FINANCIAL REVIEW

How did our business performance create economic value for our capital providers?

Here we explain how the management and operation of our assets deliver economic value to our shareholders and lenders

FINANCIAL REVIEW

CLP GROUP'S FINANCIAL RESULTS AND POSITION AT A GLANCE

Financial statements are the scorecard of a business and the window to a company's operations. The Group's strategy drives investment decisions and business performance, the results of which then translate into a set of numbers in the financial statements. This chart summarises how we delivered economic value in 2013.

Strategy to Diversify Electricity Business

CLP invests in energy businesses in Hong Kong, Australia, the Chinese mainland, India and Southeast Asia and Taiwan. CLP has a diversified portfolio of power generation from gas, coal, renewables and nuclear in the Asia-Pacific region.

Outcome

- Group revenue[1] decreased slightly to HK$104,530 million. Excluding the negative translation effect, revenue from Australia increased as a result of higher generation revenue on higher pool prices (with the carbon tax embedded effective 1 July 2012), higher carbon compensation income and tariff uplifts. Revenue from India also increased as coal supply in Jhajjar improved.
- Operating earnings[2] remained stable. Reduction in earnings from Australia was compensated by higher earnings from Hong Kong, the Chinese mainland and India. EnergyAustralia's operating earnings were adversely affected by lower demand, decrease in wholesale prices (before carbon tax) and higher operating costs. Improved performance from both coal-fired (due to lower coal prices) and renewable projects in the Chinese mainland resulted in a record-high earnings of HK$2,131 million. Earnings from India improved as the operating loss from Jhajjar was significantly reduced on the back of higher availability with improved coal supply. Hong Kong electricity business remained as the major earnings contributor and contributed over 70% of the Group's operating earnings in both 2013 and 2012.
- One-off items[3] mainly included impairment and other provisions for EnergyAustralia's various generation assets of HK$3,106 million, which were partly offset by the gain on the acquisitions of Mount Piper and Wallerawang (HK$600 million) as the consideration paid was lower than the fair value of the net assets acquired. The other one-off items included provisions for the finance lease receivables of Paguthan (HK$293 million) and investments in CSEC Guohua and Shenmu (HK$297 million), costs of restoring Yallourn mine (HK$76 million) and divestment loss from Boxing Biomass (HK$75 million).
- The translation loss resulting from the depreciation of Australian dollar (-14.1%) and Indian rupee (-11.4%) closing rates, partially offset by the revaluation gain of Argyle Street site, accounted for the movement in other comprehensive income[4] for the year.
- Diversification of our investments was demonstrated in the Consolidated Statement of Financial Position. Out of the fixed assets, leasehold land and land use rights and investment property[5] of HK$130,903 million, 74.6% relates to our electricity business in Hong Kong. Goodwill and other intangible assets[6] of HK$23,847 million relate wholly to our businesses outside Hong Kong.

Last Year's Consolidated Statement of Financial Position

	HK$M
Assets	
Fixed assets, leasehold land and land use rights under operating leases	134,329
Goodwill and other intangible assets	28,479
Interests in joint ventures	19,197
Interest in an associate	1,856
Derivative financial instruments	5,044
Trade and other receivables	18,552
Cash and cash equivalents	11,890
Restricted cash	1,136
Bank balances, cash and other liquid funds	13,026
Other assets	8,273
	228,756
Equity and Liabilities	
Share capital, premium and reserves	31,407
Retained profits	59,720
Shareholders' funds	91,127
Non-controlling interests	74
Derivative financial instruments	5,846
Trade and other payables	21,732
Borrowings	66,198
Obligations under finance leases	27,055
SoC reserve accounts	1,245
Other liabilities	15,479
	228,756
Closing exchange rate	
Australian dollar / Hong Kong dollar	8.0469
Indian rupee / Hong Kong dollar	0.1417

Beyond Last Year's Statement of Financial Position

	HK$M
Charges on assets	20,422
Contingent liabilities	1,566
Operating lease commitments	11,308
Capital commitments	21,805

Consolidated Statement of Profit or Loss and Other Comprehensive Income for Two Years

		2012 HK$M	2013 HK$M
Revenue	(1)	104,861	104,530
Expenses		(91,760)	(96,375)
Other income		–	751
Operating profit		13,101	8,906
Share of results of joint ventures and associate, net of tax		2,984	3,283
Net finance costs		(6,101)	(6,349)
Income tax (expense) / credit		(1,692)	232
Loss / (earnings) attributable to non-controlling interests		20	(12)
Earnings attributable to shareholders		8,312	6,060
Analysed into:			
Electricity business in Hong Kong		6,654	6,966
Energy business in Australia		1,685	126
Other investments / operations		1,631	2,664
Unallocated net finance costs		(74)	(26)
Unallocated Group expenses		(490)	(423)
Operating earnings	(2)	9,406	9,307
One-off items	(3)	(1,094)	(3,247)
Earnings attributable to shareholders		8,312	6,060
Other comprehensive income	(4)	135	(3,333)
Total comprehensive income		8,447	2,727
Average exchange rate			
Australian dollar / Hong Kong dollar		8.0400	7.4429
Indian rupee / Hong Kong dollar		0.1451	0.1323

Consolidated Profits Retained for This Year

	HK$M
Retained profits at 31.12.2012	59,720
Earnings attributable to shareholders	6,060
Dividends paid for the year	
2012 fourth interim (HK$0.98 per share)	(2,476)
2013 first to third interim (HK$1.59 per share)	(4,017)
Other movements within equity	(62)
Retained profits at 31.12.2013	59,225
Fourth interim dividend declared for 2013, HK$ per share	0.98

