements representing a total of more than 870MW of large-scale wind and solar projects in the National Electricity Market.

Broadening business opportunities from innovation

In an initiative to promote sustainable living, EnergyAustralia has become a partner in a residential microgrid project under which 32 townhouses in a new Melbourne real estate development are fitted with solar panels connected to a microgrid. Energy not consumed within each home is stored at a centralised battery and controlled by an intelligent microgrid platform that manages energy flow across the estate. Any energy generated within the microgrid but not consumed is fed back into the national grid.

EnergyAustralia launched a new product through its “On by EnergyAustralia” platform in September called “Stack On” – a bundled offer that allows customers to pick, mix, and save by choosing from electricity, broadband internet, mobile data, mobile voice and data, and car and home insurance products. The products are all available through one online self-service portal and the more products customers choose, the more they can save.

“On by EnergyAustralia” is also offering eligible homeowners in New South Wales a new integrated solar-plus battery system with no upfront costs called “Solar Home Bundle”. This follows a successful trial of the new proposition in 2020. EnergyAustralia uses smart software to balance customers’ electricity supply from the grid, solar and battery. The battery setup will form part of EnergyAustralia’s Virtual Power Plant – a network of batteries helping to support the grid and meet customer energy needs.

EnergyAustralia’s “Go Neutral” remains the leading carbon offsetting programme offered by any energy retailer or generator in Australia and one of the largest certified carbon offset products in the country. About 134,000 residential and small business customers were added to “Go Neutral” in 2021, taking the total to 444,000 since the programme started in 2016. Building on this success, “Business Carbon Neutral” was launched in September 2021, offering the opportunity for commercial customers to offset their carbon emissions.

EnergyAustralia’s partnership with the Startupbootcamp programme which fast-tracks new energy-related start-up businesses, continued into its fourth year and its second year online. A total of nine start-ups chosen from an initial pool of 82 shortlisted applicants pitched their concepts from home in a live-streamed demo day in December. EnergyAustralia has been in further discussions with three of those candidates to explore collaboration opportunities.

Ensuring a safe working environment

WorkSafe Victoria, the Victorian health and safety regulator, in December charged EnergyAustralia with three breaches of the Occupational Health and Safety Act in relation to a fatal incident in 2018.

Graeme Edwards’s loss is deeply felt by his friends at Yallourn and by everyone who knew him.

EnergyAustralia subsequently conducted a thorough review of the incident and introduced new equipment to eliminate the hazards identified.

EnergyAustralia will continue to find and implement improvements across all sites to ensure a safe workplace for its employees.

<u>Outlook</u>

Looking ahead, while wholesale forward prices have strengthened, it will take some time for EnergyAustralia to improve its gross margins given its progressive hedging. Intense retail competition, meanwhile, is likely to continue from both existing participants and new market entrants, maintaining pressure on margins.

On the energy policy front, policymakers in Australia have continued to recognise the need for greater levels of investment in low-carbon, reliable power generation.

The Energy Security Board released a study in April proposing four reform pathways to address Australia's energy transition needs beyond 2025. The document, to which EnergyAustralia contributed, is part of a broad proposal advocating the timely entry of new generation capacity and steps to ensure existing facilities remain until they are no longer required to support system stability. The Federal Budget in May also included initiatives to support investment in new and emerging low-emission technologies prioritised under the Government's Technology Investment Roadmap.

EnergyAustralia will continue to invest in the energy transition. Deployment of customer solutions like the Solar Home Bundle will provide customers with the opportunity to see the transition come to life in their home. EnergyAustralia's large projects including the Tallawarra B power plant, Wooreen Energy Storage System and the Kidston pumped hydro energy storage facility will support the broader grid. The company will also continue to assess the potential of the Lake Lyell pumped hydro energy storage facility, and carefully manage the retirement of Yallourn Power Station.

In addition, EnergyAustralia is exploring potential synergies from working with the CLP Group on technologies including hydrogen, microgrids, batteries and energy storage, further strengthening its capability to help build a cleaner energy future for Australia underpinned by renewable energy.

India

<u>Overview</u>

A resurgence of COVID-19 in the second and third quarters took a heavy toll on India, straining healthcare systems in some states and putting the brakes on a previously fast-growing national economy. With increased precautions and comprehensive protection for employees, CLP's rebranded business in India, Apraava Energy, was able to maintain stable operations, although the construction and approval of new projects were affected by strict lockdown measures.

The economy rebounded sharply in the final quarter as the pandemic situation stabilised. However, the resumption of economic activities – combined with coal production and dispatch issues resulting from heavy monsoon rainfall – led to a severe power crunch and rolling blackouts in some areas.

As one of India's top 10 private power producers, Apraava Energy worked hard to ensure it could meet surging demand, although its performance was limited by coal shortages. The earnings of Jhajjar Power Station were affected by lower capacity tariff, the level of which was reduced by about 10% from April 2020 under its long-term power purchase agreements. However, thanks to better efficiency at Jhajjar and a higher level of output from renewable projects, CLP's operating earnings in India increased 26.3% to HK$221 million. The performance of the business is summarised below:

Operating Earnings[1]	**2021 HK$M**	2020 HK$M	Change %
Renewable Energy	**186**	104	78.8
Thermal Energy	**28**	66	(57.6)
Transmission	**7**	5	40.0
Total	**221**	175	26.3

Note:
1 Net of CDPQ's 40% share

Wind and solar projects flourish

Output from Apraava Energy's renewable energy portfolio rose, with both wind and solar projects performing well. Wind projects benefited from good resources in all states and higher availability. Upgrading works to wind farms in Tejuva, Chandgarh, and Harapanahalli also boosted productivity.

