新聞稿
Media Release

中電控股有限公司
CLP Holdings Limited

28 February 2022

Strengthened Climate Commitment with Progress in Decarbonisation Investments

Group Earnings Lower Despite Robust Operations and Strong Hong Kong Performance

CLP Holdings Limited (CLP) today announced its 2021 Annual Results. Operating earnings decreased 17.8% to HK$9,517 million from 2020, while total earnings fell 25.9% to HK$8,491 million. The drop in total earnings was primarily due to significantly lower earnings from the generation portfolio of EnergyAustralia and high coal prices in Mainland China. There were also several one-off charges including the settlement of a long-running litigation in Australia and costs in ensuring the safe operation of the Yallourn mine following the impact caused by extreme weather.

Notwithstanding this, the Board is confident in the Group's ability to maintain the integrity of its operations and has approved a fourth interim dividend payment for 2021 of HK$1.21 per share, in line with the same period in 2020. Total dividends per share for 2021 are maintained at HK$3.10.

"The lingering impact of the pandemic and other challenges such as the energy crisis and high fuel prices impacted CLP's financial performance. However our main Hong Kong operation was largely dependable. I am pleased that the business continued to exercise the agility and dedication to maintain a high level of resilience across our operations," said Richard Lancaster, Chief Executive Officer of CLP.

"While we remain cautiously optimistic on the region's economic outlook, especially given the strengths of our position in our home market Hong Kong and our long-term commitment in Mainland China, we are keenly aware of challenges facing the world today especially Hong Kong in the wake of the pandemic. We are immensely grateful to the healthcare professionals and support staff who have devoted themselves to keeping our communities safe, and would like to express our sympathy to those whose lives have been affected."

In 2021, CLP continued to strengthen its commitment to address climate change. Following a strategic review, the Group updated its Climate Vision 2050 with a commitment to achieving net-zero emissions across the business by 2050. It also brought forward the date of the complete phase-out of the coal-fired generation assets in its portfolio to 2040, a decade earlier than previously pledged.

CLP's approach to tackling the threats of climate change has a dual focus: to progressively decarbonise its business operations while providing sustainable and commercially viable energy solutions that will deliver net-zero for this generation and the next. The Group ended 2021 with commitment to capital expenditure at a high level, mainly driven by the decarbonisation investments in Hong Kong, Mainland China, Australia and India. While these

investments reflect CLP's commitment to decarbonisation and confidence in the economic prospects of our markets, they also highlight the importance of partnerships given the significant capital required.

Hong Kong

In 2021, operating earnings from Hong Kong's electricity business increased 4.7% to HK$8,189 million as CLP continued to make investments to support the city's energy transition.

Electricity sales rose 4.1% as easing social restrictions and increased consumer spending spurred economic activity in 2021, lifting demand in all sectors. The infrastructure, public services and commercial sectors saw the biggest increases in demand. In 2021, the number of customer accounts rose to 2.71 million, compared with 2.67 million in 2020.

CLP continued to benefit from increased demand created by new projects such as data centres and government infrastructure projects. The Hong Kong Government has also announced a number of long-term large-scale infrastructure projects, including the Northern Metropolis Development Strategy and the Lantau Tomorrow Vision, which are expected to create additional growth momentum.

In October 2021, CLP held an official launch ceremony for D1, a combined-cycle gas turbine (CCGT) unit at Black Point Power Station. Construction of D2 on an adjacent site progressed on schedule, with CLP deploying mitigation strategies to minimise pandemic-related supply chain disruptions. The D2 unit is due to go into service in 2023.

CLP meanwhile moved forward with the construction of an offshore LNG terminal in the south-western waters of Hong Kong. Considerable progress was made with the jacket structures on the jetty site, and subsea pipelaying works were completed. The LNG terminal is expected to go into service in 2022.

Pre-development studies continued into the feasibility of an offshore wind farm in the south-eastern waters of Hong Kong. Early findings indicate improvements in turbine technology and costs will make offshore wind farms an increasingly viable option in the medium term.

At the end of 2021, 265MW of capacity had been approved or connected to the grid under the Renewable Energy Feed-in Tariff scheme, up from 175MW a year earlier. Renewable Energy Certificates received an increasingly positive response with sales growing 185% as more customers committed to larger and longer-term purchases. Despite a shortfall in the supply of new meters resulting from a global chip shortage, CLP had connected more than 1.2 million smart meters for customers by the end of 2021.

CLP continued to work with the Government to explore ways to enhance regional cooperation on zero-carbon energy and to identify sources of carbon-free energy from neighbouring regions. Meanwhile, the Group signed a Memorandum of Understanding with GE to jointly develop a decarbonisation roadmap for CLP's gas-fired generation facilities at Black Point Power Station and to explore new technologies for the use of low-carbon fuels such as hydrogen.

