新聞稿
Media Release

中電控股有限公司
CLP Holdings Limited

24 February 2020

Earnings Recalibrated While Strong Fundamentals Support Long-term Outlook

CLP Holdings Limited (CLP) today announced its 2019 Annual Results. Operating earnings decreased 20.5% to HK$11,121 million, reflecting the expected lower permitted rate of return in Hong Kong, a reduction in its share of earnings in India following the strategic partial-divestment, and the continued challenges in Australia. Earnings in Mainland China and Southeast Asia were higher. The Board is recommending a fourth interim dividend for 2019 of HK$1.19 per share. Total dividends per share for 2019 are HK$3.08, an increase of 2.0% from 2018.

Against the backdrop of accelerating climate change and its impacts, decarbonisation continued to be a key priority of CLP in 2019. Late last year CLP released its updated Climate Vision 2050. At its heart is a pledge not to invest in any additional coal-fired generation assets and to phase out its existing coal-fired assets by 2050 at the latest. It has also pledged to revisit and strengthen its decarbonisation targets at least every five years.

"2019 was a year of transition and we continued to manage the changes in our business for the long term, ensuring that we are fit for the future and well-positioned for ongoing operational and financial stability across the Group. While we saw a reduction in earnings last year, the fundamentals of the business remain strong supported by the diversity of our portfolio, the capabilities of our people and our significant financial resources. We have a clear direction to navigate this dynamic landscape and will continue to invest to bring value to all our stakeholders," said Richard Lancaster, Chief Executive Officer of CLP.

Hong Kong

Sales of electricity within Hong Kong rose 1.8% as warmer weather lifted demand. Major local infrastructure developments also resulted in more electricity use. Operating earnings declined 13.0% from 2018 to HK$7,448 million due to the full-year impact of the reduced permitted rate of return under the new Scheme of Control agreement.

In 2019, the number of customer accounts rose to 2.64 million, compared with 2.60 million in 2018. CLP places a very high importance on continuing to deliver positive outcomes for its communities and customers, and in doing so throughout the year it achieved an overall supply reliability of 99.999%.

The Government has previously established a fuel mix target of increasing gas-fired power generation to around 50% in 2020. In full support of this, CLP has continued to make progress in the construction of a 550MW Combined Cycle Gas Turbine (CCGT) unit at Black Point Power Station which is currently being commissioned. Preparations for another CCGT unit on an adjacent site is also underway with completion scheduled by the end of 2023.

The energy transition has implications for the fuel supply chain and CLP has therefore taken additional steps to increase the diversity of sources of natural gas. To access competitive supplies from the global LNG market for the long term, CLP is developing an offshore LNG terminal in Hong Kong waters. Significant progress was made in 2019, putting the project on course to begin construction in 2020 and to be completed by the end of 2021.

CLP has launched a broad range of initiatives to encourage customers to embrace greener lifestyles. The Feed-in Tariff scheme had received more than 6,900 applications by the end of 2019. Around 84% of projects, representing a total capacity of around 90MW, have already been approved or connected to the grid. In November 2018, CLP started a programme to replace conventional electricity meters with smart meters for all of its customers by 2025. By the end of 2019, around 421,000 smart meters had already been connected.

The social unrest experienced by Hong Kong in the second half of 2019 saw the economy face some of its most challenging times in recent history. As the city's biggest utility company, CLP is committed to helping customers through this difficult period.

CLP has launched a HK$200 million relief programme to help ease the burden on small businesses and underprivileged people. Measures include a subsidy to offset the upward adjustment in Average Net Tariff for 320,000 small and medium-sized enterprises for the first six months of 2020, in addition to the Rent and Rates Special Rebate.

Hong Kong is on an important journey of decarbonisation. In 2020, for the first time, around half of the electricity sold by CLP will be generated by natural gas. Added to the around one-third zero carbon energy from Daya Bay, this represents a significant milestone on the road to lower emissions. CLP will continue to do its best to support the Government's environmental goals and emission reduction targets, moving decisively on investments to add gas-fired capacity and enhance gas supply reliability.

Mainland China

CLP's non-carbon portfolio in Mainland China brought stable and reliable results in 2019, during which operating earnings increased 5.3% to HK$2,277 million.

Nuclear energy represents CLP's main source of income in Mainland China, amounting to around two-thirds of operating earnings for the year. The sixth and final generating unit of Yangjiang Nuclear Power Station was commissioned in July 2019, contributing higher earnings to the Group. However, that contribution was more than offset by higher service and statutory charges, planned outages and lower value-added tax refund. Daya Bay Nuclear Power Station continued to operate steadily.

Renewable energy projects are another major source of income in Mainland China. While earnings from renewable projects were higher in 2019, the performance of different asset types was mixed. Meanwhile, CLP's solar energy portfolio grew through the acquisition of a 100% stake in Meizhou Pingyuan Solar Power Station in Guangdong Province in January 2019.

CLP's only majority-owned coal-fired project in Mainland China, Fangchenggang Power Station, recorded good performance in 2019. Its utilisation was higher due to economic growth in the Guangxi Zhuang Autonomous Region and less competition from hydro power generation.

CLP has taken part in the development and operation of an incremental distribution network at Fangchenggang Hi-Tech Zone to provide electricity supply services to customers in the park – the Group's first investment in distribution grids in Mainland China. The project started services in January 2020.

Reforms are continuing in the electricity market. In response, CLP has formulated strategies to secure more sales and is carefully observing the evolution of market regulations in order to capitalise on the opportunities arisen from the market reforms. CLP will also continue to develop its non-carbon portfolio to play a part in the energy transition.