Construction of a wind power plant in Sidhpur in Gujarat state moved forward, although some work was held up by the pandemic. The project is expected to go into operation in the second half of 2022 after the Government agreed to extend its commissioning deadline.

The addition of two new plants in Telangana state in 2020, meanwhile, contributed to increased solar power generation. Output from other plants was lower, partly because of land disputes affecting the Tornado and Gale projects in Maharashtra state which are now nearing resolution.

Apraava Energy continued to receive payments from local distribution companies for the purchase of renewable energy. However, the level of outstanding receivables rose 14.5% to HK$883 million, largely because of disruption caused by the pandemic.

Venturing into transmission sector

In December, Apraava Energy was successful in receiving regulatory approvals under the new foreign investment rules for it to complete the acquisition of a 49% stake in Kohima-Mariani Transmission Limited (KMTL), owner of an interstate transmission project which began operations in northeast India in 2020. Under the terms of the agreement, Apraava Energy will acquire the remaining stake in two tranches by December 2025.

The company first entered the power transmission sector in November 2019 by taking a 100% stake in Satpura Transco Private Limited (STPL), which owns an intrastate project in Madhya Pradesh state. The operational performances of both the KMTL and STPL projects have been in line with forecasts, with close to 100% availability.

Power station sets new standards

Apraava Energy's only coal-fired project in India – Jhajjar Power Station in Haryana state – recorded its highest utilisation rate to date following the successful completion of a major planned outage on one of the generation units in the first quarter. Despite low coal supplies because of a national shortage, the power station managed to increase output in response to rising electricity demand. Jhajjar Power Station is one of the few plants with flue gas desulphurisation equipment installed in the northern National Capital Region, which enabled the plant to meet with the new and more stringent sulphur dioxide (SO_2) emission limit introduced in February 2019. It had four minor licence limit exceedances for SO_2 during the year due to equipment failure or malfunction. However, the units remained operational as requested by local authorities because of high electricity demand. The issues were rectified at the earliest opportunity and none of the exceedances resulted in any action by local authorities.

The power station's operator Jhajjar Power Limited received the Apex India HSE Gold Award and the RoSPA Silver Award for its health and safety performance, as well as recognition from the Confederation of Indian Industry's ITC Sustainability Award and Business Excellence Maturity Assessment programmes.

As Jhajjar's current power purchase agreements are not expected to be renewed once they expire in 2037, an impairment of HK$330 million was booked.

Apraava Energy continued to explore uses for the Paguthan plant in Gujarat, which ceased operations in 2018, but progress has been hampered by the pandemic.

<u>Outlook</u>

CLP India was renamed Apraava Energy in 2021, signifying the company's ambition to accelerate growth under a new corporate identity and its commitment to support the development of a green India. The rebranded company aims to double the size of its energy portfolio over the next two to three years, driven by greenfield renewable energy investments and acquisitions. As a strong support to reach this goal, in December Apraava Energy received its registration under India's new foreign investment rules, which enables it to participate in all public auctions in the fields of generation, transmission and distribution in the years ahead.

Apraava Energy will continue to expand its non-generation business such as transmission amid the ongoing privatisation of India's power sector, explore diversification into power distribution and other customer-focused business and encourage greater participation from local shareholders.

Southeast Asia and Taiwan

<u>Overview</u>

Ho-Ping Power Station in Taiwan operated reliably and safely during the year. But the plant's contributions to the Group were impacted by high fuel costs which were most acute in the later part of the year. A major overhaul of one of the generating units commenced in the fourth quarter to enhance reliability and reduce emissions.

Lopburi Solar Farm in Thailand also performed steadily.

During the year, operating earnings in Southeast Asia and Taiwan decreased 55.2% to HK$173 million. CLP's performance in the market is summarised below:

Operating Earnings	**2021 HK$M**	2020 HK$M	Change %
Renewable Energy[1]	**61**	63	(3.2)
Thermal Energy	**126**	366	(65.6)
Other[1]	**(14)**	(43)	67.4
Total	**173**	386	(55.2)

Note:

1 Comparative figures for the impairment provision at Lopburi have been reclassified to conform with current year's presentation.

<u>Outlook</u>

CLP will continue to manage its investments in Ho-Ping and Lopburi for them to deliver reliable and safe operations.

Safety

During the ongoing COVID-19 pandemic, CLP maintained comprehensive measures to safeguard the wellbeing of employees and contractors and ensure business continuity, including special work arrangements, site access controls, health education and support for employees to get vaccinated. CLP joined the Hong Kong Government's vaccination programme, arranging for more than 1,200 employees and their family members to receive vaccinations on company premises. Similar programmes helped employees in Mainland China and India to get vaccinated.

Against a backdrop of increased project activity, operational health and safety performance improved. There were reductions in both the Total Recordable Injury Rate (TRIR) and Lost Time Injury Rate (LTIR) as CLP continued to improve health and safety outcomes for employees and contractors. A primary focus was on addressing risks associated with high-consequence events. Through targeted employee engagement and worker insights, CLP developed more comprehensive and effective incident prevention programmes, aimed at eliminating fatalities, life-changing injuries and significant Health, Safety and Environment (HSE) events.

