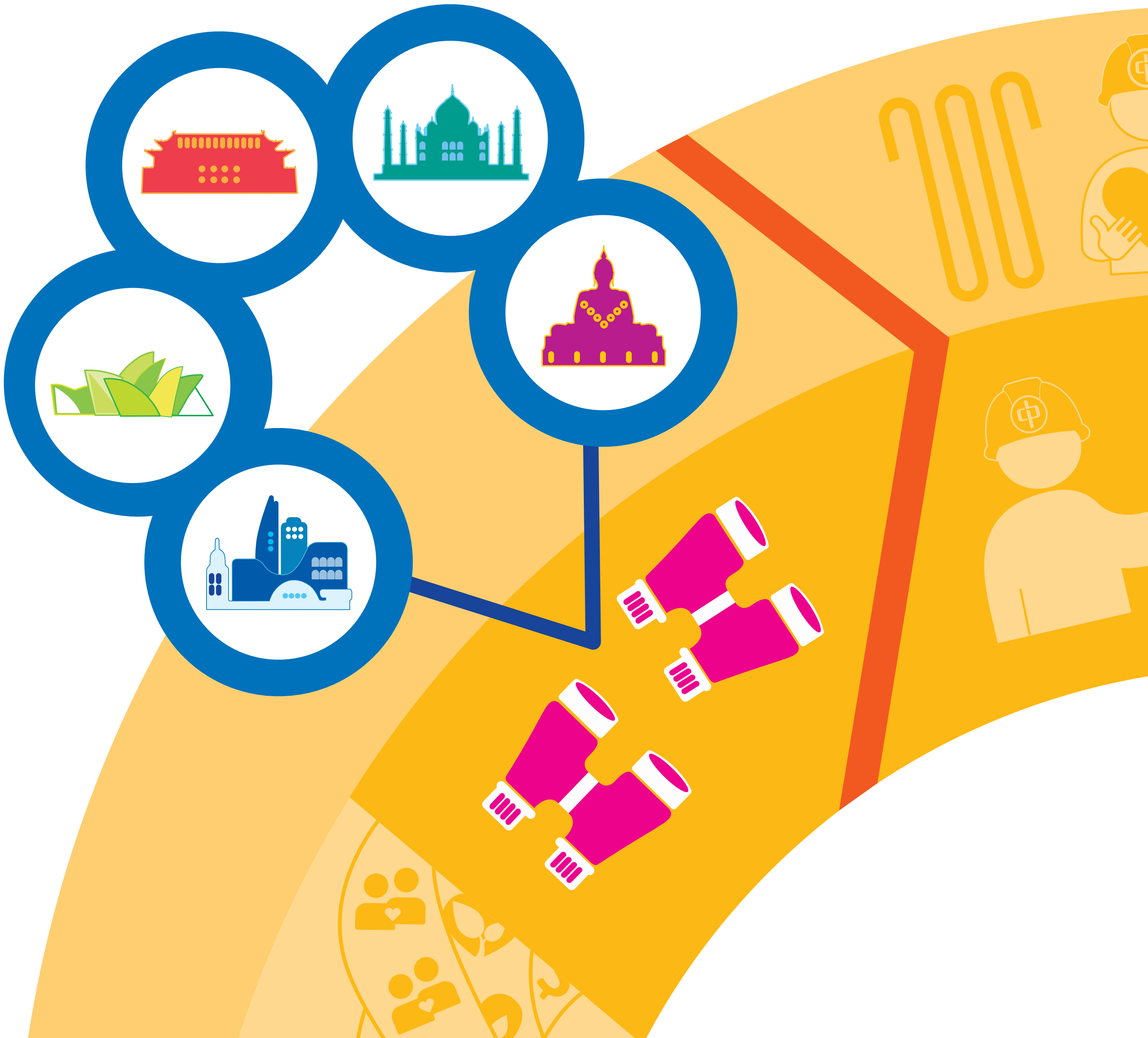
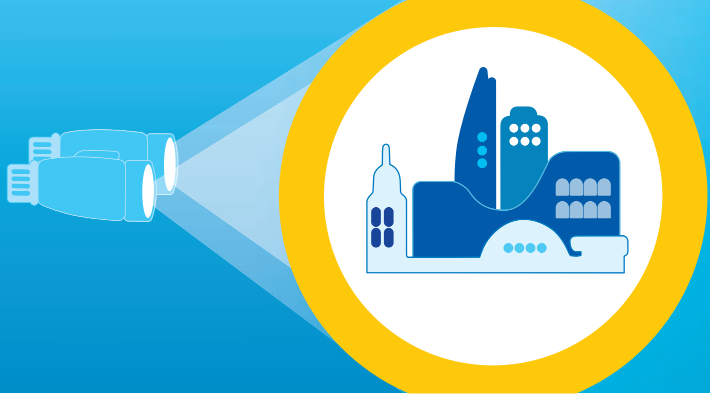
Outlook

