

In this section we explain the values and the key capabilities which CLP brings to its shareholders and other stakeholders with whom we deal, whom we serve or who rely on us. These include

- Expertise in building and operating power infrastructure in Hong Kong and the Asia-Pacific region
- Excellence in customer service
- Capable and committed people
- The capacity to raise finance to support continuing investment and growth

Shortcomings in any of these would erode value. Success in each builds and sustains our business.

# Values

The continuing success of CLP must start from a strong belief in the direction we are taking our business. We must also understand how our business will benefit people – not just our own people, but everyone who has a stake in what we do. We must establish and respect a broad set of values towards our stakeholders and key aspects of our operations. This ensures that we behave in a way which is consistent with the direction we have set for CLP.

CLP's Value Framework was published in 2003. It was updated in 2009 to reflect the evaluation of our business and feedback from external stakeholders. It is a continuing statement of where and what CLP wants to be and the values, policies and commitments which all of us must respect.



## What do we want to be?

A leading investor-operator in the Asia-Pacific power sector.



## What benefits will we bring to our stakeholders?

- Enhance our shareholder value.
- Deliver world-class products and services of good value to our customers.
- Provide a safe, healthy and fulfilling work environment for our employees.
- Contribute to the economic and social development of the communities in which we operate.
- Responsibly manage the environmental impact of all our operations and projects.



## What ideals guide us in our mission?

We are committed to the principles of sustainable development, balancing the needs of current and future generations.



## What must we do to uphold our values?

To translate our values into actions we make specific commitments to our stakeholders on our behaviour and practices.



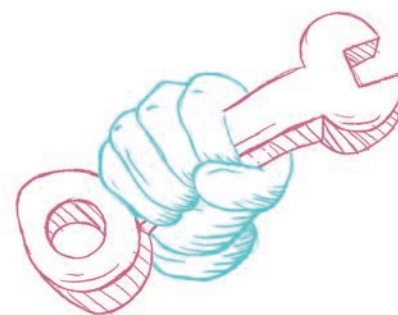
## What must we do to meet our commitments?

These, which include our Code of Conduct, aid the expression and incorporation of our values and commitments into our everyday operations and practices.

The decisions, actions and performance set out in this Annual Report originate from, and are governed by, our Value Framework. Wherever we conduct our business we apply the same values. Our Value Framework is published in full on our website so that we can be judged on whether the business we describe meets the aspirations of that Framework. 🌐



# Expertise in Building and Operating Power Infrastructure



CLP's core business is the construction, operation and maintenance of electricity infrastructure in the Asia-Pacific region.

The electricity industry is complex and challenging, especially in the widely varying and rapidly changing markets of Asia. Tremendous opportunities exist to create shareholder value, but the ability to turn good opportunities into good investments requires a range of engineering, commercial and financing skills. CLP has developed and utilised these skills across the Asia-Pacific region over many years.

Producing and transmitting electricity is simple in concept and has been done for many years. However, our industry today faces unprecedented challenges to promote economic growth but to avoid environmental impact. Successful power sector investments therefore come from the ability to understand and manage a number of key issues: selecting the right technology at the right time; choosing the right contracting structure; obtaining the necessary funds to support large capital investments; procuring adequate fuel supplies at reasonable cost and operating and maintaining the assets well. The right combination of these factors will deliver more value to shareholders and stakeholders than any other type of investment.

## *Selecting the Right Technology*

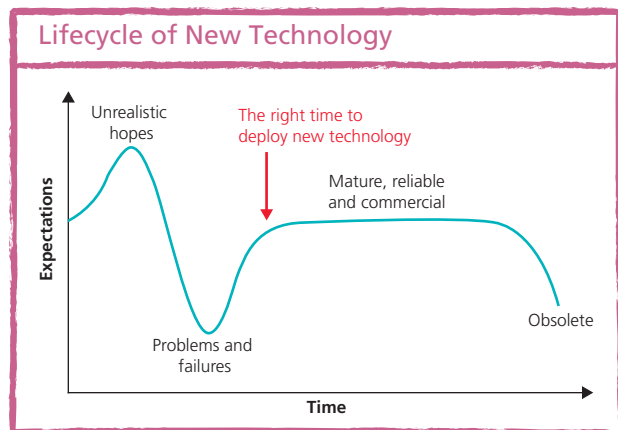
When we select technology, we must consider the physical characteristics of the sites available to us, the availability of fuel, the affordability of power in the market and the wider policy issues that may apply. We are keen, for example, to promote renewable energy where sufficient value is placed on its ability to avoid greenhouse gas emission. At the same time, we understand that some countries need to use fossil fuels to support social and economic growth, and we are prepared to develop this type of project where we are able to use the most efficient technology and apply the most effective controls over emissions into the environment. This means that we have had to master many different technologies. We believe we have a good record in this respect, having built more than 20 large power stations over the last 30 years and many more smaller renewable energy projects. Almost all of them involved new technology or other groundbreaking challenges.

