中電控股有限公司
CLP Holdings Limited

新聞稿
Media Release

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CLP Holdings Limited Announces Strong 2018 Interim Results

Financial Highlights

- Operating earnings up 33.3% to HK$7,886 million driven by significantly higher earnings from Australia and China.
- Total earnings increased 25.8% to HK$7,436 million.
- Operating earnings from our local electricity business in Hong Kong rose 3.2% to HK$4,497 million.
- Consolidated revenue rose 7.2% to HK$46,464 million.
- Second interim dividend of HK$0.61 per share.
- Market conditions for the second half year are expected to be less favourable. These include:
  - Lower permitted rate of return under the Scheme of Control (SoC) in Hong Kong
  - Declining wholesale margins in Australia combined with intense retail competition
  - Lower dispatch and higher fuel costs in Mainland China

CLP Holdings Limited (CLP) is pleased to announce strong results for the first half of 2018, reflecting the Group's robust and diversified asset base and our commitment to meet the needs of our customers across the markets in which we operate.

The Group's operating earnings were HK$7,886 million, an increase of 33.3% compared with the first half of 2017 with dependable results in our core market of Hong Kong and a solid performance in our overseas businesses. Total earnings increased by 25.8% to HK$7,436 million. With confidence in the long-term outlook for the company, the Board increased the level of our first and second interim dividends from HK$0.59 per share in 2017 to HK$0.61 per share this year.

"Our strong performance for the first half was driven by the Group's focused investment strategy, delivery of solid operational performance and capturing of growth opportunities in our markets. Despite these very good results, market conditions for the second half are expected to be challenging. But we are confident that our annual performance and long-term outlook will be supported by the solid fundamentals of our business. CLP remains committed to making the necessary investments to ensure safe, reliable and reasonably-priced electricity to our customers while providing a fair return for our shareholders," said Richard Lancaster, Chief Executive Officer of CLP, at the Group's 2018 interim results announcement media briefing.

Hong Kong

In Hong Kong, the new SoC Agreement comes into effect this October and runs until 2033. This provides a stable regulatory environment at a time when the energy sector throughout the world is undergoing dramatic changes as a result of both new technologies and the energy transition. As part of the new SoC, our submission on a Development Plan for the next five years was approved by the Hong Kong Government. This will require investing HK$52.9 billion over the period to ensure a reliable supply of electricity to meet Hong Kong's continuous development as well as meeting Government's low carbon policy objectives.

Our new initiatives under the Development Plan aim at promoting the security of our city's electricity supply which is essential for the long-term prosperity of Hong Kong. One of the most significant investments is the construction of an offshore LNG terminal that will improve the diversity, security, and cost competitiveness of future gas supplies. Good progress has been made with the environmental impact assessment report for the project which is expected to be concluded in the second half of 2018.

In addition to the construction of a 550MW advanced combined cycle gas turbine at Black Point Power Station currently underway, the new Development Plan provides for the building of another gas-fired unit at the plant to allow for the gradual phasing out of the four oldest coal-fired units at Castle Peak Power Station.

Apart from our own generation fleet, we plan to enhance the reliability and transmission capacity of the existing cross-border transmission overhead line circuits connecting Hong Kong and Mainland China. It will provide greater flexibility for the increased use of zero-carbon energy in future.

The new SoC Agreement includes key initiatives to promote local renewable energy development and encourage community participation in energy efficiency and conservation. A Feed-in Tariff scheme, Renewable Energy Certificates and a new CLP Eco Building Fund will be rolled out in October, while a CLP Community Energy Saving Fund will be effective from January 2019.

In July, we announced adjustments to the basic tariff for 15 months from October 2018 under the new Agreement. The total tariff will increase by 2% due to the higher fuel cost resulting from substantially rising fuel prices since 2017 and higher gas consumption to meet the 2020 carbon reduction target. Overall, our tariff remains competitive among metropolitan cities around the world.

In the first half of 2018, total electricity sales, including local sales and sales to the Mainland China, increased 4.9%. Sales of electricity in Hong Kong increased 4.7% compared with the first half of 2017. The sustained growth in electricity sales in Hong Kong emphasised the need for continuing development of our facilities to provide a safe and reliable electricity supply.

In the ongoing digital transformation of our business, we continue to focus on technology innovations to enhance customer experience and improve our efficiency. We plan to broaden our advanced metering infrastructure, installing more smart meters to give customers more information and control over their energy consumption.

With the start of the new SoC Agreement in the fourth quarter, we look forward to implementing the infrastructure investments as set out in our Development Plan. Not only are we required to upgrade and maintain our existing facilities to continue to deliver the reliable electricity supply to our customers, we will also be pressing ahead with our new gas-fired generation unit at Black Point as well as the offshore LNG terminal project to contribute to a lower carbon footprint for Hong Kong.

Mainland China

In the first half of 2018, operations in Mainland China benefitted from CLP's focus on low-carbon investments as increased contributions from our nuclear and renewable assets partially offset the challenge of high coal prices.

Our investment in Yangjiang Nuclear Power Co., Ltd., completed in December 2017, bolstered first-half earnings and the fifth unit of the project has been commissioned. Operation of the Daya Bay Nuclear Power Station remains strong with stable contribution to our earnings.

Renewable energy projects enjoyed strong operations, supported by favourable resources and lower grid curtailment. Our solar portfolio grew after the commissioning of the Huai'an plant last year and the acquisition in May of the remaining 49% shareholding in the Jinchang plant. Our wind projects saw less grid curtailment, especially those in the northeast of the country. Hydro assets had a mixed performance, reflecting diverse rainfall and water flow conditions in different regions.

