CLP 中電

Announcement of Annual Results
from 1 January 2015 to 31 December 2015,
Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings increased 14.6% to HK$11,533 million driven by a 28.8% increase in the contribution from overseas businesses.
- Total earnings increased by 39.6% to HK$15,670 million reflecting the strong operating earnings and a significant contribution from the sale of the Iona Gas Plant in Australia.
- Consolidated revenue decreased by 12.5% to HK$80,700 million as revenue from Australia decreased by 29.8% to HK$35,707 million primarily due to a decline in the Australian dollar exchange rate.
- Fourth interim dividend of HK$1.05 per share; including the first three interim dividends paid, total dividends for 2015 were HK$2.70 per share (2014: HK$2.62 per share).

CHAIRMAN'S STATEMENT

I am pleased to report that, following restructuring in Australia and better results from other overseas operations, the Group's earnings in 2015 were at a record high. During the year, the Group's operating earnings increased 14.6% from a year earlier to HK$11,533 million. Total earnings were up 39.6% to HK$15,670 million. The Board has recommended a fourth interim dividend of HK$1.05 per share for 2015. Together with the three interim dividends already paid, our total dividend this year is HK$2.70 per share, an increase from HK$2.62 in the previous year.

Our Chief Executive Officer, Richard Lancaster, will provide details of our 2015 performance in his Strategic Review. I intend to focus on two key issues for the Group – the review of the Scheme of Control (SoC) Agreement for our Hong Kong business, and our contribution to addressing the global challenge of climate change, a matter of great importance not just to our industry but to mankind as a whole.

Investing in Hong Kong's Future

First, I wish to discuss the regulatory regime under which we operate. In November 2015, the Hong Kong Government announced the key findings from the public consultation on the future development of the electricity market in the city. The majority of respondents indicated that the current regulatory regime under the SoC had worked well, contributing to Hong Kong's energy policy objectives. Respondents also agreed that power supply in Hong Kong was safe, reliable and affordable. Broadly speaking, they recognised the value of the SoC and supported a continuation of the established regulatory framework.

We welcome the results of this consultation and we have commenced our discussions with the Government to review the SoC. For over half a century, the SoC has served Hong Kong extremely well. The terms of the SoC have evolved with time to incorporate refinements to the regulatory framework as well as changing community aspirations and can continue to do so.

One of the strengths of the SoC has been its ability to ensure the delivery of a safe and reliable energy supply. In 2015, our supply reliability, measured as less than 1.5 customer minutes lost, was the best unplanned power interruption of any year. There are very few cities anywhere that can match this. Our tariff regime is also amongst the world's most competitive. Customers are at the very heart of our business. Serving our customers with a reliable, safe and clean supply of electricity at reasonable cost is not only our objective, but also our commitment. I am pleased to say that we delivered this again in 2015.

I wish to stress one point that I have made many times: electricity is a highly capital intensive business and any investments we make are for the long term, often counted in decades. A stable regulatory arrangement that offers investors reasonable returns is crucial in attracting sufficient investment to provide the kind of performance our customers expect and deserve. These are two important factors that need to be considered in reviewing the SoC. We will work closely and constructively with the Government, our key stakeholders, customers and the community in the review process to ensure that Hong Kong continues to enjoy the highest standard of electricity service that it rightly deserves.

Managing the Transition to a Low Carbon Future

My second main point of emphasis is devoted to the issue of climate change. We acknowledge our role in addressing the impact of climate change. We published our Climate Vision 2050 in 2007 in which we laid out our voluntary plans for transitioning to a low carbon business by the year 2050. I was therefore happy to see the agreement reached in Paris at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). This was a considerable achievement which we as a company firmly embrace and endorse. I believe the agreement will not only affect the energy industry, but also provides a clear direction for low carbon energy development which is critical if climate change is to be effectively tackled.

The Paris Agreement provides much-needed clarity on the future direction of the low carbon development plans of many countries. However, much remains to be done to implement the agreement. It requires cooperation between business and government, on behalf of the communities they serve, to develop ambitious and pragmatic plans which balance safety, affordability and environmental factors appropriate to each energy market. CLP is committed to working closely with governments where we operate to facilitate an orderly transition to a low carbon economy.

Managing the transition is a complex process requiring, at times, difficult choices to be made. In most places fossil fuel generation remains the cheapest and most reliable form of power generation. It also has the highest total carbon emissions. Wind and solar are the cleanest forms of energy for power generation but these resources are not always available and the fluctuations in power generated from these sources introduces considerable technical challenges for power grids. Shutting down fossil fuel assets to reduce emissions also has many ramifications. CLP strongly believes that policies need to address all of these issues. In short, they should facilitate transition in an orderly and sensible fashion by encouraging energy efficiency, the development of renewable energy and low carbon projects, whilst tackling existing emissions reduction through closure and decommissioning of existing plant over a reasonable period of time.

I can assure you that CLP's investment policies will aim to do just that. In our current business plan, we are targeting for half of our investments outside of Hong Kong to be in renewable energy. At the same time, we recognise that there are still places where people do not have access to electricity. We believe that in emerging markets where the demand for affordable electricity continues to grow, governments will continue to require new coal-fired power stations for some time. We believe that we can assist the emerging economies in which we currently have a presence to achieve this, by using our skills in developing high efficiency coal-fired technology to minimise environmental impact. At the same time, we maintain our long-term commitment to the measures outlined in our Climate Vision 2050, including our commitment to increase the share of renewable energy in our portfolio to 20% by 2020.

We are addressing this long-term commitment in many ways. In Hong Kong, for example, we are contributing to the Government's latest climate change action plan and to the improvement in local air quality by proactively optimising our fuel mix to use cleaner fuels in power generation, and through the proposed construction of additional gas-fired generation capacity. Moreover, we have launched promotional public energy saving campaigns and rolled out a range of tools and solutions to help our customers to conserve energy. Elsewhere, in 2015, we introduced about 300MW of new solar and wind energy in Mainland China and India – our two main growth markets. We have also underwritten the development of almost 400MW of wind farms in Australia since late 2014 and secured competitive offtake arrangement from them. At the same time, our Fangchenggang II project in Guangxi, which uses the cleanest ultra-supercritical coal technology, will go on stream in 2016. We will build on these efforts in a timely and coordinated manner. In addition, we shall continue to explore opportunities in nuclear energy which plays a key role in helping the Mainland manage its carbon emissions.

Looking at the bigger picture, I believe we can take pride in the fact that in just over a decade, we have added about 3,000MW of renewable energy to our overall portfolio. There is much more to be done but we have laid a solid foundation. We are determined to work together with our customers and governments to create a greener and smarter future.

The Honourable Sir Michael Kadoorie

CEO'S STRATEGIC REVIEW

I am privileged to follow up the Chairman's Statement in which he reported the Group's strong performance in 2015. It is pleasing to note these results followed the successful first full year execution of our updated "Focus · Delivery · Growth" Group strategy and I will explain this in more details by market.

Hong Kong

2015 was a solid year for our business in Hong Kong. It continued to grow steadily as we consistently delivered a reliable, safe and reasonably priced electricity supply with improving environmental performance. This is the core promise of our business. Operating earnings increased 6.4% to HK$8,276 million, mainly due to the sharing of an additional 30% of CAPCO's earnings for the first full year after completion of the acquisition in May 2014.

Our business has continued to perform well due to the steady growth in electricity demand arising from newly built infrastructure, population growth and our relentless pursuit of operating efficiencies and cost control.

CLP continues to invest in Hong Kong, as we have for more than a century now. Hong Kong is above all else - our home. But, as the Chairman has so clearly spelled out, we need regulatory clarity and a reasonable return to enable us to make long-term investment plans. This is where the new SoC Agreement comes into play. We are working closely with the Government, our key stakeholders, customers and the community for a regime that meets Hong Kong's long-term energy objectives.

We also recognise our community's aspiration for cleaner energy. In 2015, we almost doubled the amount of natural gas used to generate power to improve our environmental performance. We are reviewing with the Government the feasibility of building additional gas-fired generation capacity at Black Point Power Station to meet the Government's objective of using around 50% of natural gas in the local generation fuel mix in 2020. To meet these goals, we have been working hard to source additional gas supplies, including signing a bridging contract to purchase gas from the small Wenchang gas field in the South China Sea using the existing Yacheng pipeline.

The recent landslide incident in Shenzhen that led to the temporary suspension of natural gas from the Second West-East Gas Pipeline (WEPII) to Hong Kong has highlighted the vulnerability of Hong Kong's energy security and signalled urgent actions to diversify our fuel sources. We are evaluating the feasibility of developing a Floating Storage and Regasification Unit (FSRU) in Hong Kong which will enable us to purchase liquefied natural gas (LNG) from the international market.

Meanwhile, we continue to support the Government's efforts to promote energy efficiency through public education and energy saving campaigns. We look forward to expanding the charging network for electric vehicles across the city. By the end of 2016, we target to have quick charging stations available at intervals averaging 10 km in Kowloon and the New Territories. We are committed to delivering a smarter and greener electricity service and enhancing our customer experience through a greater focus on energy efficiency and conservation. Working closely with the Government, we are also exploring greater use of smart meters in the future.

Mainland China

Mainland China was identified as a key growth market in our investment strategy. Whilst growth in the Chinese economy slowed in 2015, our business in the Mainland performed well. Operating earnings were up 25.2% to HK$1,977 million as new renewable projects have contributed to earnings, lower coal prices have benefited our coal-fired projects and we resumed sharing of earnings from our joint venture CSEC Guohua.

During the year, we added 90MW of renewable energy in the Mainland. In November, we doubled the size of our successful Xicun solar project in Yunnan to a capacity of 84MW. The second phase of the development was achieved in only four months and is testament to the skills of our renewable energy development team in China.

Construction of Phase II of Fangchenggang Power Station in the Guangxi Zhuang Autonomous Region continued in 2015 and is slated for commissioning in 2016. In recent months, we have seen a slowdown of economic growth in China in general and Guangxi in particular. This will inevitably have an adverse impact on the utilisation of both our existing and new generating units in the near term. However, in the longer run, we remain confident of our project due to the strong fundamentals of Guangxi. Guangxi has the advantages of its unique location as a gateway to the ASEAN countries, and the Central People's Government has a policy to relocate industries to this region from other parts of China.

CLP is in the energy business for the long term. We are used to dealing with business cycles and our investment decisions are based on trends and fundamentals over the long run rather than short term economic movements. This strategy has served the company well in the past, and I believe it will continue to serve us well long into the future.

The gradual transitioning to a low carbon economy in China presents both opportunities and challenges for power generators like CLP. Whilst the dependency on fossil fuel will reduce, and hence the usage of coal-fired power plants, China's commitment to increasing the share of non-fossil fuels in primary energy consumption to around 20% by 2030 will help support CLP's continuing investments in low carbon energy in the Mainland.

India

Our business in India further improved in 2015. As I have noted in the past, the lack of affordable and reliable fuel supply has been a drag on the local industry for some years. However, thanks to our continuing efforts and alignment of the Government and fuel suppliers, the situation continues to improve. This has contributed to the 126.7% increase in CLP India's operating earnings to HK$612 million.

Jhajjar Power Station achieved availability of more than 80% in 2015 due to improved operations and coal supply. We expect this good performance to continue into the rest of the Indian fiscal year ending 31 March 2016, enabling us to reach the contractual availability target. Although the quantity of coal has improved, quality remains an issue. We are working with the Government and our fuel suppliers on this issue and are confident that this effort will progressively bear fruit in the long run. Meanwhile, thanks to both lower gas prices and the Government's subsidy scheme, utilisation of our gas-fired Paguthan plant also improved, which benefited both us and our customers.

During the year, we continued to expand our wind portfolio, which is a focus for us in India. We commissioned more than 190MW of wind projects in 2015 taking our operating wind portfolio to 924MW. In addition, we have another 149MW of wind power in the pipeline and we will remain the largest wind energy producer in the country.

In 2015, we also achieved a financial milestone after we issued our first green bond through CLP Wind Farms (India) to fund the development of wind projects in India. The move is in line with our plans for renewable projects in India and our policy of diversifying our financing sources.

The Indian Government has also given priority to developing solar energy as part of its measures to combat climate change. In support of this, CLP will also explore opportunities in this area leveraging the expertise we have already established in China.

Southeast Asia and Taiwan

Our performance in Southeast Asia and Taiwan remained steady last year as our existing projects continued to operate satisfactorily. Operating earnings rose 5.1% to HK$312 million. At the same time, we saw good progress in the development of our two coal-fired projects in Vietnam.