By delivering economic value to our capital providers, as well as social and environmental value to all our stakeholders, we can create a sustainable business with a positive outlook.



Hong Kong



Although the future shape of Hong Kong's electricity sector should the current SoC come to an end in 2018 is uncertain, we look forward to the continuing growth of our Hong Kong electricity business. We have achieved, and aim to improve where possible, excellence in supply reliability, tariff levels, customer service and environmental performance. In all of these respects, we compare more than favourably to the electricity supply system in neighbouring Guangdong Province. We believe that continuing excellence in all these areas offers the best guarantee of the future success of our business under any fair and reasonable electricity regulatory regime.

In "Towards a Greener Pearl River Delta – a Roadmap for Clean Energy Generation for Hong Kong" issued in 2009, we set out CLP's vision for energy for the next 10 years. We are closely aligned with PRC and HKSAR Government objectives for climate change and air quality. Securing more clean energy to continue our contribution to addressing climate change and improving Hong Kong's air quality is a cornerstone of CLP's operations, both now and in the future. As our Energy Vision explains, the outlook for our business will include the development of clean and reliable electricity generation on three levels:

- strengthening infrastructure integration – notably through gas supplies and nuclear power imported from or through Guangdong;
- adopting a cleaner fuel mix – which will involve using more gas, importing more nuclear energy, reducing the reliance on coal and promoting local renewable energy sources (even if these sources may be constrained by local geographical, climatic and land use factors); and
- promoting energy efficiency – we will help and encourage our customers to boost energy conservation through energy efficiency related services and public education, as well as offering advice on using more energy efficient products, the better design of buildings and optimal equipment selection for business.

The tasks that we have set ourselves for 2010 fall within this Energy Vision, and within our overarching responsibility to provide an electricity supply to Hong Kong of a quality that our customers demand. These tasks will include:

- continuing to implement the MOU signed between the HKSAR and Central People's Government in August 2008 to bring new, long-term gas supplies to Hong Kong;
- completing the emissions control project at Castle Peak "B" Power Station on schedule, within budget and without safety incidents;
- engaging the HKSAR Government on a practical plan for meeting climate change goals and achieving air quality objectives;
- driving (literally and metaphorically) development of the electric vehicle market;
- supporting the development of local renewable energy projects;
- stepping up efforts on achieving and promoting energy efficiency; and
- managing critical business issues, including tariff, environment and electricity market development, through excellence in operations and clarity and credibility of communication.

Australia

The major challenge for participants in Australia's National Electricity Market will continue to be emissions trading policy uncertainty. The final form of the Australian Government's emissions trading scheme, known as the CPRS, has yet to be finally determined. Under the current form of the government's proposed CPRS, the ability of all existing participants to invest in new opportunities will be severely affected. This is particularly true of brown coal-fired generators such as TRUenergy which would be faced with impairment of their balance sheets and increased difficulties in raising finance for new investment.

