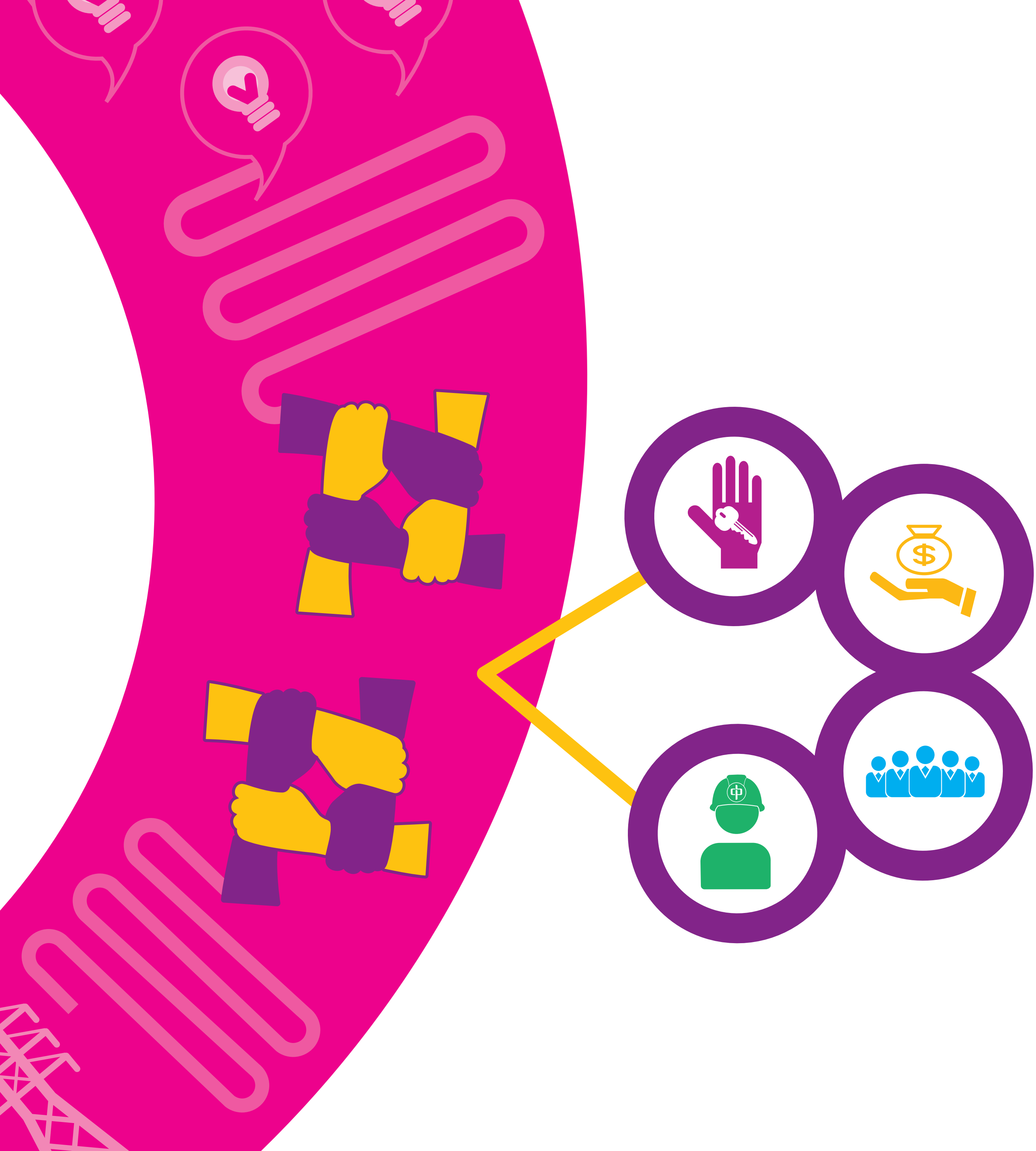
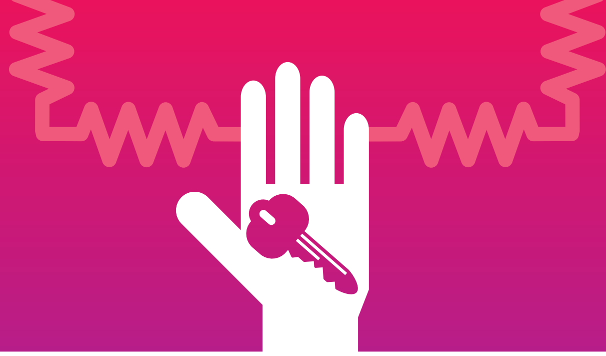


Relationships

CLP's business is not an island. We do not operate in a vacuum. To implement our strategy we need to establish strong relationships with key stakeholders. Our relationships with communities and the physical environment in which we operate are described in our Sustainability Report.

CLP and our Shareholders

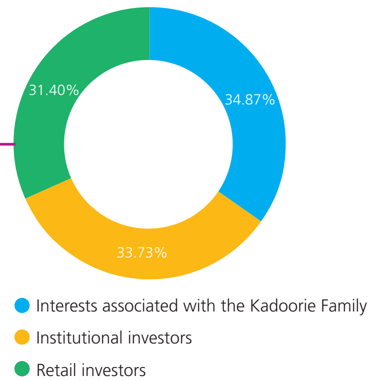


At the end of 2009 we had over 20,000 registered shareholders. The actual number of individual investors in CLP shares, or people and organisations who have an indirect interest in CLP shares through intermediaries such as nominees, investment funds and the Central Clearing and Settlement System (CCASS) of Hong Kong is considerably greater.

Shareholdings as at 31 December 2009

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
500 or below	2,070	10.01	597,035	0.02
501 – 1,000	3,618	17.49	2,771,042	0.12
1,001 – 10,000	9,845	47.61	42,084,346	1.75
10,001 – 100,000	4,587	22.18	133,356,343	5.54
100,001 – 500,000	449	2.17	89,852,945	3.74
Above 500,000	111[1]	0.54	2,137,481,689	88.83
Total	**20,680**	**100.00**	**2,406,143,400**[2]	**100.00**

Shareholding by Category



Notes:
1. Information on the ten largest registered shareholders in the Company is set out on our website.
2. 48.16% of all our issued shares were held through CCASS.

The Kadoorie Family (and interests associated with the Family) have a combined shareholding of 34.87%. Even so, CLP is not a family-controlled company. The remaining 65.13% of our shares are held by a wide range of institutional investors, including those based in North America, the United Kingdom, Far East and Europe, as well as a considerable number of retail investors, mostly resident in Hong Kong.

The scale of our shareholders' investment in CLP is reflected in a market capitalisation of CLP Holdings of HK$126 billion as at 31 December 2009. This ranks us as the 26th largest company out of the 1,145 issuers listed on the Main Board of the Hong Kong Stock Exchange. The Company's shares are a constituent of the Hang Seng Index (HSI) – the index of Hong Kong's leading listed companies, representing 1.67% by weighting of that Index. CLP is also part of the Hang Seng Utilities Index (HSUI) along with Hongkong Electric Holdings and Hong Kong and China Gas, representing 36.62% by weighting of that Index.

From publicly available information and as far as our Directors are aware, CLP Holdings has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2009 and has continued to maintain such a float as at 25 February 2010.

Our relationship with our shareholders depends on their continued trust and confidence. To earn and maintain this we must do at least three things:

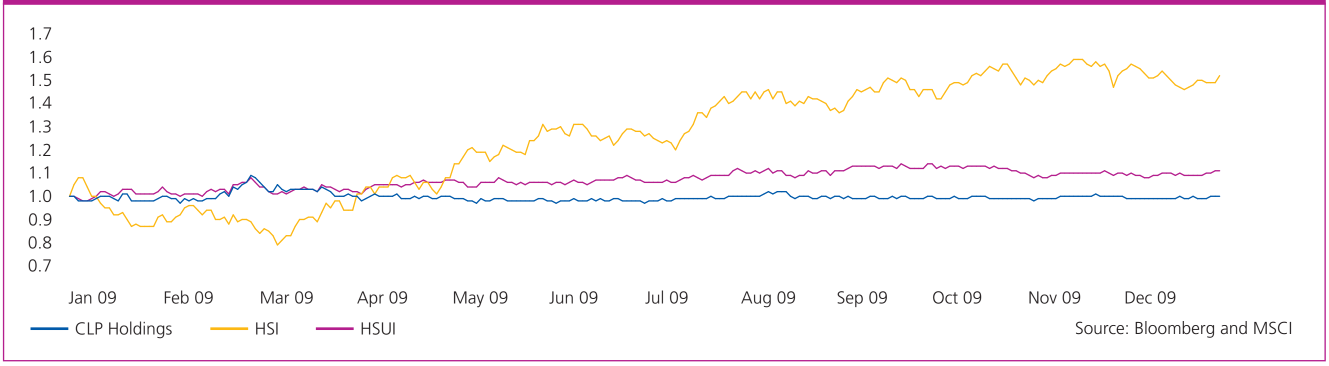
- deliver value to them;
- operate our business (their business) in a way which corresponds to their values and expectations; and
- communicate honestly, effectively and frequently with them about the stewardship of their assets by the Board and Management of CLP.