From "Operating Profit" to "Cash Inflow from Operating Activities"

		HK$M
Operating profit		8,906
Depreciation and amortisation		7,592
Impairment charge		6,289
Bargain purchase gain		(751)
SoC items		737
Changes in working capital		(802)
Income tax paid		(982)
Others		32
Cash inflow from operating activities	(7)	21,021

Consolidated Statement of Cash Flows for This Year

	HK$M
Operating activities	
Cash inflow from operating activities	21,021
Investing activities	
Dividends received	2,738
Capital expenditure	(8,462)
Acquisition of business	(954)
Investments in and advances to joint ventures	(185)
Additions of other intangible assets	(1,144)
Proceed from sale of a subsidiary	1,708
Other net outflow	(296)
Financing activities	
Net decrease in borrowings	(6,789)
Repayment of finance lease obligations	(2,546)
Interest and other finance costs paid	(5,612)
Dividends paid	(6,493)
Others	(4)
Net decrease in cash and cash equivalents	(7,018)
Cash and cash equivalents at 31.12.2012	11,890
Effect of exchange rate changes	(88)
Cash and cash equivalents at 31.12.2013	4,784

Breakdown of Capital Investments

		HK$M
Capital expenditure		8,462
Acquisition of business		954
Investments in and advances to joint ventures		185
Additions of other intangible assets		1,144
Acquisition of leased assets		3,502
Accrual adjustments		88
		14,335
By business activity:		
Coal and gas assets		5,660
Renewables	(14)	1,688
Transmission, distribution and retail		6,823
Others		164
		14,335
By region:		
Hong Kong	(8)	9,445
Australia	(9)	3,092
Chinese mainland		662
India	(10)	1,243
Southeast Asia and Taiwan		(107)
		14,335

This Year's Consolidated Statement of Financial Position		
		HK$M
Assets		
Fixed assets, leasehold land and land use rights under operating leases and investment property	(5)	130,903
Goodwill and other intangible assets	(6)	23,847
Interests in joint ventures		19,940
Interest in an associate		1,675
Derivative financial instruments	(12)	4,123
Trade and other receivables		17,953
Cash and cash equivalents		4,784
Restricted cash		449
Bank balances, cash and other liquid funds		5,233
Other assets		8,011
		211,685
Equity and Liabilities		
Share capital, premium and reserves		28,136
Retained profits		59,225
Shareholders' funds		87,361
Non-controlling interests		120
Derivative financial instruments	(13)	4,719
Trade and other payables		19,325
Borrowings	(11)	56,051
Obligations under finance leases		27,976
SoC reserve accounts		28
Other liabilities		16,105
		211,685
Closing exchange rate		
Australian dollar / Hong Kong dollar		6.9154
Indian rupee / Hong Kong dollar		0.1256

Beyond This Year's Statement of Financial Position	
	HK$M
Charges on assets	19,611
Contingent liabilities	1,637
Operating lease commitments	9,984
Capital commitments	15,646

Strategy to Optimise Financial and Capital Structure

CLP's prudent financial management ensures that adequate resources are available to meet our operating, investing and financing needs.

Outcome

- Operating activities: Our cash flows from operating activities[7] remained strong and continued to be the main source for dividend payments and future business growth.
- Investing activities: In Hong Kong, we continued the development and enhancement of the power system network and generating plants[8]. In Australia, capital investments of HK$3,092 million[9] mainly related to the Mount Piper and Wallerawang acquisitions, enhancement works at generation plants (Yallourn and Wallerawang) and other capital works. The construction of wind projects in India represented capital investments of HK$1,243 million[10].
- Financing activities: We maintained HK$89,269 million financing facilities. Out of which, HK$56,051 million[11] had been drawn down. Our total debt to total capital ratio decreased from 42.1% to 39.1% at 2013 year end. Standard & Poor's and Moody's put the credit ratings of CLPH (A- / A2) on watch with negative implication following CLP's announcement of the proposed CAPCO and PSDC acquisitions in November 2013.

Strategy to Manage Risks

CLP's philosophy is to mitigate financial risks through the use of financial instruments to hedge our exposures to interest rate, foreign currency and energy price risks.

Outcome

The derivative assets[12] and liabilities[13] refer to the fair value gains and losses of the financial instruments respectively at year end. At 31 December 2013, the Group had net derivative liabilities of HK$596 million which represents the net amount we would pay if these contracts were closed out at year end. The decrease in net derivative liabilities was due to the settlement of certain derivatives and depreciation of Australian dollar.

