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中電控股有限公司
CLP Holdings Limited

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Improved Overseas Earnings Boost CLP Holdings Limited's 2015 Annual Results

Financial Highlights

- Group operating earnings increased 15% to HK$11,533 million driven by a 29% increase in the contribution from overseas businesses.
- Total earnings increased by 40% to HK$15,670 million reflecting the strong operating earnings and a significant contribution from the sale of the Iona Gas Plant in Australia.
- Consolidated revenue decreased by 13% to HK$80,700 million as revenue from Australia decreased by 30% to HK$35,707 million primarily due to a decline in the Australian dollar exchange rate.
- Fourth interim dividend of HK$1.05 per share; including the first three interim dividends paid, total dividends for 2015 were HK$2.70 per share (2014: HK$2.62 per share).

CLP Holdings (CLP) is pleased to announce today that a significant growth in overseas earnings has contributed to record performance in 2015. During the year, the Group's operating earnings increased 15% from a year earlier to HK$11,533 million, driven primarily by a 29% increase in the contribution from overseas businesses. Total earnings were up 40% to HK$15,670 million. Rises in operating earnings were recorded in all of our five geographical divisions, most notably in India and Mainland China. The Board has recommended a fourth interim dividend of HK$1.05 per share for 2015. Together with the three interim dividends already paid, our total dividend this year is HK$2.70 per share, an increase from HK$2.62 on the previous year.

"We are pleased that our "Focus · Delivery · Growth" strategy is delivering results. Particularly, the Group benefited from the restructuring of our business in Australia and improved results from other overseas operations. However, our business is not isolated from the global state of affairs and the challenging global economic outlook. That said, we have solid foundations and are confident that our updated strategy will guide us towards further growth in the years ahead," said Richard Lancaster, Chief Executive Officer of CLP, at the Group's 2015 annual results announcement media briefing.

Hong Kong

In 2015, operating earnings from our Hong Kong electricity business were HK$8,276 million, a 6.4% increase from HK$7,777 million in 2014. This was mainly due to higher permitted return on a higher level of average net fixed assets and an additional 30% share of CAPCO's full-year earnings following its acquisition in May 2014.

Local sales of electricity saw a slight increase of 0.3% over 2014. Compared with 2014, sales to the Residential sector recorded a decrease of 2.3%, mainly due to a lower heating load in the first quarter, followed by a lower cooling and dehumidifying load in the third quarter. This partially offset the increase in sales in the Commercial as well as the Infrastructure and Public Services sectors.

Sales to the Mainland decreased by 3.2% from 2014, mainly attributable to a decline in electricity sales to Guangdong Power Grid Co., Ltd. in 2015. Total electricity sales, including local sales and sales to the Mainland, increased by 0.2%.

During the year, we continued to make investments to ensure the reliability and security of our supply system amidst new demand growth arising from infrastructure development. CLP invested HK$7.6 billion in generation, transmission and distribution networks, as well as in customer services and supporting facilities. In 2015, we achieved a historic low level of 1.32 minutes of unplanned power interruptions per year as we continued to deliver highly reliable electricity supply to our customers.

Due to lower fuel prices and our efforts to control costs in 2015, we were able to have reduced the Average Total Tariff by 0.9% from January 2016, despite the need to use significantly more gas to generate electricity to meet tighter environmental targets. A special one-off fuel rebate totalling HK$1,264 million was made to our customers from August 2015, made possible by the significant fall in fuel prices. If fuel prices remain stable in the coming year, we are confident that our tariff in 2017 can be maintained at the 2016 level despite stricter emissions caps and increasing natural gas usage in 2017.

In November 2015, the Government announced the key findings of the public consultation on the future development of the electricity market in the city. The majority of respondents indicated that the current regulatory regime under the Scheme of Control (SoC) Agreement had met Hong Kong's energy policy objectives of safety, reliability, reasonable tariffs and environmental protection. Broadly speaking, the value of the SoC Agreement was recognised, leading to support for a continuation of the established regulatory framework. We have commenced our discussions with the Government to review the SoC Agreement.

In 2015, we almost doubled the amount of natural gas used to generate power to improve our environmental performance. We are reviewing the feasibility of building additional gas-fired generation capacity at Black Point Power Station to meet the Government's objective of using around 50% of natural gas in the local generation fuel mix in 2020. To meet these goals, we have been working hard to source additional gas supplies, including signing a bridging contract to purchase gas from the small Wenchang gas field in the South China Sea using the existing Yacheng pipeline.