Our coal-fired generation portfolio achieved a higher output in response to stronger customer demand in the first half of the year, driven by colder winter weather and sustained economic growth. The output of Fangchenggang Power Station rose on satisfactory market sales and reduced competition from hydro power. However, with coal prices remaining high and the lack of benchmark tariff adjustments, margins came under pressure and operating conditions continued to be challenging.

We remain committed to our energy transition strategy in Mainland China as we look to sustain the positive trajectory in our nuclear and renewable energy portfolios, and to pursuing new investment opportunities introduced under the power sector reform. We will also strive to mitigate the risks associated with coal supply and continue our efforts to enhance the operational, commercial, and financial performance of our coal-fired portfolio.

However, we expect that our earnings in the second half will be under pressure as Fangchenggang is impacted by lower dispatch volumes and higher costs associated with the use of imported and domestic coal, while at the same time our portfolio experiences the usual seasonal reduction in wind and solar resources.

India

The performance of our business in India was stable in the first half of 2018. Jhajjar coal-fired station performed well, reporting higher utilisation and availability. Our portfolio increased following the full commissioning of Veltoor, CLP's first solar project in India. The plant is now operating smoothly, benefitting from best-in-class tracking and monitoring technologies.

Our wind projects faced challenging weather conditions in the period with lower than average wind resources in the northern, western, and central parts of the country before the arrival of the monsoon, which has started stronger than last year, leading to robust performance in June.

Operations at the Paguthan gas-fired station remained stable. We will explore new commercial possibilities for the plant in anticipation of the expiry of the power purchase agreement in December, although we anticipate the lack of gas supplies will continue to pose challenges to our ongoing negotiations.

In the second half of 2018, we will continue our efforts to maintain operational excellence and strengthen the foundations of our business. CLP is committed to further expanding our renewable energy portfolio on the back of supportive government policies. We are also seeking out opportunities along the energy supply chain to broaden the scope of our business in the country.

Southeast Asia and Taiwan

In the first half of 2018, a major planned overhaul of one of the two generating units at Ho-Ping coal-fired power station in Taiwan was completed, while a new permanent transmission tower was commissioned as a replacement for the one damaged in a typhoon last year. Performance was impacted by an increase in Taiwan's income tax rate, the extended outage caused by the works combined with higher fuel costs. Meanwhile, operations at the Lopburi solar plant in Thailand were stable. In Vietnam, we continued to make progress in our discussions with the Government and banks over the Vung Ang II and Vinh Tan III projects.

Australia

Our results in Australia continued to strengthen in the first half of 2018. Wholesale electricity prices remained strong and the increase in our earnings reflects the availability of EnergyAustralia's generation portfolio in this market.

Earlier this year, EnergyAustralia announced it had completed a programme to financially underpin around 500MW of new wind and solar projects in eastern Australia, around 390MW of which is directly contracted to EnergyAustralia. In March, we signed agreements worth A$50 million to operate two utility-scale battery storage systems of 80MWh in Victoria, acquiring the rights to charge and dispatch this energy into the National Electricity Market.

The following month, EnergyAustralia completed the acquisition of Ecogen Energy, owner of the Newport and Jeeralang gas-fired power stations in Victoria. The two plants have a combined capacity of 940MW. Taking direct ownership of the plants, with which EnergyAustralia has had an offtake agreement stretching back nearly two decades, gives secure access to the flexibility of intermediate and peaking gas-fired generation to support the integration of renewable energy.

EnergyAustralia also progressed assessments of new projects and investments in other areas including pumped hydro-electricity and intelligent energy management systems. We expect these technologies and our assets to underpin a modern energy system in Australia, provided the Federal and State Governments reach agreement on a long-term and stable national energy policy and regulatory framework.

Meanwhile, high retail prices continued to weigh heavily on customers. We continued to experience lower retail customer churn than the overall market. However, intense competition for mass-market customers in the first half of 2018 resulted in lower sales and margin pressure, impacting customer account numbers and profitability. Customer accounts have dropped by approximately 60,000, or 2%, during the period.

To help ease cost pressures for our customers, EnergyAustralia has removed fees for paper bills and over-the-counter charges, expanded hardship support, and extended the *Secure Saver* offer, which enables customers to cap their electricity and gas tariffs for two years.

In the second half of 2018, wholesale electricity prices realised by the business are likely to decline. The forward market also indicates reduced pricing into 2019 and beyond as a large number of wind and solar projects enter the market. Meanwhile, intense retail competition shows no sign of abating, placing further pressure on margins as EnergyAustralia focuses on retaining and acquiring customers.

Innovation

The electric utility business is in the early part of what promises to be an exciting period of technological change. Innovation is an increasingly important facet of our business. In the beginning of the year, we completed our investment in AutoGrid, a Silicon Valley-based energy management software developer. In July, we signed a collaboration agreement with Beijing TUS-Clean Energy Co., Ltd. to jointly explore clean energy and smart city technologies. These are just two of the many collaborations that we are forging around the world to support our efforts in using technology and innovation to increase our operational efficiency and deliver enhanced services to our customers.

For more details, please refer to the full version of "Announcement of Interim Results as from 1 January 2018 to 30 June 2018, Dividend Declaration and Closure of Books".

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Media Contact
Ms Vivian Au
Deputy Director - Public Affairs (Group)
CLP Power Hong Kong Limited
Tel: (852) 2678 8189
Email: vivian.au@clp.com.hk
Media Enquiry Hotline: (852) 7306 2525

Analysts Contact
Mr Angus Guthrie
Director – Investor Relations
CLP Holdings Limited
Email: ir@clp.com.hk