

CLP 中電

120 years 同行望遠
of shared vision



A Snapshot
of CLP in 2020

About the CLP Group

The CLP Group is an investor and operator in the Asia-Pacific energy sector with investments in Hong Kong, Mainland China, India, Southeast Asia, Taiwan, and Australia that span across the energy supply chain. In addition to a diversified portfolio of generating assets that uses a wide range of fuels including coal, gas, nuclear and renewable sources, the Group also has operations in the transmission, distribution and retail of energy, and offers smart energy services. In 2021, CLP celebrates the 120th anniversary of its founding in Hong Kong with a commitment to continue to move forward with the community based on a shared vision of a better tomorrow.

	Current Operations	Potential Opportunities
Generation	●	○
Transmission	●	○
Distribution	●	○
Retail	●	○
Smart Energy Services	●	○

Hong Kong

Hong Kong's electricity sector is regulated by the Scheme of Control Agreements and operated by two vertically-integrated utility companies that serve different geographical areas of the city. CLP Power Hong Kong, the larger of the two companies and a wholly-owned subsidiary of the Group, provides a power supply of over 99.999% world-class reliability to 2.67 million customers in Kowloon, the New Territories, and most of the outlying islands, serving about 80% of the city's population.

Mainland China

The electricity industry in Mainland China is largely state-controlled. Transmission and distribution are limited to two state-owned enterprises while generation is open for investment. CLP first entered the market in 1979 when the Group began providing electricity to Guangdong province. Today, CLP China is the largest external independent power producer in Mainland China with over 50 power projects in 15 provinces, municipalities and autonomous regions, concentrating on low-carbon energy, including nuclear power and renewable energy.

India

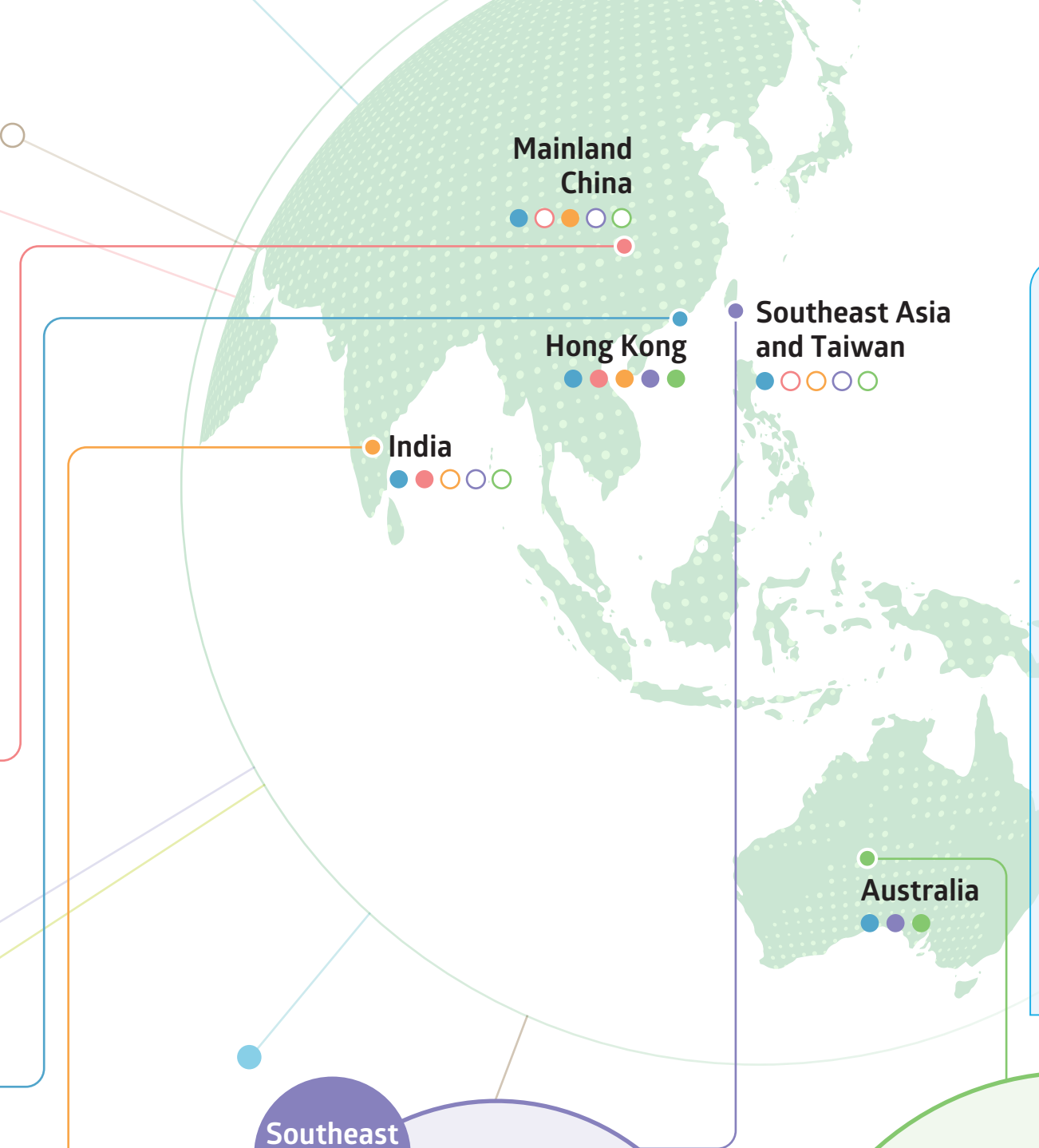
Much of the electricity industry in India has traditionally been owned and controlled by the Federal and State Governments. Over the last decade and a half, private companies have been encouraged to invest in the generation and increasingly transmission segments. On the distribution side, the Federal Government has recently progressed initiatives for more privatisation. Since entering the Indian market in 2002, CLP has built a diversified portfolio comprising wind, solar and supercritical coal generating facilities as well as transmission assets. The Canadian pension fund Caisse de dépôt et placement du Québec (CDPQ) became a 40% strategic shareholder in CLP India in 2018. Our strategy is for CLP India to pursue growth in non-carbon areas.