Delivery of Shareholder Value – Share Price Performance

The delivery of value to our shareholders comes in two forms: capital appreciation (in the form of the performance of our share price over time) and the payment of dividends.

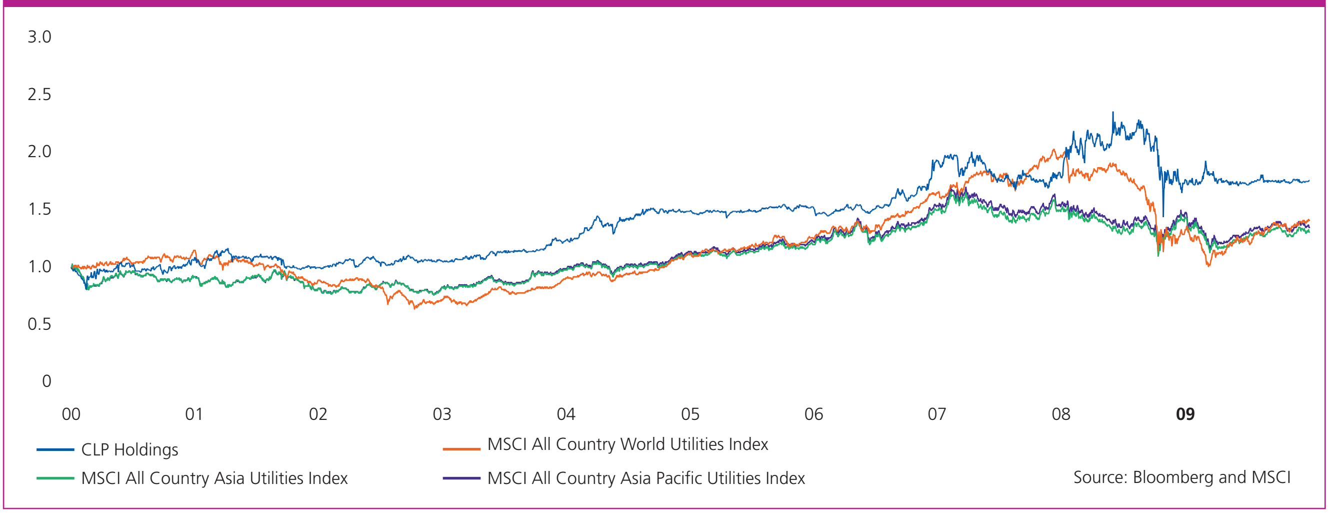
CLP shares slightly outperformed the HSI during the first quarter, but diverged as the Hong Kong equities market rebounded in the latter part of the year. In the past year, CLP shares have been trading in a relatively narrow range. The average closing price was HK$52.41, with the highest closing price of HK$57.55 recorded on 27 February 2009 and the lowest closing price of HK$51.15 recorded on 4 June 2009.

Relative Performance – CLP vs Local Benchmark Indices (1 Jan 2009 – 31 Dec 2009) (Base: 31 December 2008 = 1.0)



Whilst some investors predominantly measure CLP's share price performance against other Hong Kong stocks, other shareholders will review CLP's performance against that of other utility companies, both in Asia and worldwide. CLP has delivered a strong share price performance over the past 10 years, relative to benchmark utilities indices. Since 2002, when investor confidence in utilities weakened, CLP has consistently outperformed these indices, perhaps reflecting our policy of steady dividend payments. Generally speaking, and especially during the global credit crisis in 2008, CLP's share performance has been strong in economic downturns, reflecting the defensive nature of CLP stock.

Relative Performance – CLP vs Benchmark Indices (1 Jan 2000 – 31 Dec 2009) (Base: 31 December 1999 = 1.0)

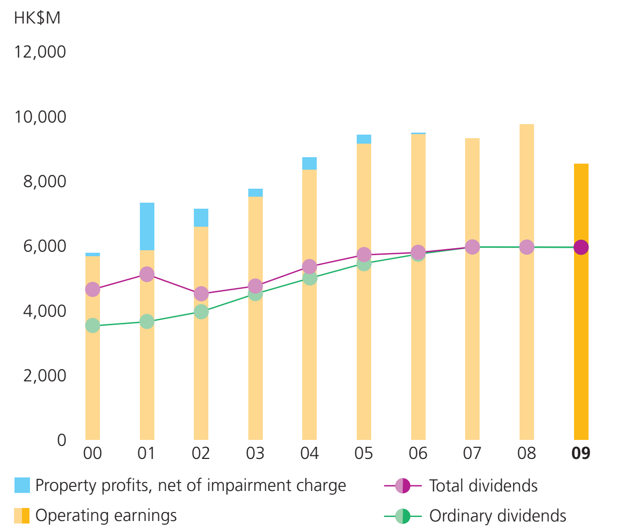


Delivery of Shareholder Value – Dividends

CLP's longstanding policy is to provide consistent increases in ordinary dividends, linked to the underlying earnings performance of the business. Our shareholders, both retail and institutional, have repeatedly emphasised to us the importance that they attach to a consistent and substantial dividend stream from their investment in CLP shares. If anything, this emphasis has increased in recent times, against a background of low interest rates on savings accounts in most major currencies.

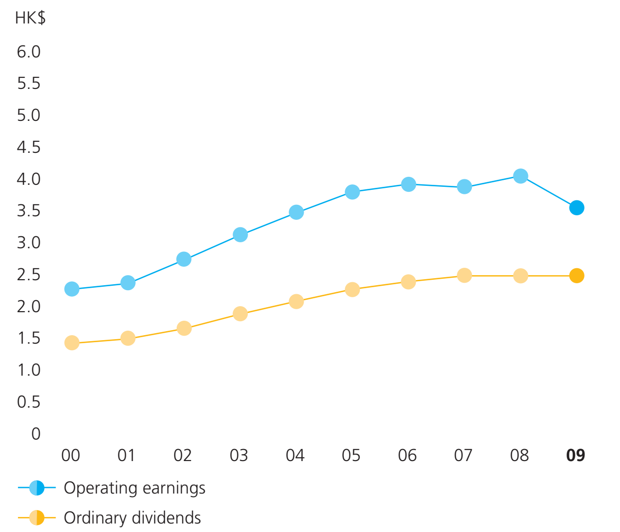
The following charts explain how steady increases in earnings in recent years have been translated into corresponding growth in the ordinary dividends paid to our shareholders.

Earnings and Dividends (2000-2009)



Note: Earnings for 2002 to 2005 have been restated for the effect of the adoption of HK(IFRIC)-Int 4.

Earnings and Dividends Per Share (2000-2009)



Note: Earnings for 2002 to 2005 have been restated for the effect of the adoption of HK(IFRIC)-Int 4.

Between 1999 and 2008, CLP's ordinary dividend payouts have been between 60% and 64% of operating earnings, with earnings from the property development at Hok Un and other property disposals having generally been paid out as special dividends. This year, with a significant decline in earnings compared to 2008, largely as a result of the substantial reduction in the permitted return under the SoC, our payout ratio has risen to 70% of operating earnings. The Board considers that this significant increase in the payout ratio, as opposed to reducing dividends in line with the year on year reduction in earnings, is the course which our shareholders would wish to take and which our financial strength and future prospects justify.

Accordingly, the Board has recommended a final ordinary dividend payable on 28 April 2010 of HK$0.92 per share. Together with three interim dividends per share of HK$0.52 each paid during 2009, the total ordinary dividend will be HK$2.48 per share. The Board expects that three interim dividends will be payable during 2010.

Q

Ms. So Mei Ling
Shareholder

A

Mark Takahashi
Group Director &
Chief Financial Officer

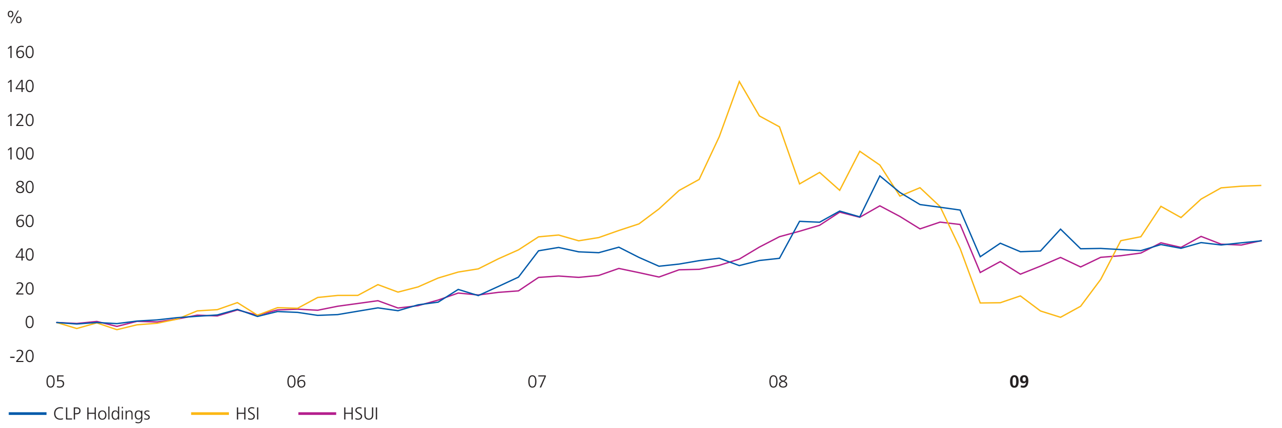
Shareholder earnings from the Hong Kong electricity business have been reduced under the new Scheme of Control Agreement. What is your plan to restore earning power so as to maintain CLP Holdings as an attractive option to our shareholders?

