

Group Managing Director's Report

“Our unwavering efforts have helped us to reach business and environmental milestones in 2010.”



Tso Kai Sum
Group Managing Director

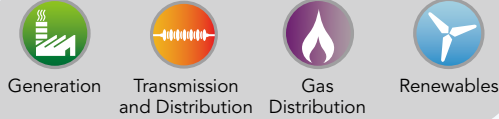
Continuing to grow beyond our success in Hong Kong, we saw our worldwide investment portfolio expanded with a significant step into the UK market. Our acquisition of UK Power Networks now positions us as a global investor in power and utility related businesses. Likewise, our new Company name, Power Assets Holdings Limited, reflects the increasingly diverse worldwide business of the Group.

Besides expanding our stake in the UK, we continued to leverage our experience of the past 120 years in Hong Kong in our investments in Australia, mainland China, New Zealand, Canada, and Thailand. In line with the Group's business, we are focusing on power and utility related businesses where our expertise can add value.

In Hong Kong in 2010 we continued to meet more stringent environmental targets in support of the Hong Kong Government's efforts to tackle climate change and reduce air emissions. In 2010, we successfully completed our nitrogen oxides, sulphur dioxide and particulates emission reduction programme that commenced in 2006, and with that substantially lowered our emissions.

Going forward, we are full of expectation as we see boundless opportunities for our company.

Power Assets' Global Presence



Canada

Stanley Power Mississauga

Gas-fired CCGT:
108 MW
Interest: 25%

Stanley Power Meridian

Gas-fired CCGT:
220 MW
Interest: 12.5%

Stanley Power Windsor

Gas-fired CCGT:
68 MW
Interest: 25%

Stanley Power Ottawa

Gas-fired CCGT:
68 MW
Interest: 25%

Stanley Power Fort Saskatchewan

Gas-fired CCGT:
118 MW
Interest: 15%

Stanley Power Sheerness

Coal-fired:
2 x 385 MW
Interest: 12.5%

Total installed capacity: 1,352 MW

Hong Kong

HK Electric Network
Cable length: 5,700 km
Interest: 100%

Lamma Power Station
Coal-fired:
3 x 250 MW, 5 x 350 MW
Gas-fired CCGT:
1 x 335 MW, 1 x 345 MW
Oil-fired GT:
4 x 125 MW, 1 x 55 MW
Solar: 550 kW
Interest: 100%

Lamma Winds
Wind turbine: 800 kW
Interest: 100%

Total installed capacity:
3,736 MW
Total cable length:
5,700 km

Australia

ETSA
Cable length:
87,000 km
Interest: 27.93%

Powercor
Cable length:
83,500 km
Interest: 27.93%

CitiPower
Cable length:
6,500 km
Interest: 27.93%

Total cable length: 177,000 km

Mainland China

Zhuhai Power Plant

Coal-fired:
2 x 700 MW
Interest: 45%

Dafengba Wind Farm, Dali, Yunan Province

Wind Turbine:
64 x 0.75 MW
Interest: 45%

Jinwan Power Plant

Coal-fired:
2 x 600 MW
Interest: 45%

Laoting Wind Farm, Hebei Province

Wind Turbine:
33 x 1.5 MW
Interest: 45%

Siping Cogeneration Plant

Coal-fired: 2 x 50 MW, 1 x 100 MW
Interest: 45%

Total installed capacity: 2,898 MW

United Kingdom

NGN
Gas pipeline length:
37,000 km
Interest: 41.29%

Total pipeline length:
37,000 km

UK Power Networks
Cable length:
London Network:
36,000 km
South East Network:
52,000 km
East of England Network:
94,000 km
Interest: 40%

Total cable length:
182,000 km

Seabank Power Station
Gas-fired:
1 x 755 MW, 1 x 385 MW
Interest: 25%

Total capacity: 1,140 MW

Thailand

Ratchaburi Power
Gas-fired CCGT:
2 x 700 MW
Interest: 25%

Total installed capacity: 1,400 MW

New Zealand

Wellington Electricity Lines Limited
Interest: 50%

Total cable length:
4,600 km

Group Managing Director's Report



Our Markets United Kingdom

UK Power Networks

UK Power Networks (UKPN) in which we have a 40% interest is the largest electricity distributor in the UK. It connects approximately eight million customers. Besides regulated networks, UKPN also operates a number of private networks on behalf of its clients that include the London Underground, the British Airports Authority, and the Ministry of Defence. We are confident of the future contributions this 40% shareholding will provide to the Group.

The severe winter weather conditions that prevailed from the last week in November to the middle of December presented extraordinary challenges to the UKPN's network performance in terms of Customer Minutes Lost and Customer Interruptions. Employees worked hard in difficult conditions to minimise the impact on customers. Performance against the newly introduced Guaranteed Standards of Performance for new connection customers was strong during the same period, with a performance

of more than 99.9% against the minimum required standard of 90% set by the regulator, the Office of Gas and Electricity Markets (Ofgem).

