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The Honourable Sir Michael Kadoorie
Chairman



Hear Shareholders,

Global trade tensions and the rising impacts of climate change combined with local circumstances here in Hong Kong and in Australia to make 2019 one of the most challenging years we have experienced in recent memory. However, the nature of our business and the ongoing development of the markets in which we operate mean that we are inevitably subject to, and must be prepared for, continuous challenges. At CLP, we take a long-term view and continue to proactively drive change within the Company in order to build a sustainable business fit for the future.

The Group's operating earnings for the year decreased 20.5% to HK\$11,121 million, largely due to the expected lower permitted rate of return in Hong Kong, a reduction in our share of earnings in India following the strategic partial-divestment, and the continued challenges in Australia. Earnings in Mainland China and Southeast Asia were higher.

The Board is recommending a fourth interim dividend for 2019 of HK\$1.19 per share. Total dividends per share for 2019 are HK\$3.08, an increase of 2.0% from 2018.

The world needs a sustainable future, so it is pleasing to see increasing interest in Environmental, Social and Governance issues from investors and regulators alike. Properly addressing these issues requires vision and a commitment to manage with a long-term view, two things which have always been a hallmark of CLP's approach. That's why CLP is not only focusing relentlessly on the reliability and affordability of supply today, but also delivering a decarbonisation strategy that is essential to the future of the planet as well as our own prosperity and sustainability as a business.

Late last year we released our updated Climate Vision 2050, which will play a key role in delivering our vision of being the leading responsible energy provider in the Asia-Pacific region. At its heart is a pledge not to invest in any additional coal-fired generation assets, and to phase out our existing coal-fired assets by 2050 at the latest. We have also pledged to revisit and strengthen our decarbonisation targets at least every five years as technologies advance and costs reduce, tracking our progress against the goals of the Paris Climate Change Agreement.

Chairman's Statement

These pledges can be seen in another context. Around 20% of our revenue comes from coal-fired generation so to ensure the long-term sustainability of our business we not only need to decarbonise, we will need to evolve and replace this revenue over time. We started the process of investing in renewable generation in the mid-1990s and we are continuing this process today. We are actively pursuing further opportunities in non-coal electricity generation, transmission and distribution, as well as in new energy services such as those springing from the development of "smart cities".

We also remain deeply committed to, and positive about, our home market of Hong Kong which is as much the foundation stone of our business as it was in 1901. The clearest sign of this is the HK\$53 billion of investment we have committed for future energy supply during the course of the current Development Plan to 2023, much of which will go towards improving Hong Kong's energy security and reducing overall emissions.

As the world has noticed, Hong Kong has been experiencing a period of unrest. My family first came to this wonderful city 140 years ago and it has been disheartening to see the disharmony that has affected the entire community. My profound belief in Hong Kong's future is undimmed. My father once said to me that Hong Kong is like a rubber ball: the further it drops the higher it bounces back – a testimony to the resilience, fortitude and "can do spirit" of the people of Hong Kong. This is a time when I often remember his wise words.

Our future is in the hands of young people and it rests on us to create hope for them. I am proud that the CLP Power Academy in Hong Kong, which we established in 2017 to provide young people with more options and a sense of future, has proven to be a popular choice for those who wish to study power engineering in a professional environment, as an alternative to university. The Academy now has 500 students studying in programmes it runs in collaboration with four renowned education institutions in Hong Kong and abroad. As well as offering a springboard for a career, this initiative helps ensure an adequate supply of skilled engineers for our industry, drives overall excellence and builds partnerships between CLP, the broader industry and academia. We are also now offering our employees in Hong Kong, many of whom are from the younger generations, a home loan scheme that supports them as they look to get on the property ladder and buy their first home. Buying a property in Hong Kong is not easy and it is rewarding to see relatively junior employees able to do that.

Safety remains an absolute priority for the Group and we are continuously and measurably improving safety across the business. However, I do have to report the sad death of a team member of one of our subcontractors in Hong Kong. The Board, on behalf of everybody at CLP, expresses its condolences to their family. We are focused on the highest possible standards and our target of zero harm for everybody.



Chairman Sir Michael Kadoorie receives a memento from a CLP shareholder at the Group's 2019 Annual General Meeting.

As we look to the future, it is critical that we take stock of how we work and to continue to refresh our Board and management to ensure that we are best placed to meet the evolving challenges ahead. In 2019, we completed a Board progression exercise to further enhance the way the Board works to shape CLP's future success. Further details of the outcomes of this exercise can be found in the Corporate Governance Report and Nomination Committee Report.

In line with the retirement guideline we introduced in 2019, two Directors, Mr Vernon Moore and Mr Vincent Cheng, will both retire from the Board at the conclusion of the 2020 Annual General Meeting. I thank them both for their distinguished service and valuable contribution to CLP over many years. We will conduct a director search process in 2020 to ensure we can continue to have the best Board to take the Company forward.

We are also continually reinforcing our management team and in 2019, following the retirements of Mr Roy Massey and Mr Derek Parkin, we were pleased to welcome Ms Eileen Burnett-Kant as Chief Human Resources Officer and Mr David Smales as Chief Operating Officer, two very important roles in the Senior Management. Eileen and David bring with them a wealth of valuable experience and I look forward to working with them.

As I look back on 2019, I see an increasingly people-focused organisation that has rolled-up its sleeves and is hard at work delivering results from our existing assets and committing to new projects that will generate returns in the short and medium term. With the renewed Climate Vision 2050 we are ensuring we can respond to the transformative shifts in our industry, play a pivotal role in the decarbonisation that the world needs, and build a solid platform for our business to grow further and thrive for many decades to come.



The Honourable Sir Michael Kadoorie

Hong Kong, 24 February 2020