Our Hong Kong electricity business has been and will remain our core business. The earnings from this business were rebased at a lower level in the past year due to the reduction in the permitted return, but there are other enhancements in the business to mitigate the financial impact under the new Scheme of Control regime. The Scheme of Control earnings should show steady growth consistent with the projected capital expenditures in the approved Development Plan. In addition, we continue to see attractive investment opportunities across Asia. Most of these opportunities are primarily related to greenfield projects where we believe that our skill set and experience have demonstrated that we can add significant long-term value.

Delivery of Shareholder Value – Total Returns

Over the past five years, CLP provided stable growth in total returns when compared with both the HSI and the HSUI. During the period from 2005 to 2009, CLP provided an annualised rate of return of 8.21%, versus 12.62% and 8.22% for the HSI and the HSUI respectively.

Total Returns – CLP vs HSI and HSUI (2005-2009) (Base: 31 December 2004 = 0%)



Note: This chart is not taken back 10 years because of significant changes in the composition of the HSUI prior to 2001.

Source: Bloomberg

We recognise that our shareholders have many investment choices. We cannot offer a comparison of the total returns from holding CLP shares compared to all other investments available to our shareholders. The overwhelming majority of our shareholders have a Hong Kong presence of some sort (97.73% have their registered address in Hong Kong) and will tend to be either conservative investors or have CLP shares as a conservative component of their portfolio. We have, therefore, looked at the performance of some comparable investments which our shareholders might make. To do this, we have assumed, as an illustration, that during the period of 1, 5 and 10 years prior to 31 December 2009, an investor puts HK$1,000 into each of these investments. We have then compared the total worth of these investments (including bonus shares and with dividends or interest reinvested) at the end of each of the three periods.

Total Investment Worth of Different Types of Investment

	Total Investment Worth at 31 December 2009		
Type of Investment	1-Year Period HK$	5-Year Period HK$	10-Year Period HK$
CLP Shares	1,045	6,045	18,476
Hongkong Electric Shares	1,019	6,201	17,573
Hong Kong and China Gas Shares	1,702	7,236	22,521
HSI-Based Fund	1,549	7,055	18,307
HK$ 1-Year Fixed Deposits	1,022	5,482	11,697

Adapted from Bloomberg / Reuters

Respecting our Shareholders' Values and Expectations

This Annual Report as a whole explains CLP's values, our performance, and our prospects for the future. The stability of CLP's share price, the loyalty of our shareholders and our continuing dialogue with them suggests that what we do and how we do it generally corresponds to the way in which our shareholders would wish us to behave. There are, however, three areas which directly touch upon the rights and interests of shareholders and which can bear upon the delivery of shareholder value. We address them here. These are scrip dividends, the issue of new shares and the repurchase of existing shares.

The Board has considered providing a scrip dividend option to our shareholders. A scrip dividend option is uncommon in Hong Kong and the take-up rate by shareholders of a scrip option, as opposed to receiving dividends in cash, is extremely low. It is not presently envisaged to offer a scrip dividend option to CLP's shareholders.

The Board has also been conscious of market concern that the issue of substantial volumes of new shares, including at a discount, may lead to material and unfair dilution of minority interests. In response:

- the Company has given a commitment to use the mandate sparingly (it was last exercised in 1997) and in the interest of all our shareholders; and
- with effect from the 2005 Annual General Meeting (AGM), the resolution put to shareholders limits the general mandate to not more than 5% of the aggregate nominal value of the issued share capital of the Company as at the date of each AGM.

The Company has undertaken share repurchases to optimise our capital structure and enhance earnings per share, as and when appropriate, having regard to:

- the Company's cash position and distributable reserves;
- alternative uses of funds including, for example, dividends or allocation to new investments; and
- the Company's share price.

Bearing in mind these considerations, we made no share repurchases in 2009. The repurchase of 2,102,500 shares for a total consideration of HK$102 million in 2008 was the only time we have done this since 2002.

We have previously advised shareholders that, since parties associated with the Kadoorie Family hold 34.87% of CLP shares, the repurchase of only a further 8 million shares would take those parties above the 35% threshold at which they would be obliged to make a general offer for the remaining shares of the Company. Having previously consulted the Independent Non-executive Directors, Management believe it would not be in the interests of the Company and all its shareholders to create a mandatory general offer obligation or compel the parties associated with the Kadoorie Family to sell down in anticipation of future share repurchases. Accordingly, we applied in 2003 to the Securities and Futures Commission (SFC) and to the Takeovers and Mergers Panel for a ruling that the Takeovers and Mergers Code does not preclude a whitewash waiver application in respect of the mandatory general offer obligation triggered by on-market share repurchases. We also made a submission to the SFC in 2004 arguing in favour of the possibility of such waivers (which are established practice in other jurisdictions, such as Australia, the U.K. and Singapore). We were unsuccessful on both occasions. This means that, should the need arise to pursue share repurchases as a means to create shareholders value, we would need to consider and implement other structures – provided that these were feasible, would comply with all relevant regulations and will respect the interests of all our shareholders.

Our CEO hosting a Shareholders' visit

Shareholders – Communication

We will not enjoy the trust and confidence of our shareholders if they are uncertain about the performance of their company, unclear as to its future direction or uneasy about the stewardship of their assets.

This Annual Report is one of the clearest illustrations of our determination to be honest and open about the way in which we are discharging our responsibilities to our shareholders. There are many others. Some of these are listed below. We should stress that communication is a two-way process. We maintain a dialogue with our shareholders. CLP is their company, they have the right to express their opinions and we have a duty to listen. In 2009, this involved:

Providing information

to our shareholders through means such as

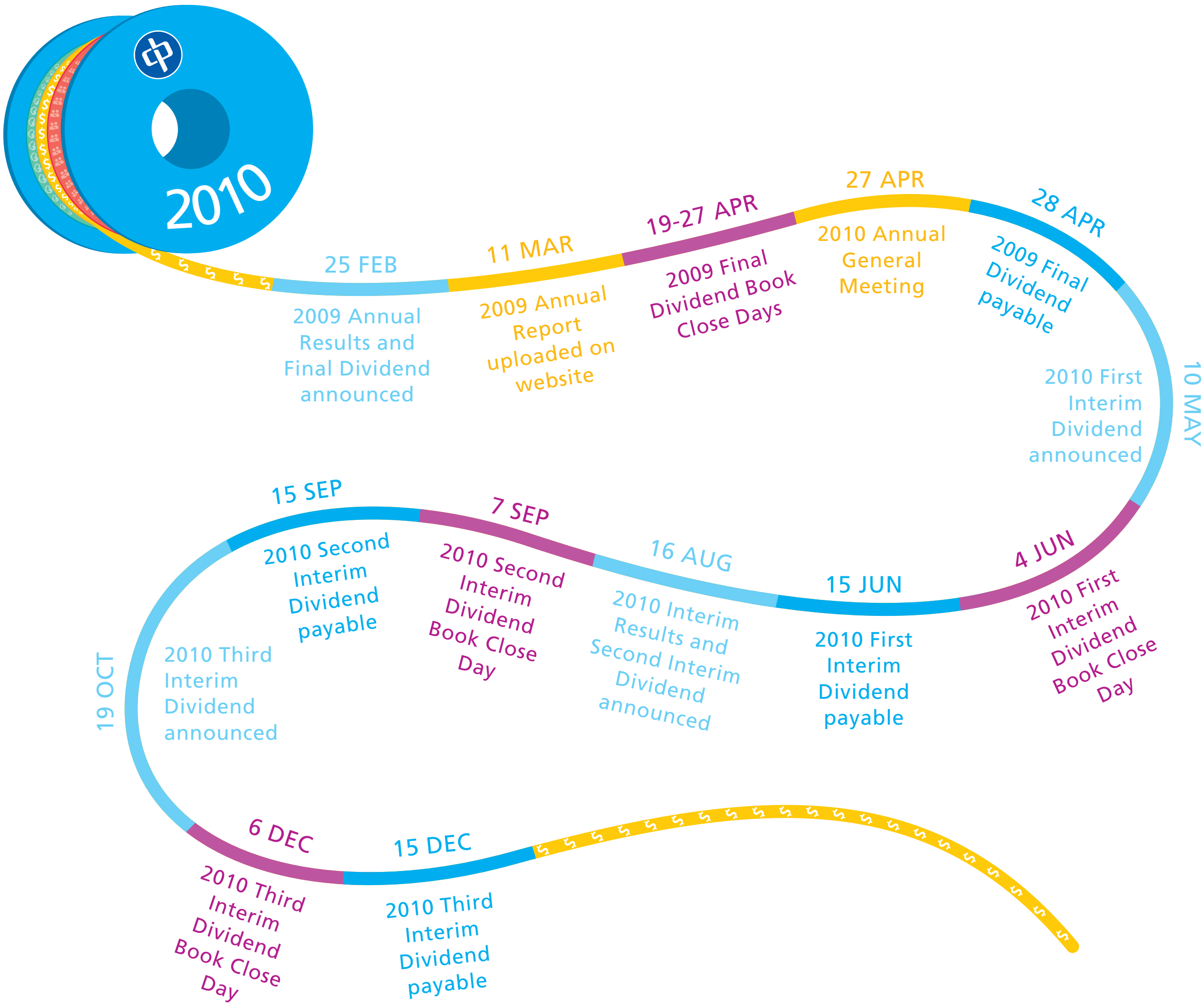
- Our Annual Report, Sustainability Report and Quarterly Statements – all of which provide information far in excess of legal and regulatory requirements.
- Our AGM, attended by Directors and Senior Managers. In the past 5 years, the attendance of shareholders at our AGMs has averaged about 680 (903 in 2009). This is an unusually high number for a Hong Kong company, including by comparison with other companies with a much higher number of registered shareholders.
- During the year, Management attended over 200 investor meetings, including participation in 9 investor conferences, and 10 non-deal roadshows (including one corporate governance roadshow) to the U.K., Singapore, Japan, U.S. and Canada.
- Briefings to analysts on the Company's interim and annual results, as well as overseas business. These are broadcast on our website.
- The CLP website, which includes information on the Company's corporate governance principles and practices, updates on the Group's affairs and other information for shareholders.