Strategy to Reduce Carbon Intensity

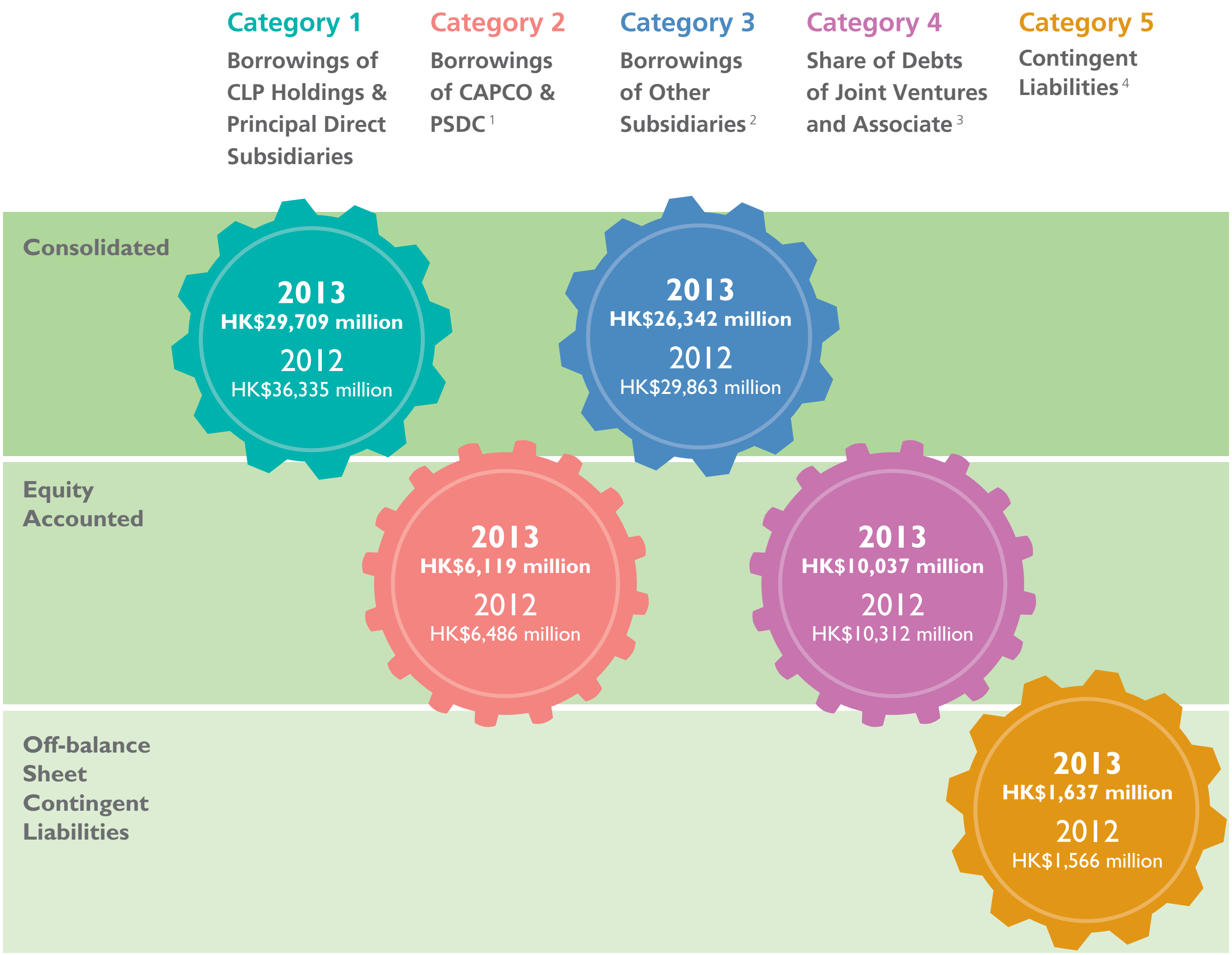
CLP continues to invest in renewable energy to reduce the carbon intensity of its generating portfolio and exploit the opportunities of low carbon emissions generation.

Outcome

- Operating earnings from renewable energy increased from HK$389 million to HK$617 million in 2013.
- Investment of HK$1,688 million[14] during the year mostly in wind farms across India and the Chinese mainland, and a solar project in the Chinese mainland.
- Renewable energy sources represent over 16% of our total generating capacity.

CLP GROUP'S FINANCIAL OBLIGATIONS AT A GLANCE

The financial risks associated with borrowings and unconsolidated financial obligations of an entity remain a market focus. Consistent with our practice of enhanced disclosure, the diagram below illustrates the financial obligations of the CLP Group, as well as those of our joint ventures and associate. These financial obligations are classified into five categories according to their degree of recourse to CLP Holdings. Obligations under finance leases have not been included in the diagram.



Consolidated financial statements are prepared to show the effect as if the parent and all the subsidiaries were one entity by combining their financial statements on a line by line basis. In contrast, under the equity method of accounting, interests in joint ventures and interests in associates are accounted for on the basis of proportionate sharing of net assets (i.e. assets minus liabilities). As a result, the underlying borrowings of equity accounted entities are not included as part of the debts shown in our consolidated financial statements. Total debt to total capital at CLP consolidated level (i.e. Category 1 and Category 3 together) in 2013 was 39.1% (2012: 42.1%). If 100% of debts [5] of Category 2 were included, total debt to total capital would be 38.0% (2012: 40.9%). If the attributable portion of debts of Category 4 were also included, total debt to total capital would rise to 41.6% (2012: 44.1%).

Notes:

1 100% of the debts of CAPCO and PSDC. Although the Group holds only a 40% interest in CAPCO and a 49% interest in PSDC, CLP Power Hong Kong has commitments to these companies through power purchase and service agreements, as explained in the SoC Statement on pages 253 to 255 and Note 32 to the Financial Statements.

2 These debts are non-recourse to CLP Holdings. These debts mainly comprise debts of EnergyAustralia and CLP India.

3 These debts are non-recourse to CLP Holdings or its subsidiaries. The share of debts is calculated by reference to the Group's shareholdings in the relevant joint ventures and associate.