Southeast Asia and Taiwan

CLP has minority interests in a solar project in Thailand and a coal-based generation plant in Taiwan. The electricity industry is government-controlled in both markets. As a committed supporter of global efforts to reduce carbon emissions, CLP is exploring investment opportunities in renewable energy generation in the Southeast Asia and Taiwan markets.

Australia

EnergyAustralia is one of the largest privately-owned electricity generators under the National Electricity Market (NEM), a major gas and electricity retailer in New South Wales, Victoria, South Australia, and the Australian Capital Territory, and an electricity retailer in Queensland. Private generators operating under the NEM and a number of government-owned assets provide generation services in a competitive wholesale market. The electricity retail market is fully privatised while the transmission and distribution segments remain substantially regulated.



2020 Operating Earnings

Hong Kong electricity and related business
HK\$8,088 million

Mainland China
HK\$2,233 million

India
HK\$175 million

Southeast Asia and Taiwan
HK\$386 million

Australia
HK\$1,690 million

Other earnings and unallocated expenses
-HK\$995 million

Total HK\$11,577 million

Strategic Framework

Our Purpose

CLP provides sustainable energy solutions to create value for shareholders, customers, employees and the wider community. We aim to be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next.

Our Strategy

HOW WE SERVE OUR PURPOSE

To leverage new and emerging technologies to aid the progressive decarbonisation of our portfolio, empower our customers in making better energy choices, enhance performance of our operations, and to evolve and grow our business in the transition to a low-carbon future.

Our Values and Commitments

WHAT GUIDE US IN FULFILLING OUR PURPOSE

CLP cares for people, its customers, the community and the environment. We care about performance, respect laws and standards, and value innovation. Our commitments are the promises we make to our stakeholders about the way in which we uphold our values.