Going forward, UKPN will continue its planned programme of investments in its networks, with a focus on reducing the number and duration of power interruptions experienced by its customers.

In support of the environment, the UKPN submitted a bid to the Ofgem for a scheme called 'Low Carbon London'. The bid was successful and in December 2010 it received funding that was the largest award to any UK network operator. The scheme will create an end-to-end environment for testing the impact of new equipment such as smart meters and electric car charging points. Energy industry specialists and universities with National Grid, Supply companies, and London communities and businesses will all be brought together through the scheme. The Greater London Authority, Transport for London, and the London Development Agency also support the scheme.



UKPNs' employees work hard to reduce the impact of challenging winter weather conditions.

Seabank Power Limited

In June 2010, we acquired a 25% stake in Seabank Power Limited (SPL), an electricity-generating company located near Bristol. SPL operates two gas-fired combined-cycle gas turbine generating units with an aggregate capacity of 1,140 MW. SPL has achieved excellent availability from these operations.

A full-scale emergency exercise at SPL was held in November with the police, fire service, ambulance, the Environment Agency, and local authorities. Overall, the company maintained compliance with the Environment Agency's requirements and ISO14001.



We acquired a 25% stake in electricity-generating Seabank Power Limited in June 2010.

Northern Gas Networks Limited

Power Assets became a shareholder of Northern Gas Networks Limited (NGN) in June 2005 and now holds a 41.29% shareholding. NGN operates one of eight gas distribution networks in the UK, with 37,000 km of gas distribution pipeline delivering gas to around 2.6 million customers from the Scottish borders to South Yorkshire.

In the past two years, NGN has been ranked the best performing and most efficient network by Ofgem.

NGN conducts its operations in an environmentally sensitive manner with its environmental management systems certified under ISO 14001. The company supports local projects and community environmental improvement schemes through the Northern Green Networks initiative.



NGN has been ranked the best performing and most efficient network by Ofgem.

NGN continued its Network Extension Programme to help alleviate fuel poverty in economically deprived locations within its service area. During the 2009/10 regulatory year, five projects were completed, resulting in more than 700 new connections.

In the past year NGN's customer service performance remained strong with a 5% drop in the number of complaints. When measured externally against the other seven gas distribution networks in relation to connections, replacement (planned supply interruption) and repair (unplanned supply interruption), NGN performed well, being ranked second, third, and fourth in the respective categories.

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Our Markets Australia

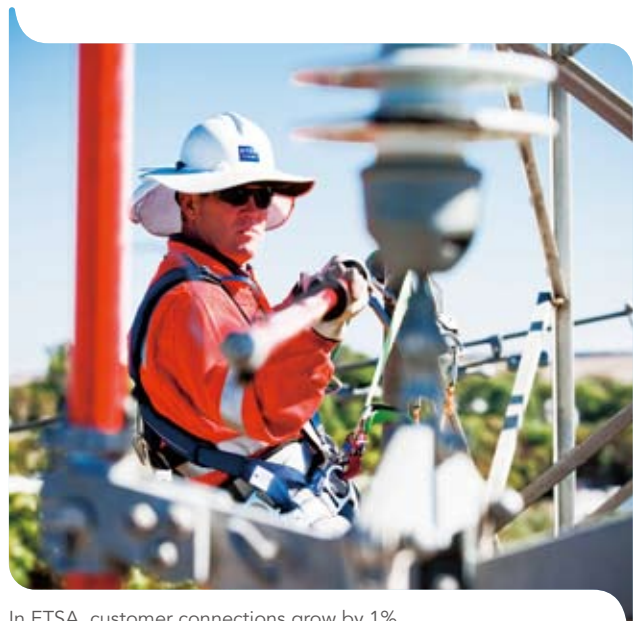


ETSA Utilities

Power Assets became a shareholder in ETSA Utilities in January 2000, and now holds a 27.93% shareholding. Principally, ETSA operates, upgrades and manages the electricity distribution network that serves more than 800,000 customers and is the sole electricity distributor in the State of South Australia.

In 2010, the total number of customers connected to ETSA's network grew by 1%. These new customers contributed to robust levels of customer connection work. Also, major projects such as network infrastructure work to support the new desalination plant south of Adelaide contributed to strong asset-related revenue.

ETSA implemented several environmental management projects in the past year. The company monitored and reported on the use of energy and water used throughout the year. Lighting systems at the ETSA Head Office were upgraded for efficiency and are expected to reduce the electricity consumption of lights by 60%.



In ETSA, customer connections grow by 1% as customer satisfaction is maintained at high scores.