Encouraging feedback

from our shareholders through means such as

- Face to face dialogue, including the "Shareholders' Corner" at our AGM.
- Feedback forms sent out with our Annual Report to obtain shareholders' views on the Report and on additional information that they would like to receive in the following year's Annual Report, together with questions that they would like to have answered in the "Frequently Asked Questions" section of our website. We consider the feedback received and post answers on the website. We also send direct replies to shareholders in response to the specific questions that they raise.
- The comments, queries and reports from market analysts.
- Shareholders' hotline and e-mail contacts.
- Shareholder correspondence – our aim is to provide a substantive reply within seven days to written shareholder queries. If those queries raise a matter of more general interest to shareholders, we take this into account and seek to address this in subsequent corporate communications to all our shareholders.
- Shareholders' visits to our facilities. Our Shareholders' Visit Programme initiated in 2003 has been a notable success. Between 28 October 2009 and 23 April 2010 we expect to welcome about 3,800 shareholders and their guests, during 70 tours to our facilities at Black Point Power Station, Eco Home and Energy Efficiency Exhibition Centre. On these occasions, we seek views on the performance of CLP. About 70 CLP colleagues, including Directors, have volunteered to participate as hosts of the programme.

Important dates for shareholders in 2010 are set out below. Any changes will be published on our website.



If, at any time, any shareholders have questions or comments on what we are doing on his, her or their behalf, please contact us (page 208 explains how). As for many years past, in the case of questions, we will provide an answer (and post it on our website if this would be of wider interest to shareholders or other stakeholders). The choice of the "Questions and Answers" in this Report reflects the issues which have been raised most frequently with us in the past year. In the case of comments, we will take your views into account and we will act upon them whenever this will improve our performance.

CLP and our Lenders

Financing

Our relationship with our lenders extends to bondholders, credit rating agencies and all those associated with the provision of debt financing to the CLP Group. To give an idea of the importance of this relationship, at the end of 2009 our lenders had lent HK$39.4 billion to the CLP Group, with a further HK$20.0 billion undrawn facilities. CLP could not function, still less grow, without the supply of large-scale, long-term, cost-efficient capital from our lenders.

Our strategy is to procure financial resources and support from qualified, diversified counterparties with healthy balance sheets on the most competitive terms available in the market. In the case of financial institutions, debt security investors and credit rating agencies, we strive to maintain long-term relationships in order to obtain the right financial resources to support our business objectives. These strategies and relationships have not changed just because of cyclical financial market movements. As at December 2009, the Group had business relationships with 54 (2008: 45) financial institutions in Hong Kong, Chinese mainland, Australia, India and Southeast Asia. This increase in number of financial counterparties during a time of severe market challenges shows that CLP and its prudent financial management were well respected by the market.

Traditionally, the Hong Kong based operation has sourced its debt from the bank and debt capital markets in Hong Kong and the United States. This year we further diversified our funding sources to include long-term financing from a Japanese investor with a Japanese Yen 15 billion (HK$1.2 billion) 15-year bond placement by CLP Power Hong Kong with the American Family Life Assurance Company of Columbus, a leading life insurance company in Japan. The Yen bond was issued under the enlarged US$2.5 billion (2008: US$1.5 billion) Medium Term Note (MTN) Programme. The Programme allows CLP Power Hong Kong to issue long-dated, fixed rate bonds to match long-term capital investment with its financing. As at 31 December 2009, bonds with a nominal value of about HK$12.1 billion were issued under the Programme. All of the Yen proceeds were swapped back into fixed rate HK dollars at an attractive price which fully mitigates foreign currency and interest rate risks. CLP entities in Hong Kong have also taken the opportunity to develop business relationships with more financial institutions which are unaffected by market conditions and seek to expand their regional businesses. These CLP companies have broadened their list of lenders, further diversified the mix of short and long tenured bank facilities and bond issuances from a group of creditworthy international and local financial institutions on a competitive basis and spread out the maturities to reduce refinancing risk.

Our subsidiaries and affiliates overseas capitalise on the strong credit of CLP Holdings, risk-balanced project structures and healthy project economics. They maintain balanced funding sources from export credit and quasi-government agencies, banks and bond investors. These lenders have good credit ratings, local market knowledge, and funding capability at commercially acceptable terms and on a non-recourse basis to support CLP's regional business development. During this period of challenging financial markets, some called upon CLP Holdings' financial expertise and relationships with regional financial institutions to help arrange incremental debt facilities and close (re)financing arrangements in a timely manner. This helped us to mitigate the adverse impact of the liquidity drain seen recently in the market and to complete financing plans at reasonable costs. For example, TRUenergy in Australia did two refinancings in 2009 – a A$300 million (HK$2.1 billion) working capital loan in June and a A$350 million (HK$2.4 billion) long-term credit facility in August. The refinancing amount of the second debt was reduced from A$650 million after working capital enhancement and received an overwhelming response after a roadshow meeting in Hong Kong with CLP relationship banks. In India, Jhajjar Power completed a Rs.39 billion (HK$6.5 billion) project level loan in September to fund the construction of the 1,320MW coal-fired project. This resulted from a flexible financing plan which moved away from traditional US dollar export credit agency led financing to more pragmatic Indian Rupee project level funding. Rupee financing also allows Jhajjar Power to match loan repayments and financing costs with revenue income upfront.

The Group's policy is to apply a certain percentage of retained profits to partially fund business expansion and arrange adequate debt financing facilities to meet the remaining operational and business development. During 2009, CLP Power Hong Kong arranged a total of HK$8.9 billion of new financing. This comprised HK$4.0 billion bond issuance with tenors of 3 to 15 years at fixed interest rates ranging from 2.25% to 4.62% under the MTN Programme and HK$4.9 billion bank loan facilities.

The Group's total debt to total capital ratio was 35.7% as at 31 December 2009 (2008: 29.7%), and was 30.7% (2008: 29.1%) after netting off bank balances, cash and other liquid funds as at 31 December 2009.

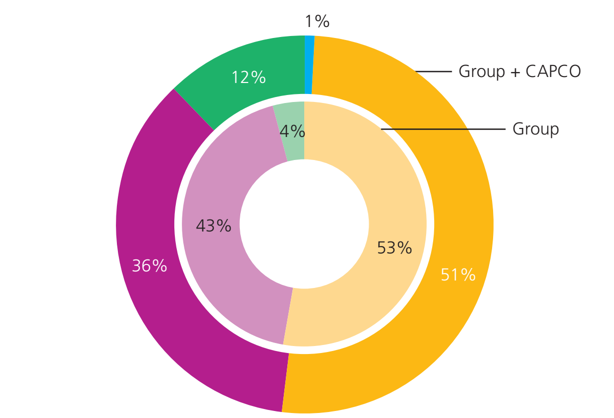
Debt Profile and Interest Cover as at 31 December 2009

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	Other Subsidiaries[1] HK$M	Group HK$M	Group + CAPCO HK$M
Available Facility [2]	8,200	26,354	24,922	59,476	68,883
Loan Balance	2,000	22,429	15,002	39,431	47,476
Undrawn Facility	6,200	3,925	9,920	20,045	21,407

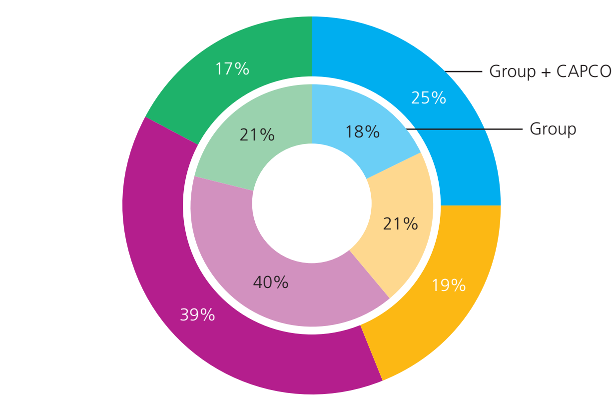
Notes:

1. Mainly relates to TRUenergy and subsidiaries in India.
2. For the MTN Programme, only the amount of the bonds issued as at 31 December 2009 was included in the total amount of Available Facility. The Available Facility in TRUenergy excludes facility set aside for guarantees.

