

# Chairman's Statement

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**The Honourable Sir Michael Kadoorie**  
Chairman



## *Dear Shareholders,*

I am pleased to say that 2016 was a year of steady progress across our portfolio. During the year, Group operating earnings increased 7.1% to HK\$12,334 million from a year earlier. Total earnings were down 18.8% to HK\$12,711 million after taking into account one-off items that affected comparability including a significant contribution from the sale of the Iona Gas Plant in Australia in 2015. The Board has recommended a fourth interim dividend for 2016 of HK\$1.09 per share which, together with the three dividends already paid, brings 2016's total dividends to HK\$2.80 per share, an increase from HK\$2.70 in the previous year.

Among the significant global events in 2016 was the adoption and ratification of the Paris agreement on climate change in record time. This landmark event confirmed an unprecedented international commitment to addressing the issue of climate change and accelerating the pace of decarbonisation globally. It also emphasised the importance of all the actions we have taken at CLP to reduce our emissions over the years, even when the resolve of the international community wavered.

In this Statement, I would like to focus my discussion on one particular milestone that demonstrates our commitment to transitioning to a low carbon future – the signing of a conditional agreement with CGN Power to acquire a 17% holding in Yangjiang Nuclear Power Co., Ltd. We have much else to report, but this project stands out.

The Yangjiang project has a special resonance for CLP. In the late 1970s, under the leadership of my late father, Lord Kadoorie, the Company took a bold move to step into the nuclear age with the construction of the Daya Bay Nuclear Power Station – the first commercial nuclear power station in China. The success of Daya Bay underscores the important role that nuclear power has to play in the supply of clean energy, more so now than ever given our planet's urgent need to tackle the effects of global warming and air quality. Now, all these years later, I am particularly pleased with the Yangjiang acquisition. Not only does it acknowledge the legacy of my father and his vision, it also enables us to build on the very successful partnership with CGN established since Daya Bay. Furthermore, the investment puts us in a strong position to benefit from the growing prosperity of the Pearl River Delta, the largest urban area in the world in terms of size and population.



Chairman Sir Michael Kadoorie greets shareholders at the 2016 Annual General Meeting

## Chairman's Statement

The transaction represents a further step towards achieving the goals we have set out in our "Climate Vision 2050" – a commitment that I have underlined a number of times in the past to reduce our carbon intensity in 2050 by 75% compared with 2007. The levels of investment involved in Yangjiang of about HK\$8 billion, and the long operational timeframe of the project, also underscore the point I have made so often about the energy business. An industry as complex as ours and with such long-term commitments needs certainty and predictability so that we can look forward and plan with confidence for the future.

Shareholders will be aware that we are currently in discussions with the Hong Kong Government in reviewing the Scheme of Control (SoC) which regulates the city's power industry. We have made it clear in many ways and on many occasions that the SoC has worked extremely well for over half a century and has been an effective tool to keep pace with changing times and to meet community aspirations. The SoC has provided regulatory and economic certainty, enabling us to meet the needs of our customers with reliable power at reasonable tariff levels that few, if any, cities in the world can match.

While we await the final outcome of the discussion with the Government, we remain committed to serving Hong Kong's long-term interests. During the year, we received approval from the Government to construct an additional gas-fired generation unit at Black Point Power Station in support of its target of increasing the percentage of local gas generation by 2020. A significant feature of the unit is its advanced design that lifts its efficiency by about a fifth allowing us to further reduce local air emissions while meeting the community needs for electricity. We will continue to work with the Government to achieve Hong Kong's long-term emissions reduction goals. This is what our community expects and deserves and we shall play our part in helping to bring this about.

Another important part of our transition to a lower carbon future is renewable energy. As part of our "Focus · Delivery · Growth" strategy, we have commissioned over 650MW of renewable projects in Mainland China and India since January 2014 and our first solar farm in India is on schedule for commissioning later this year. EnergyAustralia has recently made a pledge to underpin the development of new wind and solar projects of up to 500MW by committing to purchase the clean energy provided by the plants. Renewable energy now accounts for 16.6% of our generation portfolio across the Group.

Meanwhile, the accelerated pace of technological change is disrupting various businesses and the power industry is no exception. Smart grids, smart cities and the shared economy are triggering new business models. Competition in the energy industry is more intense than ever, not only from traditional players but also increasingly from a variety of new entrants.

These developments are very much at the forefront of our minds. We have been a pioneer in embracing new technologies and changes not despite, but thanks to our 115 years of experience in all stages of the electricity supply chain. We are taking steps to address the challenges and opportunities they represent. The new Smart Charge joint venture with HKT to bring a one-stop charging solution to Hong Kong's large fleet of electric vehicles shows that we stand ready to take on new ideas and seize opportunities in the digital space and in the age that emphasises customer centricity.

I would like to conclude on an unusual but happy note. As chairman of this great public company, I am accustomed to receiving all kinds of correspondence, some offering criticism, some comments, others advice and compliments. But I have rarely felt such pleasure from a beautifully written and well thought out letter I received recently from a 16-year-old boy in Gujarat, India. In it, Jigar S. Mahedu put forward his views on the advantages and limitations in the wind farm business having given considerable thought to the current technology and how it might be best used. I told Jigar that his ideas and suggestions were much appreciated. I also assured him that much of what he had to say has in one way or another been a focus of attention of CLP, where we value innovation, creativity and vision as we look forward to a future that not too long ago few people ever imagined.



**The Honourable Sir Michael Kadoorie**  
Hong Kong, 27 February 2017