CLP sees Southeast Asia as an important secondary growth market, and we are always on the lookout for opportunities in selected countries there.

Australia

2015 finally saw some stabilisation of the decline in energy demand that has characterised the industry in Australia over recent years. Despite continuing oversupply in the wholesale market, we have worked hard to restructure the business and increased our focus on our customers, cost control and efficiency. As a result, EnergyAustralia's operating earnings increased by 10.6% to HK$836 million in 2015 despite a 16.9% decrease in the Australian dollar exchange rate.

Within EnergyAustralia, we have reshaped our strategy and put a priority on customers. We also strengthened the management team in order to achieve our goal of restoring value. We paid a lot of attention to our retail business, successfully integrating all mass market customer accounts onto one billing system, which I am pleased to report operated steadily and efficiently throughout 2015.

With a strong management team, an integrated billing system, and a sharpened focus, we are now able to forge further synergies, investing in areas that will further cut costs in the future. Our plan to further invest in our digital mobile platform to improve customer experience and to reduce our back office costs is just one example of the exciting possibilities.

In another move to restore value to the business, EnergyAustralia reached an agreement to sell the Iona Gas Plant in the State of Victoria for A$1,780 million (HK$9,991 million). The sale has allowed us to strengthen our balance sheet, reduce our debt and provide funds for investment for the future.

However, uncertainty still remains in the wholesale market. Following the closure of our Wallerawang Power Station in New South Wales in 2014, some industry participants have also announced closures of generating facilities, but progress has been slow and a significant oversupply remains. Whilst the recent decline in the value of the Australian dollar has helped the competitiveness of local manufacturers, there remains concern that further large scale industrial closures or a further economic slowdown in Australia will again impact demand for electricity.

We therefore believe that the oversupply situation may continue for some time and will require coordinated effort amongst industry players, relevant authorities and local communities to address the problem. As we expect this process to be very slow, we have performed another detailed analysis of the economic prospects of our generation assets and decided to impair and make provisions for some of those assets totalling A$261 million (HK$1,480 million).

In the longer run, EnergyAustralia aims to transform the business into a world class energy retailer operating on a sustainable and low-cost business model. With this, I am confident that we are on track to restore and enhance the value to the business.

Climate Change

The issue of climate change loomed larger in 2015, principally due to COP21 in Paris. In December 2015, I took the opportunity to attend and speak at some of the side events at COP21, explaining the Group's environmental policies and voicing our support for a well-managed transition to a low carbon future. I was there with thousands of senior executives from around the world who had gathered in Paris to absorb knowledge from some of the world's leading energy experts. It also allowed me and my team to observe as we watched the climate talks unfold and culminate in the Paris Agreement. We welcome the Agreement, particularly the clarity it brings to various countries' low carbon development plans. We look forward to working with policy makers in the countries in which we operate to translate the Agreement into policies and actions.

As the Chairman has pointed out, the transition to a low carbon economy will not, and should not, happen overnight. Companies, including CLP, need to work hand in hand with policy makers to ensure an orderly and controlled transition to a low carbon economy. As a responsible investor in the Asia-Pacific power sector for so many years, we are ready and willing to continue to front up to this challenge. In 2015, we invested HK$3,042 million in 284MW of new renewable energy projects. With incidents of extreme weather increasing globally as a result of climate change, we have also made it a priority to improve the resilience of our power supply system. Hong Kong has one of the world's most reliable electricity supply systems and we hope that these measures can reduce the impact of super-typhoons and severe floods on our power systems and keep disturbance to the public to a minimum. We will continue to play our part in addressing climate change, as we have always done.

Summary

Looking at our overall 2015 results, our performance was very pleasing. We are glad that our updated strategy of "Focus · Delivery · Growth" was able to deliver results in its first year of implementation. We need to build on that, and we are confident that it will guide us in the years ahead. Be assured that CLP will continue to be a responsible investor in the Asia Pacific region in the years to come.

Richard Lancaster

FINANCIAL PERFORMANCE

Operating earnings raised 14.6% to HK$11,533 million. Total earnings increased by 39.6% to HK$15,670 million after including the gain on sale of Iona Gas Plant and other items affecting comparability.

	2015		2014		**Increase**
	HK$M	**HK$M**	HK$M	HK$M	**HK$M**
Hong Kong		**8,276**		7,777	499
Hong Kong related*	**206**		71		
Mainland China	**1,977**		1,579		
India	**612**		270		
Southeast Asia and Taiwan	**312**		297		
Australia	**836**		756		
Other earnings	**(60)**		(66)		
Earnings from other investments/operations		**3,883**		2,907	976
Unallocated net finance income/(costs)		**17**		(36)	
Unallocated Group expenses		**(643)**		(586)	
Operating earnings		**11,533**		10,062	1,471
Items affecting comparability					
Gain on sale of Iona Gas Plant		**6,619**		-	
Costs associated with the early termination of debt in Australia		**(858)**		-	
Impairment and onerous provisions for EnergyAustralia's generation assets		**(1,480)**		-	
Impairment provision for Beijing Yire Power Station in 2015/Dali Yang_er in 2014		**(243)**		(158)	
Revaluation gain on Argyle Street site		**99**		245	
Net gain on CAPCO and PSDC acquisitions		**-**		1,953	
Impairment provision for Narrabri Coal Seam Gas Project		**-**		(1,578)	
Net tax credit from Australia		**-**		545	
Termination of Redbank Agreement		**-**		152	
Total earnings		**15,670**		11,221	4,449

* Hong Kong related included PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong

Hong Kong

Earnings from our Hong Kong electricity business were HK$8,276 million, a 6.4% increase from HK$7,777 million in 2014. This was mainly due to higher permitted return on a higher level of average net fixed assets and share of additional 30% of CAPCO's full-year earnings following its acquisition in May 2014.

Mainland China

Operating earnings from Mainland China were up by 25.2% to HK$1,977 million in 2015, as compared to HK$1,579 million in 2014.

Earnings from our 25% stake in the Daya Bay Nuclear Power Station rose by 11.6% as a result of the strong operational performance.

Earnings from coal-fired projects improved mainly due to lower coal prices and the resumption of sharing of earnings from CSEC Guohua (HK$316 million) after the lapse of Share Transfer

Agreement at 31 December 2014, partly offset by lower contribution from Fangchenggang Power Station due to fewer units sold and reduction in tariff.

Contributions from solar projects increased mainly attributable to Xicun and Sihong projects, which were commissioned in late 2014 and early 2015 respectively. In addition, earnings from wind projects were higher with more wind resources. On the other hand, earnings from hydro projects (in particular Huaiji Hydro) were lower due to lower water levels.

In view of the cessation of operation of Beijing Yire Power Station in March 2015, an impairment provision of HK$243 million has been made.

India

The performance of our India business has improved with operating earnings increased from HK$270 million in 2014 to HK$612 million in 2015. The increase was mainly attributable to the reversal of provision for dividend distribution tax, the turnaround of Jhajjar's performance from a loss in 2014 to a profit of HK$146 million in 2015 and the progress on litigation at Jhajjar, partly offset by an adjustment in operation and maintenance expenses of wind projects.

Southeast Asia and Taiwan

Operating earnings from our investments in Southeast Asia and Taiwan in 2015 increased to HK$312 million, compared with HK$297 million in 2014. Operational performance at Ho-Ping and Lopburi solar project remained stable. Ho-Ping's earnings increased mainly due to lower coal prices, partly offset by lower generation and lower tariff.

Australia

EnergyAustralia's operating earnings increased by 10.6% from HK$756 million to HK$836 million in 2015 despite a 16.9% decrease in the Australian dollar exchange rate during the year. The rise in earnings was attributable to lower operating costs as a result of the successful completion of migration of customers and the consequent termination of the Transition Services Agreement, lower bad debts, staff costs and amortisation expenses. Finance costs also reduced resulting from lower interest rates and a lower average loan balance. A higher contribution from retail business due to improved gross margin and favourable weather was offset by lower commercial and industrial volumes and lower exchange rate. On the other hand, contribution from wholesale was negatively impacted by the repeal of carbon tax and its compensation.

In December 2015, the Group completed the sale of Iona Gas Plant with proceeds of A$1,780 million (HK$9,991 million) and recorded a gain of A$1,180 million (HK$6,619 million). The proceeds were used to prepay external debt and terminate associated hedging derivatives leading to a total cost of HK$858 million. In addition, impairment and onerous provisions for generation assets (HK$1,480 million) have been made in view of the oversupplied wholesale electricity market in Australia.

BUSINESS PERFORMANCE

Electricity Business in Hong Kong

<u>Operational Performance</u>

One of our most important objectives is to serve our customers in Hong Kong with a safe, reliable and clean electricity supply at a reasonable cost. We again achieved this in 2015.

Electricity Sales and Tariffs

In 2015, local sales of electricity were 33,033 gigawatt hours (GWh), representing a slight increase of 0.3% over 2014. A breakdown of the changes during the period by sector is as follows:

Local Sales	Increase/(Decrease)		As Percentage of Total Local Sales
Residential	(222GWh)	(2.3%)	28%
Commercial	110GWh	0.8%	40%
Infrastructure & Public Services	220GWh	2.6%	27%
Manufacturing	(0GWh)	(0.0%)	5%

Compared with 2014, sales to the Residential sector recorded a decrease of 2.3%, mainly due to a lower heating load in the first quarter, followed by a lower cooling and dehumidifying load in the third quarter. This partially offset the increase in sales in the Commercial as well as the Infrastructure and Public Services sectors.

Sales to the Mainland amounted to 1,187GWh, a decrease of 3.2% from 2014, mainly attributed to a decline in electricity sales to Guangdong Power Grid Co., Ltd. in 2015.

Total electricity sales, including local sales and sales to the Mainland, increased by 0.2% to 34,220GWh.

CLP is very aware of the impact of tariff adjustments on people's livelihood and business, and we place great emphasis on managing costs. Thanks to the significant fall in fuel prices in 2015 and our efforts to control costs, we were able to reduce the Average Total Tariff by 0.9% from January 2016, despite the need to use significantly more gas to generate electricity to meet the Government's stringent environmental targets. A special one-off fuel rebate totalling HK$1,264 million was made to our customers from August 2015. If fuel prices remain stable in the coming year, we are confident that our tariff in 2017 can be maintained at the 2016 level despite stricter emissions caps and increasing natural gas usage in 2017.

Investment and Reliability

During the year, we continued to make investments to enhance the reliability and security of our supply system amidst new demand growth arising from infrastructure development. CLP invested HK$7.6 billion in generation, transmission and distribution networks, as well as in customer services and supporting facilities. This included the commissioning of three new substations to support the development of Hong Kong's expanding road and railway networks, the Government's Harbour Area Treatment Scheme, and to meet demand from population growth in northwestern New Territories.

In 2015, we achieved a historic low level of 1.32 minutes of unplanned power interruptions per year as we continued to deliver highly reliable electricity supply to our customers. Between 2013 and 2015, on average a CLP customer experienced 1.51 minutes of unplanned power interruptions per year, compared to 17-28 minutes in New York, Sydney and London (between 2012 and 2014).

Regulatory Affairs

In November 2015, the Hong Kong Government announced the key findings of the public consultation on the future development of the electricity market. The majority of respondents recognised the effectiveness of the SoC Agreement and supported the current contractual arrangements which they felt had met the four energy policy objectives of safety, reliability, reasonable tariffs and environmental protection. Respondents also generally agreed that the SoC Agreement has enabled electricity providers to provide customers with a reliable and safe electricity supply, which is considered to be of great importance. For the future, respondents wanted more emphasis on promoting renewable energy and energy conservation. We welcome the consultation results and we have commenced discussions with the Government on the new SoC Agreement.

Gas Supply

CLP has been actively engaging with key stakeholders on the proposal to build a new Combined Cycle Gas Turbine (CCGT) at Black Point Power Station to support the Government's policy of increasing the share of gas in the Hong Kong's fuel mix for power generation to around 50% in 2020. The new CCGT unit would adopt a technology that produces comparatively higher efficiency and better emissions performance than our existing generation units. We are making good progress and submitted a Development Plan to the Government at the end of 2015, followed by an environmental impact assessment study report in February 2016.

However, gas supply for our new power station will be a key issue. This was brought into sharp perspective when damage to a section of the 9,000-km WEPII from a landslide in Shenzhen on 20 December 2015 led to temporary suspension of natural gas supplies to Hong Kong from this source. CLP immediately activated its contingency arrangements and ensured that the electricity supply to our customers was uninterrupted. Whilst permanent gas supply is expected to resume shortly, our contingency actions underscore the importance of ensuring that CLP, and Hong Kong as a whole, has access to multiple supplies of natural gas.