Loan Balance by Type



Maturity by Ageing



* Including loan drawdown with current tenor less than one year under revolving facility with final maturity falling beyond one year.

The financial obligations of the Group, CAPCO and PSDC, and the Group's share of the financial obligations of jointly controlled entities and associated companies as at 31 December 2009 are shown on page 73.

In 2009, interest cover (which equals profit before income tax and interest divided by the sum of interest charges and capitalised interest) was 8 times (2008: 9 times).

Credit Ratings

All ratings of the Group's major entities remain at investment grade. CLP's prudent approach to borrowings and risk management has enabled us to maintain good investment grade credit ratings. This helps us secure adequate financing to support our operations and investments and preserves the capacity to access the financial markets to support our future funding needs.

CLP Holdings

In June 2009, Moody's re-affirmed the A2 credit rating of CLP Holdings with stable outlook. This reflects the strong and predictable cash flows generated from CLP Power Hong Kong under a stable regulatory environment in Hong Kong as well as its sound liquidity profile, supported by the Group's good track record in accessing domestic and international bank and capital markets, and its well-managed debt maturity profile. Moody's warned that the lowering of the SoC permitted return and leverage up of the SoC business would weaken CLP Holdings' financial profile from a strong level, and CLP Holdings' further expansion into non-regulated merchant energy and retail business in the region could raise the Group's overall business risk profile.

In June 2009, Standard & Poor's (S&P) re-affirmed the A- credit rating of CLP Holdings with stable outlook. S&P suggested that the strength which CLP Power Hong Kong brings to CLP Holdings, was tempered by the parent's expansion into riskier assets in the Asia-Pacific region but S&P believed that CLP Group's good track record in prudent financial management with a balanced funding strategy should not unduly pressure CLP Holdings' financial profile, relative to the current rating, whilst CLP Holdings aspires to expand overseas.

In December 2009, Fitch re-affirmed its self-initiated A+ long-term issuer default rating to CLP Holdings but revised its outlook from stable to negative to reflect its view of CLP's large capital expenditure pipeline in Hong Kong and overseas and expectation of a moderate increase in debt leverage.

CLP Power Hong Kong

In June 2009, Moody's re-affirmed the A1 credit rating of CLP Power Hong Kong with stable outlook. Moody's commented that the largely unchanged regulatory framework which offers a transparent tariff system, allowing 100% cost pass-through, would continue to provide CLP Power Hong Kong with a strong and highly predictable cash flow, despite the lower permitted rate of return under the new SoC. Moody's suggested that CLP Power Hong Kong's liquidity profile is pressured by its projected high dividend payment to CLP Holdings and its capital expenditure plan, but Moody's drew comfort from CLP Power Hong Kong's good track record in accessing domestic and international bank and capital markets, as well as its well-managed debt maturity profile.

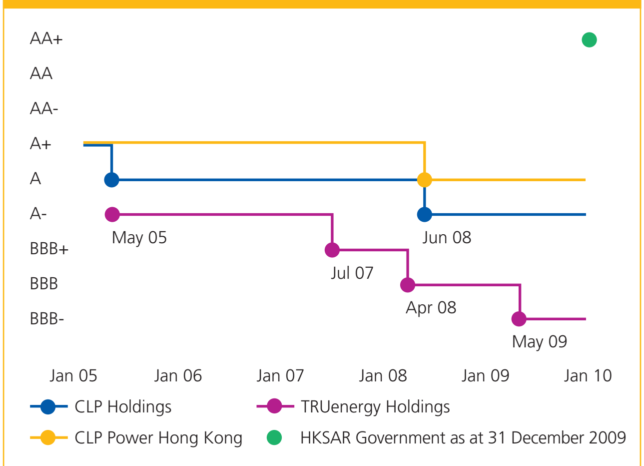
In June 2009, S&P re-affirmed the A credit rating of CLP Power Hong Kong with stable outlook. S&P stated that the credit rating reflected the stable regulatory environment in which CLP Power Hong Kong operates, a strong market position in its service area, a strong operating track record, and its strong financial flexibility despite a tight credit market. S&P expected CLP Power Hong Kong would maintain a modest financial profile at a time when it raises its debt leverage, as it believed CLP Power Hong Kong would do so in a prudent manner which would maintain its strong financial flexibility.

In December 2009, Fitch re-affirmed its self-initiated A+ long-term issuer default rating to CLP Power Hong Kong and revised its outlook from stable to negative to reflect Fitch's expectation of moderate increase in debt leverage.

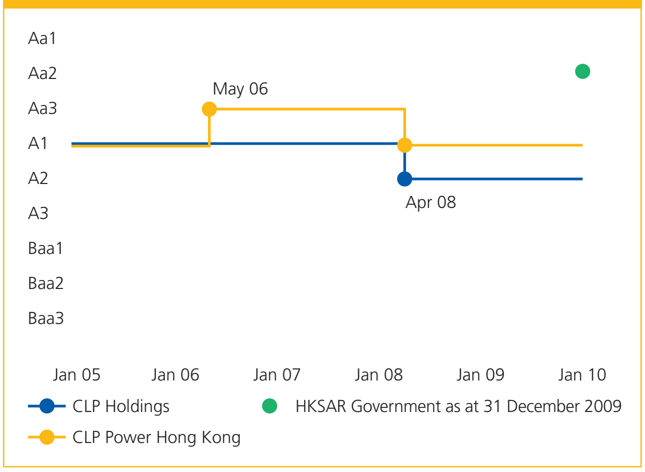
TRUenergy Holdings

In May 2009, S&P downgraded TRUenergy Holdings' rating from BBB to BBB- to reflect TRUenergy's diminishing financial flexibility in the medium term due to significant uncertainty about the implications of any CPRS. Rating outlook was revised from negative to stable in August after TRUenergy had completed a A$350 million 3-year bank facility refinancing.

Standard & Poor's Long-term Credit Ratings – Foreign Currency and Local Currency



Moody's Long-term Credit Ratings – Foreign Currency and Local Currency



CLP and our Customers

Within the CLP Group, we only have a retail business in Hong Kong and in Australia. In these two markets the way in which we serve our customers differs greatly. In Hong Kong, we use our own transmission and distribution system to deliver electricity generated in Hong Kong or purchased from Daya Bay to serve over two million customer accounts in Kowloon and the New Territories and most of the outlying islands. In Australia, like all generators there, we are required to sell generated electricity to a pool run by government. We then purchase electricity from the pool to service our 740,000 electricity customer accounts, primarily in Victoria and South Australia using the independently owned National Transmission and Distribution system. In Australia we also have 537,000 gas customer accounts. Whilst the means by which we can serve our customers differ, our commitment to excellence in customer service is the same.

Hong Kong

Hong Kong's people demand and expect the highest level of service from their electricity provider. In a society where the majority of the population live in high-rise buildings, with their homes accessible only by lifts; in a hot and humid climate which places heavy reliance on air conditioning; and densely populated areas which means that individual equipment failures can affect many thousands of people, failings in electricity supply would be unacceptable and intolerable. Year in, year out, CLP works hard to provide an electricity service characterised by reliability, power quality, reasonable tariffs and excellent customer service. In 2009, we performed well in all these respects.

Reliability

Hong Kong has one of the most reliable electricity services in the world. Even so, we make continuous efforts not just to maintain, but to improve, our performance. Since 2000, Unplanned Customer Minutes Lost (CML) per year, a standard measure of supply reliability, has been lowered by 83%. A typical customer in CLP's supply area would have experienced an average of only 2.7 minutes of unplanned power interruptions per year during the period from 2007 to 2009. This compares with 11-39 minutes (during 2006 to 2008) of power outages experienced by electricity users in New York, Sydney, Paris and London.

Power Quality

The combination of economic development and technological progress has led to widespread use of electronic and computer devices at home and at business – and the sophistication of these devices has grown over time. As a result, the quality of power supply has become more and more important to customers – as variations in power quality may impact sensitive equipment.

Addressing power quality problems is a bilateral process. It requires CLP to improve the stability of the power we generate and transmit, and customers to understand and manage the vulnerability of highly sensitive equipment to even minor power variations.

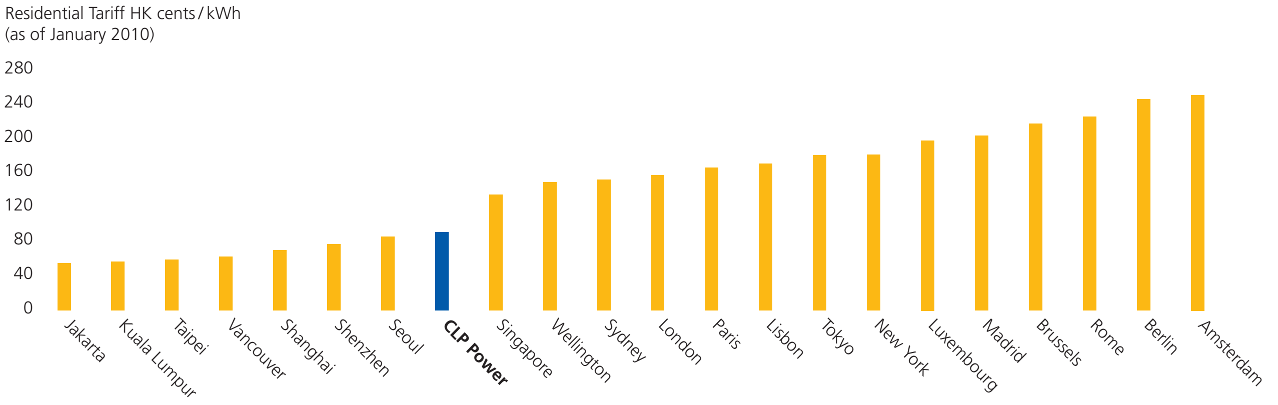
On CLP's side, the ongoing installation of line arresters onto our 400kV transmission and 11kV distribution overhead line networks has considerably improved the power quality performance of the network in recent years, especially during thunderstorms.