CLP is investing in the redesign and re-engineering of high risk activities in order to materially reduce risk. CLP continued to reduce the need for diving through the use of robotic technologies. This strategic and systematic approach to improving the safety of high risk tasks will also be applied across CLP's operations in the Asia Pacific to tasks which carry a risk of serious injury, such as working at height.

The Group is upgrading its management system to provide clear standards to manage HSE risks across its business units, with a particular focus on high risk activities. During 2021 workshops were held with operational personnel from all business units. These workshops contributed to a deeper understanding of the controls and internal best practices for priority high risk operational activities. The outputs are now aiding the development of revised Group-wide standards.

Human Resources

At the end of 2021, CLP had 8,116 full-time and part-time employees, compared with 8,060 a year earlier. A total of 3,938 employees was engaged in the Hong Kong regulated electricity operations, 415 in Hong Kong non-regulated electricity-related businesses, 627 in Mainland China, 2,718 by the businesses in Australia, India, Southeast Asia and Taiwan, with 418 employed by CLP Holdings. Total remuneration for the year ended 31 December 2021 was HK$6,684 million compared with HK$6,368 million in 2020, including retirement benefit costs of HK$652 million compared with HK$606 million in 2020.

FINANCIAL INFORMATION

The financial information has been reviewed by the Audit & Risk Committee, approved by the Board and agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the audited financial statements.

Consolidated Statement of Profit or Loss
for the year ended 31 December 2021

	Note	**2021 HK$M**	2020 HK$M
Revenue	*3*	**83,959**	79,590
Expenses			
Purchases and distributions of electricity and gas		**(28,752)**	(27,183)
Staff expenses		**(5,107)**	(4,844)
Fuel and other operating expenses		**(28,581)**	(24,371)
Depreciation and amortisation		**(9,308)**	(8,476)
		(71,748)	(64,874)
Other charge	*5*	**(1,110)**	-
Operating profit	*6*	**11,101**	14,716
Finance costs		**(1,744)**	(1,873)
Finance income		**108**	136
Share of results, net of income tax			
Joint ventures		**(97)**	797
Associates		**2,071**	1,725
Profit before income tax		**11,439**	15,501
Income tax expense	*7*	**(1,965)**	(2,993)
Profit for the year		**9,474**	12,508
Earnings attributable to:			
Shareholders		**8,491**	11,456
Perpetual capital securities holders		**138**	138
Other non-controlling interests		**845**	914
		9,474	12,508
Earnings per share, basic and diluted	*9*	**HK$3.36**	HK$4.53

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2021

	2021	2020
	HK$M	HK$M
Profit for the year	**9,474**	12,508
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(879)**	3,651
Cash flow hedges	**934**	(820)
Costs of hedging	**(109)**	153
Share of other comprehensive income of joint ventures	**(4)**	2
	(58)	2,986
Items that cannot be reclassified to profit or loss		
Fair value gains/(losses) on investments	**100**	(58)
Remeasurement gains/(losses) on defined benefit plans	**77**	(5)
	177	(63)
Other comprehensive income for the year, net of tax	**119**	2,923
Total comprehensive income for the year	**9,593**	15,431
Total comprehensive income attributable to:		
Shareholders	**8,660**	14,527
Perpetual capital securities holders	**138**	138
Other non-controlling interests	**795**	766
	9,593	15,431

Consolidated Statement of Financial Position
as at 31 December 2021

	Note	2021 HK$M	2020 HK$M
Non-current assets			
Fixed assets	*10*	**154,058**	148,454
Right-of-use assets	*11*	**7,130**	7,061
Investment property		**966**	1,000
Goodwill and other intangible assets		**19,710**	20,559
Interests in and loans to joint ventures		**10,602**	11,017
Interests in associates		**8,769**	9,181
Deferred tax assets		**376**	571
Derivative financial instruments		**2,007**	1,697
Other non-current assets		**2,303**	1,300
		205,921	200,840
Current assets			
Inventories – stores and fuel		**2,941**	2,872
Renewable energy certificates		**1,166**	1,019
Property under development		**2,980**	2,976
Trade and other receivables	*12*	**15,404**	12,864
Income tax recoverable		**546**	138
Fuel clause account		**1,116**	-
Derivative financial instruments		**1,475**	1,816
Short-term deposits and restricted cash		**360**	1,550
Cash and cash equivalents		**7,900**	10,158
		33,888	33,393
Current liabilities			
Customers' deposits		**(6,254)**	(5,908)
Fuel clause account		**-**	(346)
Trade payables and other liabilities	*13*	**(18,381)**	(18,141)
Income tax payable		**(1,349)**	(1,699)
Bank loans and other borrowings		**(10,512)**	(8,747)
Derivative financial instruments		**(1,302)**	(1,166)
		(37,798)	(36,007)
Net current liabilities		**(3,910)**	(2,614)
Total assets less current liabilities		**202,011**	198,226

Consolidated Statement of Financial Position (continued)
as at 31 December 2021

	Note	2021 HK$M	2020 HK$M
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*15*	**89,791**	88,957
Shareholders' funds		**113,034**	112,200
Perpetual capital securities		**3,887**	3,887
Other non-controlling interests		**9,788**	9,885
		126,709	125,972
Non-current liabilities			
Bank loans and other borrowings		**47,703**	45,601
Deferred tax liabilities		**15,886**	15,429
Derivative financial instruments		**1,364**	2,135
Scheme of Control (SoC) reserve accounts	*14*	**3,440**	2,374
Asset decommissioning liabilities and retirement obligations		**4,346**	3,963
Other non-current liabilities		**2,563**	2,752
		75,302	72,254
Equity and non-current liabilities		**202,011**	198,226

1. General Information

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

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The financial information relating to the years ended 31 December 2020 and 2021 included in this preliminary announcement of 2021 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2020 and 2021. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622).