The demand for new gas-fired generation creates an opportunity to build Tallawarra Stage B in NSW, as well as the transformation of the coal-fired Yallourn Power Station to gas-fired generation. However, TRUenergy's decision on any such major investments is going to depend on an outcome on the CPRS which provides adequate financial compensation for the balance-sheet impact on our existing brown coal-fired power station at Yallourn, and which provides a fair, rational and stable investment platform for large-scale, long-term investment in gas and renewable generation. This is especially important in circumstances where the ability to raise capital is critical. The combination of regulatory uncertainty in the domestic Australian power industry and the generally challenging conditions in the international capital markets is likely to hinder TRUenergy's ability to raise capital on a scale and on terms which will allow us to grow the business, support the enhancement of Australia's energy structure and contribute to the competitive landscape in the power sector. To this end, we continue to advocate for a clear regulatory framework under which large, experienced operators, such as TRUenergy, can continue to invest with confidence in the Australian power sector.

In retail markets our focus will be on delivering the profit improvement programme, reducing our bad debt levels and retaining profitable customers.

In February 2010 the New South Wales (NSW) government announced a revised timetable for its electricity privatisation programme with the due diligence phase not expected until the middle of the year. In its announcement the Government indicated that it expected transactions to be completed later this year. Privatisation will create opportunities for large-scale market entry to NSW, Australia's major electricity market. TRUenergy will assess the opportunities on their merits and will consider the structure of the privatisation, the overall market attractiveness as well as the need for bidding discipline, particularly given the experience of other participants in the previous Queensland retailer privatisation process.

During 2009, Wollongong City Council adopted the Wollongong Local Environmental Plan (LEP), which incorporates the Tallawarra Lands site and its future use. The LEP was also approved by the New South Wales Planning Minister. Detailed planning for the Tallawarra Lands project will now enter its final phase, including development and subdivision applications.

The growing demand for energy and the need to transition Australia to cleaner generation will likely create opportunities for new investment, particularly in new gas-fired capacity and renewable energy. Since 1 January 2010 renewable energy is being supported by the new RET. The RET has encouraged Roaring 40s to commit to the 111MW Waterloo wind farm, which it expects to commission by the end of 2010. The new farm will further assist TRUenergy to meet the higher obligations under the RET. Whilst the current REC prices in Australia do not support commercial investment in new wind farm developments right now, our Roaring 40s joint venture has strong capabilities and an attractive pipeline of wind farm opportunities for investment once market conditions are more favourable.

We believe that clean coal technology with carbon capture and storage will make an important contribution to the management of greenhouse gases emissions. TRUenergy will continue to explore opportunities to participate in carbon capture and storage projects at or related to our existing facilities, whether under Victorian and / or Australian government sponsorship or through business partnerships.

Technologies such as integrated gasified combined cycle (IGCC) with carbon capture are not economically viable today in Australia without government support. With further research, development and demonstration, new technologies could provide a practical means of providing base-load electricity generation with low greenhouse gas emissions.

Within this overall context, TRUenergy envisages 2010 as being "the year of retail" with five key focus areas

- achieving customer growth and maintaining retail margins in all the states in the National Energy Market; in particular focusing on maintaining and expanding our profitable customer segments and managing our retail bad debt position;
- improving the business-as-usual processes within our retail operation and ensuring a high level of customer service;
- preparing our meter data systems to manage the roll-out of advanced metering infrastructure;
- delivering Project Odyssey (our new retail customer service and back office IT platform) to plan and on schedule – or assessing alternative courses if this outcome appears not realisable; and
- assessing the potential acquisition of a NSW retailer.

But we will also aim to move forward in other areas, including

- formulating and implementing a response to prospective carbon legislation, if and when it passes into effect, including:
  - understanding its impact on our business value;
  - minimising that adverse impact; and
  - developing a strategic response which will allow us to carry TRUenergy's business forward;
- safely maintaining all our power plant operations at the highest levels of commercial availability;
- maintaining planned generating output from Yallourn and Tallawara;
- commissioning the expansion project at the Iona Gas Plant and achieving expected performance; and
- maintaining current credit ratings, while refinancing existing debt facilities, when due, and obtaining loans for new projects. We will also investigate the availability of new capital to fund the long-term growth of our Australian business.

