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**中電控股有限公司**  
**CLP Holdings Limited**  
(incorporated in Hong Kong with limited liability)  
(Stock Code: 00002)

**Announcement of the New Scheme of Control Agreement**

**The New Scheme of Control Agreement**

The Board of Directors of CLP Holdings Limited (“we”, “us” or the “Company” and together with its subsidiaries, the “Group”) are pleased to announce that a new Scheme of Control Agreement (the “SoC”) has been signed with the Government of the Hong Kong Special Administrative Region (“HK Government”) for the Group’s Hong Kong electricity business.

Today, the new SoC was entered into between the HK Government, CLP Power Hong Kong Limited (“CLP Power”) and Castle Peak Power Company Limited, respectively, a wholly owned subsidiary and a non-wholly owned subsidiary of the Company (collectively, the “SoC Companies”).

**Key Features of the New SoC**

The new SoC covers a period of over 15 years beginning on 1 October, 2018 and ending on 31 December 2033. A key term of the new SoC is the permitted return at the rate of 8% of the SoC Companies’ average net fixed assets. The new SoC has maintained key principles of the current SoC including full recovery of operating costs and fuel costs together with an incentive and penalty adjustment mechanism in relation to customer performance.

There are new and tangible initiatives to help enhance energy efficiency performance for buildings in Hong Kong as well as to encourage the use of the highest energy efficiency appliances by our customers. There are also new financial arrangements, including a Feed-In Tariff mechanism to promote renewable energy development in Hong Kong and a Renewable Energy Certificates programme to give our customers the choice to purchase Renewable Energy Certificates with their electricity.

The new permitted return of 8% is lower than the 9.99% permitted return under the current SoC in respect of the SoC Companies' average net fixed assets other than renewable energy investments and the 11% for renewable energy investments. Under the new SoC, there is no distinction between the return permitted on renewable energy investments and other investments.

The new permitted return is applicable from 1 October 2018. Under the current SoC, the actual 2016 SoC earnings and the Group's operating earnings were HK\$8,724 million and HK\$12,334 million, respectively. To illustrate the potential impact of the new permitted return on the Group's operating earnings, the hypothetical 2016 SoC earnings (derived from applying the new permitted return) would have been reduced to HK\$6,807 million, being a 22.0% reduction in respect of the actual 2016 SoC earnings and a 15.5% reduction in respect of the actual 2016 Group's operating earnings. Accordingly, the annualised contribution of the Hong Kong SoC business to the Group's operating earnings will decrease once the new SoC is in place.

### **Reasons for the New SoC**

The SoC has worked extremely well for over half a century and has provided regulatory and economic certainty to enable us to effectively meet the four energy policy objectives for the Hong Kong community that we serve (being safety, reliability, environmental performance and reasonable prices). We believe that the new SoC will continue to operate as an effective framework with regulatory clarity and enabling us to earn a reasonable return. The new SoC will also allow us to meet the needs of our customers in Hong Kong with reliable power at reasonable tariff level and to continue to contribute to the HK Government's long term energy objectives.

### **About the SoC**

The SoC with the HK Government has regulated the electricity related operations of the SoC Companies since 1964. The SoC requires the SoC Companies to supply adequate and reliable electricity supplies to customers at the lowest reasonable cost and in return, CLP Power is permitted to charge tariffs to recover the operating costs and the allowed net return of the SoC Companies. The current SoC took effect from 1 October 2008 and is due to expire on 30 September 2018.

**In the circumstances, shareholders and investors are advised to exercise caution in dealing in the shares of the Company.**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

By Order of the Board  
**David Simmonds**  
Company Secretary

Hong Kong, 25 April 2017

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The Directors of CLP Holdings Limited as at the date of this announcement are:

**Non-executive Directors:**

The Hon Sir Michael Kadoorie, Mr William Mocatta,  
Mr J. A. H. Leigh, Mr Andrew Brandler and Dr Y. B. Lee

**Independent Non-executive Directors:**

Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen,  
Mr Vincent Cheng, Mrs Fanny Law, Ms Irene Lee  
and Mrs Zia Mody

**Executive Directors:**

Mr Richard Lancaster and Mr Geert Peeters



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