On the customer side, we have been providing assistance to solve power quality issues by offering technical services, evaluating sensitive equipment and assessing and promoting new technologies. In 2009 alone, almost 80 technical proposals were recommended to our customers to enhance their power quality performance. Prevention is better than cure and so we meet equipment manufacturers and project consultants to develop practical and cost effective measures which can be incorporated in new equipment at the design stage to make it more resistant and robust to power quality challenges.

Tariff

CLP makes a great effort to maintain reasonable and affordable tariffs. Our success is apparent when compared to the tariffs which residential customers would pay in other major cities across the world.

2010 Residential Tariff Comparison



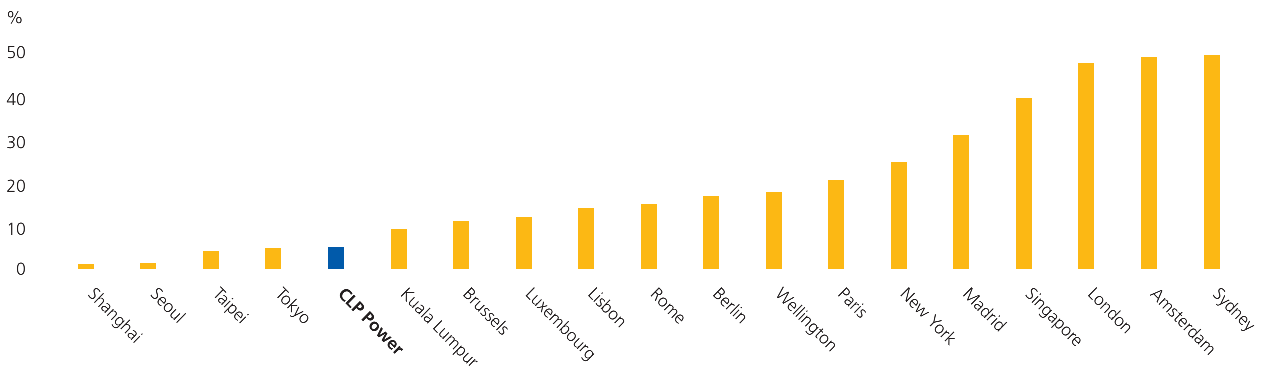
Notes: Comparison based on annual domestic consumption of 3,300 kWh.
Tariff and exchange rate at January 2010.

Source: Web search

CLP's tariff is made up of two major components. Basic tariff is the cost of service to customers for the investments and operating costs necessary to supply power to meet their demand. The second component, the fuel clause charge, reflects the cost of fuel used for generating electricity. This is directly passed through to customers – CLP makes no profit on fuel.

In December, CLP announced that, with effect from 1 January 2010, its average net tariff would be raised by 2.6%. This was the result of a 2.6 cents rise in basic tariff, partially offset by a reduction of 0.3 cents under the fuel clause charge, due to the downward movement of coal prices during 2009. This was the first time CLP had increased its basic tariff in more than 10 years – a period during which we had offered over HK$4 billion in rebates to our customers. Even after this increase, basic tariff remains lower than it was in 1999 and considerably lower than that of Hongkong Electric. Although no tariff rise is ever welcome, this increase will help fund important environmental projects, such as emissions control installations for our generating units, as well as improved and strengthened transmission networks to support Hong Kong's infrastructure plans. As most of CLP's equipment and material is imported, we are subject to fluctuations in the cost of imported materials. Rapidly rising prices for these have exerted great pressure on CLP's costs. Even so, although the past five years have seen considerable increases in fuel and material costs, CLP has exercised considerable control over tariff rises when compared to the situation in other major cities.

Electricity Tariff Rises in Major Metropolitan Cities (2005 – January 2010)



Note: Comparison based on annual domestic consumption of 3,300 kWh.

Source: Web search

Customer Service

We follow three main paths to enhance the quality of our service to our customers: measuring and monitoring key performance indicators, close interaction with our customers and targeted investments in processes and infrastructure to improve service quality.

CLP has 12 performance pledges, addressing matters such as reliability of electricity supply, speed of response to our emergency service hotline and other key service measures. In 2009, we reinforced two pledges with more stringent targets regarding the average arrival time for inspection of premises following a loss of supply and the average time we take to restore supply after an outage. Our performance against all of our pledges is set out on our website at www.clponline.com.hk.

Each year, we measure our customer satisfaction levels and compare them with other benchmark utilities and corporations. CLP has performed well in this regard, with our overall brand image remaining alongside MTR Corporation and Hong Kong Post as one of the three leading major utilities or public service providers in Hong Kong.

Successful relationships with our major customers are sustained through measures such as dedicated account managers, energy audits and ongoing interaction on trade news, technology developments and case studies on power quality and energy conservation. In addition to our customer contact channels, we communicate with our wider customer base through our extensive customer consultation network. This includes our Customer Consultative Group (CCG) and 14 Local Customer Advisory Committees (LCACs). Through this network, we solicit valuable opinions, feedback and guidance from community leaders and customer representatives. By way of example, in 2009 the CCG and LCACs provided feedback on our new energy efficiency exhibition centre, shared experience in energy efficiency and customer services initiatives through a visit to Guangzhou, provided feedback on our scheme to develop charging stations for electric vehicles in Hong Kong and offered input into CLP's energy vision for the next decade, with its plan for a fuel mix which makes even greater use of clean energy sources.

The customer services initiatives which we introduced in 2009 included a revamp of CLP online. This integrated various websites into one single portal to provide easier access to our services for the increasing number of customers who connect with us through the internet. We also introduced our Meter Online Service which helps larger customers manage their electricity consumption and load profiles and, for residential customers, our Wiring Inspection Service which promotes the safe use of electricity at home.

Q

Mr. Kevin K. W. Lau
President
The Hong Kong Chamber of Small and Medium Business Ltd.

A

Richard Lancaster
Group Director – Managing Director Hong Kong

CLP is one of the best partners for the Small and Medium Enterprises (SME) in Hong Kong; how does CLP provide customised services to the SME so that we could enhance our competitiveness in the ever-changing business environment and contribute to green initiatives?

CLP greatly values its relationships with our business customers. We recognise that businesses, particularly SMEs, not only face strong competitive pressures but are also keen to responsibly manage their environmental impact.

CLP provides one of the most reliable supplies of electricity in the world to our customers, at value for money prices, and with the minimum environmental impact. Our award winning CLP Business Centres at Sham Shui Po and Yuen Long provide a wide range of services specially tailored to meet the needs of SMEs. In a one-stop shop, we can help with on-the-spot applications for electricity supply, provide helpful advice on electrical installation design and energy saving solutions, and offer dedicated information resources for existing SME customers or those looking to start a new business. Every week we help businesses save energy and stay competitive.

All this means the owners and managers of SME businesses have one less thing to worry about, so they can get on with what really matters to them – growing and developing their businesses and looking after their customers.

Our relationship with our customers changes and expands with new technologies and market opportunities. Our work on energy services and electric vehicles are examples of this.

A new energy service company (CLPEST) was established in Guangdong, aiming to increase the energy efficiency of customers' undertakings in Guangdong, thus contributing to the improvement of the Pearl River Delta environment. In its first full year of operation in 2009, the service company closely cooperated with the Power Supply Bureaux in Shenzhen, Guangzhou, Foshan, Zhongshan and Jiangmen to provide training and energy efficiency consultancy services to their customers.

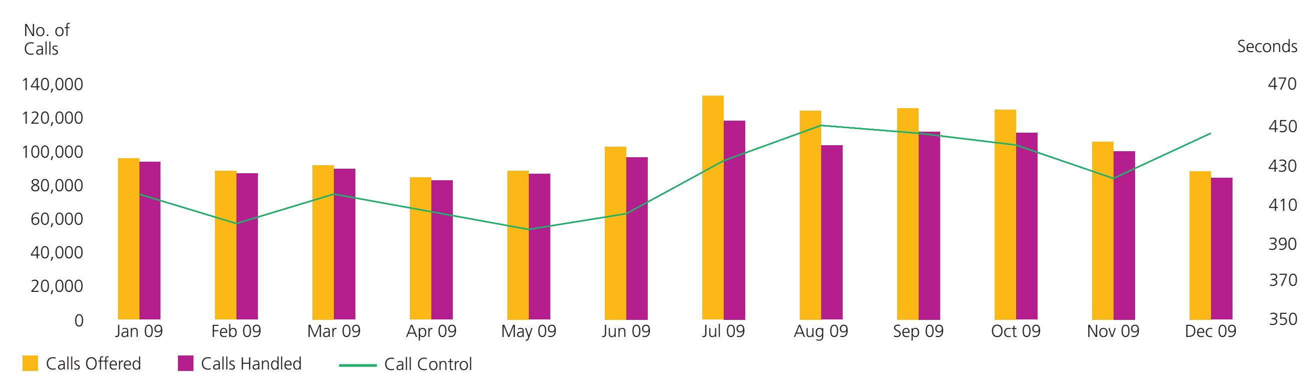
To support the development of electric vehicles (EVs) in Hong Kong to reduce roadside emissions, CLP announced its plan for a trial network of charging stations with major car parks, property developers and corporations. This will provide an easy and convenient means for electric vehicle users to re-charge vehicle batteries at public locations. In phase one, 21 charging stations should be put in place by the end of the first quarter of 2010. Further conversion of CLP's Toyota Prius hybrid vehicles to plug-in type EVs and our quick charger project all made good progress. The quick charger, which is compatible with most EVs manufactured in Japan will be able to charge up an EV from 15% to 80% of capacity within 30 minutes. This compares to the traditional slow-charging time of seven to eight hours. This will significantly extend the EVs' driving range, and increase the appeal and practicality of EVs. CLP Power Hong Kong plans to install more units to expand the EV charging network in Hong Kong and promote emissions reductions, as more drivers switch from conventional vehicles.