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Mr. Wang Shumin
Vice President
Shenhua Group Beijing
Guohua Electric Power
Corporation

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Andrew Brandler
Chief Executive Officer

What will be CLP's specific actions in combating the global warming issue as well as promoting energy saving and emissions reduction in a collective effort?

Our Climate Vision 2050 document spells out how we will address climate change by reducing the carbon intensity of our generating portfolio from 0.84 kg CO_2/kWh in 2007 to 0.2 kg CO_2/kWh by 2050. All of our businesses will contribute. For example, TRUenergy has announced its Climate Change Strategy. This includes reducing carbon emissions by 60% by 2050 against a 1990 baseline, proportional to its market share.

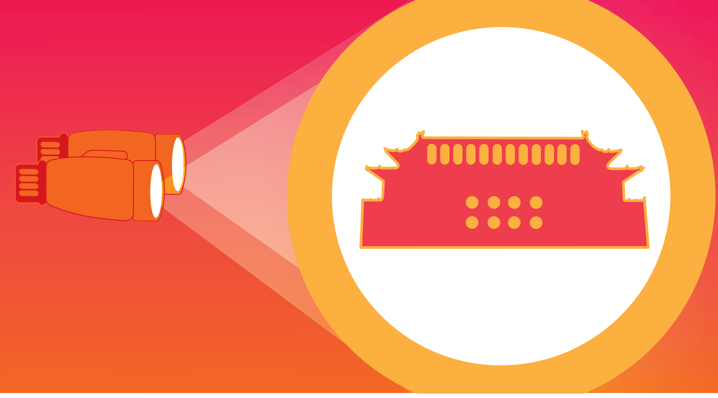
The CLP Group will achieve its goals through a number of ways. First, we will continue to maintain a balanced fuel mix. With coal being a dominant fuel of choice in this region, we must work with it, using the most efficient and cleanest coal technologies available. But we will balance that with cleaner gas, renewable energy and nuclear when it is practical to do so. Our fuel mix will improve over time as we strive to reach our Climate Vision goals.

Secondly, we will grow our renewable energy portfolio. Today this includes wind, hydro and biomass, and we are looking at expanding it to include geothermal and solar.

Thirdly, we will continue to promote energy efficiency and help other organisations to be more efficient. For instance, CLP Energy Services & Technology (Shenzhen) Co. Ltd. has been advising a wide range of companies in Guangdong on clean production and energy efficiency. In Hong Kong, we have also been working with hotels, office buildings and factories to enhance their performance.

Lastly, CLP Holdings signed the World Business Council for Sustainable Development's Manifesto for Energy Efficiency in Buildings. As a signatory, we have volunteered to improve the energy performance of all company-owned buildings to help achieve emissions reductions in buildings and encourage our stakeholders to do so.

Chinese Mainland



CLP had already adjusted its China strategy to position ourselves in line with the PRC Government's move towards cleaner electricity generation, as part of our Group policy of reducing the carbon intensity of our generation portfolio. Over the next 3-5 years, we aim to rebalance our project portfolio from one centred on coal-fired generation to one which prioritises low carbon emissions. This re-orientation of our Mainland electricity business will include exploring investment opportunities where CLP has a competitive advantage, developing projects which have a synergy with existing investments or relationships and pursuing clean energy projects in selected regions. 2010 and beyond should see the following specific initiatives being pursued.

On coal-fired generating capacity, we will:

- reduce fuel costs by pursuing long-term coal supply contracts and sourcing alternative coal supplies when needed;
- continue to lobby for higher despatch for our power stations, and maintain high despatch at Fangchenggang;
- rationalise the project structure of Anshun II through merger or sale;
- implement efficiency improvement projects at those power stations in which we have an interest through joint ventures;
- support CSEC Guohua, our joint venture with Shenhua, to explore expansion opportunities; and
- explore the possibility of a Fangchenggang Phase II project.

On wind energy, we will:

- only grow our investments in minority-owned wind farms in the form of expansion projects to existing sites;
- pursue wind projects through our CGN Wind platform, to the extent that the quality of the projects being undertaken by CGN Wind corresponds to appropriate investment standards; and
- build on our experience at Qian'an to grow our capability to undertake wholly-owned wind projects, for example, Penglai Wind Farm Phase I (48MW) in Shandong will be the second wholly-owned wind project and will be built in 2010.

