



A Snapshot of CLP in 2019



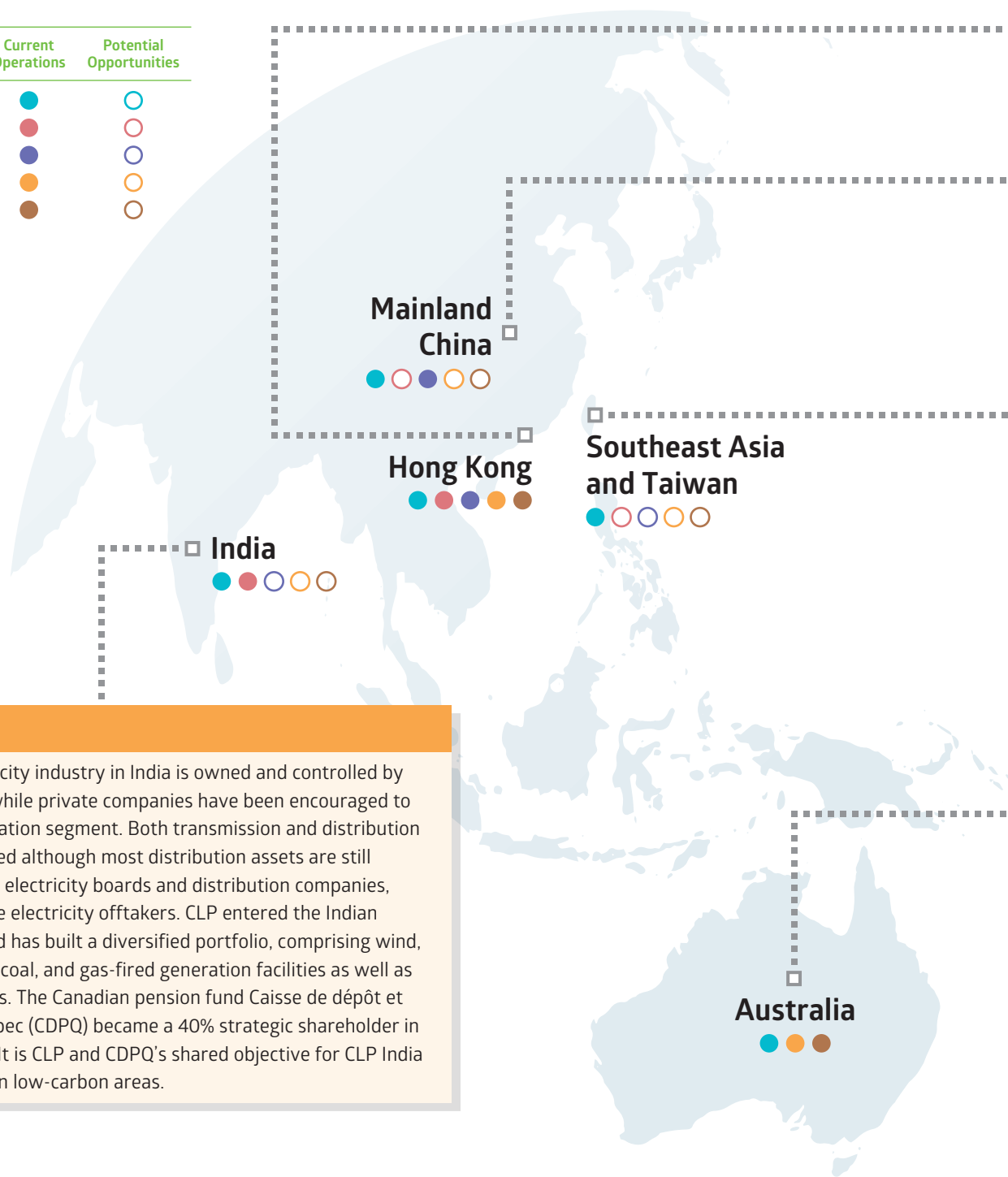
About the CLP Group



clpgroup.com

The CLP Group is an investor and operator in the Asia-Pacific energy sector. It has powered the dynamic growth of Hong Kong for more than a century, and serves 80% of the city's population. Today, its business has expanded to Mainland China, India, Southeast Asia, Taiwan, and Australia. The CLP Group has become an important part of the social and economic fabric of the diverse communities in which it operates, working closely together with them to achieve sustainable growth.

