

# Chairman's Statement

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**The Honourable Sir Michael Kadoorie**  
Chairman



*Alex Shueh-chen,*

I am pleased to report that the CLP Group has continued to perform well in 2017. We recorded steady growth and our financial results exceeded those of the year before.

During the year, Group operating earnings increased 7.9% to HK\$13,307 million from 2016. Total earnings were up 12.1% to HK\$14,249 million. These earnings have enabled the Board to approve a fourth interim dividend of HK\$1.14 per share for 2017. Together with the three interim dividends already paid, our total dividends this year are HK\$2.91 per share, a 3.9% increase from HK\$2.80 in the previous year.

These results reflect the strength of our Group that comes from the diversity of our business. The nature of our industry along with the fluctuations in economic activity around the world introduce a certain level of volatility from time to time. It is the diverse elements of our portfolio that enable us to achieve a balance across the range of our businesses while charting a steady course. This business model has worked for us over a long period of time and I have no doubt it will continue to do so. Hong Kong will remain our core market for the foreseeable future while the dynamic markets of Mainland China, India and Australia continue to provide the prospect for long-term growth.

In Mainland China, where we have been investing for nearly four decades, our recent acquisition of a 17% interest in Yangjiang Nuclear Power Co., Ltd. will deliver significant additional earnings and boost our presence in the country's low carbon future. The Yangjiang investment further strengthens our position in sharing the growing prosperity of our neighbouring Pearl River Delta.

In India, where an estimated 300 million people still live without electricity, long-term and capital-intensive investment is required to expand and enhance its power infrastructure. We hope to continue to contribute to that need by broadening our activities and participating in other parts of the energy supply chain such as transmission, distribution and decentralised generation.

In Australia, our emphasis has been on restoring value to our existing investments. This endeavour has been progressing ahead of plan and has strong momentum. We are now increasingly focused on long-term value creation. As in many markets, Australia is challenged by the need for an energy transition while maintaining affordability and reliability of energy. This provides potential opportunities for new investments.



Chairman Sir Michael Kadoorie welcomes the Hon Mrs Carrie Lam Cheng Yuet-ngor, GBM, GBS, the Chief Executive of the Hong Kong Special Administrative Region, to the premiere of *A Century of Power*

## Chairman's Statement

In my Statement last year, I paid particular attention to the adoption and ratification of the Paris Climate Change Agreement. We welcomed this accord and committed our Group to playing our part in achieving its goals. Over a decade ago, CLP voluntarily introduced our Climate Vision 2050 where we committed to lower the carbon intensity of our generating portfolio by approximately 75% of our 2007 position by 2050. Now, to further support the efforts galvanised by the Paris Agreement and the rising expectations of our stakeholders, we have decided to strengthen our commitment. After a comprehensive review of the energy transition underway in each of our key markets, the Board has set even more ambitious targets of reducing our carbon intensity by 82% by 2050 while increasing the share of non-carbon emitting generating capacity from 30% to 40% and renewable energy capacity from 20% to 30% by 2030.

As part of this commitment, we are working to support the Hong Kong Government's Climate Action Plan which calls for a reduction of carbon intensity by 65-70% from 2005 levels by 2030 and requires an increase in the use of natural gas to around half of the total fuel mix for electricity generation in 2020.

The new gas-fired generation unit to be built at Black Point Power Station and our plan to develop an offshore LNG terminal are both very much part of this effort. The gas unit will start commercial operation in time for the 2020 deadline and the environmental impact assessment for the LNG terminal, which aims to enhance Hong Kong's energy security, will soon be presented to the Government.

As I have said many times in the past, Hong Kong is our home and remains our core business, I was thus pleased to see the Government's approval in 2017 of a new Scheme of Control (SoC) Agreement. The new Agreement, which will run for 15 years from 2018 to 2033, provides us with the regulatory certainty that an industry such as ours requires for long-term planning and investment decisions. With that in mind, we have already submitted to Government a new Development Plan setting out our investment strategy for the next five years.

As part of the new SoC Agreement, more initiatives will be introduced to promote the development of renewable energy, enhance energy saving and demand management. This sits well with our ambitions to keep abreast or, where we can, stay ahead of the technological changes that are reshaping the way utilities do business. We are strengthening our management team with the appointments of experts in the field to drive our innovation strategy and better utilise the wealth of data we collect. We have a number of ideas under development in this area that will be discussed by the Chief Executive Officer in his Strategic Review.

As we continue to work towards a brighter future it is important to reflect on the challenges and achievements of our past that have led us to where we are today. In October 2017, we premiered our documentary *A Century of Power* to a large audience. The documentary traces the history of CLP from its beginning more than 115 years ago and, as Hong Kong's Chief Executive Mrs Carrie Lam put it, pays tribute to the hard work and perseverance of our past generations in making Hong Kong a modern world-class city. It is a shared history that we can all be proud of.

In closing, while I am glad to report the good performance we achieved in 2017, I must add that no matter how good the results are, a job is not well done if it is not done safely. During the course of 2017, four workers of our contractors lost their lives while working on our sites. I once again express my deepest sympathy to the families of the deceased and reiterate that we are making every effort to find ways to help us avoid similar accidents in the future.

**The Honourable Sir Michael Kadoorie**  
Hong Kong, 26 February 2018