### Some of CLP's groundbreaking projects

|                  |         |                  |  |
|------------------|---------|------------------|--|
| Castle Peak      | Coal    | Hong Kong        | Introduction of coal to Hong Kong to replace oil   |
| Daya Bay         | Nuclear | Chinese mainland | China's first commercial nuclear project           |
| Black Point      | Gas     | Hong Kong        | Introduction of natural gas to Hong Kong           |
| Ho-Ping          | Coal    | Taiwan           | Start of private sector power projects in Taiwan   |
| Fangchenggang    | Coal    | Chinese mainland | Start of supercritical technology in CLP           |
| Tallawarra       | Gas     | Australia        | One of Australia's most efficient gas-fired plants |
| Changdao         | Wind    | Chinese mainland | Start of wind power in CLP                         |
| Qian'an, Penglai | Wind    | Chinese mainland | CLP's first wholly-owned wind projects in China    |
| Samana, Khandke  | Wind    | India            | CLP as the largest wind power developer in India   |
| Yang_er          | Hydro   | Chinese mainland | CLP's first wholly-owned hydro project in China    |
| Lopburi          | Solar   | Thailand         | Asia's largest solar photovoltaic (PV) project     |
| Jhajjar          | Coal    | India            | First use of flue gas desulphurisation in India    |

We must be careful to choose the right time for implementing new technology at a commercial scale. The early volatile stages of new technology are too risky for a commercial power company like CLP. We are an early mover in mature technology, but not a first mover in prototype designs. New technologies are being proposed all the time, but many will never achieve commercial success. Even those that do succeed will often go through various stages of over-excitement and disappointment before reaching

maturity. Good technology that survives will then enjoy a period in its prime of life, after these earlier adolescent stages. Eventually, some younger and more advanced alternatives will emerge and we must choose the right time to change.



### *An Effective Contracting Structure*

The only thing that CLP manufactures is electricity. All the equipment we use is manufactured by other companies. So we need to contract with those companies to implement a project and to procure replacement parts to keep it operating reliably. There are many ways to do so, but the strategy we choose essentially rests on an appropriate allocation of risks and reward between our contractors and ourselves, as the owner of the asset. At one extreme, it is possible to engage a single company to act as main contractor for a new project. Such far-reaching responsibility carries many risks and the main contractor may expect a high price from CLP. On the other hand, we may engineer a project by ourselves and buy each component separately. In these cases, CLP takes far more risks itself and so we aim for a total cost that is lower.

It would be wrong for CLP to select the same contracting structure on every occasion. At Fangchenggang in China, we constructed a 1,260MW supercritical coal-fired power station bit by bit with many hundreds of separate contracts. This turned out to be the lowest cost approach (about half the international price) and the shortest construction period (26 months) we have achieved so far. At Jhajjar in India we have used a single main contractor because of local conditions there and as this was our first greenfield coal-fired project in India – so far with good results.

### *Experience*

As our portfolio grows, we apply experience in technology and contracting structures from one project to another in different markets. Our Fangchenggang project used 630MW supercritical coal-fired units manufactured in the PRC. Our Jhajjar project uses similar equipment, now being transferred from China to India. We are exploring the possibility of

developing projects in Vietnam in the same way.

In renewable energy, we find that the assessment of how much energy can be produced from each wind farm site is a difficult and critical factor. However, the experience we have gained through early projects in Australia and China enables us to approach new opportunities with greater knowledge and confidence. Similarly, the experience we have gained with different manufacturers and types of wind turbines on past projects helps us to make the best choice for new projects.

### *Fuel Supply*

We mentioned earlier that the availability of fuel was one of the major considerations in determining the viability of a project and choosing the right technology. Fuel represents by far the single largest operational cost of any coal or gas-fired power station and current market prices are high and volatile. CLP has been using coal for electricity generation in Hong Kong since the early 1980s and, as Hong Kong has no indigenous fuel resources, we have a long history in procuring coal on international markets. In 2010, CLP as a group will have purchased coal for the power stations we operate at a total cost of over US\$1 billion. We use a range of sources, including Australia, Indonesia and South Africa, and a mixture of long-term contracts and spot market purchases.