ETSA continued to undertake major work on behalf of ElectraNet, South Australia's electricity transmission company. Major projects included construction of the new Davenport substation and commencement of works on the new City West and Mount Barker substations. It also won the contract to manage the construction of the National Broadband Network's first release site in Willunga, south of Adelaide.

The weather is a key factor in the reliability of electricity, as witnessed by the effect of severe storms in South Australia in April, July, September and December on the power supply. All regulated service targets for timeliness and complaints handling were met in 2010. Although call centre performance was marginally below target, it was still an achievement considering the record number of customers affected by the storms. Surveys of Customer Satisfaction were encouraging with higher scores being achieved since the current survey method was introduced in 2006.

A major Waste and Recycling Review was also completed in 2010. The establishment of a cross-functional implementation group now supports ongoing improvements in this area. Also, with the addition of electric vehicles as pool cars, ETSA will be monitoring their performance to see how this emerging technology affects distribution networks.

CitiPower and Powercor Australia

Power Assets became a major shareholder in Powercor Australia and CitiPower, two of the five electricity distributors in the State of Victoria, in September 2000 and July 2002 respectively, and now holds 27.93% shareholding of both companies. CitiPower's distribution network covers the Central Business District in Melbourne and Melbourne's inner suburbs. It has the highest load density in Victoria, with approximately 310,000 residential, commercial, manufacturing and industrial customers. Powercor Australia operates on the western half of the State of Victoria and is the largest distributor in Victoria.

The Australian Energy Regulator (AER) conducted a Price Review for 2011-2015. The AER approved a substantial increase in net capital expenditure for both CitiPower and Powercor compared with the previous five-year period. The AER recognised CitiPower and Powercor as efficient network operators who have offered 15 years of real price reductions to their customers.



We complete every job with full commitment to health and safety.

Both CitiPower and Powercor achieved good reliability in the past year. An electricity reliability benchmarking report from the Energy Supply Association of Australia revealed that CitiPower was the best performer of all judged businesses based on the total average number of minutes of power interruptions experienced by its customers. Powercor ranks around mid range among the 16 surveyed businesses in the report.

CitiPower and Powercor continued to roll out the new Government mandated Advanced Metering Infrastructure in 2010.

Customer complaints received by Powercor were the lowest in three years, which is a significant achievement given that Powercor is Victoria's largest electricity distributor with more than 730,000 customers.

At CitiPower and Powercor, the environment and sustainability continued to be areas of focus. A number of climate change initiatives have been implemented, including programmes to minimise waste and increase recycling, reduce greenhouse gases, and manage water use.

As a signatory to the Sustainable Practice Framework established by the Energy Supply Association of Australia (ESAA), CitiPower and Powercor included key sustainability data for the first time in a combined 2009 Annual and Sustainability Report, which was awarded The Best Sustainability Report by ESAA in 2010.

Group Managing Director's Report

Our Markets Mainland China



Dali and Laoting Wind Farms

Power Assets has jointly developed two wind farms since 2009, one 48MW in Dali, Yunnan province, and one 49.5 MW in Laoting, Hebei province in which it has 45% shareholding, with a local partner. The Dali and Laoting Wind Farms achieved commercial operation on 1 January and 1 October 2009 respectively. With full year operation in 2010, they sent out 205 GWh of electricity in total, which was 38% more than 2009.

The wind projects qualify for the Clean Development Mechanism (CDM) under the Kyoto Protocol, and have secured successful registration of CDM credits. We continue to look at enhancing the operational performance of the two wind farms while evaluating potential expansion opportunities on site to leverage the strong growth potential of wind energy in mainland China.



Our China wind projects meet the Kyoto Protocol Clean Development Mechanism standards.

Outram Limited

In 2009, Power Assets acquired 100% shareholding in Outram Limited, which holds 45% equity interests in three joint ventures that own power plants in mainland China. The Zhuhai Power Plant in Zhuhai city and the neighbouring Jinwan Power Plant are strategically located in the load centres in the western part of the Pearl River Delta, an industrial region with a growing need for a stable power supply. The Siping Cogen Power Plant is situated in Jilin Province.



Heating supplies produced at the Siping Power Plant hit a record high in 2010.

Siping Cogen Power Plant

In Jilin province, the power market continues to be competitive due to several new power generators being commissioned in 2010. Nonetheless, the Siping Plant utilisation hours were satisfactory due to a long term electricity off take contract and the production of heating supplies capable of serving more than five million square meters of residential area. The heating supply in 2010 was at a record high.



In Zhuhai Power Plant, the FGD plants for units 1 and 2 have been operating smoothly.

Zhuhai and Jinwan Power Plants

The 1,400MW Zhuhai Plant is one of the largest power stations in Zhuhai and an important power station supporting the Guangdong grid.