2. Changes in Significant Accounting Policies

The Group has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16) from 1 January 2021. The amendments provide practical reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative risk-free benchmark rate (the "Reform").

Up to the reporting date, no derivative or non-derivative financial instruments of the Group for which the benchmark rate had been replaced with an alternative benchmark rate. The amendments had no impact on the consolidated financial statements. The Reform also has no material impact on interest rate risk management strategy of the Group.

2. Changes in Significant Accounting Policies (continued)

Negotiations with counterparties are ongoing to evaluate the appropriate changes and resetting of rates where necessary. If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the Reform.

3. Revenue

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

	2021 HK$M	2020 HK$M
Revenue from contracts with customers		
Sales of electricity in Hong Kong	**45,222**	41,798
Transfer for SoC from revenue (note)	**(1,183)**	(660)
SoC sales of electricity	**44,039**	41,138
Sales of electricity outside Hong Kong	**29,719**	29,747
Sales of gas in Australia	**5,121**	5,077
Others	**1,174**	811
	80,053	76,773
Other revenue		
Power purchase agreements (PPAs)		
Fixed capacity charge	**593**	607
Variable capacity charge	**267**	284
Energy charge	**2,704**	1,587
Others	**342**	339
	3,906	2,817
	83,959	79,590

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.

4. 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. The operating segments are based on geographical regions.

4. 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
For the year ended 31 December 2021							
Revenue from contracts with customers	44,869	1,747	32,215	1,218	4	-	80,053
Other revenue	125	53	56	3,648	-	24	3,906
Revenue	44,994	1,800	32,271	4,866	4	24	83,959
EBITDAF*	17,471	1,539	1,230	1,189	296	(819)	20,906
Share of results, net of income tax							
Joint ventures	(20)	(271)	-	-	194	-	(97)
Associates	-	2,071	-	-	-	-	2,071
Consolidated EBITDAF	17,451	3,339	1,230	1,189	490	(819)	22,880
Depreciation and amortisation	(5,507)	(807)	(2,327)	(617)	-	(50)	(9,308)
Fair value adjustments	(20)	-	(477)	-	-	-	(497)
Finance costs	(907)	(253)	(133)	(436)	-	(15)	(1,744)
Finance income	39	14	7	42	-	6	108
Profit/(loss) before income tax	11,056	2,293	(1,700)	178	490	(878)	11,439
Income tax (expense)/credit	(2,040)	(329)	524	(52)	(68)	-	(1,965)
Profit/(loss) for the year	9,016	1,964	(1,176)	126	422	(878)	9,474
Earnings attributable to							
Perpetual capital securities holders	(138)	-	-	-	-	-	(138)
Other non-controlling interests	(789)	(3)	-	(53)	-	-	(845)
Earnings/(loss) attributable to shareholders	8,089	1,961	(1,176)	73	422	(878)	8,491
Excluding: Items affecting comparability	34	-	1,093	148	(249)	-	1,026
Operating earnings	8,123	1,961	(83)	221	173	(878)	9,517
Capital additions	10,443	826	2,666	174	-	47	14,156
Impairment provisions							
Fixed assets	-	-	-	330	-	-	330
Receivables and others	11	-	214	31	-	-	256
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

* EBITDAF stands for earnings before interest, taxes, depreciation and amortisation, and fair value adjustments. For this purpose, fair value adjustments include fair value gains or losses on non-debt related derivative financial instruments relating to transactions not qualifying for hedge accounting and ineffectiveness of cash flow hedges.

4. Segment Information (continued)

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

5. Other Charge

On 11 March 2021, EnergyAustralia Holdings Limited (EnergyAustralia) and certain subsidiaries reached a settlement agreement (the Settlement) with Lochard Energy (Iona Operations Holding) Pty Ltd (Lochard Energy) together with certain of its related entities, and QIC Private Capital Pty Ltd (QPC), who acted for Lochard Energy on the relevant transaction and against whom EnergyAustralia made a third party claim. The Settlement was for the full and final settlement of all claims made by Lochard Energy against EnergyAustralia arising from the disposal of Iona Gas Plant. The Settlement included, mainly, payments made by EnergyAustralia to Lochard Energy and QPC (which amounted to HK$1,110 million (A$185 million) (after tax: HK$777 million (A$130 million))) and secondly, an extension of the existing long term commercial relationship regarding the provision of gas storage services at Iona Gas Plant for EnergyAustralia.

6. Operating Profit

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

	2021 HK$M	2020 HK$M
Charging		
Retirement benefits costs [(a)]	**510**	462
Auditors' remuneration		
Audit services		
PricewaterhouseCoopers	**41**	39
Other auditor [(b)]	**2**	2
Permissible audit related and non-audit services		
PricewaterhouseCoopers [(c)]	**10**	11
Other auditor [(b)]	**-**	-
Variable lease expenses	**15**	10
Net losses on disposal of fixed assets	**386**	358
Impairment of		
Fixed assets [(d)]	**330**	68
Goodwill	**-**	12
Inventories – stores and fuel	**12**	8
Trade receivables	**244**	511
Revaluation loss on investment property	**34**	121
Morwell River Diversion solution [(e)]	**452**	-
Crediting		
Gain on sale of a subsidiary	**(79)**	-
Gain on sale of a joint venture [(f)]	**(307)**	-
Rental income from investment property	**(25)**	(26)
Dividends from equity investments	**(15)**	(13)
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	**(1,182)**	66
Fuel and other operating expenses	**(39)**	196
Ineffectiveness of cash flow hedge	**(100)**	(2)
Not qualified for hedge accounting	**631**	(579)
Fair value (gains)/losses on investments at fair value through profit or loss	**(163)**	16
Net exchange gains	**(8)**	(102)

6. Operating Profit (continued)

Notes:

(a) Retirement benefits costs for the year amounted to HK$652 million (2020: HK$606 million), of which HK$142 million (2020: HK$144 million) was capitalised.