CLP will continue to focus on the construction and realisation of a number of major decarbonisation infrastructure projects, including the offshore LNG Terminal, the D2 unit, the enhancement of the Clean Energy Transmission System connecting the CLP grid to Guangdong

and the possibility of an offshore wind farm. As it takes the next steps on the journey to net zero, CLP will continue to encourage customers and the community to be more energy efficient and accelerate the installation of smart meters.

Mainland China

CLP maintained output to support the Chinese economy in 2021. While its non-carbon portfolio continued to perform reliably, the coal-based assets were impacted negatively by notably higher fuel prices. Although coal assets are only a small part of CLP China's generation portfolio, they saw a loss in 2021 due to high fuel prices and sustained periods of use. This weighed on CLP China's operating earnings, which decreased 25.7% from a year ago to HK$1,660 million.

Nuclear power's contribution accounted for the bulk of CLP's operating earnings in Mainland China in 2021. Yangjiang Nuclear Power Station reported record generation as users switched to nuclear energy for electricity at a stable cost in times of volatile fuel prices. The output from Daya Bay Nuclear Power Station remained stable and utilisation was high. The operation of both nuclear plants in Guangdong province remained safe.

Renewable energy projects saw stable operations and benefited from the addition of the Laiwu III wind farm in Shandong province, which began commercial operations in September 2020. The performance of solar projects was sound due to good resources, particularly in Yunnan and Jiangsu provinces. Hydro projects suffered from decreased water flow, however, and their reduced contributions – combined with CLP's decision to withdraw from two ageing minority-owned wind projects in Liaoning province – contributed to a slight decline in operating earnings from renewable energy projects.

Qian'an III wind farm in Jilin province (100MW) was connected to the grid five months ahead of schedule in December. The three-phase project, with a combined capacity of 199MW, is the biggest wind farm in the company's Mainland China portfolio and the first CLP project of its kind equipped with a battery energy storage system. Qian'an III is also CLP's first grid-parity renewable energy project in the country which does not rely on national subsidy payments. In addition, CLP committed to invest in two more grid-parity wind farms – the 50MW Xundian II farm in Yunnan province and the 150MW Bobai farm in the Guangxi Zhuang autonomous region. Construction is expected to begin in 2022.

Coal costs hit a record high during the year, resulting in both majority-owned and minority-owned projects reporting a loss for the year. Fangchenggang Power Station in Guangxi recorded stable operations, although output was lower than in 2020 because of limited coal supplies.

CLP has set out a strategy to establish a greater presence and pursue opportunities in the Greater Bay Area (GBA). In line with that strategy, CLP signed a contract to invest in and operate a centralised cooling system at Po Park Shopping Plaza in central Guangzhou until 2036. CLP took over the operation of the chilling plant at the complex in November and began modernising it, with retrofitting work expected to be completed in the first quarter of 2022. The project offers a steady income stream and represents the first step into a field with high business potential.

As coal prices stabilise in 2022, the performance of CLP's coal portfolio in Mainland China is expected to improve. In the coming years, CLP will focus on expanding its renewable energy portfolio by adding more grid-parity wind and solar projects. To help meet China's climate targets, the use of CLP's nuclear energy projects is likely to remain at a very high level. CLP will also continue to explore opportunities in the GBA, including charging facilities for electric vehicles and energy management systems, in addition to potential investments in energy infrastructure projects for industrial parks and commercial sites, such as district and multi-building cooling systems as well as data centres.

Australia

EnergyAustralia maintained its support for customers as Australia's economy continued to be impacted by COVID-19, and the company remained focused on developing a portfolio of new projects to provide clean, flexible generation in support of the country's energy transition. The Customer business improved as levels of bad and doubtful debts related to COVID-19 fell. EnergyAustralia continued to provide extensive support for customers struggling with the financial pressures of the pandemic. More than 50,000 new payment plans were set up and more than 200,000 payment extensions arranged for residential customers and small businesses. Total customer accounts fell marginally to 2.44 million in the face of ongoing and intense competition.

Financially, 2021 was a challenging year where operating loss was at HK$83 million due to the unfavourable factors of higher gas costs, low wholesale electricity prices, adverse fair value movements as well as accelerated depreciation and lower generation at Yallourn Power Station. Furthermore, total earnings were impacted by the one-off settlement of the Iona gas plant disposal litigation and the expenses related to the extreme rainfall event in June, which damaged the Morwell River Diversion at the Yallourn mine and led to a temporary suspension of mine production, resulting in the aforementioned lower generation.

EnergyAustralia reached an agreement with the Victorian Government in March to bring forward the retirement of Yallourn Power Station to mid-2028, four years before the end of the plant's technical life. To help ensure stability of energy supply in the state and allow for the use of more renewable energy, EnergyAustralia is developing the Wooreen Energy Storage System, a first four-hour utility-scale battery with a 350MW capacity which is scheduled to go into operation by the end of 2026.