To do this, we continue to pursue new sources of gas supply as stipulated under the Memorandum of Understanding (MOU) on energy cooperation signed between the Hong Kong Government and the Central People's Government in 2008. As our gas source from the Yacheng gas fields in South China Sea is depleting and reaching the end of its life cycle, we have entered into a bridging agreement to purchase gas from the nearby small Wenchang gas field to supplement our supply needs in the medium term. Wenchang gas can be supplied to CLP through the same pipeline as Yacheng, providing a cost-effective solution. Based on our long-term gas demand and future fuel mix requirements, we are also commencing engagement with potential suppliers for additional gas requirements for 2020 and beyond.

In addition, to increase the diversity of gas supplies and broaden our access to liquefied natural gas (LNG), we are continuing to evaluate the feasibility of developing a Floating Storage and Regasification Unit (FSRU) – a ship-based LNG import terminal located offshore to store and regasify LNG to supply end users – in Hong Kong. Such a facility would enable our city to have access to a range of competitive LNG supplies directly from the international market and help minimise supply risks.

Customers

Customers are at the heart of our operations. In 2015, we continued to look for ways and invest in technologies to provide a greener and smarter electricity supply to our customers, enhance customer experience, and promote the smarter use of energy.

Although Hong Kong lacks available land supply and the best renewable energy resources, we continue to support renewable energy development such as the Government's Sludge Treatment Facility. We also welcome the installation of distributed renewable energy facilities. Currently, over 200 renewable systems are connected to CLP's grid. Throughout 2015, we improved customer support and streamlined the application process to encourage adoption of these facilities.

We support green motoring and were the first to set up charging stations across Hong Kong offering a variety of chargers for different models of electric vehicles. We have now established more than 140 charging points providing standard, semi-quick and quick charging services, including the first multi-standard quick charger in the city. We have extended our free charging services until the end of 2016 and introduced a new service in 2015 to facilitate the installation of private chargers by our customers in residential or commercial buildings.

Our efforts in promoting energy efficiency and conservation continued in 2015 as more programmes were rolled out to help our customers identify energy saving opportunities and better manage their electricity usage. During the year, we submitted the encouraging findings of myEnergy, a smart meter pilot programme for residential and small-to-medium commercial customers, to the Government. CLP is working with the Government to explore greater use of smart meters in the future.

In 2015, we also successfully conducted the first-of-its-kind "Power Your Love" programme, encouraging more than 200,000 of our residential customers to save energy and transfer the electricity they saved to people in need. When the programme ended in July 2015, 9.5 million kWh of electricity was saved. As a result, CLP donated HK$6 million from a shareholders' fund, together with some HK$60,000 of public donation, to help pay for the electricity bills of about 20,000 underprivileged residential households. Other examples of our energy efficiency and conservation initiatives can be found below.

Promoting Energy Efficiency and Conservation

<u>Demand Side Management</u>
Our Demand Response programmes enable our commercial and industrial customers to save electricity by meeting their pre-agreed load reduction targets during demand peaks.

<u>Awareness Building Campaign</u>
Eco Building Fund
The Eco Building Fund helped fund energy efficiency improvement projects in common areas of residential buildings. By the end of 2015, 36 applications involving HK$16 million had been approved.

Green^{PLUS} Award 2015
The Award encouraged business customers to practise energy efficiency and conservation.

Green Building Symposium
The Green Building Symposium held in November 2015 provided a platform for our business customers and professionals in the building industry to share ideas and experiences.

Eco Home Tour – Smart Living ▪ Smart Use of Energy
The new Eco Home Tour showcased an ingenious selection of home energy saving technology and devices from around the world to introduce low carbon living and energy saving tips to visitors. The customer service centre in Tai Po was refurnished as an Eco Home to provide green living tips to customers.

Energy Efficiency Education
Green Studio
Green Studio, Hong Kong's first 3D environmental education mobile studio, has been in service since 2009. It received over 13,000 visitors in 2015 and will reach its 100,000th visitor milestone in 2016.

CLP Junior Green Engineer Programme 2015
Through field trips, talks and interactive workshops, primary four to six students who joined the CLP Junior Green Engineer Programme in the summer learned about science, environmental protection and the engineering profession. In 2015, the programme received over 1,000 applications.

Green Elites Campus Accreditation Programme
We engaged with more than 8,000 students and teachers of primary schools under Po Leung Kuk through the Green Elites Campus Accreditation Programme. Together with Friends of the Earth (HK) and Green Power, we provided them with educational tools and daily tips to encourage them to practise green living. In addition, over 22,000 primary school students enrolled as Green Elites through our Green Elites Portal to learn more about green living.

Environmental Performance

Air Emissions

We have established a robust environmental management system to manage environmental issues for our generation portfolio in Hong Kong and conduct regular reassessment to ensure these environmental controls remain up to date. In terms of environmental issues, air emissions continue to be the most material.

In 2015, we faced a new set of emissions caps that required us to reduce our emissions by up to 65% from the tight base of 2014. We were able to meet these new requirements, largely due to increased gas consumption. In addition, we managed to optimise our diversified fuel mix, use more low-emissions coal, enhance the effectiveness of our emissions control facilities, and ensure good performance of our power generation. Significant reduction in the overall emissions levels was achieved.

We concluded discussions with the Government on a new set of emissions caps for our power stations starting in 2020. Under the new Technical Memorandum, the allowances for air emissions of sulphur dioxide (SO_2), nitrogen oxides (NO_x) and respirable suspended particulates (RSP) in 2020 and afterwards will be reduced by 9%, 10% and 12% respectively, compared to the already stringent 2019 caps.

Environmental Regulatory Compliance

During 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our Hong Kong assets over which we had operational control.

Outlook

As discussed in the Chairman's Statement and CEO's Strategic Review, the Paris Agreement has laid down a clear direction and objectives for global cooperation to tackle climate change. To this end, the Hong Kong Government has pledged to take forward-looking mitigation measures. One of its first actions is setting up an inter-departmental committee to steer and coordinate the implementation work on this front. As Hong Kong's largest power company, we look forward to this opportunity and will work closely with the Government to help Hong Kong achieve a greener future.

On our part, ensuring a reliable and stable power supply is our most important commitment to our customers. Over the years, we have undertaken various measures to improve the resilience of our power supply system and to counter extreme climate conditions of super typhoons and severe floods. These measures include enhancing the structure of our pylons and adoption of an Emergency Restoration System for the rapid construction of temporary pylons. We have set up a flood prediction system and put in place flood detection systems for substations, and conducted regular drills. We have also established a typhoon response protocol and coordinating system. Although power interruptions may be unavoidable during extreme natural events, we will continue to enhance our power system to alleviate the impact to our customers.

The future of Hong Kong's electricity sector and regulatory regime has far-reaching and important implications for our customers and the wider community. We are encouraged by the results of the public consultation on the future development of the electricity sector that recognised the importance of a stable regulatory framework and the contribution of the SoC. We are committed to continuing to serve our customers with an electricity supply of world class reliability at reasonable cost whilst making a steady improvement in environmental performance. To that end, we look forward to working closely with the Government on the post-2018 regulatory arrangement.

We are confident of keeping tariffs in 2017 at the 2016 level, provided fuel prices remain stable. At the same time, we are committed to reducing our emissions through increasing our gas consumption and making use of emissions control facilities. CLP will continue to liaise with the Government and other stakeholders on its proposed CCGT project with a view to receiving approval by mid-2016 to allow the new unit to be ready by 2020 to contribute to the community's environmental targets. The final investment decision on the project will however depend on factors such as electricity demand, technical feasibility and project economics in addition to regulatory and environmental considerations.

We will continue to support the Government's green initiatives to promote energy efficiency and conservation, and help customers manage their energy consumption. We are convinced that by working together with the community to ensure growth is achieved in a more sustainable manner, we can strengthen our customer base and build a stronger brand in the long term.

Electricity Business in the Mainland China

Operational Performance

In 2015, we continued to expand our generation portfolio concentrating on renewable energy and high efficiency coal-powered developments. This was despite a slowdown in overall electricity demand growth to 0.5% from 3.8% in 2014.

Underlining our commitment to developing renewable energy in Mainland China as a key growth market, 2015 saw the addition of 90MW of solar energy (Sihong and Xicun II) to our portfolio.

Performance of our solar projects was satisfactory. Xicun I, which was commissioned in December 2014, performed above our expectations due to better solar resources and higher plant efficiency. The success of Xicun I has helped CLP secure an additional capacity quota from the Yunnan Provincial Government to develop Phase II, adding a further 42MW of capacity. The second phase, of which the construction was completed in four months, was commissioned in November 2015.

Elsewhere, Jinchang reported higher sales after participating in a direct electricity sales scheme. Sihong reported solid performance after commencing operation in February 2015 with solar resources close to original expectations.

In 2015, our wind projects were on par with last year. Oversupply led to grid curtailment and lower demand growth affected our projects in northeast China.

In the meantime, Xundian Wind (49.5MW) commenced commercial operation in January 2016, whilst the construction of Sandu I, CLP Laizhou and Laiwu II Wind (198MW combined) continues. We have also obtained approval from Guizhou Energy Administration for the development of Sandu II Wind (99MW).

On hydro, Jiangbian reported higher generation and more sales through direct contracts when compared to the previous year. It also received the Project Completion Acceptance approval in September 2015 from the National Development and Reform Commission fulfilling the national requirements of design, construction and operation. Jiangbian is the second hydropower project in the Mainland to achieve such qualification.

Dali Yang_er Hydro continued to suffer from lower rainfall resulting in reduced generation. Huaiji Hydro also generated less electricity due to lower rainfall in the region and lower reservoir water levels over the first half of 2015.

On the safety aspect, Fangchenggang, Jiangbian Hydro and Qian'an Wind achieved at the same time a Platinum 5-star rating from National Occupational Safety Association (NOSA) in 2015. It is the second consecutive year that Jiangbian Hydro and Qian'an Wind achieved such rating.

In July 2015, we shared CLP's work safety management experience and practices with Guangxi Work Safety Committee in Fangchenggang to enhance work safety management across various government departments and enterprises.

During the year, we continued to benefit from the fall in international and domestic coal prices. The decline in coal prices helped offset the reduction of on-grid tariff rates which took effect in April 2015. Fangchenggang Power Station suffered from increased hydro generation in Guangxi and more subdued electricity demand, which resulted in lower dispatch. Meanwhile, the construction of Fangchenggang II is progressing on schedule. In March 2015, Beijing Yire Power Station ceased operation in support of Beijing Government's effort to combat air pollution although the coal-fired power station remained in full compliance with regulatory emissions requirements. We were allowed to transfer Yire's allocated generation quota to other power plants under CSEC Guohua in which CLP holds a 30% equity stake.

2015 marked the 30th anniversary of CLP's partnership with CGNPC in Guangdong Daya Bay Nuclear Power Station (GNPS). During the year, GNPS continued to operate smoothly, achieving an utilisation rate of 89.5%, compared to 87.8% in 2014. It also completed an extensive planned maintenance outage during the year as required by the National Nuclear Safety Administration every 10 years. GNPS maintained an excellent safety record and its performance compared favourably vis-a-vis indices promulgated by the World Association of Nuclear Operators. A "Below-Scale" Licensing Operational Event (also known as a Level 0 event under the International Nuclear and Radiological Event Scale) occurred in October 2015. This event had no safety implications and caused no reduction to the supply of electricity to customers.

Thermal Projects - Performance

	Installed Capacity (MW)	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Majority-owned									
Fangchenggang	1,260	**3,133**	4,812	**89**	82	**28**	44	**2,486**	3,819
Minority-owned									
Shiheng I & II	1,260	**6,607**	6,577	**94**	95	**60**	60	**5,244**	5,220
Heze II	600	**3,305**	3,318	**94**	90	**63**	63	**5,508**	5,530
Liaocheng I	1,200	**6,627**	6,643	**96**	92	**63**	63	**5,523**	5,536
Panshan	1,060	**5,410**	6,263	**95**	92	**58**	69	**5,104**	6,050
Sanhe I and II	1,300	**6,489**	7,183	**93**	95	**57**	63	**4,991**	5,525
Suizhong I and II[1]	3,760	**14,903**	14,455	**94**	96	**46**	46	**4,009**	4,015
Yire[2]	400	**560**	2,183	**100**	94	**16**	62	**1,401**	5,458
Zhungeer II and III	1,320	**6,384**	7,660	**99**	95	**55**	66	**4,837**	5,803
Shenmu	220	**950**	1,237	**94**	95	**49**	64	**4,318**	5,623

Notes:
1 Retrofit of Unit 1 and 2 of Suizhong power station completed in 2015, which increased total installed capacity from 3,600MW to 3,760MW.
2 In accordance with the notice served by the Beijing municipal government, Beijing Yire Power Station ceased operation on 20 March 2015. The closure comes as part of the government's efforts to combat air pollution by reducing coal-fired generation in Beijing, despite of the fact that the power station complies fully with the regulatory emissions requirements.