On other renewable energy projects, we will:

- take the Jiangbian hydro project towards completion in early 2011, with a high priority on construction safety; and
- complete the modification works underway at our Boxing Biomass Power Station. These should improve the station's economics by increasing its capacity to earn revenue through electricity generation, as opposed to steam sales.

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Mr. Wang Shumin
Vice President
Shenhua Group Beijing
Guohua Electric Power
Corporation

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Peter P. W. Tse
Group Executive Director

What is CLP's view on the development of conventional power project in the Mainland? What is the subsisting strategy and why?

With the strengthening of environmental protection by the PRC Government, environmental standards are being continually tightened. This will impose pressure on the operating costs of conventional power assets in the PRC, including CLP's. At the same time, the PRC Government is emphasing the increasing role of clean generation – nuclear and renewable energy. These are areas where CLP has a considerable presence and expertise. Our strategy was already leading us to scale back our investment in coal-fired generation and focus on growth in nuclear, wind and hydro – in line with the Group's carbon emission reduction targets. The recent developments in PRC energy strategy reinforce our confidence that low carbon generation in the Mainland presents promising opportunities for CLP.

India

The outlook for CLP in India is good, with the opportunity to build a balanced portfolio of value-creating investments across the electricity supply chain, including a range of generating technologies and transmission projects. At the moment we do not envisage to invest in distribution. This is because the opportunities elsewhere in the power sector are more attractive and the potential returns from distribution projects may be out of proportion to the demands they can make on management time and resources.

Although we are positive about our future in India, we intend to invest at a steady pace. In practice this means at a speed and on a scale which is consistent with our organisational and capital resources, not getting ahead of ourselves in terms of our capacity and capabilities and ensuring that we learn from experience before moving on to the next step in growing our business. Our future investments may involve partners or other stakeholders when needed. Our growth in India must also be consistent with the CLP Group's Climate Change Strategy – in other words we need to achieve and maintain a sensible mix of fuels and technologies within our Indian generating portfolio. Finally, our investments in India, as elsewhere in the CLP Group, must be aligned with our values – including our ethical practices and our priority on safety.

During the coming year our priorities will be to:

- continue the construction of Jhajjar according to schedule and budget;
- commission our wind farms at Samana Phase II, Saundatti, Andhra Lake and Theni;
- establish processes for clean development mechanism (CDM) registration and sale – enabling us to maximise revenues from carbon credits for wind projects;
- participation in generation and transmission bids, including the development of greenfield coal-fired and gas-fired projects and, subject to the availability of sufficient long-term gas supply, exploring an expansion to GPEC; and
- continue the expansion of our renewable portfolio. This will mostly be in the form of wind energy, but we are actively considering opportunities in solar energy and small to medium-sized hydro projects, especially run-of-the river projects.

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Mr. Rajesh Panjwani
Head of Asia-Pacific
Power Research
CLSA Research Limited

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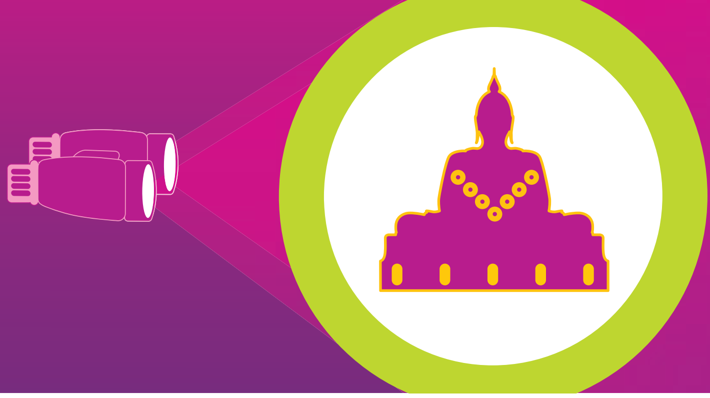
Mark Takahashi
Group Director &
Chief Financial Officer

You have spoken about the potential listing of your India business. What are the objectives of this proposed listing? What is the possible timeline for the IPO? What kind of asset base or project pipeline would you like to build before considering listing the India business?