EnergyAustralia began preparation works on Tallawarra B, a power plant designed to be net zero by offsetting its direct carbon emissions over its operational life, and to use a blend of green hydrogen and natural gas. With a generation capacity of more than 300MW, Tallawarra B is scheduled to enter service in time for the 2023/24 Australian summer. In Queensland, construction began on a 250MW pumped hydro energy storage project in Kidston. The plant is expected to be completed in 2024. EnergyAustralia is underpinning the project through a long-term energy dispatch agreement with the developer.

As the pace of the energy transition in Australia increases, the industry as a whole will face volatile and uncertain operating conditions including an increasingly competitive landscape. Against that backdrop, EnergyAustralia may continue to be affected by challenging market

conditions during 2022 including the continuation of low realised wholesale electricity prices, higher gas costs and intense competition in retail energy markets.

EnergyAustralia will continue to invest in the energy transition. Its large projects including the Tallawarra B power plant, Wooreen Energy Storage System and the Kidston pumped hydro energy storage facility will support the broader grid. It is also exploring potential synergies from working with the CLP Group on technologies including hydrogen, microgrids, batteries and energy storage.

India

In 2021, CLP's rebranded business in India, Apraava Energy, was able to maintain stable operations, although the construction and approval of new projects were affected by strict lockdown measures. Apraava Energy worked hard to ensure it could meet surging demand, although its performance was limited by coal shortages. The earnings of Jhajjar Power Station were affected by lower capacity tariff. However, thanks to better efficiency at Jhajjar and a higher level of output from renewable projects, CLP's operating earnings in India increased 26.3% to HK$221 million.

Output from Apraava Energy's renewable energy portfolio rose, with both wind and solar projects performing well. Wind projects benefited from good resources in all states and higher availability. Upgrading works to wind farms in Tejuva, Chandgarh, and Harapanahalli also boosted productivity. Construction of a wind power plant in Sidhpur in Gujarat state moved forward, although some work was held up by the pandemic. The project is expected to go into operation in the second half of 2022 after the Government agreed to extend its commissioning deadline.

The addition of two new plants in Telangana state in 2020, meanwhile, contributed to increased solar power generation. Output from other plants was lower, partly because of land disputes affecting the Tornado and Gale projects in Maharashtra state which are now nearing resolution.

Apraava Energy continued to work with the Indian Government to seek clarifications of the new foreign investment laws and were pleased to receive requisite regulatory approvals to acquire a 49% shareholding in Kohima-Mariani Transmission Limited (KMTL), the beneficial owner of an interstate transmission project in northeastern India, as well as a registration which enables Apraava Energy to participate in new greenfield bidding opportunities.

Apraava Energy aims to double the size of its energy portfolio over the next two to three years, driven by greenfield renewable energy investments and acquisitions. Apraava Energy will continue to expand its non-generation business such as transmission amid the ongoing privatisation of India's power sector, explore diversification into power distribution and other customer-focused business and encourage greater participation from local shareholders.

Southeast Asia and Taiwan

Ho-Ping Power Station in Taiwan operated reliably and safely during the year. But the plant's contributions to the Group were impacted by high fuel costs which were most acute in the later part of the year. A major overhaul of one of the generating units commenced in the fourth quarter to enhance reliability and reduce emissions. Lopburi Solar Farm in Thailand also

performed steadily. During the year, operating earnings in Southeast Asia and Taiwan decreased 55.2% to HK$173 million. CLP will continue to manage its investments in Ho-Ping and Lopburi for them to deliver reliable and safe operations.

Conclusion

Companies like CLP that are at the forefront of the energy transition must themselves transition and transform to embrace these challenges and opportunities while keeping the best interest of the customers in mind. In the coming years, CLP will strengthen its capability, agility and adaptability to identify and provide the energy solutions suitable for each of its markets and create most value. But most important of all, building and organising an agile, innovative workforce with the right values and ability to thrive regardless of the external environment will come to define what CLP truly stands for as a Utility of the Future.

For more details, please refer to the following documents:

- *Announcement of Annual Results from 1 January 2021 to 31 December 2021, Dividend Declaration and Closure of Books*
- *CLP Holdings 2021 Annual Results Highlights*

Richard Lancaster, Chief Executive Officer of CLP, says the lingering impact of the pandemic and other challenges such as the energy crisis and high fuel prices impacted CLP's financial performance in 2021. But the Group remains cautiously optimistic on the region's economic outlook, especially given the strengths of its position in Hong Kong and its long-term commitment in Mainland China.

In October 2021, CLP held an official launch ceremony for D1, a combined-cycle gas turbine unit at Black Point Power Station pictured above. Construction of D2 on an adjacent site progressed on schedule and is due to go into service in 2023.

In the coming years, CLP will continue to build and organise an agile, innovative workforce with the right values and ability to thrive regardless of the external environment as it becomes a Utility of the Future.

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