Wind Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Utilisation (%)	
		2015	2014[1]	**2015**	2014[1]
Wholly-owned					
Qian'an I and II	99.0	**159.0**	172.5	**18.0**	19.9
Penglai I	48.0	**96.8**	89.3	**23.0**	21.2
Laiwu I	49.5	**67.6**	68.3	**15.6**	n/a[1]
Minority-owned					
21 projects	936.9	**1,676.4**	1,647.5	**20.4**	20.1
CGN Wind JV					
CGN Wind Portfolio [2]	1,794.0	**2,979.3**	3,138.3	**19.0**	20.0

Notes:
1 Net generation for unit sold; n/a (not applicable) is for projects which had not yet commissioned for a full year's operation.
2 Utilisation applies to projects with full-year operation in the JV.

Solar Projects – Performance

	Installed Capacity (MW)[1]	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	**2014**
Jinchang	85	**130**	101	**100**	100	**17**	14	**1,529**	1,182
Sihong	93	**128**	n/a[2]	**100**	n/a[2]	**n/a[2]**	n/a[2]	**1,378**	n/a[2]
Xicun I and II	84	**104**	7.9	**100**	n/a[3]	**n/a[3]**	n/a[3]	**2,138**	n/a[3]

Notes:
1 Alternate Current (AC) capacity is used to align with the calculation method for other power plants under CLP portfolio.
2 The project entered commercial operation in February 2015.
3 Phases I and II of the project entered commercial operation in December 2014 and November 2015 respectively.

Hydro Projects - Performance

	Installed Capacity (MW)	Generation (GWh)		Availability (%)		Utilisation (%)		Operating Hours (Hours)	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Dali Yang_er	50	**124**	140	**86**	84	**28**	32	**2,494**	2,816
Huaiji[1]	129	**397**	439	**92**	88	**35**	39	**3,085**	3,462
Jiangbian	330	**1,277**	1,151	**89**	87	**44**	40	**3,869**	3,487

Note:
1 A 1MW expansion to one of the hydropower stations was completed in 2015, bringing total installed capacity from 128MW to 129MW.

Environmental Performance

Air Emissions

Fangchenggang is currently our only fossil-fuel based power station under CLP's operational control in Mainland China. Its air emissions in 2015 were lower than 2014 due to low dispatch levels. In 2013, the Central People's Government issued emissions control enhancement requirements for coal-fired power stations for 2014-2020. Guangxi was originally not within the scope of these new requirements, but had since been included. In order to ensure Fangchenggang I and II meet these requirements within the required time frame, CLP has been working to enhance the environmental mitigation measures of both plants, including upgrading Fangchenggang I's desulphurisation, denitrification and dust emission equipment to meet the higher air emissions standard imposed by the Chinese Government.

Environmental Regulatory Compliance

In 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for our assets in Mainland China in which we have operational control.

We are constructing a number of power stations in Mainland China including Fangchenggang II and several wind and solar projects. Over 2015, we continued to monitor the environmental performance of our construction sites through regular measurements, site supervision, and on-site audits by both CLP internal staff and independent parties. None of these sites experienced any regulatory environmental compliance issues throughout the year.

Outlook

Mainland China's transition from an export-led, high growth model to a low carbon economy that emphasises sustainability and the services sector poses challenges to conventional power generators. We expect Fangchenggang's performance to remain under pressure in the near term. To help boost generation, we are exploring new sales channels such as direct sales contracts. More importantly, our three focus regions of Shandong, Southwest China and the cross border area neighbouring Hong Kong are still amongst the fastest growing areas in the country. We remain confident of the long-term demand growth in these areas.

Meanwhile, we see more opportunities in the non-carbon and renewable fronts. CLP is focused on the development of renewables and high-efficiency coal projects and is therefore well-positioned to capitalise on these opportunities. We are encouraged by the Mainland government's green and air quality policies that provide strong impetus to investors such as CLP to make selective investments in the country.

We note that government subsidies on renewables will come down over time, and there is very keen competition in securing new renewable projects. This presents a key challenge to all developers including CLP and we will take proactive actions. On the other hand, technology advancement is expected to drive down costs creating opportunities for new projects. Hence we will focus on developing wholly- or majority-owned wind and solar projects in the country. These include the expansion of existing projects in Shandong, Guizhou and Yunnan, and new opportunities that we are exploring in eastern and southwest China. In 2016, we target to commission CLP Laizhou Wind (49.5MW) and Laiwu II Wind (49.5MW) and start construction of Sandu II Wind (99MW). We also plan to expand our solar portfolio and currently have a number of projects in the pipeline.

China's 13th Five-Year Plan, which begins in 2016, has reaffirmed nuclear power as a primary source for non-fossil energy power generation in the long term. Drawing on our expertise in nuclear energy, we will continue to explore opportunities in the area. The electricity sector reform may also bring potential opportunities for CLP in areas such as distribution and retail.

Electricity Business in India

Operational Performance

Our operations in India continued their positive momentum in 2015. Even though the demand for power declined compared with previous years, we were able to report good performance in both conventional and renewable energy projects, and achieved new financial milestones. At the same time, the Indian Government has identified the power sector as a key area for sustainable growth, resulting in new opportunities especially in the field of renewable energy. We are well positioned to take advantage of these positive industry conditions and look forward to the continuing growth of our business in India.

Performance of our flagship Jhajjar coal-fired power plant improved in 2015 with plant availability exceeding 82%. This was due to an increase in domestic coal supply and our efforts to strengthen operations. Shortage in domestic coal has been a challenge for us until last year. The increase in domestic fuel supply has also significantly reduced our dependence on imported coal. For the current Indian fiscal year ending 31 March 2016, we expect availability to remain over the 80% contractual target level.

We have engaged with the domestic fuel supplier and put systems in place to resolve fuel quality issues. The Indian Government has also introduced initiatives to ensure better quality of coal. Over time, these initiatives and efforts are expected to produce positive results.

Utilisation at the gas-fired Paguthan plant more than doubled from around 5% in 2014 to over 11% in 2015, largely due to CLP India winning two rounds of auctions by the Federal Government for subsidised imported gas. The supply commenced in June 2015 and will continue until March 2016, translating into lower costs for our customers and higher dispatches. To ensure a steady supply, we plan to participate in the next round of bidding for the 2016-2017 fiscal year.

On the renewable energy front, we commissioned more than 190MW of new wind capacity in 2015 after three wind farms (Chandgarh in Madhya Pradesh, and Bhakrani and Tejuva in Rajasthan) became fully operational. Having resolved land acquisition issues, construction of Yermala wind farm (149MW) in Maharashtra has now started. Commissioning of the first 30MW is expected by April 2016.

However, wind power generation did decline in 2015, owing to multiple factors. First, wind speed was low and it was the second consecutive year that India experienced a low monsoon season. In addition, there has been power curtailment in Tamil Nadu and Rajasthan. Load restriction constraints were imposed on Theni wind farm in Tamil Nadu and generation of our wind farms in Sipla, Bhakrani and Tejuva in Rajasthan was affected due to unusual gusty winds. Their loss in generation was, however, partly made up by the early commissioning of Chandgarh as well as contractual protections.

In 2015, we achieved a new milestone in financing with the issuance of bonds in the local market for the first time. In April, it issued the first asset-specific corporate bond in the Indian power sector and raised Rs.4.76 billion (HK$591 million) to refinance debts for Jhajjar. This was followed in September where we issued the first green bond by a power company in South Asia and Southeast Asia, and raising Rs.6 billion (about HK$700 million) for the development of wind projects in India. The proceeds from these bonds will be used for funding the capital expenditure of the renewable projects.

Thermal Projects – Performance

	Installed Capacity (MW)	**Generation (GWh)**		**Availability (%)**		**Utilisation (%)**		**Operating Hours (Hours)**	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Jhajjar	1,320.0	**5,764.2**	6,256.5	**82.4**	80.0	**49.9**	54.1	**Unit-1** **6,144.2** **Unit-2** **6,103.1**	Unit-1 5,745.6 Unit-2 6,986.7
Paguthan	655.0	**637.9**	278.1	**97.4**	89.8	**11.1**	4.8	**3,244.0**	1,557.0

Wind Projects –Performance

	Installed Capacity (MW)	**Commissioned / To be Commissioned (MW)**	**Forecast Full Commissioning Date**	**Utilisation (%)**	
				2015	2014
Andhra Lake	106.4	106.4	-	**21.8**	22.2
Bhakrani	102.4	102.4	-	**16.6**	n/a[1]
Chandgarh	92.0	92.0	-	**20.4**	n/a[1]
Harapanahalli	39.6	39.6	-	**25.0**	27.2
Jath	60.0	60.0	-	**22.3**	n/a[1]
Khandke	50.4	50.4	-	**22.7**	21.9
Mahidad	50.4	50.4	-	**25.4**	n/a[1]
Samana I	50.4	50.4	-	**23.0**	20.5
Samana II	50.4	50.4	-	**25.0**	22.2
Saundatti	72.0	72.0	-	**20.9**	21.8
Sipla	50.4	50.4	-	**19.2**	22.9
Tejuva	100.8	100.8	-	**20.1**	n/a[1]
Theni I	49.5	49.5	-	**15.5**	21.4
Theni II	49.5	49.5	-	**15.0**	20.7
Yermala	148.8	0.0/148.8	Dec 2017	**-**	n/a[1]
Total	1,073.0	924.2/148.8			

Note:
1 n/a (not applicable): projects that had not been commissioned for a full year’s operation.

Environmental Performance

Air Emissions

Air (SO_2, NO_x and Particulate) emissions levels for both Jhajjar and Paguthan remained relatively low in 2015 due to low dispatch. However, since Paguthan increased power generation because of an improvement in fuel supply, overall net emissions levels were higher than that of 2014. We have previously reported particulates emissions issues at Jhajjar. Plant operational issues have now largely been resolved, resulting in a significant reduction in overall particulates emissions.

Environmental Regulatory Compliance

During 2015, there were no fines or prosecutions arising from environmental-related regulatory non-compliances for any of our India assets in which we had operational control.

Outlook

India is one of our key growth markets and we see significant opportunities in the country. The potential demand for electricity is large as electricity consumption per capita is significantly lower than that in the developed world. However, state-owned distribution companies (DISCOMS) are suffering from serious losses in their transmission and distribution businesses. Their depressed financial status has an adverse impact on dispatch and the healthy growth of the power sector. It is therefore vital for DISCOMS to regain their financial health so that the power sector can pick up momentum again. The Federal Government has announced a new scheme to revive the financial and operating health of DISCOMS but this will need the support of the state governments to make a positive impact.

Going forward, we will continue our discussion with relevant agencies to explore the possibility of building a new coal-fired plant after 2018 on the existing site of Paguthan using imported coal. We are also evaluating an expansion of the existing Harapanahalli wind farm in Karnataka. Final investment decisions for these projects will depend upon commercial feasibility.

Solar power generation has witnessed tremendous growth in India with over 5,000MW of generation capacity awarded over the last year alone. Although the low tariff for solar projects has been a challenge, it represents a potential area for CLP to expand into and we will continue to explore viable projects in this field. At the same time, we will continue to assess opportunities in electricity transmission projects should they arise.

Electricity Business in Southeast Asia and Taiwan

Operational Performance

Throughout 2015, Ho-Ping Power Station (Ho-Ping) in Taiwan and our Lopburi solar project in Thailand continued to perform strongly. Significant progress was also made in the development of our two coal-fired projects in Vietnam – Vung Ang II and Vinh Tan III.

Buoyed by low coal prices, and notwithstanding temporary suspension of operations due to strong typhoons in August and September 2015, Ho-Ping recorded another year of strong financial performance.

Ho-Ping continues to defend against an unjustified claim of NT$5,266 million (CLP’s share: HK$249 million) by Taiwan Power Company (Taipower) relating to alleged losses by Taipower over tariffs prior to December 2012.