(b) KPMG India has been the statutory auditor of Apraava Energy Private Limited (Apraava Energy) and its subsidiaries (Apraava Energy group) since April 2017. The Group does not regard KPMG India as a principal auditor of the Group given the relative small quantum of the audit fees, which reflect the scale of operations of Apraava Energy group. Our policy with regard to non-principal auditors for providing non-audit services is to ensure that, within country, the non-audit fees are not paid out of proportion to the audit fees so as to compromise in-country independence. The figure of audit related and non-audit services represented KPMG India's fees charged to Apraava Energy group. Other KPMG offices have also provided services to our businesses in other regions which amounted to HK$14 million during the year (2020: HK$16 million).

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

(d) During the year, the management's view on the long-term outlook of Jhajjar Power Station (Jhajjar) has changed. In particular, the management viewed it unlikely that Jhajjar's PPAs with the offtakers would be renewed after their expiry in 2037. An impairment test for Jhajjar was performed and an impairment provision for fixed assets of HK$330 million (Rs3,145 million) (after tax: HK$247 million or Rs2,353 million) was recognised as at 31 December 2021 (2020: nil). The recoverable amount tested for impairment has been determined based on a value in use calculation. An estimated pre-tax discount rate of 11.13% was used in estimating Jhajjar's value in use. In forecasting cash flows, management has restricted the time period of the PPAs. Management does not consider that reasonably possible changes in assumptions would have a material impact on the recoverable amount.

(e) During June 2021, exceptionally heavy rainfall was recorded throughout the Latrobe Valley region where the Yallourn coal-fired power station and mine are located. The rain resulted in heightened water flows through the Morwell River Diversion (MRD) which runs through the Yallourn mine site. While there was no flooding in the mine, cracks were discovered in the MRD structures. Examination of the extent of the damage to the MRD along with potential rectification options is being progressed and is expected to be completed by mid-2022. Total expenditure of HK$452 million (A$78 million) (after tax: HK$316 million or A$54 million) was recognised for immediate repairs and damage assessment. At 31 December 2021, although longer-term rectification works were still dependent on the outcome following completion of dewatering assessment activities and the respective agreement with the government, no material outflow of economic benefit was expected.

(f) Upon the financial close of Vung Ang II, a legacy coal-fired project in Vietnam, in November 2021, the Group received the contingent and remaining consideration from the sale of its entire interest in a joint venture, OneEnergy Asia Limited, and a gain of HK$307 million (after tax: HK$249 million) was recognised.

7. Income Tax Expense

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

	2021	2020
	HK$M	HK$M
Current income tax	**1,720**	2,529
Deferred tax	**245**	464
	1,965	2,993

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

8. Dividends

	2021		2020	
	HK$ per Share	**HK$M**	HK$ per Share	HK$M
First to third interim dividends paid	**1.89**	**4,775**	1.89	4,775
Fourth interim dividend declared	**1.21**	**3,057**	1.21	3,057
	3.10	**7,832**	3.10	7,832

At the Board meeting held on 28 February 2022, the Directors declared the fourth interim dividend of HK$1.21 per share (2020: HK$1.21 per share). The fourth interim dividend is not reflected as dividend payable in the financial statements.

9. Earnings per Share

The earnings per share are computed as follows:

	2021	2020
Earnings attributable to shareholders (HK$M)	**8,491**	11,456
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**3.36**	4.53

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the years ended 31 December 2021 and 2020.

10. Fixed Assets

The movements during the year are set out below:

	Freehold Land HK$M	Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2021	1,134	21,988	125,332	148,454
Acquisition of a subsidiary (note)	-	1	1,910	1,911
Disposal of a subsidiary	-	-	(10)	(10)
Additions	-	1,304	11,846	13,150
Transfers and disposals	(1)	(78)	(430)	(509)
Depreciation	-	(816)	(7,327)	(8,143)
Impairment charge	-	(44)	(286)	(330)
Exchange differences	(25)	53	(493)	(465)
Net book value at 31 December 2021	**1,108**	**22,408**	**130,542**	**154,058**
Cost	1,215	37,795	240,885	279,895
Accumulated depreciation and impairment	(107)	(15,387)	(110,343)	(125,837)
Net book value at 31 December 2021	**1,108**	**22,408**	**130,542**	**154,058**

Note: In December 2021, the Group acquired 49% interest in Kohima-Mariani Transmission Limited (KMTL) for a consideration of HK$342 million (Rs3,331 million), with an option to acquire the remaining 51% interest in subsequent years. KMTL owns and operates 251km of 400kV transmission lines in Manipur, Nagaland and Assam States, India. KMTL is treated as a subsidiary because the Group has control over the company from an accounting perspective. The Group considers that the combination of call and put options gives the Group access to the returns over the remaining 51% interest in KMTL. The transaction is accounted for as an asset acquisition since substantially all of the fair value of the gross assets acquired was primarily concentrated in the transmission assets.