The 1,200MW Jinwan Plant has a sulphur dioxide removal efficiency that exceeds 90%, and it has built coal dust fencing to suppress dust proliferation in the coal yard to neighboring areas of the power plant. NO_x emission per unit sold dropped by 7% in 2010. Jinwan will continue to reduce the NO_x emission with combustion tuning. Aiming to further improve emissions, a feasibility study to reduce NO_x emission with Selective Catalytic Reduction is currently being carried out.



Both Zhuhai and the neighbouring Jinwan Power Plants are positioned to meet growing demands in the Pearl River Delta.

Group Managing Director's Report

Our Markets

New Zealand

Canada

Thailand



New Zealand

Wellington Electricity Lines Limited (WELL)

Power Assets became a shareholder in Wellington Electricity Lines Limited in 2008 and now holds a 50% interest. WELL, which owns and operates the fourth largest electricity distribution network in New Zealand, distributes electricity to over 160,000 residential, commercial and industrial customers.

WELL has seen an increase in customer growth. The volume of electricity distributed, however, was slightly lower than in 2009 due to warmer weather in 2010.

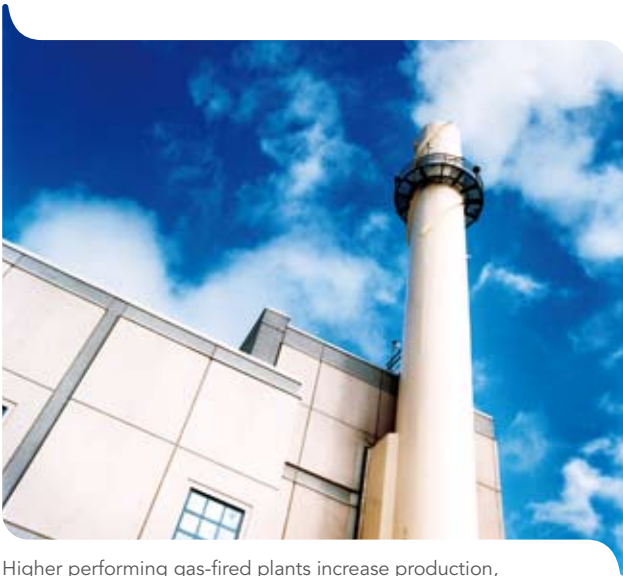
To help promote green habits, WELL has provided technical support to the Wellington City Council's electric car initiative. Employees in technical support have considered the electricity network options in relation to battery charging and implications to the network load and capacity.

To secure the power supply in the Wellington Central Business District, WELL has begun a project to replace more than 5 km of gas filled 33kV sub-transmission cable. This project includes the installation of modern equivalent solid insulated 33kV cables as well as fibre and modern protection equipment.



WELL is securing the power supply to the Wellington CBD by replacing 5 km of sub-transmission cable.

WELL continues to refine its customer services policies to ensure that it delivers best practice customer management using Customer Relationship Management systems. Quarterly operational management meetings were held in 2010 with electricity retailers who have a direct relationship with electricity customers.



Higher performing gas-fired plants increase production, revenue, and gross margin for TransAlta Cogeneration LP.

Canada

Stanley Power

Power Assets became a shareholder in Stanley Power Inc. in 2007 and now holds a 50% interest. Stanley Power holds a 49.99% interest in TransAlta Cogeneration LP, which has stakes in six Canadian power-generating plants that include five natural gas-fired plants across Canada and one coal-fired plant in western Canada. In December 2010, Stanley Power initiated the acquisition of 100% interest in one of the six plants, the 220MW Meridian Power Station in Saskatchewan. The acquisition is to be completed in April 2011.

TransAlta Cogeneration LP experienced higher production, revenue and gross margin in the past year due to the improved performance of gas-fired plants in Ontario that resulted from turbine upgrades completed in 2009.

One environmental initiative completed in 2010 included the upgrading of the water treatment facilities at one of the Ontario power plants. With the upgrade, the power

plant reduced water consumption by approximately 50,000 cubic meters per year, decreased the amount of water treatment chemicals, and increased the efficiency of the plant.

Thailand

Ratchaburi Power Company Limited

Power Assets holds a 25% interest in Ratchaburi Power Company Limited (RPCL). RPCL operates a 2 x 700MW gas-fired combined-cycle power plant, and all of the electricity generated is sold to the Electricity Generating Authority of Thailand (EGAT) under a 25-year take-or-pay power purchase agreement.