At Lopburi, reliable operation and high solar irradiance contributed to the solar plant's good financial results.

Work continues on the development of the Vung Ang II and Vinh Tan III coal-fired projects in Vietnam. Contracts for equipment supply and construction, and for the supply and transportation of coal, are largely settled, securing key linkages for construction and long-term importation of fuel. Negotiations for the key concession agreement and power purchase agreement (PPA) are in their final stages.

Meanwhile, the Vinh Tan III project received a significant boost in November when the project company signed a Memorandum of Understanding (MOU) with China's leading policy bank, China Development Bank, as part of the proposed lending group for the prospective development of the project. The signing of the MOU was witnessed by Xi Jinping, the President and General Secretary of the Communist Party of China, and Nguyen Phu Trong, the General Secretary of the Communist Party of Vietnam.

Environmental Performance

In 2013, the Taipei High Administrative Court (THAC) ruled in favour of Ho-Ping regarding a penalty of NT$442 million (CLP's share: HK$18 million after tax) imposed by the Hualien County Government (HCG) for Ho-Ping's exceedance of its coal consumption limit in 2009 and 2010. The HCG subsequently appealed and the THAC was instructed to re-examine the case. In December 2015, the THAC ruled in favour of the HCG but marginally reduced the penalty to NT$436 million (CLP's share: HK$18 million after tax). Ho-Ping is considering appealing the verdict.

Outlook

Looking ahead, our strategy in Southeast Asia and Taiwan is to focus on our existing operations in Ho-Ping and Lopburi, and the development of Vung Ang II and Vinh Tan III.

With the support of its shareholders including CLP, Ho-Ping will strive to maintain good operational and safety performance, and contribute quality earnings to shareholders. Lopburi will focus on reliable and safe operation.

We are confident that we can contribute to Vietnam's economic growth by supplying the country with electricity that is reliable and competitively-priced. We are focusing on the advancement of our negotiations to allow the Vung Ang II and Vinh Tan III projects to proceed to a final investment decision.

In addition to managing our existing assets and development projects, we continue to monitor opportunities in the Southeast Asia and Taiwan markets, particularly where long-term PPAs are still available.

Energy Business in Australia

Operational Performance

In 2015, EnergyAustralia set a solid platform enabling us to become a leading, low-cost energy retailer and restore value to the business.

A new executive management team with proven experience in energy, retail and business transformation was appointed and successfully restructured EnergyAustralia around its new strategy. The work refreshed and sharpened the business focus in key areas, in particular enhancing customer service, expanding its offer of next-generation products, reducing operational costs across the enterprise and making generation assets more reliable and efficient.

Whilst much work remains to be done, and external retail and wholesale energy markets remain challenging, good progress was made in critical areas during 2015.

Retail

EnergyAustralia ended the year with a modest net increase in mass market customer accounts to 2.62 million, or a market share of 21.5% in the states in which we operate (New South Wales (NSW), Victoria, South Australia and Queensland). The growth was the result of enhanced brand awareness, a focus on customer retention and new third-party sales channels. During the year, customer complaints made to the Ombudsman fell to a monthly average of 56 per 10,000 customers in 2015 from 298 in 2013. This represents one of the most satisfying achievements for EnergyAustralia in 2015.

Additionally, EnergyAustralia reduced its bad debt expense and successfully overhauled the telephony system in contact centres. The launch of a new major marketing campaign and improved analytical capacity allowed the business to target offers and campaigns at specific segments of the market.

Renewed focus on customer retention reduced customer losses, or “churn”, which remains lower than the industry average. For example, EnergyAustralia’s churn rate in NSW and Victoria was 14% and 20% respectively, against 16% and 24% in the broader market.

Midway through 2015 a new business function dedicated to identifying and developing next-generation products and services was established, whilst across the year online sales exceeded plan.

On costs, the successful integration of all mass market customer accounts onto a single billing platform in late 2014 continued to support refinement of EnergyAustralia’s processes, making them simpler, more efficient and more reliable. The integration, together with the termination of the Transition Services Agreement with the NSW Government, has contributed significant savings. In total, EnergyAustralia delivered A$100 million in savings (compared with a 2013 baseline) one year ahead of the 2016 target to which EnergyAustralia had committed.

In the fourth quarter of 2015, EnergyAustralia announced the difficult decision to close an Australian call centre and relocate some services to the Philippines. The closure, scheduled for September 2016, will give EnergyAustralia additional flexibility to scale its operations, increase options for extending contact hours and reduce exposure to expensive Australian capital city real estate.

Wholesale

During the year, EnergyAustralia improved the efficiency of key assets. Yallourn Power Station in Victoria completed a five-year maintenance programme on time and on budget. The latest component of the work delivered a 2.7% improvement in generation efficiency at the plant’s second generating unit. Overall the programme will allow Yallourn to produce power for 100,000 extra homes from the same amount of coal.

Elsewhere in the generation portfolio, Mount Piper Power Station in NSW operated at reduced output due to uncertainty about coal supply. The outlook became clearer in October when the Springvale mine, the main source of supply for Mount Piper, received development approval from the relevant authorities.

In November 2015, EnergyAustralia complemented its operational improvements with the sale of the Iona Gas Plant in Victoria for A$1,780 million (HK$9,991 million). The transaction sets a solid financial foundation for the business, freeing funds for new projects, service enhancements and repaying loans extended by CLP Group and third-party debts. In addition to generating capital from the sale, EnergyAustralia entered into an agreement through which it has secured long-term access to gas storage services at the plant at competitive prices.

Externally, electricity market conditions improved but remain challenging. The trend since 2010 of declining demand in the National Electricity Market (NEM) abated in 2015. Overall, demand increased by 1.0% compared with 2014, mainly due to the electricity needs of three large liquefied natural gas projects in Queensland. In contrast, demand in Victoria and South Australia was lower in 2015 compared to the year before whilst in NSW it was broadly the same.

Whilst demand was lower in aggregate across the southern states of Australia, there was greater volatility. State capitals Sydney and Melbourne experienced their hottest weather in the July-to-December period of the last 20 years, whilst for Adelaide it was the second-warmest second half in the past two decades. These factors, together with concerns about the El Nino weather pattern and lower hydroelectric generation, led to higher average electricity spot prices across the southern states compared with 2014.

Despite signs of short-term improvement, the wholesale electricity market remains significantly oversupplied with prices well below the level required to provide adequate long-term returns on generation investments. That has been reflected in announcements of plans to shut down power stations, particularly in southern states, following EnergyAustralia's closure of Wallerawang Power Station in NSW.

Detailed analysis of the economic prospects of EnergyAustralia's generation assets indicates a return to more sustainable wholesale prices will take longer than previously anticipated, resulting in a decision to impair and make provisions for some of those assets totalling A$261 million (HK$1,480 million).

To support the development of renewable energy projects and secure a supply of large-scale generation certificates (LGCs) to meet the requirements of the federal government's Renewable Energy Target scheme, EnergyAustralia has signed four PPAs with new wind farm developments. Under these PPAs, EnergyAustralia buys output from the Mortons Lane, Taralga, Boco Rock and Gullen Range wind farms. These four wind farms have all been commissioned and have started commercial operations, with Taralga the most recent to come online, in June 2015.

Thermal Projects – Performance

	Installed Capacity (MW)	Generation (GWh)		Availability[1] (%)		Utilisation[1] (%)		Operating Hours[2] (Hours)	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Hallett	203	**31**	30	**87**	93	**2**	2	**3,135**	2,925
Tallawarra	420	**2,539**	2,480	**91**	82	**75**	67	**7,662**	6,193
Yallourn	1,480	**11,172**	10,697	**85**	83	**86**	83	**30,335**	29,944
Mount Piper	1,400	**5,523**	8,270	**87**	85	**45**	76	**12,275**	15,521
Wilga Park[3]	16	**-**	-	**-**	-	**-**	-	**-**	-
Ecogen	966	**240**	311	**83**	68	**3**	4	**981**	1,052

Notes:
1 In this table and elsewhere, "availability" is the extent to which a generating unit is made available by its operator for generation to the grid system, whereas "utilisation" is the extent to which the unit actually generates as compared to its rated capacity applied over the period in question. Since historic rated capacity is used in the calculation and may not reflect recent increases in generation efficiencies, it is possible to achieve utilisation greater than 100%.
2 Reflects the total hours in operation by all units at the station in the year.
3 Wilga Park is not used for commercial purposes by EnergyAustralia. It is used to burn waste gas from the Narrabri coal seam gas exploration project (of which EnergyAustralia has a 20% equity stake) which is in negligible quantities.

Wind Projects – Performance

	Installed Capacity (MW)	Generation at Farm Gate (GWh)		Availability (%)		Utilisation (%)	
		2015	2014	**2015**	2014	**2015**	2014
Cathedral Rocks	66	**171**	180	**89**	92	**30**	31

Generating Capacity under Contract to EnergyAustralia

	Installed Capacity (MW)	Net Generation (at node) (GWh)	
		2015	2014
Boco Rock	113	**298**	21
Gullen Range	166	**428**	-
Mortons Lane	20	**63**	62
Taralga	107	**143**	-
Waterloo	111	**269**	304

Environmental Performance

Air Emissions

The air emissions levels of our Australian fossil fuel power stations were at intensity levels similar to that in previous years, but the net amount was affected by specific situations at individual power plants. Mount Piper was affected by coal supply issues and had therefore been operating at low dispatch, resulting in lower overall net emissions.

Environmental Regulatory Compliance

As at 31 December 2015, there was one environmental non-compliance case resulting in fines at Yallourn Power Station and a penalty infringement notice. There was also one case of licence limit exceedance at Tallawarra Power Station.

We also report below an environmental incident at Mount Piper Power Station which the local authority requested a formal incident report. However, the incident constituted neither a licence exceedance nor non-compliance case, and no penalty was imposed.

Yallourn

EnergyAustralia was fined A$7,584 by the Environment Protection Authority Victoria for the Yallourn power station breaching the Environment Protection Act 1970. The incident in February 2015 involved a discharge of ash slurry into the Morwell River. Around 8,600 kilolitres of salt water entered into the river after a welded point joint failed, causing the pipeline to rupture. The spill was diluted by river flows, minimising its impact on the environment. To prevent repeat incidents, EnergyAustralia has introduced process improvements including upgrades to alarms to automatically shut down ash line pumps and alert site staff to ruptures, installing CCTV cameras in high-risk areas and requiring hydraulic testing of new pipework prior to commissioning.

Tallawarra

Dead fish were found near a water inlet. Water samples showed that dissolved oxygen content in the water was below the statutory limit. Tallawarra Power Station has developed and implemented a plan to minimise the risk of any impact as a result of activating the Main Cooling Water and Attemperation pumps.

Mount Piper

At Mount Piper, cooling water was discharged into Neubecks Creek in November 2015 when a drain valve was left open on a cooling water conduit that was being refilled during an outage. Approximately 250 to 750 kilolitres of water flowed down a storm water drain, and into Neubecks Creek. An assessment found there was no material harm to the environment. We have advised the Environment Protection Authority and will submit a formal incident report.

<u>Outlook</u>

At the 2015 United Nations Climate Change Conference in Paris, the Australian Government committed to reduce Australia’s emissions to between 26 and 28 per cent on 2005 levels by 2030. The Australian Government’s policy of “Direct Action” – funding projects to reduce emissions – remains its primary mechanism to meet the target, with a review of Australia’s emission reduction policies flagged for 2017-18.

EnergyAustralia is well placed to contribute to Australia’s emission reduction goals. Since 2008 the business has reduced the emissions intensity of its generation portfolio by more than 20%. Additionally, EnergyAustralia is pursuing a range of initiatives to further reduce emissions. These include maximising the efficiency of its generating assets and investing in renewable energy. Government policies will play a key role in driving innovation and lowering emissions from Australia’s electricity sector and EnergyAustralia remains committed to working with authorities and other stakeholders to achieve these goals.

We anticipate wholesale market conditions will remain challenging. EnergyAustralia maintains that industry-led and government-supported action is needed to resolve market over-supply issues and to make a step change in the aggregate emissions across the NEM.

At the same time, EnergyAustralia is managing its emissions by improving the efficiency of its power stations so that they produce more energy from the same amount of fuel. Additionally, EnergyAustralia invests in and supports the development of large-scale renewables (underpinning A$1 billion of investment in wind projects to date), and assists its customers to manage their energy use according to their budgets.

EnergyAustralia intends to build on the progress it made in 2015 by continuing to focus on its transformation, in particular measures which enhance customer service, improve efficiency and reduce costs.