11. Right-of-Use Assets

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

	Prepaid Leasehold Land HK$M	Land and Buildings HK$M	Plant, Machinery and Equipment HK$M	Total HK$M
Net book value at 1 January 2021	5,603	728	730	7,061
Acquisition of a subsidiary	3	-	-	3
Additions	456	19	19	494
Transfers and disposals	-	-	(23)	(23)
Depreciation	(202)	(96)	(44)	(342)
Exchange differences	4	(33)	(34)	(63)
Net book value at 31 December 2021	**5,864**	**618**	**648**	**7,130**

12. Trade and Other Receivables

	2021 HK$M	2020 HK$M
Trade receivables	**11,707**	10,868
Deposits, prepayments and other receivables	**2,526**	1,722
Dividend receivables from		
Joint ventures	**190**	139
An associate	**975**	-
Loan to and current accounts with		
Joint ventures	**5**	134
An associate	**1**	1
	15,404	12,864

The Group has established credit policies for customers in each of its retail businesses. In Hong Kong, electricity bills are due within two weeks after issuance. To limit the credit risk exposure, customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount determined from time to time by reference to the usage of the customers, and in the normal course of events will not exceed the highest expected charge for 60 days. In Australia, customers are allowed to settle their electricity bills in no more than 45 days after issue. Trade receivables arising from sales of electricity to the offtakers in Mainland China and India are due for settlement within 30 to 90 days and 15 to 60 days after bills issuance respectively.

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

	2021 HK$M	2020 HK$M
30 days or below*	**9,285**	8,559
31 – 90 days	**670**	601
Over 90 days	**1,752**	1,708
	11,707	10,868

* Including unbilled revenue

13. Trade Payables and Other Liabilities

	2021 **HK$M**	2020 HK$M
Trade payables	**6,119**	6,077
Other payables and accruals	**7,504**	7,136
Lease liabilities	**217**	219
Advances from non-controlling interests	**832**	1,021
Current accounts with		
Joint ventures	**1**	1
An associate	**564**	583
Deferred revenue	**3,144**	3,104
	18,381	18,141

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

	2021 **HK$M**	2020 HK$M
30 days or below	**5,800**	5,852
31 – 90 days	**219**	123
Over 90 days	**100**	102
	6,119	6,077

14. SoC Reserve Accounts

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

	2021 **HK$M**	2020 HK$M
Tariff Stabilisation Fund	**3,109**	2,019
Rate Reduction Reserve	**3**	18
Rent and Rates Refunds (note)	**328**	337
	3,440	2,374

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. While CLP Power Hong Kong had reached settlement with the Hong Kong Government of the appeals up to 2017/18, final resolution for the remaining appeals from 2018/19 onwards is still to be completed.

Using the total amount of refunds received from the Hong Kong Government for all appeal years up to 2017/18 of HK$2,791 million, CLP Power Hong Kong has, in previous years, provided customers with the Rent and Rates Special Rebate with an aggregate amount of HK$2,463 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.

15. Reserves

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

	Translation Reserve HK$M	Cash Flow Hedge Reserve HK$M	Cost of Hedging Reserve HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2021	(4,534)	118	97	1,529	91,747	88,957
Earnings attributable to shareholders	-	-	-	-	8,491	8,491
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	(1,241)	(46)	-	-	46	(1,241)
Joint ventures	204	-	-	-	-	204
Associates	199	-	-	-	-	199
Cash flow hedges						
Net fair value gains	-	2,249	-	-	-	2,249
Reclassification to profit or loss	-	(930)	-	-	-	(930)
Tax on the above items	-	(385)	-	-	-	(385)
Costs of hedging						
Net fair value losses	-	-	(143)	-	-	(143)
Reclassification to profit or loss	-	-	23	-	-	23
Tax on the above items	-	-	20	-	-	20
Fair value gains on investments	-	-	-	100	-	100
Remeasurement gains on defined benefit plans	-	-	-	-	77	77
Share of other comprehensive income of joint ventures	-	(1)	-	(3)	-	(4)
Total comprehensive income attributable to shareholders	(838)	887	(100)	97	8,614	8,660
Transfer to fixed assets	-	6	-	-	-	6
Appropriation of reserves	-	-	-	16	(16)	-
Dividends paid						
2020 fourth interim	-	-	-	-	(3,057)	(3,057)
2021 first to third interim	-	-	-	-	(4,775)	(4,775)
Balance at 31 December 2021	**(5,372)**	**1,011**	**(3)**	**1,642**	**92,513** (note)	**89,791**

Note: The fourth interim dividend declared for the year ended 31 December 2021 was HK$3,057 million (2020: HK$3,057 million). The balance of retained profits after the fourth interim dividend of the Group was HK$89,456 million (2020: HK$88,690 million).

16. Commitments

(A) Capital expenditure on fixed assets, leasehold land and intangible assets contracted for but not yet incurred at the end of the year amounted to HK$13,150 million (2020: HK$7,930 million).

(B) The Group has entered into a long-term Energy Storage Services Agreement (ESSA) to be the market operator of the 250MW Kidston pumped hydro energy storage facility in Queensland, which will be accounted for as a lease arrangement on the lease commencement date. This facility is currently under construction and the ESSA is subject to a number of conditions precedent which must be satisfied before the commencement date, which is expected to occur before 31 December 2025. At 31 December 2021, the expected undiscounted contractual lease payments under this agreement were approximately HK$2.1 billion (2020: nil).