	Current Operations	Potential Opportunities
Generation		
Transmission		
Distribution		
Retail		
Smart Energy Services		



India

Much of the electricity industry in India is owned and controlled by the Government, while private companies have been encouraged to invest in the generation segment. Both transmission and distribution have been privatised although most distribution assets are still controlled by state electricity boards and distribution companies, which are often the electricity offtakers. CLP entered the Indian market in 2002 and has built a diversified portfolio, comprising wind, solar, supercritical coal, and gas-fired generation 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. It is CLP and CDPQ's shared objective for CLP India to pursue growth in low-carbon areas.

Hong Kong

Hong Kong's electricity sector is privately-owned and operated. It consists of two vertically-integrated utility companies serving different geographical areas of the city. The companies are regulated by a Scheme of Control Agreement, under which they are obliged to provide a safe, reliable, and environmentally-responsible electricity supply at a reasonable rate. CLP Power Hong Kong, a wholly-owned subsidiary of the Group, provides a power supply of over 99.999% world-class reliability to 2.64 million customers in Kowloon, the New Territories, and most of the outlying islands.

Mainland China

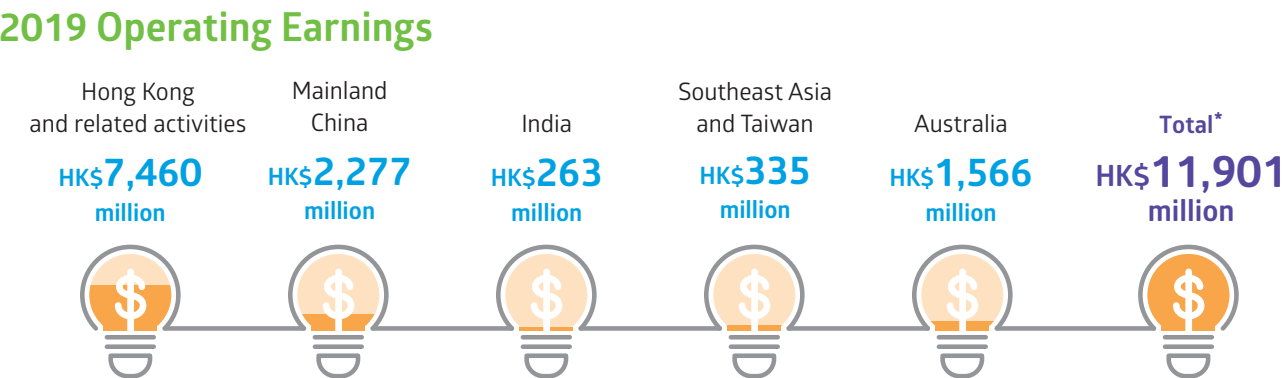
The electricity industry in Mainland China is largely state-controlled. Transmission and distribution are limited to two public companies. Generation is dominated by five state-owned utility companies but the segment is open to market competition and has attracted private firms, foreign investors, and dozens of smaller-sized companies run by regional governments and local authorities. CLP first entered the market in 1979 when the Group began providing electricity to Guangdong province. Today, CLP China is one of the largest external independent power producers in Mainland China with over 50 power projects in 15 provinces, municipalities and autonomous region, concentrating on low-carbon energy, including nuclear power and renewable energy.

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 and CLP's involvement is in the generation side of the business. As a committed supporter of global efforts to reduce carbon emissions, CLP is exploring investment opportunities in renewable energy generation in Taiwan, Thailand and Vietnam.

Australia

CLP's wholly-owned subsidiary EnergyAustralia operates a customer-focused energy business serving 2.47 million accounts across southeast Australia under the National Electricity Market (NEM). Private generators operating under the NEM and a number of Government-owned assets provide generation services in a competitive wholesale market. The retail market is fully privatised while the transmission and distribution portions of the electricity value chain remain substantially regulated. EnergyAustralia is one of the largest privately-owned electricity generators under the 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.



* Before Group expenses

Strategic Framework

Our Purpose

CLP powers the sustainable development of communities in which we operate by providing a safe, reliable and affordable electricity to our customers with minimal impact to the environment. 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 along with the transition.

Our Values

WHAT GUIDE US IN FULFILLING OUR PURPOSE

CLP cares for people, the community and the environment. We care about performance, respect laws and standards, and value innovation and knowledge.