4 Details of the contingent liabilities of CLP Holdings and its subsidiaries are set out in Note 33 to the Financial Statements.

5 Including an additional 60% and 51% of the equity of CAPCO and PSDC respectively, in the denominator to ensure consistency.

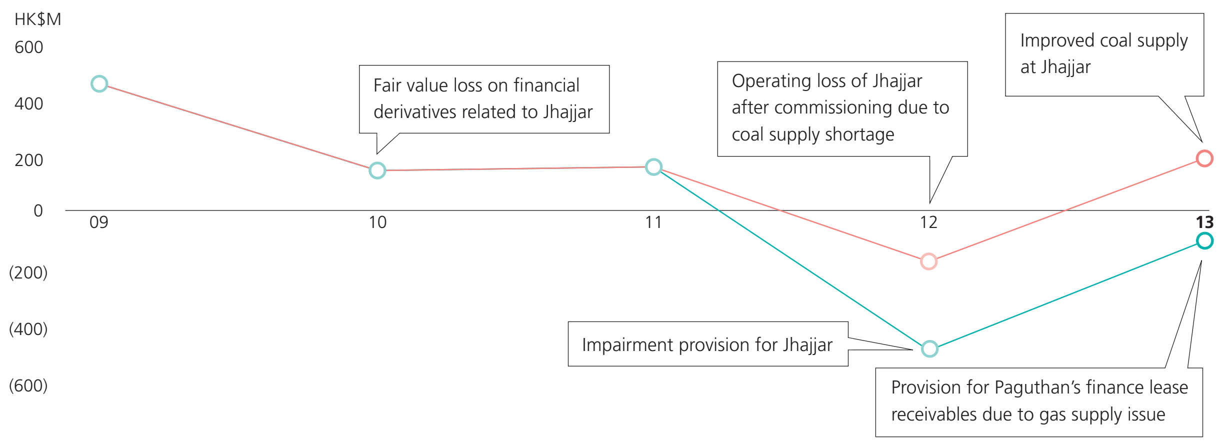
A BROADER PERSPECTIVE

An Annual Report necessarily concentrates on only one year's financial performance, with a comparison against the previous year. A broader perspective on CLP's financial performance can be helpful.

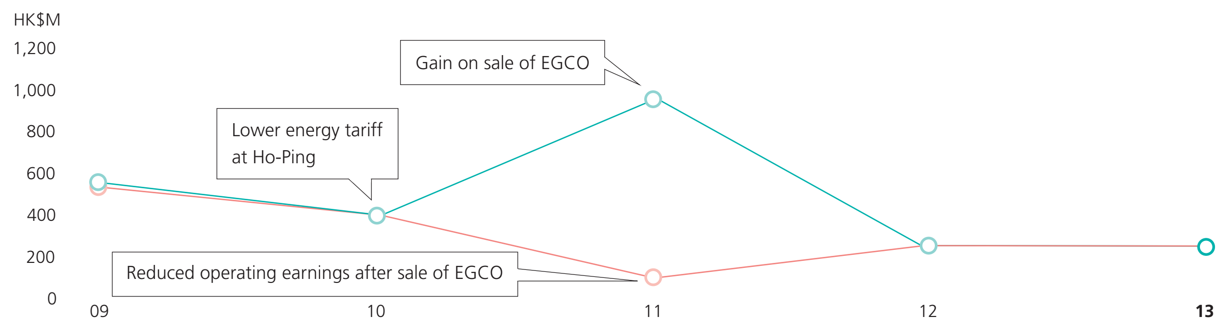
Group	2009	2010	2011	2012	2013
Performance Indicators					
Return on equity [1], %	12.3	13.7	11.5	10.1	6.8
Fixed assets turnover [2], %	53.9	54.0	73.9	79.2	78.8
Financial Health Indicators					
EBITDA interest cover [3], times	13.6	10.8	8.2	7.0	9.2
Debt over EBITDA [4], times	2.2	2.2	2.6	2.8	2.2
Investor's Return Indicators					
Total returns to shareholders [5], %	8.2	12.4	13.7	12.6	9.9
Dividend yield [6], %	4.7	3.9	3.8	4.0	4.2

1 Return on equity = Total earnings / Average shareholders' funds. The 2012 figure excluded the effect of the 5% share placement on 20 December 2012 to give a more accurate average shareholders' funds in 2012.
2 Fixed assets turnover = Total revenue / Average fixed assets
3 EBITDA interest cover = Earnings before interest, tax, depreciation and amortisation / (Interest charges + capitalised interest)
4 Debt over EBITDA = Bank loans and other borrowings / EBITDA
5 Total returns to shareholders represents the 10-year annualised rate of return from the combination of share price appreciation and dividend payments.
6 Dividend yield = Dividends per share / Closing share price on the last trading day of the year