16. Commitments (continued)

(C) At 31 December 2021, outstanding committed shareholder's loan facilities to a joint venture amounted to HK$518 million (2020: HK$982 million). In addition, equity contributions to be made for joint ventures and private equity partnerships at 31 December 2021 were HK$54 million (2020: HK$71 million) and HK$203 million (2020: HK$183 million) respectively.

(D) At 31 December 2021, the Group's shares of capital, lease and other commitments of its joint ventures and associates were HK$4,219 million (2020: HK$3,665 million) and HK$782 million (2020: HK$692 million) respectively.

17. 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 sought time to file appropriate applications to bring on record the legal representatives of the plaintiff.

As at 31 December 2021, 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 engaged in a range of new sustainable financing activities in 2021 at very favourable commercial terms to support our ongoing transition towards a net-zero emission future. CLP took pre-emptive, timely action to arrange major financing activities without any undue surplus cash impact, locking in preferential terms while spreading out the debt maturity profile and sources of funding. Overall, the Group preserved strong liquidity with undrawn bank facilities of HK$28.1 billion and bank balances of HK$8.3 billion at the end of December 2021. CLP Holdings maintained HK$11.6 billion of liquidity as at 31 December 2021, and a high level of liquidity is expected to be maintained thanks to healthy dividend payments and inflows from subsidiaries, joint ventures and associates.

In February 2021, CAPCO successfully issued a US$300 million (HK$2.3 billion) 10-year, 2.125% Energy Transition Bond to partially fund the construction of a second combined-cycle gas turbine (CCGT) generation unit at Black Point Power Station. The bond carried a 0.875% spread over 10-year US Treasury Notes, the narrowest of all 10-year bonds previously offered by CLP and reportedly the tightest among all non-public sector debt offerings by corporations in Hong Kong at the time of issuance. The bond was more than 4.6 times oversubscribed, attracting more than US$1.4 billion in orders from investors globally. In addition, CAPCO arranged a total of HK$3.7 billion of three-year energy transition revolving loan facilities and HK$1.6 billion 15-year Euler Hermes-covered export credit agency facility to complete the financing for the second CCGT unit project cost at competitive rates. In July, CLP Power Hong Kong issued a US$100 million (HK$777 million) New Energy Bond to support the continued rollout of smart meters for customers in Hong Kong. More than 1.2 million smart meters connected at the end of 2021, offering customers the ability to improve energy efficiency with greater accessibility to data. The bond carried a 2.25% coupon rate and was competitively priced at a 0.9% spread over 10-year US Treasury Notes. All these financing transactions were arranged under the Climate Action Finance Framework to show our continuous commitment to sustainable financing. Sustainability elements were included in almost all newly-arranged financing facilities by CLP's SoC businesses in 2021, with the exception of short-term money market line facilities. CLP Power Hong Kong and CAPCO together arranged HK$4.4 billion of emission reduction-linked facilities with eight banks.

In addition to the above sustainable financing, CLP Power Hong Kong issued a A$24 million (HK$144 million) 15-year private bond at a 2.99% coupon rate in May 2021 for general corporate purposes. In July, CLP Power Hong Kong issued a US$300 million (HK$2.3 billion) 10-year bond for general corporate purposes. This offering was more than 1.6 times over-subscribed with over US$500 million in orders from investors globally. The bond issued in July carried 2.25% coupon rate, and was competitively priced at 0.9% credit spread over 10-year US Treasury Notes at the time of issuance. All the bonds of CLP Power Hong Kong and CAPCO this year were issued under their respective Medium Term Note (MTN) programmes. Under the MTN programmes, bonds in aggregate amounts of up to US$4.5 billion and US$2.0 billion may be issued respectively. As at 31 December 2021, notes with an aggregate nominal value of about HK$29.0 billion and HK$9.1 billion had been issued by the two entities respectively.

Meanwhile, CLP's business units outside Hong Kong maintained healthy liquidity positions and continued to receive good funding support from lending institutions in 2021. EnergyAustralia extended the maturity date of a A$300 million (HK$1.7 billion) working capital facility by three years to June 2024, and a A$500 million (HK$2.8 billion) bank guarantee and reimbursement facility by three years to March 2024, both at competitive terms. EnergyAustralia aims to diversify its debt portfolio through green and energy transition financing to meet the needs of clean energy projects, including battery storage and green hydrogen. In Mainland China, CLP executed a RMB300 million (HK$360 million) two-year offshore revolving bank loan facility and a RMB587 million (HK$705 million) 15-year onshore project loan facility at competitive terms, as its renewable assets portfolio in the country grows. In India, Apraava Energy arranged Rs31.9 billion (HK$3.3 billion) bank facilities as the business continued to expand its investments in clean energy, including wind and solar energy, as well as power transmission.

CLP entities have so far not encountered any adverse impact arising from pandemic associated with financial covenants or repayment. As at 31 December 2021, the Group maintained HK$86.3 billion in financing facilities, including HK$15.2 billion for subsidiaries in Mainland China and India. Of the facilities available, HK$58.2 billion had been drawn down, of which HK$11.9 billion related to subsidiaries in Mainland China and India. The Group's net debt to total capital ratio was 28.1% (2020: 25.1%) and fixed-rate debt as a proportion of total debt was 61% (2020: 63%) excluding perpetual capital securities or 64% (2020: 65%) including perpetual capital securities. FFO (Funds From Operations) Interest Cover for the year ended 31 December 2021 was 12 (2020: 13) times.