Safety

Safety has always been a central pillar of how we conduct our business. For decades, a “Safety Comes First” culture has guided CLP well. Today, we employ 7,360 people across the Asia-Pacific region and we apply the same principles and values in all our businesses. Our goal is zero injuries in all our operations and safety is always our top priority wherever we do business.

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

In 2015, we recorded 16 cases of LTI in our majority-owned assets or assets under our operational control. The combined TRIR of CLP employees and contractors fell from 0.41 in 2014 to 0.25 last year. However, one fatality happened in 2015 when a worker was electrocuted whilst carrying out maintenance work on site at a minority-owned asset in Dagangzi of Jilin Province in Mainland China.

Human Resources

On 31 December 2015, the Group employed 7,360 staff (2014: 7,387), of whom 4,226 were employed in the Hong Kong electricity and related business, 2,872 by our businesses in Mainland China, India, Southeast Asia and Taiwan and Australia, as well as 262 by CLP Holdings. Total remuneration for the year ended 31 December 2015 was HK$4,855 million (2014: HK$5,249 million), including retirement benefits costs of HK$384 million (2014: HK$383 million).

FINANCIAL INFORMATION

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

Consolidated Statement of Profit or Loss
for the year ended 31 December 2015

	Note	**2015 HK$M**	2014 HK$M
Revenue	3	**80,700**	92,259
Expenses			
Purchases of electricity, gas and distribution services		**(31,280)**	(40,234)
Operating lease and lease service payments		**-**	(3,607)
Staff expenses		**(3,649)**	(3,980)
Fuel and other operating expenses		**(25,886)**	(24,777)
Depreciation and amortisation		**(6,765)**	(6,791)
		(67,580)	(79,389)
Other gain	5	**8,900**	2,025
Operating profit	6	**22,020**	14,895
Finance costs	7	**(4,090)**	(4,180)
Finance income	7	**170**	131
Share of results, net of income tax			
Joint ventures	8	**1,357**	1,562
An associate		**888**	796
Profit before income tax		**20,345**	13,204
Income tax expense	9	**(3,582)**	(1,268)
Profit for the year		**16,763**	11,936
Earnings attributable to:			
Shareholders		**15,670**	11,221
Perpetual capital securities holders		**247**	152
Other non-controlling interests		**846**	563
		16,763	11,936
Earnings per share, basic and diluted	11	**HK$6.20**	HK$4.44

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015

	2015 HK$M	2014 HK$M
Profit for the year	**16,763**	11,936
Other comprehensive income		
Items that can be reclassified to profit or loss		
Exchange differences on translation	**(3,728)**	(2,972)
Cash flow hedges	**(178)**	(638)
Fair value changes on available-for-sale investments	**(63)**	80
Reclassification adjustment upon sale/loss of joint control of joint ventures	**17**	(422)
Share of other comprehensive income of joint ventures	**(1)**	24
	(3,953)	(3,928)
Items that cannot be reclassified to profit or loss		
Share of other comprehensive income of joint ventures	**79**	(74)
Other comprehensive income for the year, net of tax	**(3,874)**	(4,002)
Total comprehensive income for the year	**12,889**	7,934
Total comprehensive income attributable to:		
Shareholders	**11,800**	7,221
Perpetual capital securities holders	**247**	152
Other non-controlling interests	**842**	561
	12,889	7,934

Consolidated Statement of Financial Position
as at 31 December 2015

	Note	**2015 HK$M**	2014 HK$M
Non-current assets			
Fixed assets	*12(A)*	**127,801**	128,133
Leasehold land and land use rights under operating leases	*12(B)*	**5,542**	5,696
Investment property	*12(C)*	**2,669**	2,554
Goodwill and other intangible assets		**28,257**	31,129
Interests in joint ventures		**11,250**	11,176
Interest in an associate		**785**	786
Finance lease receivables		**799**	898
Deferred tax assets		**1,690**	3,828
Derivative financial instruments		**1,078**	3,120
Available-for-sale investments		**1,644**	1,707
Other non-current assets		**174**	111
		181,689	189,138
Current assets			
Inventories – stores and fuel		**3,110**	3,618
Renewable energy certificates		**902**	1,086
Trade and other receivables	*13*	**13,812**	15,719
Finance lease receivables		**52**	50
Derivative financial instruments		**600**	659
Bank balances, cash and other liquid funds		**3,799**	4,393
		22,275	25,525
Current liabilities			
Customers' deposits		**(4,829)**	(4,653)
Trade and other payables	*14*	**(19,023)**	(21,620)
Income tax payable		**(651)**	(790)
Bank loans and other borrowings	*15*	**(13,189)**	(9,636)
Derivative financial instruments		**(595)**	(709)
		(38,287)	(37,408)
Net current liabilities		**(16,012)**	(11,883)
Total assets less current liabilities		**165,677**	177,255
Financed by:			
Equity			
Share capital		**23,243**	23,243
Reserves	*17*	**69,875**	64,770
Shareholders' funds		**93,118**	88,013
Perpetual capital securities		**5,791**	5,791
Other non-controlling interests		**2,023**	2,155
		100,932	95,959
Non-current liabilities			
Bank loans and other borrowings	*15*	**42,294**	57,799
Deferred tax liabilities		**13,476**	13,418
Derivative financial instruments		**2,802**	3,062
Fuel clause account		**2,226**	2,966
Scheme of Control (SoC) reserve accounts	*16*	**1,009**	1,131
Asset decommissioning liabilities		**1,025**	1,082
Other non-current liabilities		**1,913**	1,838
		64,745	81,296
Equity and non-current liabilities		**165,677**	177,255

1. General Information

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

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

The figures in respect of the 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 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The financial information relating to the year ended 31 December 2015 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2015. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in Accounting Policies

The Group has adopted the following amendments to standards effective 1 January 2015 for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to HKFRS 2010-2012 Cycle (Amendments to HKFRS 8 – Disclosures on the aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets)
- Annual Improvements to HKFRS 2011-2013 Cycle (Amendment to HKFRS 3 – Scope exclusion for the formation of joint arrangements and Amendment to HKAS 40 – Interrelationship of HKFRS 3 and HKAS 40)

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

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. Revenue

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

	2015 **HK$M**	2014 HK$M
Sales of electricity	**68,566**	79,034
Sales of gas	**6,490**	7,976
Operating lease income under Power Purchase Agreement (PPA)	**3,409**	3,334
Finance lease income under PPA	**134**	151
Lease service income under PPA	**631**	456
Other revenue	**1,289**	2,328
	80,519	93,279
Transfer for SoC to/(from) revenue [(a)]	**181**	(1,020)
	80,700	92,259

Note:

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

4. Segment Information

The Group operates, through its subsidiaries, joint ventures and an associate, in five major geographical regions – Hong Kong, Mainland China, India, Southeast Asia and Taiwan, and Australia. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

4. Segment Information (continued)

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

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2015							
Revenue	38,937	937	5,104	9	35,707	6	**80,700**
EBITDAF* of subsidiaries	16,548	786	1,985	(12)	10,315	(600)	**29,022**
Share of results, net of income tax							
Joint ventures	1	1,031	-	322	3	-	**1,357**
An associate	-	888	-	-	-	-	**888**
EBITDAF of the Group	16,549	2,705	1,985	310	10,318	(600)	**31,267**
Depreciation and amortisation	(4,201)	(517)	(556)	-	(1,448)	(43)	**(6,765)**
Fair value adjustments	4	-	-	-	(241)	-	**(237)**
Finance costs	(1,091)	(206)	(830)	-	(1,928)	(35)	**(4,090)**
Finance income	2	59	35	2	20	52	**170**
Profit/(loss) before income tax	11,263	2,041	634	312	6,721	(626)	**20,345**
Income tax expense	(1,809)	(147)	(22)	-	(1,604)	-	**(3,582)**
Profit/(loss) for the year	9,454	1,894	612	312	5,117	(626)	**16,763**
Earnings attributable to							
Perpetual capital securities holders	(247)	-	-	-	-	-	**(247)**
Other non-controlling interests	(837)	(9)	-	-	-	-	**(846)**
Earnings/(loss) attributable to shareholders	8,370	1,885	612	312	5,117	(626)	**15,670**
Excluding: Items affecting comparability	(99)	243	-	-	(4,281)	-	**(4,137)**
Operating earnings	8,271	2,128	612	312	836	(626)	**11,533**
Capital additions	7,588	1,648	1,396	-	825	26	**11,483**
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	-	-	-	-	1,865	-	**1,865**
Goodwill and other intangible assets	-	-	-	-	138	-	**138**
Receivables and others	4	-	37	-	418	-	**459**
At 31 December 2015							
Fixed assets	100,508	6,473	11,542	-	9,139	139	**127,801**
Goodwill and other intangible assets	5,545	5,208	28	-	17,476	-	**28,257**
Interests in joint ventures	18	9,498	-	1,709	25	-	**11,250**
Interest in an associate	-	785	-	-	-	-	**785**
Deferred tax assets	-	90	-	-	1,600	-	**1,690**
Other assets	14,016	4,599	5,207	71	8,311	1,977	**34,181**
Total assets	120,087	26,653	16,777	1,780	36,551	2,116	**203,964**
Bank loans and other borrowings	40,976	4,402	8,835	-	964	306	**55,483**
Current and deferred tax liabilities	12,408	1,452	215	-	52	-	**14,127**
Other liabilities	24,232	1,411	540	3	7,005	231	**33,422**
Total liabilities	77,616	7,265	9,590	3	8,021	537	**103,032**

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

4. Segment Information (continued)

	Hong Kong HK$M	Mainland China HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Australia HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2014							
Revenue	35,623	909	4,821	8	50,895	3	92,259
EBITDAF of subsidiaries	17,926	501	1,934	(27)	1,292	(542)	21,084
Share of results, net of income tax							
Joint ventures	411	891	-	321	(61)	-	1,562
An associate	-	796	-	-	-	-	796
EBITDAF of the Group	18,337	2,188	1,934	294	1,231	(542)	23,442
Depreciation and amortisation	(3,923)	(412)	(567)	-	(1,845)	(44)	(6,791)
Fair value adjustments	(18)	-	-	-	620	-	602
Finance costs	(1,954)	(211)	(920)	-	(1,019)	(76)	(4,180)
Finance income	9	9	42	3	28	40	131
Profit/(loss) before income tax	12,451	1,574	489	297	(985)	(622)	13,204
Income tax (expense)/credit	(1,807)	(102)	(219)	-	860	-	(1,268)
Profit/(loss) for the year	10,644	1,472	270	297	(125)	(622)	11,936
Earnings attributable to							
Perpetual capital securities holders	(152)	-	-	-	-	-	(152)
Other non-controlling interests	(549)	(14)	-	-	-	-	(563)
Earnings/(loss) attributable to shareholders	9,943	1,458	270	297	(125)	(622)	11,221
Excluding: Items affecting comparability	(2,198)	158	-	-	881	-	(1,159)
Operating earnings	7,745	1,616	270	297	756	(622)	10,062
Capital additions	7,940	537	461	-	1,777	18	10,733
Impairment provisions							
Fixed assets and leasehold land and land use rights under operating leases	-	195	-	-	67	-	262
Goodwill and other intangible assets	-	2	-	-	2,223	-	2,225
Interests in joint ventures	-	-	-	-	59	-	59
Receivables and others	30	-	27	-	720	-	777
At 31 December 2014							
Fixed assets	97,372	5,364	11,259	-	13,982	156	128,133
Goodwill and other intangible assets	5,545	5,471	29	-	20,084	-	31,129
Interests in joint ventures	18	9,177	-	1,723	258	-	11,176
Interest in an associate	-	786	-	-	-	-	786
Deferred tax assets	-	95	6	-	3,727	-	3,828
Other assets	15,819	5,024	5,341	70	12,251	1,106	39,611
Total assets	118,754	25,917	16,635	1,793	50,302	1,262	214,663
Bank loans and other borrowings	40,644	3,516	8,656	-	14,619	-	67,435
Current and deferred tax liabilities	12,322	1,483	403	-	-	-	14,208
Other liabilities	24,571	1,611	724	3	9,936	216	37,061
Total liabilities	77,537	6,610	9,783	3	24,555	216	118,704

5. Other Gain

	2015 HK$M	2014 HK$M
Gain on sale of subsidiaries [(a)]	**8,900**	-
Net gain on CAPCO and PSDC acquisitions [(b)]		
Gain on deemed disposal of previously owned interests in joint ventures	**-**	7,363
Loss on settlement of a pre-existing finance lease payable	**-**	(5,338)
	8,900	2,025

Notes:

(a) On 1 December 2015, the Group completed the sale of its interests in EnergyAustralia Gas Storage Holdings Pty Ltd and EnergyAustralia Gas Storage Pty Ltd, which own the Iona Gas Plant, a 23.5 petajoule gas storage site located in southwest Victoria, Australia for a consideration of A$1,780 million (HK$9,991 million). Details of the calculation of the gain are as follows:

	A$M	HK$M
Consideration received	**1,780**	**9,991**
Less: Assets sold	**(194)**	**(1,091)**
Gain on sale	**1,586**	**8,900**
Transaction costs	**(22)**	**(125)**
Tax	**(384)**	**(2,156)**
Gain on sale after tax and transaction costs	**1,180**	**6,619**

(b) On 12 May 2014, the Group completed the acquisition of a further 30% interest in CAPCO and the remaining 51% interest in Hong Kong Pumped Storage Development Company, Limited and recorded a net gain of HK$2,025 million.