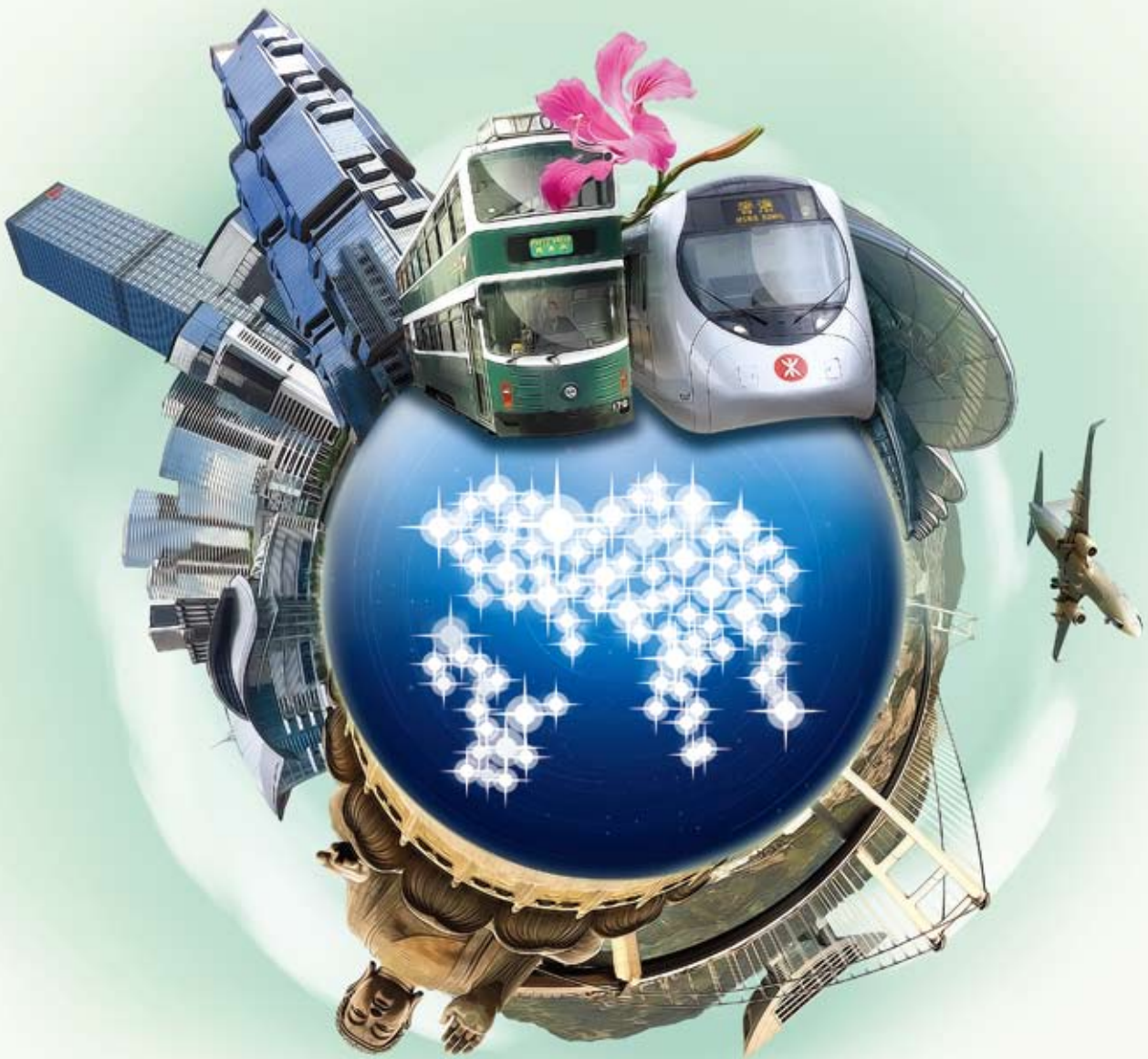
RPCL had another successful year of operations in 2010. Both combined-cycle gas turbine (CCGT) blocks achieved full Contract Availability Hours under its Power Purchase Agreement with EGAT. The thermal efficiency performance of the two CCGT blocks exceeded targets.

To ensure ongoing compliance with emission standards, a Continuous Emission Monitoring System (CEMS) has been installed at the plant, sending stack emission data online every minute to local environmental authorities via a telemetry system. An independent audit is conducted on the CEMS every six months. In addition, five air quality monitoring system stations located at the perimeter of the power station continuously monitor the ambient air quality, and a consolidated Environmental Report is delivered to respective government bodies every six months. In 2010, the power plant was awarded the ISO14001 for Environmental Management.



RPCL's thermal efficiency performance of the two combined-cycle gas turbine blocks has exceeded targets.

Group Managing Director's Report



Our Markets
Hong Kong

The Hongkong Electric Company, Limited

The Hongkong Electric Company, Limited (HK Electric) is one of the longest running power companies in the world. Established in 1889, it is a wholly owned subsidiary of Power Assets with a world class reputation for providing efficient and reliable electricity to half a million customers on Hong Kong Island and Lamma Island.

Generation

Lamma Power Station and Lamma Winds

HK Electric's Lamma Power Station and Lamma Winds have a total installed capacity of 3,736 MW, comprising eight coal-fired units totalling 2,500 MW, five oil-fired gas turbine units of 555 MW, two gas-fired combined-cycle units of 680 MW, one 800 kW wind turbine and 550 kW photovoltaic panels.