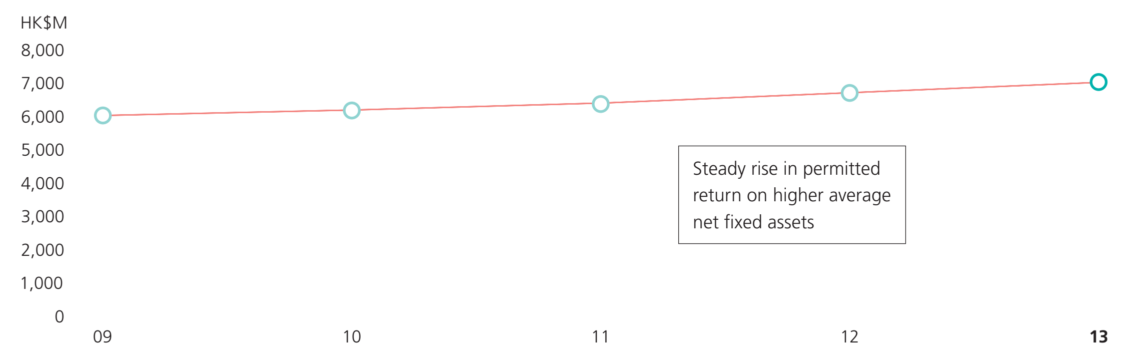
India



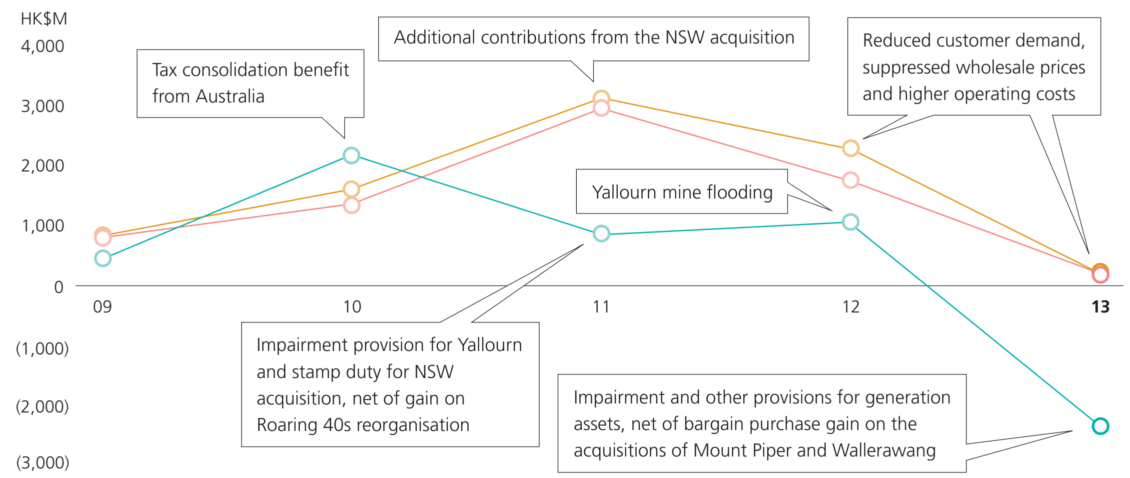
Southeast Asia and Taiwan



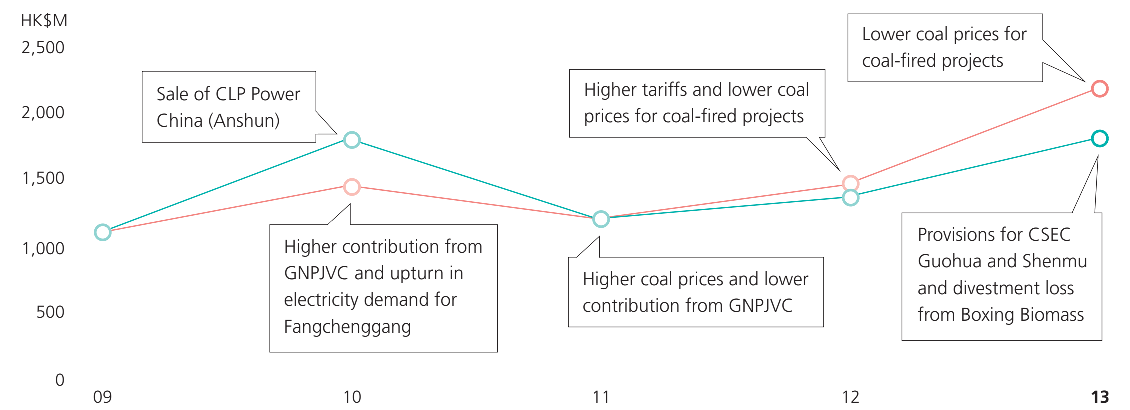
Hong Kong



Australia



Chinese Mainland



FINANCIAL ANALYSIS

Group's Financial Results

Financial results	Notes to the Financial Statements	2013 HK$M	2012 HK$M	Increase/(Decrease) HK$M	%
Revenue	*3*	104,530	104,861	(331)	(0.3)
Expenses		(96,375)	(91,760)	4,615	5.0
Finance costs	*7*	(6,522)	(6,423)	99	1.5
Share of results of joint ventures	*15*	2,671	2,405	266	11.1
Income tax credit / (expense)	*8*	232	(1,692)	N/A	N/A
Earnings attributable to shareholders		6,060	8,312	(2,252)	(27.1)

Earnings Attributable to Shareholders

	2013		2012		Increase/(Decrease)	
	HK$M	HK$M	HK$M	HK$M	HK$M	%
Electricity business in Hong Kong (HK)		6,966		6,654	312	4.7
Energy business in Australia		126		1,685	(1,559)	(92.5)
PSDC and sales to Guangdong from HK	125		108			
Power projects in Chinese mainland	2,131		1,411			
Electricity business in India	184		(182)			
Power projects in Southeast Asia and Taiwan	241		243			
Other earnings	(17)		51			
Earnings from other investments/operations		2,664		1,631	1,033	63.3
Unallocated net finance costs		(26)		(74)		
Unallocated Group expenses		(423)		(490)		
Operating earnings		9,307		9,406	(99)	(1.1)
One-off items from Australia		(2,582)		(685)		
Impairment provisions for Paguthan, CSEC Guohua and Shenmu in 2013 / Jhajjar and Boxing Biomass in 2012		(590)		(409)		
Divestment from Boxing Biomass		(75)		–		
Total earnings		6,060		8,312	(2,252)	(27.1)