6. Operating Profit

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

	2015 HK$M	2014 HK$M
Charging		
Staff costs		
Salaries and other costs	**3,354**	3,684
Retirement benefits costs [(a)]	**295**	296
Auditor's remuneration		
Audit services	**39**	37
Permissible audit related and non-audit services [(b)]	**8**	7
Operating lease expenditure on the agreement with Ecogen	**230**	276
Net loss on disposal of fixed assets	**343**	282
Impairment of		
Fixed assets and leasehold land and land use rights under operating leases [(c)]	**1,865**	262
Goodwill and other intangible assets [(c)]	**138**	2,225
Inventories – stores and fuel	**7**	41
Provision for onerous contract [(c)]	**74**	-
Net fair value (gain)/loss on non-financing related derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	**(261)**	(331)
Fuel and other operating expenses	**(176)**	(167)
Transactions not qualifying as hedges	**237**	(602)
Loss on disposal of a joint venture [(d)]	**42**	-
Net exchange loss	**101**	126
Crediting		
Revaluation gain on investment property	**(99)**	(245)

6. Operating Profit (continued)

Notes:

(a) The retirement benefit plans for staff employed by the Group entities in Hong Kong are regarded as defined contribution schemes. The current scheme, CLP Group Provident Fund Scheme (GPFS), provides benefits linked to contributions and investment returns on the scheme. Contributions paid to defined contribution schemes, including GPFS and Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, totalled HK$231 million (2014: HK$222 million), of which HK$65 million (2014: HK$64 million) was capitalised.

Staff employed by the Group entities outside Hong Kong are primarily covered by defined contribution schemes in accordance with local legislation and practices. Total contributions amounted to HK$153 million (2014: HK$161 million).

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

(c) Despite signs of short-term improvement, the wholesale electricity market in Australia remains significantly oversupplied with prices well below the level required to provide adequate long-term returns on generation investments. The carrying value of certain assets identified cannot be supported by the discounted cash flows representing their value in use. Therefore, the Group recognised impairments across three of its generating cash generating units in Australia (Yallourn Power Station, Mount Piper Power Station and Tallawarra Power Station) and a provision for onerous contract with respect to Ecogen Master Hedge Agreement (Ecogen), totalling A$363 million (HK$2,058 million) (after tax: A$261 million (HK$1,480 million)).

	HK$M
Impairment provision	
Yallourn Power Station	**969**
Mount Piper Power Station	**658**
Tallawarra Power Station	**357**
	1,984
Provision for onerous contract - Ecogen	**74**
	2,058

(d) In April 2015, the Group sold its entire interest in Waterloo Investment Holdings Pty Ltd, a joint venture in Australia, for a consideration of HK$202 million (A$33 million) with a loss of HK$42 million (2014: nil).

7. Finance Costs and Income

	2015 **HK$M**	2014 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**1,196**	1,430
Other borrowings	**1,096**	1,137
Tariff Stabilisation Fund [(a)]	**2**	1
Customers' deposits and fuel clause over-recovery	**116**	110
Finance charges under finance leases [(b)]	**2**	922
Costs associated with the early termination of debt in Australia [(c)]	**1,226**	-
Other finance charges	**259**	372
Net fair value loss/(gain) on financing related derivative financial instruments		
Cash flow hedges, reclassified from equity	**(256)**	677
Fair value hedges	**(106)**	(666)
Not designated as hedges	**45**	(1)
Ineffectiveness of cash flow hedges	**(8)**	33
Loss on hedged items in fair value hedges	**110**	658
Other net exchange loss/(gain) on financing activities	**710**	(197)
	4,392	4,476
Less: amount capitalised	**(302)**	(296)
	4,090	4,180
Finance income		
Interest income on short-term investments, bank deposits and loan to a joint venture	**170**	131

Notes:

(a) In accordance with the provisions of the SoC Agreement, CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund under the SoC.

(b) In 2014, finance charges under finance leases primarily related to contingent rent in respect of the power purchase arrangement between CLP Power Hong Kong and CAPCO accounted for as finance lease in accordance with HK(IFRIC)-Int 4 and HKAS 17 prior to acquisition of CAPCO as a subsidiary.

(c) Following receipt of the sale proceeds of Iona Gas Plant (Note 5(a)), EnergyAustralia reduced its debt. The termination costs of debt together with the costs required to close out associated hedging derivatives (including fair value loss on cash flow hedges reclassified from equity of A$84 million (HK$462 million)) totalled A$222 million (HK$1,226 million) (after tax: A$155 million (HK$858 million)) (2014: nil).

8. Share of Results of Joint Ventures, Net of Income Tax

The Group's share of results of joint ventures included its share of CSEC Guohua International Power Company Limited's impairment provision for Beijing Yire Power Station of HK$243 million (2014: nil).

9. 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:

	2015 HK$M	2014 HK$M
Current income tax	**1,818**	1,571
Deferred tax	**1,764**	(303)
	3,582	1,268

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

10. Dividends

	2015		2014	
	HK$ per share	**HK$M**	HK$ per share	HK$M
First to third interim dividends paid	**1.65**	**4,169**	1.62	4,093
Fourth interim dividend declared	**1.05**	**2,653**	1.00	2,526
	2.70	**6,822**	2.62	6,619

At the Board meeting held on 29 February 2016, the Directors declared the fourth interim dividend of HK$1.05 per share (2014: HK$1.00 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements.

11. Earnings per Share

The earnings per share are computed as follows:

	2015	2014
Earnings attributable to shareholders (HK$M)	**15,670**	11,221
Weighted average number of shares in issue (thousand shares)	**2,526,451**	2,526,451
Earnings per share (HK$)	**6.20**	4.44

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the year ended 31 December 2015 (2014: nil).

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

Fixed assets, leasehold land and land use rights under operating leases and investment property totalled HK$136,012 million (2014: HK$136,383 million), which included assets under construction with book value of HK$14,364 million (2014: HK$13,776 million). Movements in the accounts are as follows:

(A) Fixed Assets

	Land			Plant, Machinery and Equipment		
	Freehold HK$M	Leased HK$M	Buildings HK$M	Owned HK$M	Leased HK$M	Total HK$M
Net book value at 1 January 2015	712	486	19,652	107,271	12	128,133
Additions	-	-	955	10,324	-	11,279
Transfers and disposals	10	-	(107)	(328)	-	(425)
Sale of subsidiaries	(10)	-	(15)	(1,109)	-	(1,134)
Depreciation	-	(13)	(612)	(5,229)	(1)	(5,855)
Impairment charge (Note 6(c))	(19)	-	(60)	(1,784)	(2)	(1,865)
Exchange differences	(51)	-	(207)	(2,073)	(1)	(2,332)
Net book value at 31 December 2015	**642**	**473**	**19,606**	**107,072**	**8**	**127,801**
Cost	741	592	31,258	189,085	27	221,703
Accumulated depreciation and impairment	(99)	(119)	(11,652)	(82,013)	(19)	(93,902)
Net book value at 31 December 2015	**642**	**473**	**19,606**	**107,072**	**8**	**127,801**

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

	2015 HK$M	2014 HK$M
Net book value at 1 January	**5,696**	1,806
Acquisition of subsidiaries	**-**	3,811
Additions	**22**	214
Amortisation	**(170)**	(131)
Impairment charge	**-**	(1)
Exchange differences	**(6)**	(3)
Net book value at 31 December	**5,542**	5,696
Cost	**6,272**	6,258
Accumulated amortisation and impairment	**(730)**	(562)
Net book value at 31 December	**5,542**	5,696

(C) Investment Property

	2015 HK$M	2014 HK$M
At 1 January	**2,554**	2,221
Additions	**16**	88
Revaluation surplus	**99**	245
At 31 December	**2,669**	2,554

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

13. Trade and Other Receivables

	2015 HK$M	2014 HK$M
Trade receivables	**10,061**	11,040
Deposits, prepayments and other receivables	**2,613**	2,566
Dividend receivables from		
Joint ventures	**80**	1,127
An associate	**877**	785
An available-for-sale investment	**-**	64
Current accounts with		
Joint ventures	**180**	136
An associate	**1**	1
	13,812	15,719

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

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

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

	2015 HK$M	2014 HK$M
30 days or below	**7,788**	8,596
31 – 90 days	**744**	976
Over 90 days	**1,529**	1,468
	10,061	11,040

14. Trade and Other Payables

	2015 HK$M	2014 HK$M
Trade payables	**5,904**	8,230
Other payables and accruals	**5,599**	6,223
Advances from non-controlling interests	**6,720**	6,703
Current accounts with		
Joint ventures	**1**	2
An associate	**577**	139
Deferred revenue	**222**	323
	19,023	21,620

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

	2015 HK$M	2014 HK$M
30 days or below	**5,759**	8,031
31 – 90 days	**106**	155
Over 90 days	**39**	44
	5,904	8,230

15. Bank Loans and Other Borrowings

	2015 HK$M	2014 HK$M
Current		
Short-term bank loans	**5,033**	4,908
Long-term bank loans	**7,156**	3,070
Other long-term borrowings		
Medium Term Note (MTN) programme (HKD) due 2015 and 2016	**1,000**	1,340
MTN programme (AUD) due 2015	**-**	318
	13,189	9,636
Non-current		
Long-term bank loans	**16,423**	28,320
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	**13,024**	10,731
MTN programme (HKD) due 2017 to 2041	**8,418**	9,075
MTN programme (JPY) due 2021 to 2027	**2,209**	2,022
MTN programme (AUD) due 2021 to 2030	**736**	698
US private placement notes (USD) due 2023	**232**	6,953
Bonds (INR) due 2018 to 2026	**1,252**	-
	42,294	57,799
Total borrowings	**55,483**	67,435

16. SoC Reserve Accounts

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

	2015 **HK$M**	2014 HK$M
Tariff Stabilisation Fund	**935**	1,058
Rate Reduction Reserve	**2**	1
Rent and Rates Interim Refunds (note)	**72**	72
	1,009	1,131

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

Interim refunds totalling HK$1,713 million were received by CLP Power Hong Kong from the Hong Kong Government during 2012 and 2014. These interim refunds were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decisions of the Lands Tribunal and subsequent appeals.

Based on the latest development of the case, CLP Power Hong Kong maintains that it would recover no less than interim refunds received to date in the final outcome of these appeals. The interim refunds continued to be classified within the SoC reserve accounts. The Rent and Rates Special Rebate provided to customers during 2012 and 2013 with the amounts of interim refunds received in 2012 and 2013 of HK$1,641 million had been offset against the interim refunds received.

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

17. Reserves

	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2015	(2,536)	561	2,751	63,994	64,770
Earnings attributable to shareholders	-	-	-	15,670	15,670
Other comprehensive income					
Exchange differences on translation of					
Subsidiaries	(3,200)	-	-	-	(3,200)
Joint ventures	(523)	-	-	-	(523)
An associate	(1)	-	-	-	(1)
Cash flow hedges					
Net fair value gains	-	104	-	-	104
Reclassification to profit or loss	-	(231)	-	-	(231)
Tax on the above items	-	(51)	-	-	(51)
Fair value loss on available-for-sale investments	-	-	(63)	-	(63)
Reclassification adjustment upon sale of a joint venture	39	(22)	-	-	17
Share of other comprehensive income of joint ventures	-	(1)	79	-	78
Total comprehensive income attributable to shareholders	(3,685)	(201)	16	15,670	11,800
Revaluation reserve realised due to depreciation of fixed assets	-	-	(2)	2	-
Appropriation of reserves					
Subsidiaries	-	-	10	(10)	-
Joint ventures	-	-	8	(8)	-
Dividends paid					
2014 fourth interim	-	-	-	(2,526)	(2,526)
2015 first to third interim	-	-	-	(4,169)	(4,169)
Balance at 31 December 2015	**(6,221)**	**360**	**2,783**	**72,953**[(a)]	**69,875**

Note:

(a) The fourth interim dividend declared for the year ended 31 December 2015 was HK$2,653 million (2014: HK$2,526 million). The balance of retained profits after the fourth interim dividend of the Group was HK$70,300 million (2014: HK$61,468 million).