In 2010, for the fourth consecutive year, we were able to maintain a forced outage rate below 1%. The overall thermal efficiency was 36.25%, which was slightly higher than in 2009.

Lamma Winds, an 800kW commercial-scale wind power station, is the first of its kind in Hong Kong. The wind power station has offset more than 3,700 tonnes of carbon dioxide (CO₂) emissions since it was commissioned in 2006.

To minimise the impact of our operations on the environment, cleaner and more efficient generation technologies in the areas of renewable energy and low

carbon fuel are employed where practicable to reduce emissions created in the process of power generation.

More Gas Helps Cut Emissions

Ramping up the use of natural gas in the past year has been one of our major achievements. In 2010, we used one more gas-fired combined-cycle unit for base-load operations. Electricity sent out from our gas-fired generating units increased from 20% to 33% of our total electricity supply, enabling us to reduce about 13% of our CO₂ emissions as compared with levels in 2005. We will continue to work closely with the Hong Kong Government to explore how we can further increase our gas-fired generation in the future.

Our current natural gas supply is mainly sourced from two countries, namely Australia and Qatar, received via one regional liquefied natural gas terminal and a common submarine gas pipeline. Despite both supplies being governed by separate gas sales contracts, close liaison with our suppliers enables smooth administration and seamless execution of both contracts. As a result, we were able to fulfill the required supply of natural gas for our gas-fired generation in 2010.

To provide for a further increase in the percentage of natural gas in our fuel mix that is expected in the coming years, plans for sourcing an additional gas supply and discussions with potential suppliers commenced in 2010. Works on future gas contracts will continue in 2011 in line with these plans.



HK Electric has increased its gas-fired generation to 33% of total electricity supply.

Group Managing Director's Report

In the meantime, coal remains the primary fuel source for our electricity generation. To strengthen quality control along the supply chain, it is necessary to monitor the coal supply at the source. Through frequent visits to the mines and loading ports, and with checks by our employees, we were able to maintain consistent quality along our coal supply chain.

In 2010, we also broadened the scope of our coal procurement to include more suppliers and now source coals from Indonesia, Australia and Russia. Diversification in our coal supply will help to minimise any impact on coal production and delivery that may occur in any one country or region.



The 550 kW solar system at Lamma Power Station is the largest in Hong Kong.

Largest Solar Energy System in Hong Kong

In July 2010, HK Electric marked another important step towards the use of renewable energy when we installed a 550 kW thin film photovoltaic system on the roofs of the Main Station Buildings at the Lamma Power Station. It is currently the largest solar power system in Hong Kong and in the first six-month operation period, the system generated 414,000 units of electricity while helping to reduce the emission of 345 tonnes of carbon dioxide – the equivalent of planting 15,000 trees.

Transmission and Distribution

From our power station on Lamma Island we transmit electricity to load centres and then distribute electricity to customer buildings on Hong Kong Island and Lamma Island. Our network primarily uses 275kV and 132kV underground and submarine cables; only a few 132kV overhead lines remain in our system.

Outstanding Reliability

Our customer base of 566,000 once again enjoyed a world-class supply reliability rating above 99.999%, a record maintained since 1997. We are further improving our reliability with the introduction of advanced cable diagnostic systems to assess the condition of cables and joints for early detection of any weak components.

Completed Network Improvements

Projects undertaken or completed in the past year to support our transmission and distribution network include the Marsh Road 132kV Switching Station. With the commissioning of Marsh Road 275kV Switching Station and Marsh Road 132kV Switching Station, supply reliability of the transmission network was further enhanced as power can now be brought to the Central/Wanchai District directly from the Lamma Power Station via the Lamma – Cyberport – Marsh Road 275kV cable circuits. The four units of 275/22kV 50MVA gas insulated zone transformers and the 22kV switchgear of Marsh Road Zone Substation were commissioned in two stages in October 2010 and December 2010 respectively.

To meet the expansion needs of our system, in 2010 we introduced three new types of 22kV switchgear to the distribution system, commissioned sixteen 22kV and forty-two 11kV distribution substations, which make up a total of 3,710 substations in our system, and installed 116 km of distribution cable.



We have once again achieved a world-class reliability rating of over 99.999%, a record we have been keeping since 1997.

Further Investments in Our Supply Network

Looking ahead, we are expanding the 275kV transmission system to phase out the existing aged 132kV overhead lines. The scope of work will include installation of the third 275/132kV transformer and 275kV load break switches at the Parker Switching Station, installation of a 275kV shunt reactor at the Apleichau Switching Station, a 275kV gas insulated switchgear retrofit at the Apleichau Switching Station, Nam Fung Switching Station and Parker Switching Station, and the third Nam Fung – Parker 275kV cable circuit. The target date for the completion of these projects is April 2013.