Earnings from our electricity business in Hong Kong grew steadily on higher average net fixed assets. On the other hand, lower demand coupled with lower pool prices and higher operating costs adversely affected our Australia business. Earnings from the Chinese mainland and India increased as a result of lower coal prices and improved coal supply in Jhajjar respectively. Taking account of the one-off items, mainly the impairment provisions for various generation assets of EnergyAustralia and the bargain purchase gain on the acquisitions of Mount Piper and Wallerawang, total earnings down 27.1% to HK$6,060 million.

The performance of individual businesses is analysed on pages 46 to 81.

Finance Costs

The slight increase in finance costs was attributable to early close-out of certain interest rate swaps in Australia and lower capitalisation of finance costs for Jhajjar and other renewable projects after commissioning since the second half of 2012. This increase was offset by lower interest rates and lower borrowings in 2013.

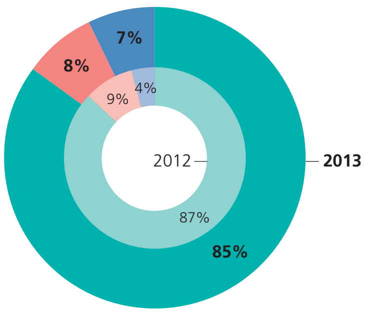
Revenue and Expenses

	Revenue				Expenses			
	2013	2012	Increase / (Decrease)		**2013**	2012	Increase / (Decrease)	
	HK$M	HK$M	HK$M	%	**HK$M**	HK$M	HK$M	%
Hong Kong	**34,172**	33,873	299	0.9	**23,733**	23,719	14	0.1
Australia	**64,976**	66,843	(1,867)	(2.8)	**67,908**	63,902	4,006	6.3
India	**4,371**	3,178	1,193	37.5	**3,681**	2,878	803	27.9
Others	**1,011**	967	44	4.6	**1,053**	1,261	(208)	(16.5)
	104,530	104,861	(331)	(0.3)	**96,375**	91,760	4,615	5.0

Excluding the translation effect, revenues from Australia and India increased. Higher revenue in Australia was mainly the result of higher pool prices (reflecting the effect of carbon tax effective 1 July 2012), higher carbon compensation income and tariff uplifts. Revenue from India increased by HK$1,193 million mainly due to higher availability at Jhajjar with improved coal supply, partly offset by lower revenue from Paguthan due to shortage in gas supply. Revenues from Hong Kong and the Chinese mainland grew slightly.

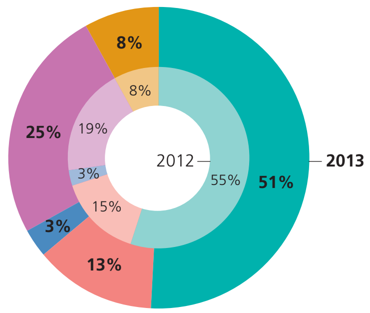
Increase in expenses in Australia was the result of: (i) the full year effect of carbon tax obligation under the Clean Energy Legislative Package and (ii) impairment and other provisions for generation assets of EnergyAustralia (Yallourn, Tallawarra, Hallett and Ecogen) totalled HK$4,437 million (A$642 million) (post-tax: HK$3,106 million (A$449 million)). In addition, India also recorded a provision for finance lease receivables of Paguthan of HK$519 million (post-tax: HK$293 million) as a result of the renegotiation of its Power Purchase Agreement (PPA) in view of the long-term gas supply issue and lower estimate of its residual value at the end of the PPA.

Analysis of Revenue
By Nature



Sales of electricity · Sales of gas · Others

Analysis of Expenses
By Nature



Purchases of electricity, gas and distribution services · Staff expenses · Fuel and other operating expenses · Operating lease and lease service payments · Depreciation and amortisation

Share of Results of Joint Ventures

The increase was mainly attributable to our coal-fired projects in the Chinese mainland, in particular Shandong and Fangchenggang as a result of lower coal prices and more units sold (despite lower tariffs). The increase was partially offset by the provision for CSEC Guohua and Shenmu of HK$297 million.

Income Tax Credit / (Expense)

The income tax credit in 2013 mainly related to the deferred tax credit recognised by EnergyAustralia as a result of the impairment provisions made in current year.

Group's Financial Position

Non-current assets are assets which are held for the long-term, either for use in operations, or for investment (such as fixed assets and investments in joint ventures). They are not expected to be consumed or sold within the normal operating cycle (usually 12 months).