18. Capital Commitments

(A) Capital expenditure on fixed assets, leasehold land and land use rights under operating leases and investment property, as well as intangible assets contracted but not recorded in the statement of financial position amounted to HK$4,586 million (2014: HK$5,859 million).

(B) The Group has entered into a number of joint venture arrangements to develop power projects. At 31 December 2015, remaining equity contributions of HK$106 million (2014: HK$111 million) were required to be made by the Group.

(C) At 31 December 2015, the Group's share of capital commitments of its joint ventures was HK$1,587 million (2014: HK$3,512 million).

19. Contingent Liabilities

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

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

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$850 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$97 million) (2014: Rs.830 million (HK$102 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India in respect of "deemed generation incentive" up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,523 million (HK$ 295 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

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

19. Contingent Liabilities (continued)

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

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$437 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$59 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

Subsequent to the above deduction, CLP India represented to GUVNL that, during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$34 million) and interest of Rs.150 million (HK$18 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$2 million). At 31 December 2015, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,000 million) (2014: Rs.8,543 million (HK$1,048 million)).

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

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

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 681MW of wind power projects to be developed with Wind World India Limited (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 31 December 2015, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Jhajjar – Disputed Charges with Offtakers

Jhajjar Power Limited (Jhajjar) has disputes with its offtakers over applicable tariff of capacity charges and energy charges relating to transit loss. Total disputed amounts were Rs.1,860 million (HK$218 million) at 31 December 2015 (2014: Rs.1,725 million (HK$212 million)). The Group considered that Jhajjar has a strong case and hence, no provision has been made.

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

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in 2015 in support of the operation and growth of its electricity business. CLP Power Hong Kong successfully arranged HK$4.5 billion financing at favourable interest rates. This comprises of the followings: (i) US$300 million (HK$2,325 million), 10-year bond issued under the Medium Term Note (MTN) Programme in April 2015 at 3.125% coupon. The bond was priced at US Treasury yield plus 1.25% which was issued at a time when US 10-year Treasury rate remained at a low level of around 1.9%. This bond issue was strongly supported by investors with an order book of US$2.8 billion (9 times coverage). This bond is a Regulation S issue with listing on the Stock Exchange of Hong Kong; (ii) HK$618 million (49% in Hong Kong dollar, 32% in Japanese yen and 19% in Australian dollar), 12 and 15-year fixed rate bonds issued under the MTN Programme. These long-tenured fixed rate bonds have further lengthened CLP Power Hong Kong's debt maturity and locked in favourable fixed interest rate levels during the very low interest rate environment in early 2015; (iii) US$125 million (HK$969 million), 3-year cross-border syndicated bank loans. This is the third tranche of cross border bank loans since 2013 which was syndicated to Japan-based regional and city banks. This cross-border loan which is denominated in US dollar this time can help diversify the portfolio of lending banks and deliver very cost-effective terms to CLP Power Hong Kong vis-a-vis ordinary bank loans arranged in Hong Kong; and (iv) HK$600 million bank loan facility arranged in March 2015 at preferential rate. All foreign currency proceeds were swapped back into Hong Kong dollars to mitigate foreign currency risk. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$4.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 31 December 2015, notes with an aggregate nominal value of approximately HK$27 billion have been issued under the MTN Programme.

In Mainland China, CLP completed RMB3.56 billion (HK$4.45 billion), 18-year non-recourse project level loan in March 2015 for Fangchenggang (70% owned by CLP) to develop the phase II extension of 1,320MW coal-fired generation units with emission reduction facilities and RMB1.7 billion (HK$2.04 billion), 12 to 15-year project loans for Sandu Wind, Xundian Wind, CLP Laizhou Wind, Laiwu Wind and Xicun Phase I Solar projects (all wholly-owned by CLP) at competitive rates. In addition, CLP drew down RMB276 million (HK$329 million) from the more liquid, cost-effective offshore Renminbi bank loan market in Hong Kong to fund construction of the Xicun Phase II Solar project (wholly-owned by CLP).

In India, CLP kicked off fund-raising in the domestic bond market with two inaugural issuances. In September 2015, CLP Wind Farms (India) Private Limited issued Rs.6 billion (HK$706 million) 2.5, 3.5 and 4.5-year green bonds at 9.15% coupon rate to fund renewable projects, making CLP the first company in the power sector of South and Southeast Asia to issue green bonds. Earlier in April 2015, Jhajjar Power Limited became one of the first power companies in India to issue asset-specific corporate bonds, raising Rs.4.76 billion (HK$591 million) at 9.99% coupon with tenors of 10 and 11-year to replace higher cost bank loans and extend duration. Also, CLP Wind Farms (India) Private Limited arranged Rs.3 billion (HK$365 million) 1-year and Rs.1 billion (HK$122 million) 10-year bank loan facilities for working capital and construction purposes of wind projects.

In Australia, EnergyAustralia refinanced A$1.8 billion (HK$10.7 billion) syndicated loan facilities in July 2015, down from originally A$2.1 billion (HK$12.5 billion) reflecting improvement of the business. The refinancing extended the average tenor of facilities by 1.5 years at reduced interest margins. In parallel, EnergyAustralia extended a A$700 million (HK$4.2 billion) working capital facility by one year to June 2018 at lower interest margins. EnergyAustralia also completed the divestment of Iona Gas Plant. This enabled EnergyAustralia to take major steps of reducing debt gearing through early repayment of external debt.

As at 31 December 2015, the Group maintained HK$85.2 billion financing facilities, including HK$29.3 billion for EnergyAustralia and subsidiaries in India and Mainland China. Of the facilities available, HK$55.5 billion had been drawn down, of which HK$14.2 billion related to EnergyAustralia and subsidiaries in India and Mainland China. The Group's total debt to total capital ratio as at 31 December 2015 was 34.0%, decreasing to 32.4% after netting off bank balances, cash and other liquid funds. EBIT (Earnings Before Interest and Taxes) Interest Cover and FFO (Fund From Operations) Interest Cover for the year ended 31 December 2015 were 10 and 9 times respectively.

CLP is committed to maintaining high quality grade credit ratings. Our effort to further enhance the capital structure of the Group by issuing US$750 million (HK$5.8 billion) perpetual capital securities in 2014 and deliver a more robust financial profile by further reducing debt gearing and lowering debt funding costs in 2015 paid off. The credit rating agencies revised the outlooks of CLP Holdings (by Standard & Poor's (S&P) and Moody's) and CLP Power Hong Kong (by S&P) from negative to stable after the annual credit rating review in May 2015. In parallel, both S&P and Moody's affirmed the credit ratings of CLP Holdings and CLP Power Hong Kong at A-/A2 and A/A1 respectively. In May 2015, S&P revised EnergyAustralia's rating outlook to stable from negative and affirmed its BBB- credit rating. These rating actions demonstrated that the two credit rating agencies recognised CLP exercised a high level of discipline in managing its investments and financials.

S&P opines that the Group has good financial flexibility and strong access to banking facilities. CLP Holdings' focus on organic growth should lead to the steady improvement of credit metrics. CLP Power Hong Kong has excellent business risk profile and provides sound and stable cash flows. The strengths of Hong Kong's favourable regulatory conditions are tempered by the future regulation-reset risk and clean energy policy. EnergyAustralia's new retail billing system and expected lower operating cost should bring stable earnings; however, the business is facing moderately high industry risk. Jhajjar power plant in India has improving coal supply and higher utilisation.

Moody's believes that CLP Holdings' credit profile, though constrained in 2015, will strengthen in the next two to three years, helped by gradual decline in financial leverage, higher visibility and more steady performance in Australia, predictable cash flow from Hong Kong operations, and increasing earnings from operations in Mainland China and India. Moody's alerted that expansion into riskier, non-regulated electricity and retail businesses has raised CLP Holdings' overall business risk. EnergyAustralia's performance has remained weak since 2012 due to challenging operating environment but modest growth in revenue is expected.

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

As at 31 December 2015, the Group had gross outstanding derivative financial instruments amounted to HK$117.4 billion. The fair value of these derivative instruments was a net deficit of HK$1.7 billion, representing the net amount payable if these contracts were closed out on 31 December 2015.

CORPORATE GOVERNANCE

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

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

Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code. Details of the continuing evolution of our corporate governance practices in 2015 are set out in the Corporate Governance Report.

The accounting principles and practices adopted by the Group and the Financial Statements for the year ended 31 December 2015 have been reviewed by the Audit Committee. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman (Mr Vernon Moore) and Mr Nicholas C. Allen having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in financial matters. Mrs Fanny Law has extensive experience in public administration and Ms Irene Lee has wide experience in financial services, including banking, funds management and general insurance.

The Audit Committee oversees the development and implementation of the Group Risk Management Framework which was established to facilitate the implementation of a structured approach in identifying, assessing, communicating and managing the risks across the Group. In addition to the regular review of interim and final accounts, internal control and its effectiveness, the results of internal and external audit and progress on their rectification, topics of importance are brought to the Audit Committee on an ad hoc basis for review and oversight.

The Audit Committee reviewed the findings and opinion of Group Internal Audit (GIA) and management on the effectiveness of the Company's system of internal control. No significant areas of concern in respect of the Group's internal control were identified during the period from 1 January 2015 to the date of this announcement.

The Audit Committee also reviewed the overall internal audit results for 2014 and 2015 and all the internal audit reports submitted in 2015. During the period from 1 January 2015 to the date of this announcement, the Audit Committee was advised that one report out of a total of 23 submitted by GIA carried an unsatisfactory audit opinion. It reported that the systems providing information about the positions held in the Australian energy markets required improvement. No significant impact on the Financial Statements resulted from the deficiencies and to address these in a comprehensive manner, both long and short term measures will be undertaken and implemented by management.

Based on the information received from management, the external auditor and GIA, the Audit Committee believes that overall financial and operating controls in place for the Group during 2015 continue to be effective and adequate. Further information about control standards, checks and balances and control processes is set out in the Corporate Governance Report of the Annual Report. The Audit Committee is also satisfied that the Group has complied with all the Code Provisions of the Stock Exchange Code with respect to internal controls.

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new statutory and regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. This Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2015 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.

We have voluntarily extended the ambit of the CLP Code for Securities Transactions to cover Senior Management (comprising the CEO and ten other managers, whose biographies are set out in the Annual Report and on CLP's website) and other "Specified Individuals" such as senior managers in the CLP Group. All members of the Senior Management have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2015 they complied with the required standard set out in the Model Code and CLP Code for Securities Transactions.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2015.

FOURTH INTERIM DIVIDEND

Today, the Board of the Company declared the fourth interim dividend for 2015 at HK$1.05 per share (2014: HK$1.00 per share). This fourth interim dividend will be payable on all shares in issue as at the close of business on 14 March 2016 after deducting any shares repurchased and cancelled up to the close of business on 14 March 2016. As at 31 December 2015, 2,526,450,570 shares of the Company were in issue. The fourth interim dividend of HK$1.05 per share will be payable on 24 March 2016 to shareholders registered as at 15 March 2016.

The Register of Shareholders will be closed on 15 March 2016. To rank for the fourth interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 March 2016.

ANNUAL GENERAL MEETING

The eighteenth AGM will be held at the Grand Ballroom, 1/F., Crowne Plaza Hong Kong Kowloon East, 3 Tong Tak Street, Tseung Kwan O, Hong Kong on Thursday, 5 May 2016, at 11:00 a.m. Shareholders should take note that this is a different venue to the venue used for our AGM in previous years. The Notice of AGM will be published on the websites of the Company and the Stock Exchange and despatched to shareholders on or about 30 March 2016.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 3 May 2016 to 5 May 2016, both days inclusive, during which period the registration of transfers of shares will be suspended. To be entitled to attend and vote at the AGM, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 29 April 2016.

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 29 February 2016

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2015 will be published on the Company's website at www.clpgroup.com and the website of the Stock Exchange on or about 14 March 2016. The Annual Report and the Notice of Annual General Meeting will be despatched to shareholders on or about 30 March 2016.
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)

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