8 August 2022

CLP Maintains Focus to Decarbonise, Grow and Transform despite Challenging Global Environment

CLP Holdings Limited today announced its 2022 Interim Results. The following are the opening remarks delivered by Chief Executive Officer Richard Lancaster at a media briefing.

The last 18 months have demonstrated how integral energy is to our economies. This was the case during the COVID-19 pandemic where we continued to power homes and businesses amid lock-down. We are seeing it today, with the conflict in Ukraine impacting the supply and affordability of energy around the world.

In the face of some of the most challenging times this industry has ever seen, we have delivered solid performance in Hong Kong and dependable earnings from our clean energy portfolio in Mainland China. This is a testament to planned, diversified investments and a focus on resilient energy systems in our region.

In Hong Kong, we made good progress on our major decarbonisation projects. The second gas-fired generation unit at Black Point Power Station and our offshore LNG terminal under construction are due to go into service in 2023. To ensure an orderly carbon neutral transition in support of the city's climate targets, we will work with the Government on the next Development Plan, beginning in January 2024, which will include our first offshore wind project and other zero carbon projects.

During the first half, we saw rising international energy prices and global market volatility that drove fuel costs higher, creating significant impact on electricity bills around the world and Hong Kong is not immune. As international fuel prices are expected to remain volatile, we will do whatever we can to mitigate the impact of rising fuel prices. However, we believe significant pressure on tariffs is inevitable.

Unfortunately, in June, a cable bridge fire led to a loss of supply to some of our customers in the New Territories West region. Our team worked very hard to restore service quickly and we have been working closely with the Government on the investigation into the incident. This is a reminder that we need to be continually vigilant and seek constant improvements in safety and reliability standards.

In Mainland China, our nuclear and renewable assets delivered strong financial performance, although high coal prices have impacted the margins on our thermal plants. Going forward, we will be pursuing investments in more zero-carbon energy projects across Mainland China. We will also continue to explore investments in energy infrastructure projects and deploy innovative technologies and business models to capture opportunities in the Energy-as-a-Service sector, especially in the Greater Bay Area.

In the first half, Apraava Energy maintained solid performance although its contribution was marginally lower. We believe the strengthening of our relationship with partner CDPQ announced in July will enable Apraava Energy to pursue a faster pace of growth in its clean energy investments to support the decarbonisation of India's economy.

In Australia, extreme market conditions, volatile wholesale prices and low generator availability have driven earnings lower significantly. And due to the requirement to mark to market our energy hedging contracts against prevailing forward prices, which have escalated rapidly during the course of this year, there were significant fair-value losses. The original sale price of the contract will be realised at contract expiry matched against the generation hedged with the fair value losses unwound.

The volatility in spot prices looks set to continue as Australia transitions to net zero. In this environment, our investments in flexible capacity including Tallawarra B Power Station, the Wooreen battery storage project and the Kidston pumped hydro storage project are expected to improve financial results as these projects come online.

Before factoring in the impact of EnergyAustralia's accounting fair value movement, the Group reported operating earnings of HK$4,111 million for the first half of 2022. Adding in the unrealised accounting losses, operating earnings moved to a loss of HK$3,846 million.

Total earnings decreased to a loss of HK$4,855 million after taking into account the HK$986 million loss relating to the sale of an additional 10% in Apraava Energy to our partner CDPQ which is expected to be closed in the coming months.

The Board has kept the second interim dividend constant at HK$0.63 per share. This is in line with first interim dividend of 2022 and is the same as the first two interim dividends last year.

As we continue to face unprecedented times, our commitment to lead in energy transition and decarbonise our operations is even more clear. A decisive step in this direction is the strengthening of our partnership with CDPQ in India. In Australia, the energy transition will be capital intensive and we will proactively explore ways to optimise our capital structure, including forming partnerships where appropriate.

Now is the time to accelerate our own transformation with even greater purpose and determination so that we can deliver sustained financial performance in a lower carbon future. With our resilient track record, our strong position in Hong Kong and our long-term commitment in Mainland China, we are optimistic about the future of energy and the future of CLP.

For more details, please refer to the following documents:

- *Announcement of Interim Results as from 1 January 2022 to 30 June 2022, Dividend Declaration and Closure of Books*
- *CLP Holdings 2022 Interim Results Highlights*

Mr Richard Lancaster (centre), Chief Executive Officer of CLP Holdings, Mr Nicolas Tissot (left), Chief Financial Officer, and Mrs Betty Yuen (right), Group Director & Vice Chairman – CLP Power Hong Kong, today announce CLP's 2022 Interim Results.

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