Technical opportunities and limitations are becoming increasingly important with supply and demand being finely balanced in the international markets. We must always meet high environmental standards and comply with local regulations but, in some projects, we have been able to adapt to certain types of sub-bituminous coal that have more limited demand and somewhat lower prices. This is an area that requires mastery of technology and operations that not all power companies possess.

We have previously considered the possibility of direct investment in coal resources in Asia. Until now we have decided against this because of our lack of experience in mine ownership and operation, preferring instead to rely on contracted sources. However, the current high coal prices suggest that we should examine again the balance of risks between ownership and contracting in the coal market.

In 1996, CLP first started using natural gas for power generation. Since then, the use of gas has grown to such an extent that gas-fired generation now constitutes about 20% of CLP's generating portfolio, powering our stations at Black Point, Tallawarra and GPEC. Just as with coal, we have acquired expertise in gas procurement and contracting, which will be particularly important for us to meet the Hong Kong Government's objective of increased use of gas for Hong Kong's electricity generation.

## Transmission and Distribution

In Hong Kong, CLP owns and operates over 13,700 km of transmission and high voltage distribution lines. Our system is world-class in terms of power stability and reliability. This is a significant achievement given Hong Kong's exposure to typhoons, thousands of lightning strikes each year and the challenges of running transmission lines through densely populated areas. This means that many of our lines need to be run underground, creating difficulties for maintenance, fault location and repair. Because of the understandable sensitivity of the community to power outages, we must use our experience and expertise to design, build and maintain a robust network that can withstand disruptive incidents without imposing an undue cost burden on our customers. Out of a total workforce of 3,709 in our Hong Kong electricity business, 2,003 work in our Power Systems Business Group. This emphasises the importance of the skilful operation of the network to the business.

## The Future

CLP's "Technology Roadmap" issued in December 2010 points to a future where electricity will be generated and used in a more sustainable way. We believe that we can achieve substantial reductions in carbon intensity, but only through deployment of the right technology at the right time. As this table explains, our industry is in the eye of a major technological storm. ➡

| The current state of power generation technology – New technology is replacing traditional means of power generation |                                      |                                     |   |  |                            |                                   |
|--|--------------------------------------|-------------------------------------|---|--|----------------------------|-----------------------------------|
| Type   | Concept or prototype                 | Development or demonstration        |   | Proven at commercial scale                     | Gradually being superseded |                                   |
| Coal   | Advanced (50% efficiency)            | Gasification                        |   | Supercritical (43% efficiency)                 | ✓                          | Subcritical (< 40% efficiency) ✓  |
| Carbon capture   | Biological capture                   | Post combustion, Oxyfiring          | ? |  |                            |                                   |
| Carbon sequestration   | Underwater basalt                    | Large scale saline aquifers         | ? | Enhanced oil well recovery                     |                            |                                   |
| Gas  |                                      |                                     |   | Combined cycle (60% efficiency)                | ✓                          | Combined cycle (50% efficiency) ✓ |
| Nuclear  | Advanced reactors, Fusion reactors   | Generation 3 reactors               | ? | Generation 2, 2+ reactors                      | ✓                          |                                   |
| Wind   | Turbines >10MW                       | On and offshore turbines > 5MW      | ? | Onshore turbines <5MW                          | ✓                          | Onshore turbines <1MW ✓           |
| Solar  | PV 50% efficiency                    | PV >18% efficiency, Concentrated PV | ? | PV <18% efficiency, Solar thermal              | ✓                          |                                   |
| Hydro marine   | Wave convertors                      | Small tidal schemes                 |   | High head hydro, Pumped storage                | ✓<br>✓                     |                                   |
| Grid   | Micro-grid, V2G, Virtual power plant | Advanced metering infrastructure    | ? | Energy management, Online condition monitoring | ✓<br>✓                     | Simple meters ✓                   |
| ✓ Already implemented by CLP      ? Potential to emerge over the next 10 years                                       |                                      |                                     |   |  |                            |                                   |

The generating plant we build today may still be in operation beyond the middle of the century. We need to build power stations that not only meet today's technical and environmental standards, but also anticipate the expectations of future generations. We know that we will not create value for shareholders and stakeholders by building a business today which will be obsolete tomorrow. CLP has the necessary capability to build the best of today's technology and to continue to create value through the effective and timely deployment of tomorrow's emerging technologies.

## Capable and Committed People



The quality, commitment and expertise of CLP's people drives the creation of value for our shareholders and for everyone who relies on, or benefits from, the assets we operate and the services we provide.