Solid investment grade credit ratings are crucial for CLP to source financing with optimal terms (amount, pricing, tenor and diversity) and maintain high credibility when negotiating commercial contracts. In May and June, Standard & Poor's (S&P) and Moody's affirmed the credit ratings of CLP Holdings (A and A2), CLP Power Hong Kong (A+ and A1) and CAPCO (AA- and A1) with stable outlooks. In October, S&P revised the rating outlook of EnergyAustralia to negative from stable and affirmed the BBB+ credit rating. The rating agency expressed the view that EnergyAustralia would be affected by a challenging market and weak operating conditions, including ageing coal-based generation assets and depressed wholesale electricity prices.

As at 31 December 2021, the Group had notional value of outstanding derivative financial instruments amounting to HK$64.3 billion for hedging of foreign exchange and interest rate risks, and notional volumes of outstanding energy derivatives amounting to 311,808GWh, 7 million barrels and 4,382TJ for electricity, oil and gas respectively. The fair value of these derivative instruments was a net surplus of HK$816 million, representing the net amount receivable if these contracts were closed out on 31 December 2021. However, changes in the fair value of derivatives have no impact on cash flows until settlement.

CORPORATE GOVERNANCE

In December 2021, The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange) published the conclusions to its consultation on Review of Corporate Governance Code (the Corporate Governance Code), Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules) and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. A good part of the new requirements under the amended Corporate Governance Code have long been adopted by CLP as our corporate governance practices over the years.

The CLP Code on Corporate Governance (CLP Code) is our own unique code on corporate governance (available on our website or from the Company Secretary on request). The CLP Code incorporates and goes beyond the principles of good corporate governance, and the Code Provisions on a “comply or explain” basis and certain Recommended Best Practices as set out 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. While CLP does issue quarterly statements which set out key financial and business information such as electricity sales, dividends and progress in major activities, we do not issue quarterly financial results. We have taken this considered approach as we are of the view that quarterly financial reporting does not bring significant benefits to our shareholders, and it encourages a short-term view of our business performance and activities which would not be consistent with the longer-term nature of our activities and investments.

Throughout the financial year ended 31 December 2021, the Company has complied with the Code Provisions and Recommended Best Practices, other than the exception explained above, as provided in the Corporate Governance Code in force during the year.

The accounting principles and practices adopted by the Group, and the financial statements for the year ended 31 December 2021, have been reviewed by the Audit & Risk Committee.

The Audit & Risk Committee’s monitoring of the risk management and internal control systems was supported by the review work and reporting by Group Internal Audit and by the independent auditor’s report of their testing of the control environment of the Group. During the period from 1 January 2021 to the date of this announcement, no internal control issue that would be material to the integrity of the financial statements was identified.

The Audit & Risk Committee analysed and was satisfied that the Group’s risk management and internal control systems were effective and adequate for the year ended 31 December 2021 and up to the date of this announcement.

The Audit & Risk Committee also received and considered reports from the Senior Director – Group Internal Audit. Group Internal Audit issues two types of reports: a) audit reports which provide independent appraisal of the audit unit’s compliance with prescribed policies and procedures, and evaluation of the effectiveness of the overall controls; and b) special review reports which focus on new business areas and emerging risks, where control advisory is provided. Group Internal Audit has also conducted desktop review for selected lower risk audit units to enhance audit effectiveness and timeliness of communication with auditees. For the year 2021, a total of 28 audit, 10 special review and three desktop review were completed. One of the audit reports carried a not satisfactory audit opinion. None of the control weaknesses identified had a material impact on the financial statements.

CLP's own Code for Securities Transactions (CLP Securities Code) is largely based on the Model Code set out in Appendix 10 of the Listing Rules and is on terms no less exacting than those in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2021 they have complied with the required standard set out in the Model Code and CLP Securities Code.

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

All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2021 they have complied with the required standard set out in the Model Code and CLP Securities Code.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2021.

FOURTH INTERIM DIVIDEND

Today, the Board of Directors of the Company declared the fourth interim dividend for 2021 at HK$1.21 per share (2020: HK$1.21 per share). This fourth interim dividend will be payable on all shares in issue as at the close of business on 14 March 2022 after deducting any shares repurchased and cancelled up to the close of business on 14 March 2022. As at 31 December 2021, 2,526,450,570 shares of the Company were in issue. The fourth interim dividend of HK$1.21 per share will be payable on 24 March 2022 to shareholders registered as at 15 March 2022.

The Register of Shareholders will be closed on 15 March 2022. To rank for the fourth interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 March 2022.

ANNUAL GENERAL MEETING

The twenty fourth Annual General Meeting (AGM) will be held on Friday, 6 May 2022, at 11:00 a.m. The Notice of AGM will be published on the websites of the Company and the Hong Kong Stock Exchange and despatched to shareholders on or about 30 March 2022.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 3 May 2022 to 6 May 2022, both days inclusive, during which period the registration of transfers of shares will be suspended. To be entitled to attend and vote at the AGM, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29 April 2022.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 28 February 2022

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2021 will be published on the Company's website at www.clpgroup.com and the website of the Hong Kong Stock Exchange on or about 14 March 2022. The Annual Report and the Notice of AGM will be despatched to shareholders on or about 30 March 2022. All of these will be made available on the Company's website.

中 電 控 股 有 限 公 司
CLP Holdings Limited

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

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

Non-executive Directors:	The Hon Sir Michael David 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