For CLP, a separate listing of any business unit would be a means to fund growth and not an end in itself. In India, our business is growing strongly (we have nearly quadrupled our generation capacity in the last three years). Given the need for additional capacity in that market, we believe CLP will have a meaningful role to play in the coming years. In addition, India has vibrant capital markets. We believe investors would welcome a company with CLP's track record and values. Hence, as capital requirements increase, we would consider listing our business in India. It should be noted that there is no definitive timeline nor prescribed asset base for listing the business, and that any potential listing would need to consider strategic as well as non-financial related matters.

Southeast Asia and Taiwan



Opportunities for new IPP solicitation in Thailand will be limited in the near term future. EGCO has placed its focus on preparing plans for the Rayong and Khanom power plants, the PPAs of which will expire in five to six years. It is also reviewing Small Power Producer and Very Small Power Producer Projects which are being promoted by the Thai government for efficiency and environmental benefits. Following the successful acquisition of a 26% interest in the Quezon project in The Philippines, EGCO will continue to look for investment opportunities in The Philippines and other emerging ASEAN countries such as Indonesia.

Taiwan is not expected to require new IPP capacity for a few years and therefore the expansion project at Ho-Ping had been put on hold. Meanwhile, Ho-Ping is exploring opportunities in solar and wind projects which will benefit from higher tariffs and other benefits provided under the recently passed Renewable Energy Act.

In the circumstances, our future development activities will focus on the solar energy and wind farm projects in Thailand on which we are working in partnership with Mitsubishi Corporation and EGCO. On a considerably larger scale, the development of the two coal-fired projects in Vietnam on which CLP is working with Mitsubishi Corporation and local partners are likely to receive increased attention and resources during the course of 2010. At present, CLP holds an effective 24.2% interest in the 1,320MW project at Vung Ang 2 and a 24.5% interest in the 1,980MW project at Vinh Tan 3. It is possible that some further restructuring of the various shareholding interests may occur, in which case CLP might consider taking a larger stake in these projects should they move forward.

There are presently 11 build-operate-transfer (BOT) projects in active development in Vietnam. It is unlikely that all of these will proceed. Success on Vung Ang 2 and Vinh Tan 3 will depend on a range of factors, including a supportive regulatory framework from the Vietnamese authorities and long-term PPAs with the Vietnamese state-owned electric utility (EVN). A particular challenge for CLP and its project partners will be to structure the project in a way which achieves low tariffs through efficient procurement of plant and equipment, but on a basis which nonetheless enables project finance to be obtained from international lenders (the Vietnamese capital market is unable to support such large-scale projects). Our assessment is that only expertly-developed projects with clear national importance to Vietnam as well as experienced and committed shareholders are likely to get done. Our challenge is to make that happen with one or both of the projects in which we are engaged.

Against this background, the outlook for CLP's activities in the Southeast Asia and Taiwan markets is progress in:

- the management of the operating assets to achieve good financial, operational, safety and environmental performance;
- strengthening our position in EGCO and assisting EGCO in pursuing its growth strategies focused mainly on ASEAN markets and renewable energy;
- leveraging CLP's strength in equipment supply, construction and fuel supply management to compete in greenfield developments;
- strategic acquisitions as opportunities arise; and
- contributing towards the Group objective of reducing carbon intensity, while recognising each target market's characteristics.

Within this overall direction, our plans for 2010 are to:

- maintain operational performance at Ho-Ping;
- finalise the EPC contract, financing arrangements and PPA negotiations for the Vung Ang 2 project in Vietnam;
- complete the feasibility study, environmental and safety impact assessment and EPC tendering for the Vinh Tan 3 project in Vietnam;
- commence construction of the 55MW solar project and progress development of wind projects in Thailand; and
- strengthen our position in EGCO and support EGCO to grow through acquisition and greenfield opportunities in ASEAN countries.