To keep Hong Kong on the move, we are expanding the supply infrastructure that serves the Mass Transit Railway (MTR) West Island Line. One new 132/33kV 50MVA gas insulated transformer will be installed at the MTR Admiralty Infeed Substation with the commissioning date in 2013. The two existing oil insulated transformers are scheduled to be replaced and upgraded with 50MVA gas insulated transformers in 2015 and 2016. The new supply to the MTR South Island Line will be served by 2 x 132/33kV 30MVA gas insulated transformers that are due to be installed at the Heung Yip Road Zone Substation in 2013.

Intelligent System Operations

Many smart grid features related to power system operations are incorporated into the existing grid monitoring and control systems employed by HK Electric's System Control Centre. Together these systems, namely the Energy Management System and the Distribution Management System, provide features such as intelligent fault location at the 11kV level, automatic voltage regulation and automatic grid reconfiguration in Zone Substations in emergency situations. All of these functions are essential for maintaining our world-class supply reliability. Recognising the importance of these systems, the System Operations Cyber Security Policy was enhanced in 2010 after a comprehensive review was conducted to meet stringent international standards.



Energy Management System and Distribution Management System in System Control Centre support intelligent power system operations in HK Electric.

Group Managing Director's Report

Environment

Tackling Climate Change

HK Electric is committed to reducing carbon emissions and creating a cleaner environment. We recognise the challenges to the environment that are affecting climate change and support the Hong Kong Government's proposals to reduce the city's carbon intensity.

Lower Carbon Fuel Mix

In September 2010 the Government proposed that clean, low-carbon fuels should be used so that by 2020 about 3-4% of the electricity in Hong Kong would come from renewable energy sources, 40% from natural gas, not more than 10% from coal, and the remaining 50% from nuclear power. In response to the public consultation launched in September 2010, HK Electric submitted its comments, which were supportive of the strategy, provided there is a stable and proven regulatory framework similar to the existing one, a reasonable lead time is allowed for planning and constructing the necessary infrastructure, and government policy supports are available.

Improving Air Quality

Subsequent to the completion of the Flue Gas Desulphurisation (FGD) plant and low Nitrogen Oxides (NOx) system retrofit for Unit L5 in 2009, the low NOx system retrofit of Unit L4 and FGD retrofit of Units L2 and L4 were fully commissioned in 2010, marking the successful completion of the entire emission reduction programme.

Six coal-fired generating units are now equipped with FGD plants and five with low NOx Burner systems. Together with the increased use of natural gas, we have been able to significantly reduce emissions of sulphur dioxide, nitrogen oxides and respirable suspended particulates in 2010.

Going forward with our strategies to improve air quality, we will be switching the start-up fuel of six coal-fired generating units at Lamma Power Station from heavy fuel oil to ultra low sulphur diesel. Successful conversion works for Units L2, L4, L5 and L6 were completed in 2010. Conversion works for Units L1, L3 and the common systems including fuel oil storage tanks are scheduled for completion in 2011.



Thanks to the completion of the emission reduction programme and increased use of natural gas, we have recorded significant reductions in the emissions of sulphur dioxide, nitrogen oxides, and respirable suspended particulates.



We will be setting up an in-situ wind monitoring station to facilitate detailed design of the wind farm.

Offshore Wind Farm

The proposed development of a 100MW class offshore wind farm about 4 km offshore from southwest Lamma Island is progressing well. The environmental impact assessment of the project was approved in May, and an environmental permit was officially granted by the Hong Kong Government in June 2010.

Subsequently, we will set up an in-situ wind monitoring station to collect all necessary meteorological and oceanographic data that is necessary for a detailed design of the wind farm. A Stakeholder Liaison Group has been established to give advice on the design, construction and operation of the project. The wind farm is planned for commissioning by 2015.

Energy Audit

HK Electric provides a free energy audit service to our commercial and industrial customers to help them improve energy efficiency by identifying energy-saving potential at their business premises. In 2010, we carried out 54 energy audits for our customers, identifying for them ways and means to use electricity more wisely.

Electric Vehicle Charging Stations

Backing the Government's promotion of electric vehicles (EVs), we have installed EV battery charging stations at a number of public and commercial car parks on Hong Kong Island. A quick charging station was also installed at our Apleichau Compound to provide fast charging services to EVs. Apart from the charging stations, we have also procured ten EVs for leasing to the public to help promote wider use of EVs in Hong Kong. HK Electric has been a keen supporter of eco-driving and has been using environmentally friendly EVs in our operating fleet since the 1980s. Ten more EVs were added to our operating fleet in April 2010.



A visit to our electric vehicle quick charging station in Apleichau will provide motorists with added convenience.