Read CLP's Value Framework

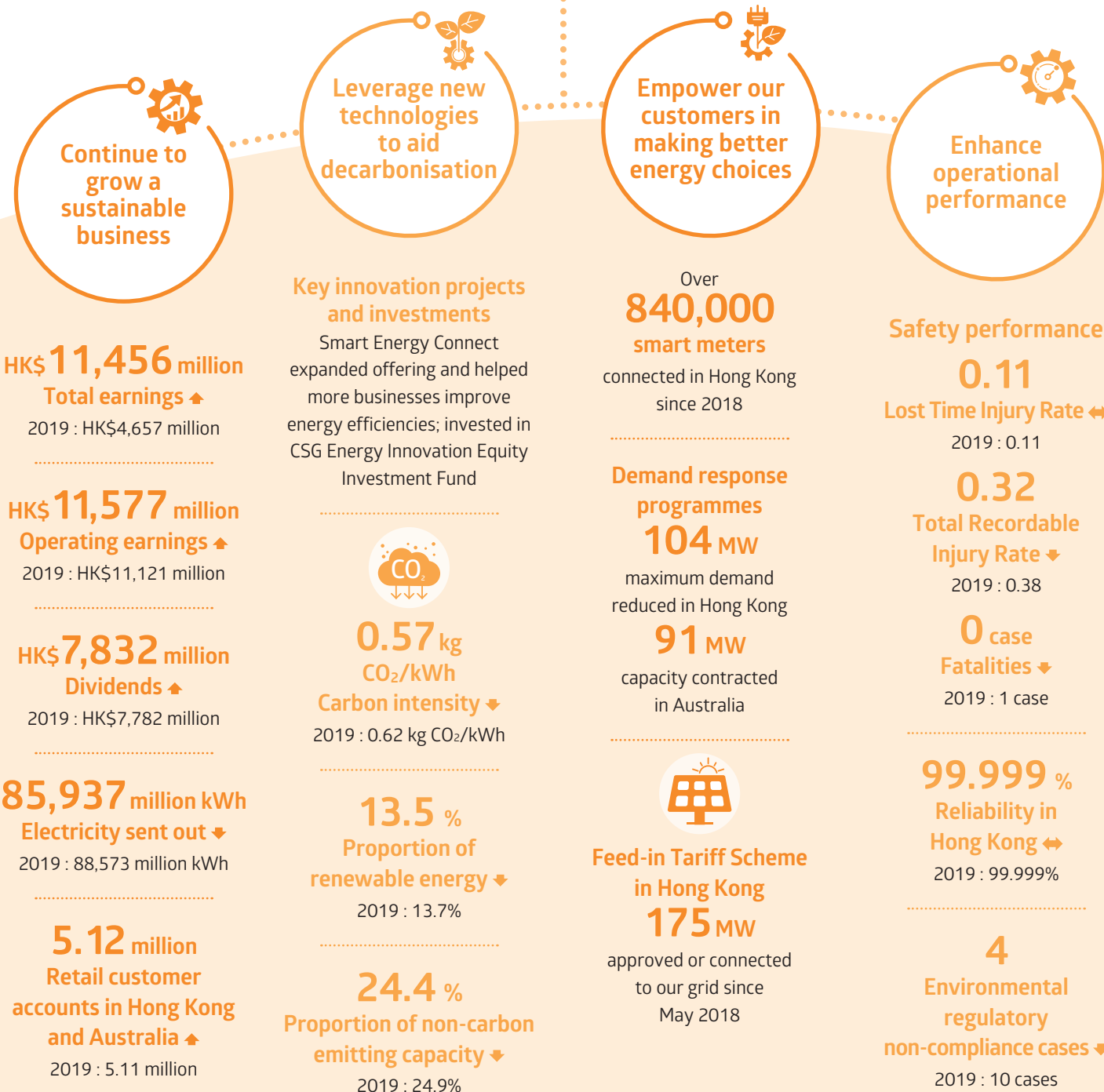


Our Governance

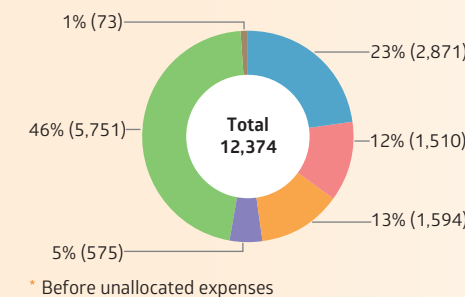
HOW WE HOLD OURSELVES ACCOUNTABLE

Good corporate governance is a key enabler of long-term value creation, which enhances our credibility and safeguards the interests of our stakeholders. We remain committed to doing the right thing at all times, and to embedding a corporate governance framework that our stakeholders respect and understand.

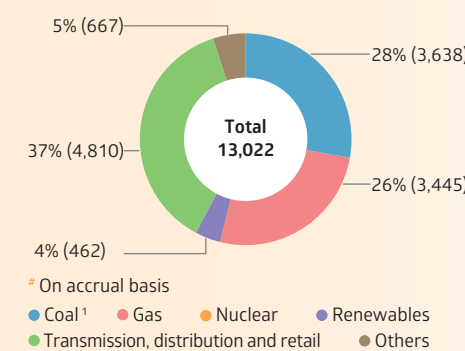
Key Performance Highlights



Operating earnings* by asset type % (HK\$ million)