The recent landslide incident in Shenzhen that led to the temporary suspension of natural gas from the Second West-East Gas Pipeline to Hong Kong has highlighted the vulnerability of Hong Kong's energy security and signalled urgent need for actions to diversify our fuel sources. We are evaluating the feasibility of developing a Floating Storage and Regasification Unit in Hong Kong, which will enable us to purchase liquefied natural gas from the international market and to ensure our fuel supply security.

Meanwhile, we continue to support the Government's efforts to promote energy efficiency through public education and energy saving campaigns. We look forward to expanding the charging network for electric vehicles across the city. We are committed to delivering a smarter and greener electricity service and enhancing our customer experience through a greater focus on energy efficiency and conservation. Working closely with the Government, we are also exploring greater use of smart meters in the future.

Mainland China

In 2015, operating earnings from Mainland China increased 25.2% to HK$1,977 million, up from HK$1,579 million in 2014, as new renewable projects have contributed to earnings, lower coal prices have benefited our coal-fired projects and we resumed sharing of earnings from our joint venture CSEC Guohua.

During the year, we continued to expand our generation portfolio concentrating on renewable energy and high efficiency coal-fired developments. Underlining our commitment to developing renewable energy in Mainland China, 2015 saw the addition of 90MW of solar energy (Sihong and Xicun II) to our portfolio. Performance of our solar projects was satisfactory and delivered increased contribution to earnings.

Contributions from our wind projects were on par with 2014. Earnings from hydro projects were lower due to lower water levels.

Meanwhile, earnings from our 25% stake in the Daya Bay Nuclear Power Station rose by 11.6% as a result of the strong operational performance.

During the year, earnings from coal-fired projects increased mainly due to lower coal prices and the resumption of sharing of earnings from CSEC Guohua (HK$316 million) after the lapse of Share Transfer Agreement on 31 December 2014. The decline in coal prices helped offset the reduction of on-grid tariff rates which took effect in April 2015. Fangchenggang Power Station, however, suffered from increased hydro generation in Guangxi and more subdued electricity demand, which resulted in lower dispatch. Meanwhile, the construction of Fangchenggang II is progressing on schedule. In March 2015 Beijing Yire Power Station ceased operation in support of Beijing Government's effort to combat air pollution although the coal-fired power station remained in full compliance with regulatory emissions requirements. As a result, an impairment provision of HK$243 million was booked.

In recent months, we have seen a slowdown of economic growth in China in general and Guangxi in particular. This will inevitably have an adverse impact on the utilisation of both our existing and new generating units in Fangchenggang in the near term. However, in the longer run, we remain confident of our project due to the strong fundamentals of Guangxi. Guangxi has the advantages of its unique location as a gateway to the ASEAN countries, and the Central People's Government has a policy to relocate industries to this region from other parts of China.

The gradual transitioning to a low carbon economy in China presents both opportunities and challenges for power generators like CLP. Whilst the dependency on fossil fuel will reduce, and hence the usage of coal-fired power plants, China's commitment to increasing the share of non-fossil fuels in primary energy consumption to around 20% by 2030 will provide opportunities for CLP's targeted investments in low carbon energy in the Mainland.

India

The performance of our India business has improved with operating earnings increased from HK$270 million in 2014 to HK$612 million in 2015. The increase was mainly attributable to the turnaround of Jhajjar's performance, progress on litigation at Jhajjar and the reversal of provision for dividend distribution tax. It was partly offset by an adjustment in operation and maintenance expenses of wind projects.

During the year, we continued to expand our wind portfolio, which is a focus for us in India. We commissioned more than 190MW of wind projects in 2015, taking our operating wind portfolio to 924MW. In addition, we have another 149MW of wind power projects in the pipeline and securing our position as the largest wind energy producer in the country.

The Indian Government has given priority to developing solar energy as part of its measures to combat climate change. In support of this, CLP will explore opportunities in this area leveraging the expertise we have already established in China.

Performance of our flagship Jhajjar coal-fired power plant improved in 2015 with plant availability exceeding 82%. This was due to an increase in domestic coal supply and our efforts to strengthen operations. Although the quantity of coal has improved, quality remains an issue. We are working with the Government and our fuel suppliers to ensure better quality of coal.