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

Continue to grow a sustainable business



HK\$ 4,657 million
Total earnings ▼
2018: HK\$13,550 million

HK\$ 11,121 million
Operating earnings ▼
2018: HK\$13,982 million

HK\$ 7,782 million
Dividends ▲
2018: HK\$7,630 million


88,573 million kWh
Electricity sent out ▼
2018: 92,333 million kWh

5.11 million
Retail customer accounts in Hong Kong and Australia ▼
2018: 5.15 million

Leverage new technologies to aid decarbonisation



Key innovation projects and investments
launched Smart Energy Connect, invested in R&B Technology Holding Co. Ltd.


0.62 kg CO₂/kWh
Carbon intensity ▼
2018: 0.66 kg CO₂/kWh

13.7 %
Proportion of renewable energy ▲
2018: 12.8%


24.9 %
Proportion of non-carbon emitting capacity ▲
2018: 24.1%

Empower our customers in making better energy choices




421,000
Smart meters
connected in Hong Kong since 2018

Demand response programmes
118 MW
demand reduced or capacity contracted in Hong Kong and Australia


Feed-in Tariff Scheme in Hong Kong
90 MW
approved or connected to the grid since May 2018

Enhance operational performance



Safety performance
0.11
Lost Time Injury Rate ▲
2018: 0.10


0.38
Total Recordable Injury Rate ▲
2018: 0.25

1 case
Fatalities ▼
2018: 2 cases

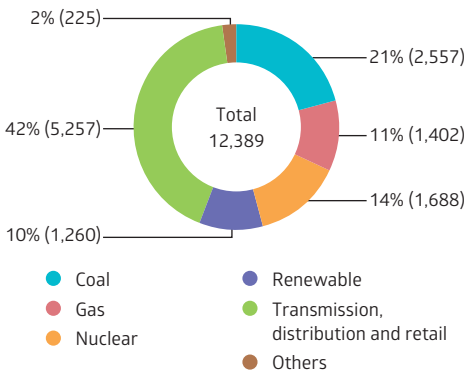

99.999 %
Reliability in Hong Kong ▲
2018: 99.995%

10
Environmental regulatory non-compliance cases ▲
2018: 2 cases

Evolve our business along with the transition

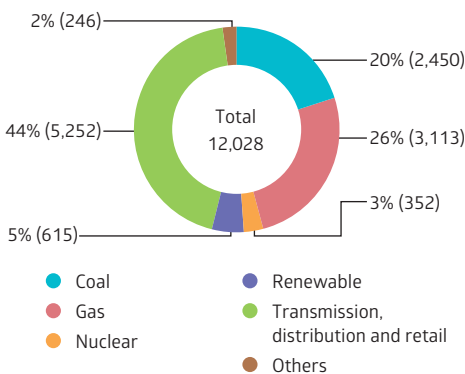


Operating earnings* by asset type
% (HK\$ million)




* Before unallocated expenses

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



On accrual basis

Key sustainability ratings



73
Dow Jones Sustainability Index

AA-
Hang Seng Corporate Sustainability Index

3.7
FTSE4Good
AA
MSCI ESG Leaders Indexes

B
CDP – Climate Change

Remuneration Policy

HOW WE LINK REMUNERATION TO CLP'S PURPOSE AND STRATEGY

These are amongst 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 judgment, ensuring alignment between shareholders and management.

Creating Value for Stakeholders

At CLP, we utilise a range of capitals, which represent stores of value that can be built up, transformed or depleted in the production of goods or services, to create value for shareholders, customers, employees and the wider community.



2019 Annual Report



2019 Sustainability Report

Inputs

Financial Capital

- Shareholders' funds of HK\$105,455 million
- Total borrowings of HK\$52,349 million

Manufactured Capital

- Generation capacity of 19,238 equity MW
- Long-term capacity and energy purchase agreements of 4,777 MW
- Transmission and high voltage distribution lines of 16,270 km
- 15,099 primary and secondary substations in Hong Kong

Human Capital

- 7,960 employees

Intellectual Capital

- Research and development
- Innovation and technology

Natural Capital

- 485,453 TJ of coal consumed
- 107,183 TJ of gas consumed

Social and Relationship Capital

- 20,015 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.

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

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.