Australia

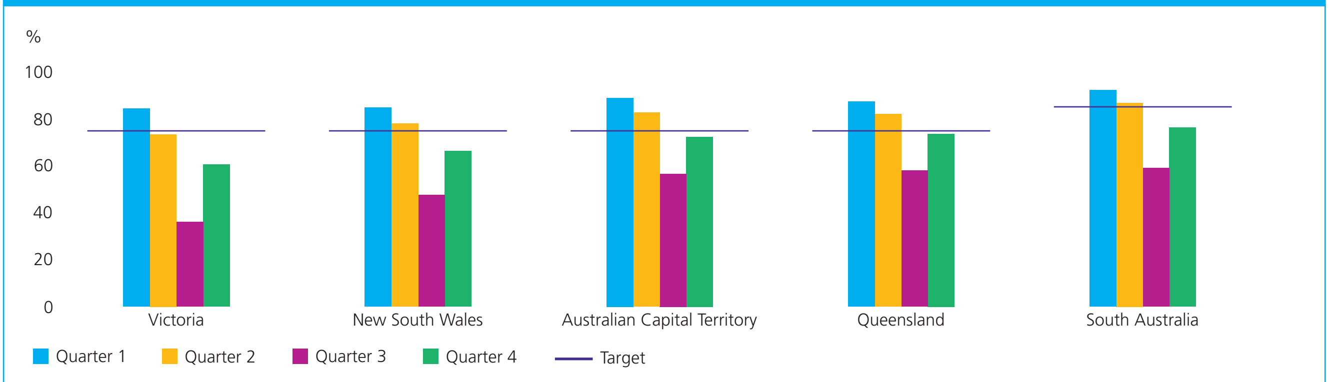
In 2009, TRUenergy handled 2,116,938 customer enquiries. Of these 1,253,498 were handled by consultants, whilst 863,440 callers resolved their enquiries through a self-service interactive voice response system.

Customer service standards are overseen by the state-based energy regulators and energy ombudsman schemes. TRUenergy has continued to achieve a lower than industry average complaint rate. These charts illustrate TRUenergy's performance, using an overall indicator of average speed of answering, call control and abandonment rates.

Customer Interaction Centre – Calls Offered, Handled and Call Control



Regulatory Service Level



Our responsiveness to customer calls was affected during the year by changes made by the Victorian Government to the process for the Victorian Winter Energy Concession that required customers to contact their retailer to apply / re-apply for the concession. This generated an unprecedented amount of additional customer calls. There was also a 12% increase in the number of customers wanting to speak to a customer service consultant, rather than using one of our automated services and a significant increase in call volumes in the second half of the year compared to previous years. The increase in call volumes was compounded by a severe flu season in Victoria with a corresponding increase in call centre staff sick leave during the winter months. In response we immediately increased our staff recruitment during the second half of the year. We reallocated resources and utilised overtime to maximise the number of employees who could respond to customer calls. We are also assessing the best way to create a pool of casual staff that can help increase our staffing levels at short notice for unexpected events and ensure consistency of customer service levels. To further improve the quality of our call handling and associated customer experience, we introduced the Customer Acquisition, Retention and Excellence (CARE) programme in late 2009. This programme is designed to:

- deliver to our customers TRUenergy's new Customer Value Proposition, centred around "making energy easy";
- promote retention of consultants with specialisation in customer service to help better and consistent service delivery; and
- provide our customer service consultants with greater support through a career structure and programme that develops customer service specialists.

In June 2009, TRUenergy launched its first new product in three years in Victoria, the TRUenergy Value Bundle. Inspiration for this new product came from key trends in the highly competitive U.K. market and was validated by local market consumer research. The combined gas and electricity plan rewards customers with an 11% rebate on usage after every 12 months, when they pay on time by direct debit. A campaign supported by television advertising in the Melbourne metropolitan area contributed to 27,950 accepted customer account quotes for the new product in 2009.

We also launched an energy efficiency offer in Victoria that provided a no-cost service for residents in which we installed energy efficient light globes and water-saving shower heads. This was supported by promotional campaigns in the second half of the year. Demand for the service was extremely high. In South Australia, we offered a similar energy efficiency package to households under the SA Residential Energy Efficiency Scheme. The SA scheme also includes a quota for hardship customers. In our larger, account-managed customer segment, our continued strong focus on customer service enabled us to retain approximately 95% of customers upon contract renewal.

Q

Mr. Sam Verde
Group Engineering Manager
Fonterra Australia

A

Richard McIndoe
Group Director – Managing
Director Australia

With the increasing community expectations that companies will improve their energy efficiency to reduce the amount of electricity and gas they consume, can you outline what steps TRUenergy is taking to work with its customers to help them meet this imperative?

TRUenergy, through its Industrial and Commercial group, provides energy audit advice to its major customers. This involves a detailed assessment of processes and would also typically involve us working with equipment suppliers and manufacturers to achieve efficiency improvements.

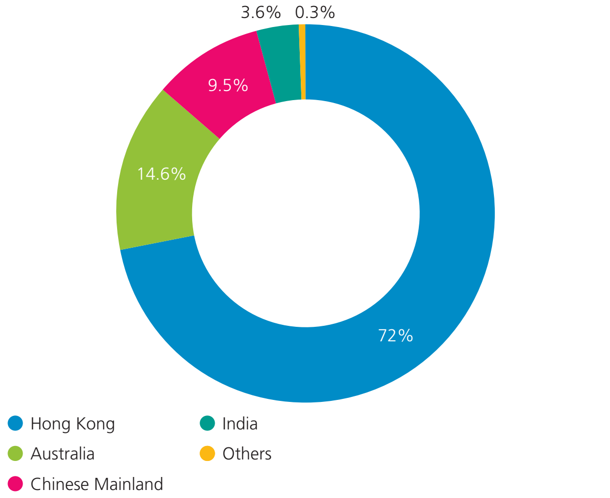
TRUenergy has also taken an equity stake in GridX, which offers distributed generation for businesses to reduce greenhouse gas emissions and ensure reliability. GridX uses gas-fired generators to produce electricity and recover waste heat for heating and cooling – this can reduce the carbon intensity of energy supplied to customers by 50% compared with conventional energy purchased from the grid.

Our natural gas vehicle programme assists businesses to convert truck, bus and forklift fleets from diesel to more efficient natural gas. It offers businesses in manufacturing, large retail, transport and facilities operations the chance to reduce transport-related greenhouse gas emissions by as much as 22%. TRUenergy plans to further expand this programme with additional gas refuelling stations.

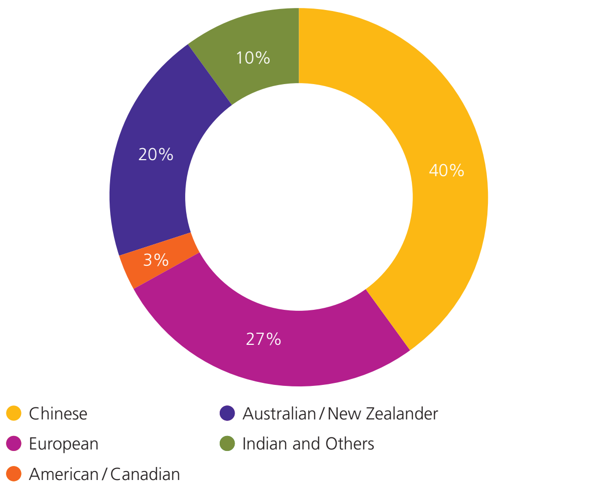
CLP and our Employees

CLP has a widespread and diverse workforce, with over 5,700 employees based in Hong Kong and elsewhere in the Asia-Pacific region. These possess the variety of skills required to operate and support generation, transmission, distribution and retail power businesses involving a range of technologies, differing markets, regulatory regimes and business environments. The following charts illustrate both the distribution of our staff across the region, as well as the diverse nationalities and ethnic backgrounds of our senior executives, which support our ability to function effectively in different markets.