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Customer Services Meeting All Pledges

All of our pledged customer service standards were either achieved or surpassed in 2010. We successfully attained the target service levels set for all three customer performance indices under the Scheme of Control Agreement.

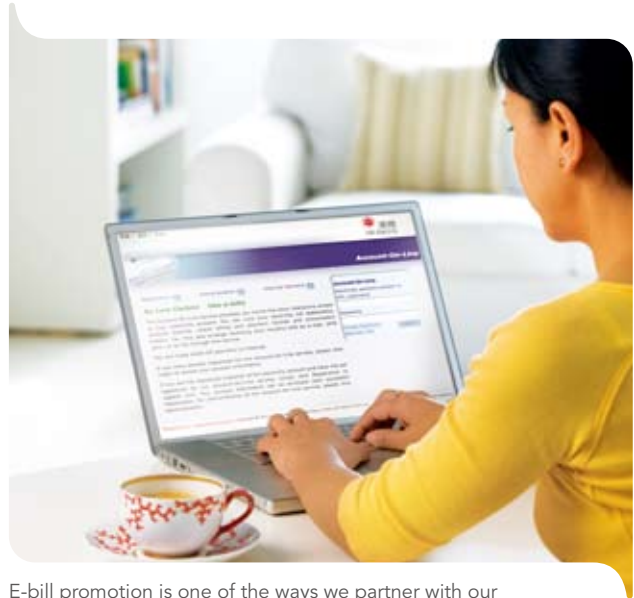
The number of commendations received from customers reached a record high of 1,555. These direct encouragements from our customers are the strongest motivation for our staff to sustain the highest level of customer services possible.

Emergency Services

Customers needing our emergency services in the past year were promptly served. The average waiting time for telephone calls to our Customer Emergency Services Centre (CESC) was 3.21 seconds, surpassing our pledged service standard of 9 seconds.



We are committed to excellent customer services and aim to exceed our customers' expectations.



E-bill promotion is one of the ways we partner with our customers to reduce carbon footprint.

Electronic Billing

One popular way to shrink carbon footprint is by using e-billing. After viewing their electricity consumption on our website, customers can take proactive steps to reduce paper use by choosing to receive e-bills. From July 2010 onward, we successfully processed about 20,000 e-bill registrations that were promoted with a one-off tariff rebate of HK\$30. Going one step further, customers were given the option of either taking the rebate or donating it to one of the four designated green groups.

Website Helps Customers Support the Environment

Domestic customers can also be environmentally friendly consumers by using the 'Electricity@Home' feature on our website to estimate their electricity consumption and set their own saving plans via the interactive 'Energy Survey' programme. They can also use the carbon calculator on our website to calculate their own carbon footprint that is created by consuming electricity and then take action to shrink it.

Improved Phone Service

To further enhance our services, the Automatic Call Distribution system was upgraded in February. The system employs the Interactive Voice Response System and Computer Telephony Integration technology for efficient processing of enquiry calls. It also supports broadcasting of specially recorded messages to customers calling the CESC. The new system has comprehensive backup schemes and allows simultaneous operation of the main CESC and the backup call centre, significantly increasing the reliability of our services.

Demonstrating Smart Power Usage

We are leading the community in the efficient use of energy. We have commissioned our Smart Power Centre that is located on the 11/F of the Electric Centre. At the Centre we demonstrate various energy conservation measures including efficient lighting, light emitting diode, variable speed drive for variable air volume air-conditioning, solar heat reduction and more.

Smart Meters for Better Services

Currently, smart meters are installed for all Maximum Demand accounts and for some large commercial and industrial customers. With these smart meters, we can provide our customers with more comprehensive energy usage data so they can better understand their energy consumption patterns and formulate energy efficiency measures. To further improve our customer services and promote energy efficiency, we will progressively deploy more smart meters for our customers.

Customer Service Pamphlets in Japanese and Thai

Reaching our customers who speak minority languages in Hong Kong continues to be important to us. In the past year we published customer service pamphlets on the use of our electricity account services and the efficient use of electricity in Thai and Japanese. These pamphlets were added to our existing literature in Indonesian, Tagalog, and Urdu.



Japanese and Thai Customer Service Pamphlets join our growing body of literature in minority languages.

Go Electric

Electric and induction cooking is one of our smart solutions that enables our customers to enjoy the benefits of a healthier working environment while reducing energy costs. By using electric and induction kitchen equipment/appliances, temperature, fumes, particulates, and noise in the kitchen are all reduced.

Customer Liaison Group

We are eager to hear the many voices of our customers. Through the Customer Liaison Group we bring together District Council members, non-governmental organisations, Lamma residents, as well as commercial and domestic customers. The group meets regularly and visits a variety of facilities to learn more about the latest developments of the Company.



We eagerly listen to stakeholders' voices through regular meetings with our Customer Liaison Group.