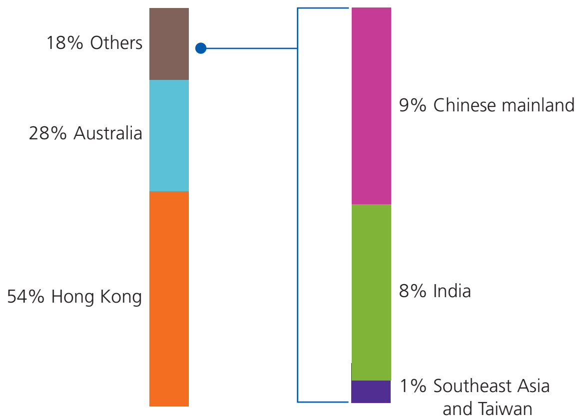
Non-current assets	*Notes to the Financial Statements*	2013 HK$M	2012 HK$M	Increase / (Decrease) HK$M	%
Fixed assets	*12(A)*	**126,876**	132,463	(5,587)	(4.2)
Leasehold land and land use rights under operating leases	*12(B)*	**1,806**	1,866	(60)	(3.2)
Investment property	*12(C)*	**2,221**	–	2,221	N/A
Goodwill and other intangible assets	*13*	**23,847**	28,479	(4,632)	(16.3)
Interests in joint ventures	*15*	**19,940**	19,197	743	3.9
Deferred tax assets	*25*	**3,084**	1,025	2,059	200.9
Total assets		**211,685**	228,756	(17,071)	(7.5)
Net assets (total assets less total liabilities)		**87,481**	91,201	(3,720)	(4.1)

Total Assets and Net Assets

Net assets and total assets are further analysed as follows:

Net Assets	2013 HK$M	2012 HK$M	Increase / (Decrease) %
Hong Kong	**35,103**	31,056	13.0
Australia	**28,571**	35,928	(20.5)
Chinese mainland	**14,661**	14,024	4.5
India	**6,890**	7,303	(5.7)
Southeast Asia and Taiwan	**1,873**	1,828	2.5
Unallocated	**383**	1,062	(63.9)
	87,481	91,201	

Total Assets by Geographical Location in 2013



Despite the lower exchange rates for Australian dollar and Indian rupee at year end, our overseas operations continued to represent a considerable portion of the Group's total assets and net assets mix. About 46% (2012: 49%) and 59% (2012: 65%) of our total assets and net assets respectively are located outside Hong Kong.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets mainly related to our Australia business. The lower closing rate of Australian dollar coupled with impairment provisions for the long-term Master Hedge Agreement with Ecogen and Yallourn mining licences resulted in an overall decrease of the year end balances.

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

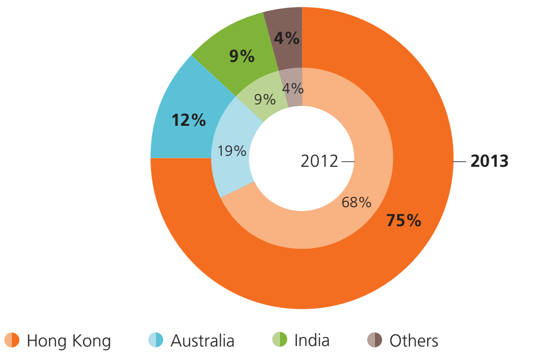
The power business is highly capital-intensive and continuous investment in capital assets is necessary to meet increasing demand and to enhance the reliability of electricity supply across all our operating regions.

In 2013, fixed asset additions amounted to HK$12,049 million. These mainly related to enhancement in our transmission and distribution network, customer services facilities and generating plants in Hong Kong (HK$9,136 million), the construction of wind projects in India (HK$1,243 million), and regular capital works on the power stations in Australia, in particular, Yallourn and Wallerawang (HK$997 million).

During the year, the Group reclassified its old head office site at Argyle Street from "fixed asset" to "investment property" and a fair value gain of HK$2,055 million was recognised through revaluation reserve.

Capital commitments at 31 December 2013 stood at HK$15,646 million, representing mainly capital works in Hong Kong and Australia, and the ongoing construction of wind farms in India.

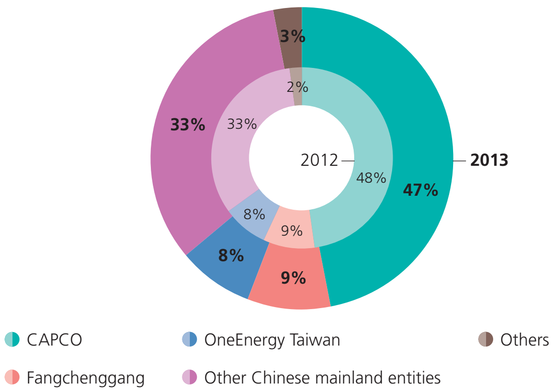
Fixed Assets, Leasehold Land and Land Use Rights under Operating Leases and Investment Property by Geographical Location



Interests in Joint Ventures

The increase in interests in joint ventures was mainly due to our investment in Jinchang Solar and the disposal of Waterloo Wind Farm from a 100% owned subsidiary to a 25% owned joint venture during the year.

The Group's Major Joint Ventures



Deferred Tax Assets

Deferred tax assets mainly related to our Australia business. The increase in balance was mainly attributable to the additional deferred tax assets of HK$916 million (A$132 million) arising from the Mount Piper and Wallerawang acquisitions and deferred tax credit from the impairment provisions made this year.

Group's Financial Position

Working capital comprises current assets and current liabilities which are continuously circulating in the business operations (such as bank balances, trade receivables and payables).