Staff Distribution by Geographical Location as at 31 December 2009



Breakdown of Senior Executives by Nationality or Ethnic Group



Our workforce need to be flexible to adapt to the changing demands of a changing industry. For example, as recently as six years ago, only three of our staff were engaged in renewable energy activities, including business development, construction and operations. We now have around 500 colleagues engaged in these activities – the result of both the development of new skills by existing staff and selective external recruitment.

Safety

The most important thing that we can offer our employees is a safe workplace. Nothing we can do for our staff compares with the importance of our duty to do our utmost to ensure that they go home safely from work every day. This is a responsibility which extends not only to our employees, but to the staff of our contractors and everyone who legitimately comes into our facilities. Our business demands the highest attention to safety – electricity takes no prisoners. Our business would not survive if we disregarded the safety of those who work within it – our performance in this area is described in greater detail in our Sustainability Report.

Employee Well Being

We can make our workplace safe. We cannot make our workers healthy – but we can help. We encourage all of our staff to maintain a good work-life balance and encourage a healthy life style. For example, in Hong Kong we have built on the success of previous campaigns such as fitness / health challenges and workplace stretching exercises with our Quality Work Life (QWL) Programme. In 2009 this focused on "giving up smoking" and "understanding food labels". The first of these programmes achieved a high success rate, whilst the second raised employees' awareness of the importance of understanding food labels to support a healthier diet. In Australia, TRUenergy launched a range of programmes to encourage a healthy life style, weight loss and exercise including a "Fit 4 Work Well Being Programme".

We also improved our health-related benefits. For example, in Australia, India and Hong Kong we have confidential employee assistance and counseling services provided by external specialised counselors for those staff who may suffer from personal or work-related stress. In India, our medical benefit scheme was reviewed to better align the available benefits with local market practices.

Respect

Respect for our staff and mutual respect between our colleagues contributes to business performance, improved morale and a shared sense of responsibility for the Company's performance in delivering value to our stakeholders. This sense of respect is built in a number of ways, of which only a few are mentioned here.

We are determined to provide our colleagues with a work environment free from harassment and discrimination on the basis of gender, physical or mental state, race, nationality, religion, age or family status. In 2009, the Race Discrimination Ordinance came into effect in Hong Kong. The requirements of this Ordinance were already reflected in our core values. Even so, we provided briefing sessions to all Hong Kong staff to ensure that they were fully aware of the requirements of the Ordinance and to remind them of CLP's longstanding values in this regard.

We do not expect our staff to work in a "black box". We are committed to strong, two-way communication. In addition to our established communication channels, such as staff broadcasts and regular team briefings, in 2009 we carried out a special programme to explain to our colleagues our position on climate change in the lead up to the Copenhagen Conference in December, under the theme of "Beyond Copenhagen – Powering Asia Responsibly". We also used our IT capability to distribute short videos to staff across the Group on key topics.

In Australia, TRUenergy organised a number of staff dialogues such as "Leadership Breakfasts" with its Managing Director. In CLP India, we started the practice of having an "open house" at every facility, once every six months, where its Managing Director meets all staff – this being in addition to our existing practice of Chhoti Chhoti Baatein, or sharing a "thought for the day" with all staff.

In TRUenergy, 91% of our staff participated in our 2009 Employee Opinion Survey. With surveys also conducted in 2005 and 2007, the survey results show a steady increase in employee engagement levels over time. In the latest survey, TRUenergy showed better results than the national average in Australia across a majority of survey areas.

One characteristic of CLP's employees is an extraordinary commitment to community, charitable and social initiatives. In Hong Kong, Australia, India, Thailand and the Chinese mainland, our staff contributed to these initiatives through donating their time, skills and money. In so doing, our colleagues earn the respect of their Company, the communities in which we operate and of all our stakeholders. These activities are described in more detail in our Sustainability Report and on our website.

Building on Our Experience

CLP benefits from a stable, loyal and experienced workforce.

Key Characteristics	2009	2008
Average age	42.9	42.5
Average years of service	16.3	16.2
% of staff holding a university degree or above (Note)	36.7%	34.3%

Note: Information on TRUenergy employees is not currently available as it was not collected when employees joined the Company.

One consequence of workforce stability is a relatively high average age. This creates the need to anticipate and plan well ahead for retirements, particularly for those skills which are specific to the power industry and which cannot easily be sourced in the labour market. This is important for CLP, since our retirement projections indicate that, based on normal retirement age, the percentage of existing staff due to retire within the next five years is:

	2009	2008
Hong Kong	11.4%	9.9%
TRUenergy	10.1%	8.6%
Huaiji	7.3%	2.1%
CLP India	1.5%	1.4%
Other China Assets	0.9%	1.0%

This scale of expected departures is not unusual in our industry and is low compared to other large utilities, such as those in the U.S. It is also manageable, since we have been taking steps since 2005 to plan for this through our five-year manpower planning framework. Resting on detailed projections of our future demand for specific skills, our measures include supply side initiatives such as apprentice, technician trainee and graduate recruitment. In 2009, for example, we recruited 14 graduate trainees, 4 technician trainees and 17 craft apprentices in Hong Kong, and 18 graduate trainees in India.

In addition to our retirement planning, we take many steps to attract and retain staff. The challenges we face vary by business, depending on factors such as the size and maturity of each business and its location.

- India – whilst this remains a competitive recruitment market, local initiatives and work culture have had a positive impact, with voluntary turnover being lower in 2009 than in 2008. The recruitment plan for the Jhajjar project is now being implemented in phases, reflecting the planned transition from construction to operations. We have also strengthened most corporate functions in India in line with the needs of our growing business.
- Australia – competition amongst Australian businesses to attract and retain employees continues to be strong. However, the impact of the global financial crisis has eased some of the challenges previously experienced when recruiting for particular specialist or niche roles. Recruitment numbers overall remained high with new skills required across the business to meet project needs and growth as well as turnover.

Q

Mr. Raymond Yuen
Retail Support & Development Manager, Marketing and Customer Services
CLP Power Hong Kong

A

Betty Yuen
Vice Chairman – CLP Power Hong Kong

Increasing demand for cleaner energy and closer integration with the Mainland China together with our preparation for market changes after 2018 give our business in Hong Kong both challenges and opportunities. What is our roadmap for transforming the current workforce so as to help the company better embrace challenges and exploit opportunities?

"Towards a Greener Pearl River Delta (PRD) – A Roadmap for Clean Energy Generation for Hong Kong" outlined our vision for clean energy for the next ten years. To successfully deliver this vision, our workforce needs to have strong commercial expertise; acquire new technical skills to build and operate our generating plant and network in an ever more reliable, cost effective and greener way; be adaptive to PRC business culture and able to establish good relationships with key stakeholders in both Hong Kong and PRC as well as extend the CLP brand from Hong Kong to the PRD.

The roadmap starts with the acquisition of basic knowledge. This includes improving Putonghua skills, understanding PRC legal, tax and financial requirements. The investment in Putonghua training increased five times from 2008 to 2009. This demonstrates that our staff are keen to learn and prepare themselves to meet upcoming challenges.

Through cultural exchange programmes and business plan communications, staff are encouraged to take up secondments or project assignments in PRC and to commit extra efforts in supporting relationship building and CLP brand building initiatives in PRC.

- Hong Kong – turnover remained low compared to the market and stood at 1.5% for the year. Competition to attract and retain professionals in finance, human resources and other functional areas remains greater than that for core engineering skills. This reflects the high degree of concentration of financial and commercial organisations in the city and the competitive labour market which results.
- Chinese mainland – because of the geographic scale of our business in China, our attraction and retention challenges tend to be project specific. The remote locations of some of our projects make attracting and retaining high quality staff a particular challenge.

CLP's commitment to developing our people serves not only to attract and retain valuable staff, but also allows us and them to exploit their maximum potential.

Our Management Development and Succession Planning (MDSP) is a systematic approach to succession planning. Colleagues with high potential are managed within their existing function or business from the earliest stages of their careers. As they become more senior, the oversight of their career development becomes the responsibility of the Group Management Development Committee. Through our MDSP, internal successors have been identified for 100% of senior management positions retiring within the next five years (2008: 100%). In 2009, 96% of existing senior positions which became vacant were filled internally in accordance with planned succession arrangements (2008: 100%).

Our development and training programmes span all levels of our workforce and all our different businesses. For example:

- 27 participants from across the Group are following our second Group Executive Development Programme, in conjunction with the IMD Business School of Switzerland;
- 18 high potential staff attended the Richard Ivey Business School Consortium Management Development Programme in Hong Kong;
- staff from Thailand, Hong Kong and India joined the Swire Group's Windsor Leadership Programme and the Future Leaders Team Programme of the World Business Council for Sustainable Development;
- TRUenergy rolled out its three-tiered management and leadership development programme "Focused Energy" for over 180 employees; and
- in India, programmes have focused on preparing staff to meet future business challenges, including through "Better Thinking for Success" and "Personal Effectiveness" training for more 70 employees.

In addition to these programmes, CLP continued to invest in the ongoing development of all our employees through both internal and external courses. In 2009, total training man days amounted to an average 4.9 man days per employee (5.9 in 2008 – when we had a number of major training initiatives in various businesses following the roll-out of various initiatives and new operations).

Our business is nothing without our employees – we are doing our best to keep them safe, to promote their health and well-being, and to attract, retain and develop the people that our business needs.

Colleagues at our Safety, Health and Environment (SHE) Day, 2009