India

CLP India continued to expand its portfolio and explore new business opportunities in 2019. The performance of operating assets was strong, with Jhajjar Power Station and renewable energy assets reporting higher earnings.

Jhajjar achieved a commercial availability of 89.2% in 2019 on the back of improved coal supply and operational management. The plant also recorded a satisfactory financial performance as it collected higher capacity charges from increased availability. The wind energy portfolio performed well thanks to better operational management. Performance of the solar energy portfolio was stable, helped by higher availability and generation at the Veltoor Solar Farm.

Operating earnings attributed to the CLP Group in 2019 nonetheless dropped by 54.0% to HK$263 million. Paguthan Power Station did not report any significant generation during the year after a power purchase agreement expired in December 2018. In addition, a 40% stake in CLP India was sold to the Canadian pension fund Caisse de dépôt et placement du Québec in December 2018, thereby diluting CLP's share of earnings.

CLP India entered the power transmission sector in 2019 by agreeing to acquire three transmission assets. One of the projects was successfully transferred to CLP India in November 2019. The other two projects are expected to be taken over by CLP India in 2020. CLP India also made its first successful bid for a wind project at competitive auction in 2019, securing about 250MW in wind capacity.

Although the country's economic growth and electricity demand both slowed down in 2019, CLP India remains confident in the future of the country's power market, particularly in its potential for low-carbon projects as India undergoes an energy transition. CLP will continue to seek out quality projects and expand its non-generation operation in transmission, distribution and other customer-focused businesses.

Southeast Asia and Taiwan

Operating earnings in the market rose 106.8% to HK$335 million due to good performance of the Ho-Ping coal-fired power plant and the Lopburi solar plant.

As part of CLP's strategic decision stated in Climate Vision 2050 not to add any new coal-fired generation assets to its portfolio, the Group has decided to exit from two legacy coal developments in Vietnam. In the future its efforts in the country will focus on investment opportunities in renewable generation.

Australia

The Australian market provided a sharp reminder of its volatile nature in 2019. The introduction of regulated pricing in July represented the most significant change to energy retailing in years while retail competition remained intense. Wholesale market prices continued to track around historical highs. Unfortunately, operational issues reduced output at EnergyAustralia's two largest plants, which meant it was not able to fully participate in the wholesale market. Consequently, EnergyAustralia's operating earnings declined 52.6% from a year earlier to HK$1,566 million.

Prices for all existing EnergyAustralia customers were either unchanged or reduced in 2019, reflecting sustained and intense competition and a significant shift in retail electricity regulation. EnergyAustralia approached the change as an opportunity to launch a new suite of products comprising simple, lower-cost services. Existing customers were proactively approached well ahead of the changes to seek to ensure they were on the best plan. Market churn has reduced across all states since the introduction of regulated pricing, and EnergyAustralia continued to perform better than the market average. However, customer accounts decreased by 84,000 or 3% over the course of the year.

EnergyAustralia's generation fleet dealt with a number of operational challenges in 2019. Output at Yallourn Power Station in Victoria was restricted by a combination of planned and forced outages, and the implementation of new safety measures. The new measures were implemented by mid-November 2019 and availability is expected to progressively return to previous levels in 2020.

Mount Piper Power Station in New South Wales (NSW) produced substantially less energy in 2019 than in the previous year due to disruptions to the fuel supply. Improved levels of supply were eventually achieved in November 2019 and EnergyAustralia is working to secure long-term improvements to fuel security for the power station. Meanwhile, work has started on a turbine upgrade which will increase Mount Piper's capacity by 60MW without the plant needing to burn additional coal. The work is scheduled for completion in 2021.

EnergyAustralia's gas-fired power facilities in NSW, Victoria, and South Australia operated with high reliability throughout the year. Capacity at Hallett Power Station has increased 30MW in early 2020 following successful upgrade works.

To accelerate the integration of intermittent solar and wind power into the national grid, EnergyAustralia continued to assess potential investments in new, flexible generation and storage projects. It is considering building a second gas-fired plant at the site of its existing gas-fired plant at Tallawarra in NSW to provide fast-start dispatchable generation.

Wholesale electricity prices in Australia are expected to decline in the coming year as additional renewable energy capacity is added to the system. Operationally, EnergyAustralia's focus will remain the optimisation of its generation portfolio, enhancing asset reliability. In retail markets, there is no sign the intense competition and acute focus on electricity pricing will ease. EnergyAustralia will continue its work to improve the customer experience and ease pressure on household budgets, while managing costs.

Innovation

As a Group, CLP's business spans across the entire energy value chain, all aspects of which are increasingly supported by smart energy services. To fully unlock the potential of the digital transformation, it needs to develop customised strategies and solutions for each of the markets in which it operates. The launch of Smart Energy Connect is a prime example of its efforts in 2019. As the first online energy app store in Asia, Smart Energy Connect offers a range of innovative and practical applications to help businesses and organisations in the region manage energy use in a greener and smarter way.

As it transitions to a Utility of the Future, CLP is further digitalising its operations which is another strategic priority of the Group. CLP is focused on opportunities that will deliver robust performance from today's asset base well into the medium term in addition to sustainable results from low-carbon solutions in the longer term.

For more details, please refer to the following documents:

- *Announcement of Annual Results from 1 January 2019 to 31 December 2019, Dividend Declaration and Closure of Books*
- *CLP Holdings 2019 Annual Results Highlights*

Mr Richard Lancaster (centre), Chief Executive Officer of CLP Holdings, Mr Geert Peeters (left), Executive Director and Chief Financial Officer, and Mrs Betty Yuen (right), Group Director & Vice Chairman – CLP Power Hong Kong, today announce CLP's 2019 Annual Results.

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