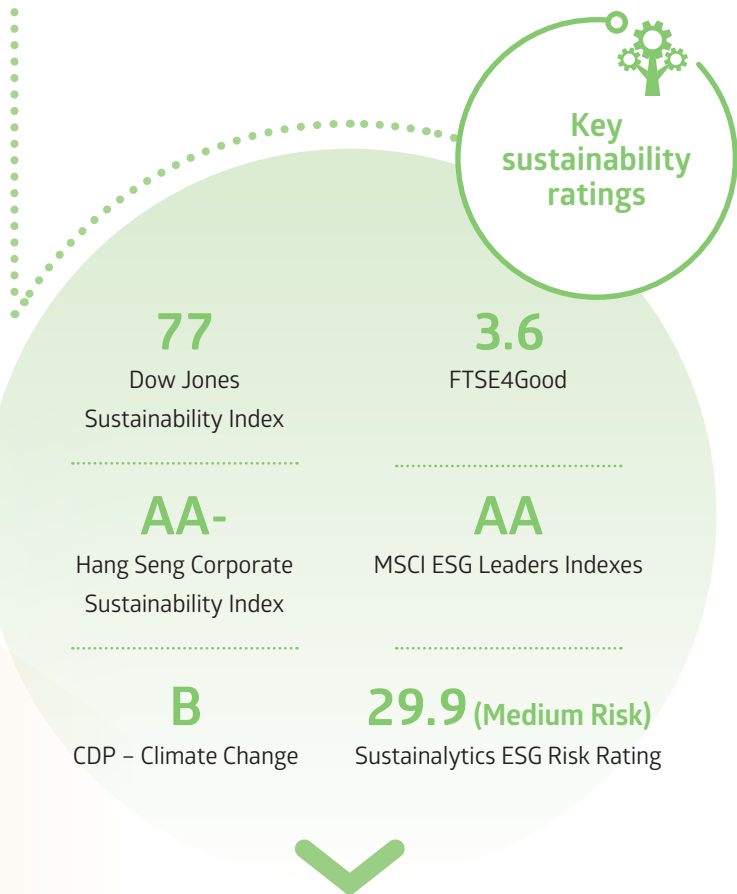


Capital investment* incurred by asset type % (HK\$ million)



Note:

¹ Capital investments in coal assets include maintenance, upgrades and efficiency improvements only.



Remuneration Policy

HOW WE LINK REMUNERATION TO CLP'S PURPOSE AND STRATEGY

These are among the broad range of strategy-linked performance indicators considered and balanced by the Board when determining incentive payments and total remuneration. The determination of performance outcomes is not formulaic but based on the Board's judgement, ensuring alignment between shareholders and management.

Creating Value for Stakeholders

At CLP, we utilise various capitals to create value for shareholders, customers, employees and the wider community.



2020 Annual Report



2020 Sustainability Report

Inputs



Financial Capital

- Shareholders' funds of HK\$112,200 million
- Total borrowings of HK\$54,348 million



Manufactured Capital

- Generation capacity of 19,691 equity MW
- Long-term capacity and energy purchase agreements of 5,005 MW
- Transmission and high voltage distribution lines of 16,486 km
- 15,263 primary and secondary substations in Hong Kong



Human Capital

- 8,060 employees



Intellectual Capital

- Strengthened technological capabilities
- Digitalisation of operations
- Investments in technology companies and funds
- Partnerships with innovation accelerators



Natural Capital

- 403,379 TJ of coal consumed
- 134,776 TJ of gas consumed



Social and Relationship Capital

- 10,973 volunteer hours by staff and family members

What we do



Digital technologies

- Data analytics, artificial intelligence and Internet of Things (IoT) enable new efficiencies and delivery of smarter and more connected energy services



Dynamic system balancing

- Design, build and operate systems that integrate centralised and decentralised generation, and balance dynamic customer demand against different generation profiles to optimise cost efficiency, reliability and environmental performance



Generation

- Design, build, operate and invest in centralised and decentralised power stations and generation facilities
- Procure adequate and appropriate fuel and energy resources from diversified sources

Transmission

- Design, build and operate transmission networks
- Enhance transmission networks to facilitate integration of more clean energy into the grid



Distribution

- Design, build and operate distribution networks
- Integrate distributed energy resources into the grid

Customers

- Develop and deploy customer-oriented, technology-enabled energy services that help customers become active participants of a power system

Outputs

Reliable, cleaner and affordable electricity supply as well as smart energy services to customers

Economic value generated of
HK\$81,198 million

Outcomes for stakeholders



Employees

- Staff expenses of HK\$4,844 million



Community

- Donations of HK\$27 million



Government and Regulators

- Current income tax of HK\$2,529 million



Suppliers and Contractors

- Fuel and other operating costs of HK\$51,527 million



Capital Providers

- Shareholders – total dividends of HK\$7,832 million, HK\$3.10 per share
- Lenders – net finance costs of HK\$1,875 million