Working capital, Debts and other non-current liabilities and Equity	Notes to the Financial Statements	2013 HK$M	2012 HK$M	Decrease HK$M	%
Derivative financial instruments assets*	18	4,123	5,044	(921)	(18.3)
Derivative financial instruments liabilities*	18	(4,719)	(5,846)	(1,127)	(19.3)
Trade and other receivables	20	17,953	18,552	(599)	(3.2)
Bank balances, cash and other liquid funds	21	5,233	13,026	(7,793)	(59.8)
Trade and other payables	22	(19,325)	(21,732)	(2,407)	(11.1)
Bank loans and other borrowings*	23	(56,051)	(66,198)	(10,147)	(15.3)
Shareholders' funds		87,361	91,127	(3,766)	(4.1)

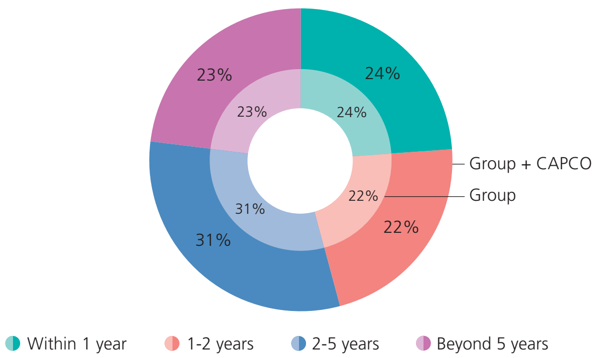
* Including current and non-current portions

Derivative Financial Instruments and Hedging

Except for limited energy trading activities by EnergyAustralia, CLP only uses derivative financial instruments for hedging purposes. The type and maturity profile of the derivative financial instruments are set out below:

	Notional Amount		Fair Value Gain / (Loss)	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
CLP Group				
Forward foreign exchange contracts and foreign exchange options	105,833	106,490	1,482	1,454
Interest rate swaps / cross currency interest rate swaps	49,289	44,790	(555)	(448)
Energy contracts	18,003	23,092	(1,523)	(1,808)
	173,125	174,372	(596)	(802)
CAPCO				
Forward foreign exchange contracts	144	160	3	(3)
Total	173,269	174,532	(593)	(805)

Maturity Profile in 2013



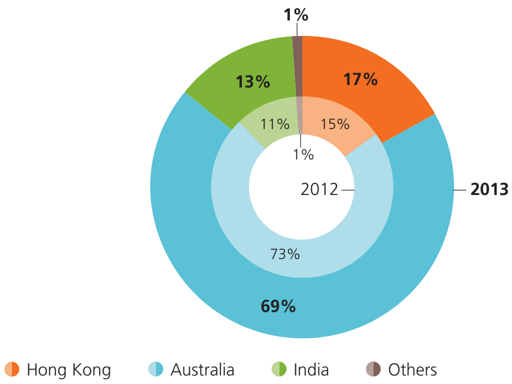
Bank Balances, Cash and Other Liquid Funds

Last year's balance included the cash proceeds of HK$7,556 million from the Company's share placement in December 2012. These proceeds were utilised for investments and repayment of bank borrowings during the year.

Trade and Other Receivables

Excluding the effect of foreign currency translation, trade and other receivables actually increased which was mainly attributable to higher dividend receivables from joint ventures in the Chinese mainland and higher receivables balances with off-takers from India.

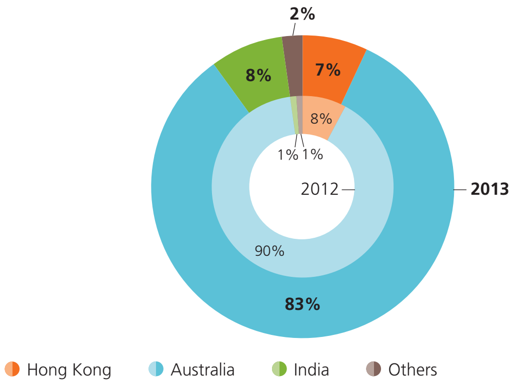
Trade Receivables by Segment



Trade and Other Payables

Most of trade and other payables were attributable to our Australia business. The decrease was mainly due to the effect of depreciation of the Australian dollar at year end.

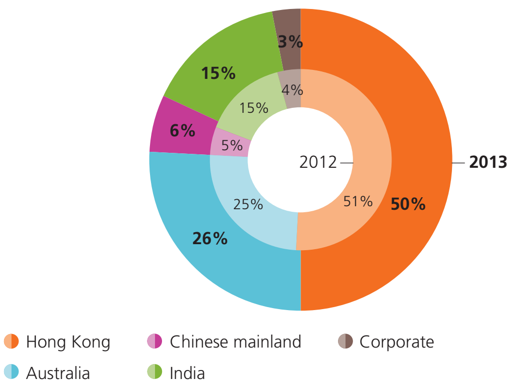
Trade Payables by Segment



Bank Loans and Other Borrowings

The lower closing rates for the Australian dollar and Indian rupee and the repayments made out of the proceeds from the December 2012 share placement accounted for the decrease in bank loans and other borrowings. On the other hand, CLP Power Hong Kong took advantage of the good liquidity in the Japanese bank market and entered into a syndicated loan of HK$934 million (JPY12 billion). Refinancing of borrowings at more attractive rates was also engaged by our overseas subsidiaries during the year.

Bank Loans and Other Borrowings by Segment



Shareholders' Funds

The decrease in shareholders' funds was mainly due to the translation losses (HK$5.9 billion) on our Australia and India businesses. On the other hand, the recognition of fair value gain on the Argyle Street site through revaluation reserve offset part of the decrease.