

5 May 2017

## **CLP's Annual General Meeting Attracts a Record Number of Shareholders**

### **Chairman's Opening Remarks**

Good afternoon ladies and gentlemen. Welcome to the CLP media briefing today. I would like to take this opportunity to acknowledge the Group's good financial performance last year and to discuss the significance of energy policy and regulation and its impact on CLP, with a particular focus on developments affecting our business here in Hong Kong and in Australia.

We reported solid financial results in 2016, with steady growth in Hong Kong and a variable but overall positive performance for our overseas businesses. Our operating earnings were HK\$12.334 billion, a 7.1% increase over 2015.

We also made steady progress across the portfolio during the year, including receiving Government approval for the new 550MW combined cycle gas turbine in Hong Kong, our investment in 17% of Yangjiang Nuclear Power Station, and the new Smart Charge joint venture with Hong Kong Telecom to bring a one-stop charging solution to Hong Kong's large fleet of electric vehicles.

I would now like to turn to the question of energy policy and regulation, which is one of the most important issues affecting our business. We recently reached agreement with the Hong Kong Government on the terms of a new Scheme of Control Agreement which regulates the city's power industry. This is a positive development as the new Scheme of Control provides the regulatory and economic certainty required for the future development of the electricity industry in Hong Kong. This, in turn, enables CLP to plan ahead and make appropriate investments to meet the needs of our customers and the government's energy policy objectives. Importantly, having regard to the issue of certainty and predictability, the new Scheme of Control Agreement covers a period of 15 years beginning on 1 October, 2018. While the Permitted Return has reduced to 8%, the new Agreement has maintained key principles of the existing Scheme of Control and represents a fair and reasonable outcome to our discussions with Government. Accepting the new rate of Permitted Return reflects CLP's dedication to support the long-term development of Hong Kong.

As I have said many times before, the Scheme of Control has served Hong Kong well for over half a century. The merits of it were evident again in our excellent operational performance last year. In 2016, our supply reliability remained at extremely high levels with less than 1.5 minutes of unplanned power interruptions on average over the year. There are very few cities anywhere that can match this. Furthermore, our tariff regime is also among the world's most competitive. CLP is committed to working constructively with the Government and the community under the new Scheme of Control to continue to provide customers with a safe, reliable and environmentally friendly power supply at a reasonable cost. In doing so, we can meet the community's need for energy while supporting efforts to combat the challenge of climate change.

I would also like to make some brief comments regarding the conditions facing our business in Australia. There is currently considerable market volatility and energy policy uncertainty in Australia. Governments at both State and Federal level are grappling with the complex challenges of ensuring reliable, affordable and cleaner energy for everyone in Australia. The current situation reinforces a point that I have made so often about the energy business. An industry as complex as ours, with long-term commitments often extending up to 40 years, needs certainty and predictability to attract the level of capital and investment required to meet community expectations for reliable, affordable and cleaner energy.

Given Australia's current situation, creating those conditions will be a challenge, but we believe that a critical ingredient is a bi-partisan and national approach to energy that gives the industry the confidence to invest. Predictable policies that support an orderly transition from coal to the delivery of reliable, affordable and cleaner energy are essential. Even more important, we believe, is policy certainty and stability – we need to know that any decision we make today won't be undone next year; there is enough risk in this industry already from technology and intense competition without this policy uncertainty.

In conclusion, while the complexities of the energy business mean that market volatility is to be expected from time to time, we believe that our diversified portfolio of businesses continues to serve us well, in delivering value and addressing the challenges across our markets. Looking ahead we can continue to leverage this platform to address the rapidly changing global environment. Electric utilities will play an important role in meeting the challenges of climate change and the energy transition and in the ongoing development of smart cities. At CLP, we intend to be at the forefront of these changes, working with customers, business, regulators and governments to help provide energy for the brighter tomorrows we all aspire to.

Thank you.



CLP's annual general meeting attracts a record number of 1,927 shareholders this year.



Sir Michael Kadoorie, Chairman of CLP, and Power Kid welcome a shareholder at the AGM.

## **About CLP Group**

CLP Holdings Limited, a company listed on the Stock Exchange of Hong Kong, is the holding company for the CLP Group, one of the largest investor-owned power businesses in Asia Pacific. Through CLP Power Hong Kong Limited, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity to 80% of Hong Kong's population.

Outside Hong Kong, CLP holds investment in the energy sector in Mainland China, India, Southeast Asia, Taiwan and Australia. Its diversified portfolio of generating assets uses a wide range of fuels including coal, gas, nuclear and renewable sources. CLP is one of the largest external investors in the Mainland's renewable energy sector. In India, it is one of the biggest renewable energy producers and among the largest foreign investors in the electricity sector. In Australia, its wholly-owned subsidiary EnergyAustralia is one of the largest integrated energy companies, providing gas and electricity to over 2.6 million households and businesses.

CLP is listed on the Global Dow – a 150-stock index of the world's leading blue-chips, the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), the Dow Jones Sustainability Asia Pacific 40 Index (DJSI Asia Pacific 40), Hang Seng Corporate Sustainability Index Series and MSCI Global Sustainability Index Series.

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