Sustainability material topics



Responding to climate change



Reinforcing cyber resilience and data protection



Harnessing the power of technology



Building an agile, inclusive and sustainable workforce

Material risks to the Group

Operational risk

- Health, safety and environment (HSE) incidents, plant performance, physical and cybersecurity, project delivery, climate change and challenges from the COVID-19 pandemic

Commercial risk

- Commercial disputes, fuel supply security, energy margin and price volatility and challenges from digital transformation

Regulatory risk

- Uncertain regulatory changes, power sector reforms and regulatory compliance issues

Financial risk

- Availability of competitive funding, financial market volatility and financial counterparties

Market risk

- Economic structural changes, energy market competition and volatility as well as supply and demand imbalance

Human resources risk

- Succession, talent attraction and retention, structure and operating model change and culture change

Financial Highlights

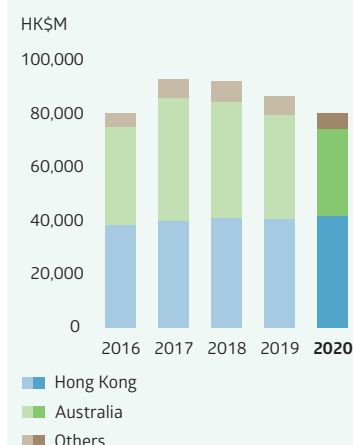
Group operating earnings increased 4.1% to HK\$11,577 million driven by higher earnings from the Hong Kong electricity business and positive changes in the fair value of energy hedging contracts in Australia. Total earnings increased about 1.5 times to HK\$11,456 million in 2020 mainly due to a significant impairment of EnergyAustralia's retail goodwill recognised in 2019.

	2020	2019	Increase / (Decrease) %
For the year (in HK\$ million)			
Revenue			
Hong Kong electricity business	41,325	40,025	3.2
Energy businesses outside Hong Kong	37,687	45,088	(16.4)
Others	578	576	
Total	79,590	85,689	(7.1)
Earnings			
Hong Kong electricity business	7,818	7,448	5.0
Hong Kong electricity business related ¹	270	211	
Mainland China	2,233	2,277	(1.9)
India	175	263	(33.5)
Southeast Asia and Taiwan	386	335	15.2
Australia	1,690	1,566	7.9
Other earnings in Hong Kong	(238)	(199)	
Unallocated net finance income / (costs)	24	(42)	
Unallocated Group expenses	(781)	(738)	
Operating earnings	11,577	11,121	4.1
Items affecting comparability			
Property revaluation	(121)	(83)	
Impairment provision	–	(6,381)	
Total earnings	11,456	4,657	146.0
Net cash inflow from operating activities	22,374	21,345	4.8
At 31 December (in HK\$ million)			
Total assets	234,233	221,623	5.7
Total borrowings	54,348	52,349	3.8
Shareholders' funds	112,200	105,455	6.4
Per share (in HK\$)			
Earnings per share	4.53	1.84	146.0
Dividend per share	3.10	3.08	0.6
Shareholders' funds per share	44.41	41.74	6.4
Ratios			
Return on equity ² (%)	10.5	4.3	
Net debt to total capital ³ (%)	25.1	26.7	
FFO interest cover ⁴ (times)	13	12	
Price / Earnings ⁵ (times)	16	45	
Dividend yield ⁶ (%)	4.3	3.8	

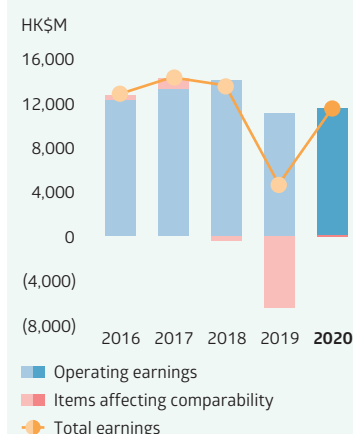
Notes:

- Hong Kong electricity business related includes PSDC and Hong Kong Branch Line
- Return on equity = Total earnings / Average shareholders' funds
- Net debt to total capital = Net debt / (Equity + advances from non-controlling interests + net debt).
Debt = Bank loans and other borrowings. Net debt = Debt – bank balances, cash and other liquid funds.
- FFO (Funds from operations) interest cover = Cash inflow from operations / (Interest charges + capitalised interest)
- Price / Earnings = Closing share price on the last trading day of the year / Earnings per share
- Dividend yield = Dividend per share / Closing share price on the last trading day of the year

Revenue



Total Earnings



Operating Earnings (Before Unallocated Expenses) by Asset Type