Utilisation at the gas-fired Paguthan plant more than doubled from around 5% in 2014 to over 11% in 2015, largely due to CLP India winning two rounds of auctions by the Federal Government for subsidised imported gas. The supply commenced in June 2015 and will continue until March 2016, translating into lower costs for our customers and higher dispatches. To ensure a steady supply, we plan to participate in the next round of bidding for the 2016-2017 fiscal year.

In 2015, we also achieved a financial milestone after issuing our first green bond through CLP Wind Farms (India) to fund the development of wind projects in India. The move is in line with our plans for renewable projects in India and our policy of diversifying our financing sources.

Southeast Asia and Taiwan

Operating earnings from our investments in Southeast Asia and Taiwan in 2015 increased to HK$312 million, compared with HK$297 million in 2014. Operational performance at Ho-Ping and Lopburi solar project remained stable. Ho-Ping's earnings increased mainly due to lower coal prices, partly offset by lower generation and lower tariff. At the same time, we saw good progress in the development of our two coal-fired projects in Vietnam.

Australia

2015 finally saw some stabilisation of the decline in energy demand that has characterised the industry in Australia over recent years. Despite continuing oversupply in the wholesale market, we have worked hard to restructure the business and increased our focus on our customers, cost control and efficiency. As a result, EnergyAustralia's contribution to operating earnings increased by 10.6% to HK$836 million in 2015 despite a 16.9% decrease in the Australian dollar exchange rate.

Under a new leadership, EnergyAustralia has embarked on a transformation of the business into a world-class energy retailer. We successfully integrated all customer accounts onto one billing system. The integration and other actions delivered A$100 million in savings ahead of schedule. EnergyAustralia ended the year with a modest net increase in mass market customer accounts to 2.62 million, or a market share of 21.5% in the states in which we operate.

In another move to restore value to the business, EnergyAustralia reached an agreement to sell the Iona Gas Plant in the State of Victoria for A$1,780 million (HK$9,991 million) in November 2015. The sale has allowed the strengthening of EnergyAustralia's balance sheet, providing funds for EnergyAustralia's transformation.

EnergyAustralia also improved the efficiency of key assets. Yallourn Power Station in Victoria completed a five-year maintenance programme on time and on budget, which will allow Yallourn to produce cost-effective power for 100,000 extra homes.

Elsewhere in the generation portfolio, Mount Piper Power Station in NSW operated at reduced output due to temporary uncertainty about coal supply in 2015. The situation was cleared in October when the Springvale mine, the main source of supply for Mount Piper, received development approval from the relevant authorities.

Uncertainty still remains in the wholesale market. Following the closure of our Wallerawang Power Station in New South Wales in 2014, some industry participants have also announced closures of generating facilities, but progress on retirement has been slow and a significant oversupply remains. Whilst the recent decline in the value of the Australian dollar has helped the competitiveness of local manufacturers, there remains concern that further large scale industrial closures or a further economic slowdown in Australia will again impact demand for electricity.

In light of the above, we have taken the view that the oversupply situation may continue for some time and will require coordinated effort amongst industry players, relevant authorities and local communities to address the problem. As we expect this process to be very slow, we have performed another detailed analysis of the economic prospects of our generation assets and decided to impair and make provisions for some of those assets totalling A$261 million (HK$1,480 million).

To support the development of renewable energy projects and secure a supply of large-scale generation certificates to meet the requirements of the federal government's Renewable Energy Target scheme, EnergyAustralia has signed four Power Purchase Agreements with new wind farm developments. Under these PPAs, EnergyAustralia buys output from the Mortons Lane, Taralga, Boco Rock and Gullen Range wind farms. These four wind farms, totalled over 400MW, have all been commissioned and have started commercial operations, with Taralga the most recent to come online, in June 2015.

Climate Change

The issue of climate change loomed larger in 2015, and at COP21 in Paris, government, business and civil society made new commitments. We welcome the Paris Agreement, particularly the clarity it brings to various countries' low carbon development plans. We look forward to working with policy makers in the countries in which we operate to translate the Agreement into policies and actions. But the transition to a low carbon economy will not, and should not, happen overnight. Companies, including CLP, need to work hand in hand with policy makers to ensure an orderly and controlled transition to a low carbon economy. In 2015, we invested HK$3,042 million in 284MW of new renewable energy projects. With incidents of extreme weather increasing globally as a result of climate change, we have also made it a priority to improve the resilience of our power supply system. We will continue to play our part in addressing climate change, as we have always done.

For more details, please refer to the full version of "Announcement of Annual Results from 1 January 2015 to 31 December 2015, Dividend Declaration and Closure of Books".

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