Outputs

- Reliable, clean and affordable electricity supply** to customers in each of the markets we operate in
- Economic value generated** of HK\$87,517 million

Outcomes for stakeholders

Employees

- Staff expenses of HK\$4,535 million

Community

- Donations of HK\$21 million

Government and Regulators

- Current income tax of HK\$2,189 million

Suppliers and Contractors

- Fuel and other operating costs of HK\$58,985 million*
- * Excluding impairment of retail goodwill of HK\$6,381 million

Capital Providers

- Shareholders – total dividends of HK\$7,782 million, HK\$3.08 per share
- Debt holders – finance costs of HK\$2,033 million

Material topics

Responding to climate change

Harnessing the power of technology

Reinforcing cyber resilience and data protection

Building an agile, inclusive and sustainable workforce

Material risks to the Group

Regulatory risk

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

Financial risk

- Cash flow and liquidity, credit and counterparty risks, interest rate risks, foreign currency risks, and market-to-market fair value movements.

Market risk

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

Commercial risk

- Potential losses arising from inadequate gross margins and non-performance of trading partners or counterparties.

Industrial and operational risks

- Risks relating to Health, Safety, Security and Environment incidents, plant performance, human capital, data privacy, cyber attacks, and extreme weather events.

Financial Highlights

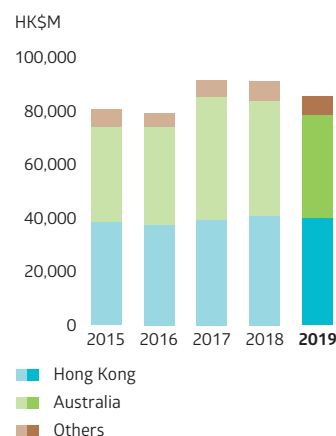
Group operating earnings of HK\$11,121 million were 20.5% lower than 2018 reflecting the full year impact of the lower permitted rate of return in Hong Kong and a challenging environment in Australia; total earnings decreased by 65.6% to HK\$4,657 million after an impairment of EnergyAustralia's retail goodwill of HK\$6,381 million.

	2019	2018	Increase / (Decrease) %
For the year (in HK\$ million)			
Revenue			
Hong Kong electricity business	40,025	40,872	(2.1)
Energy businesses outside Hong Kong	45,088	49,793	(9.4)
Others	576	760	
Total	85,689	91,425	(6.3)
Earnings			
Hong Kong electricity business	7,448	8,558	(13.0)
Hong Kong electricity business related ¹	211	227	
Mainland China	2,277	2,163	5.3
India	263	572	(54.0)
Southeast Asia and Taiwan	335	162	106.8
Australia	1,566	3,302	(52.6)
Other earnings in Hong Kong	(199)	(92)	
Unallocated net finance costs	(42)	(54)	
Unallocated Group expenses	(738)	(856)	
Operating earnings	11,121	13,982	(20.5)
Items affecting comparability			
Impairment provision	(6,381)	(450)	
Property revaluation	(83)	18	
Total earnings	4,657	13,550	(65.6)
Net cash inflow from operating activities	21,345	23,951	(10.9)
At 31 December (in HK\$ million)			
Total assets	221,623	230,514	(3.9)
Total borrowings	52,349	55,298	(5.3)
Shareholders' funds	105,455	109,053	(3.3)
Per share (in HK\$)			
Earnings per share	1.84	5.36	(65.6)
Dividends per share	3.08	3.02	2.0
Shareholders' funds per share	41.74	43.16	(3.3)
Ratios			
Return on equity ² (%)	4.3	12.4	
Net debt to total capital ³ (%)	26.7	25.5	
FFO interest cover ⁴ (times)	12	13	
Price / Earnings ⁵ (times)	45	17	
Dividend yield ⁶ (%)	3.8	3.4	

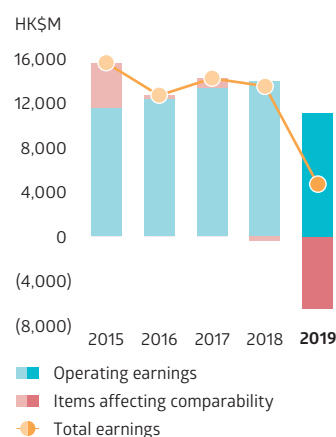
Notes:

- Hong Kong electricity business related includes PSDC, Hong Kong Branch Line and sales to Guangdong from Hong Kong
- 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 = Dividends per share / Closing share price on the last trading day of the year

Revenue



Total Earnings



Operating Earnings (Before Unallocated Expenses) by Asset Type