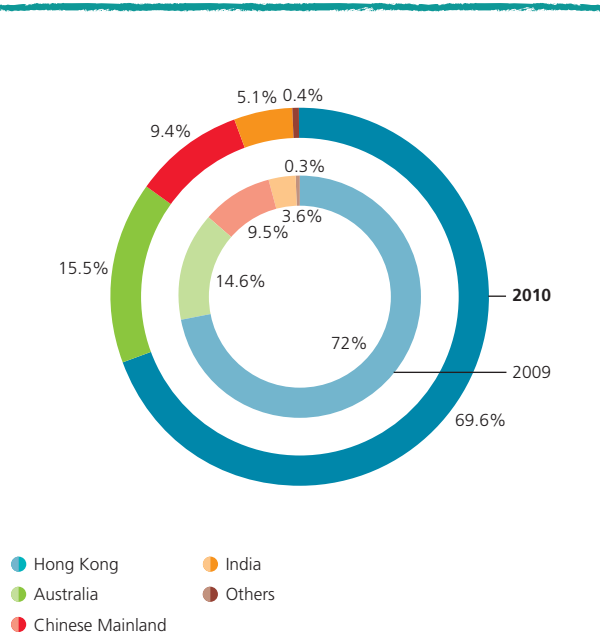
Over 6,000 colleagues in Hong Kong and across the region possess the complex skills needed to build and operate generation, transmission, distribution and retail businesses involving a range of technologies, in differing markets and under ever-changing regulatory regimes. The extra efforts they make and the extra skills they bring, make the difference between being an average company and being a good company.

### CLP's Staff

We bring to our shareholders and other stakeholders:

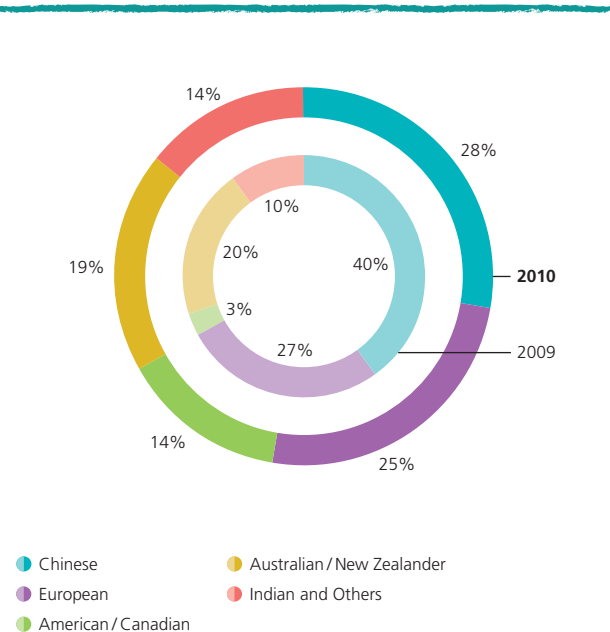
a workforce of 6,075 people distributed across the region in line with the demands of our activities

**Staff Distribution by Geographical Location as at 31 December 2009 and 31 December 2010**



a workforce led by a diverse management team

**Breakdown of Senior Executives by Nationality as at 31 December 2009 and 31 December 2010**



a workforce developing in line with a changing industry

### Examples of Evolving Skills

|   | 2010  | 2000 |
|---|-------|------|
| Staff working at gas-fired power stations               | 284   | 43   |
| Staff working in renewable energy                       | 591   | 3    |
| Staff working with remote information technology access | 3,000 | 150  |

a workforce which is experienced and highly educated

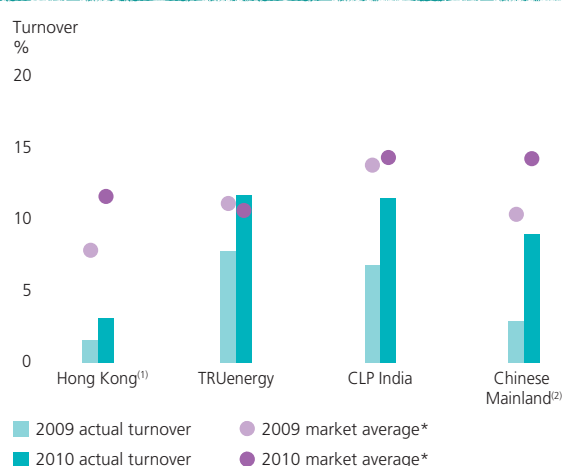
### Workforce Characteristics

|  | 2010  | 2009  |
|--|-------|-------|
| Average age                                      | 42.8  | 42.9  |
| Average years of service                         | 16.2  | 16.3  |
| % of staff holding a university degree or above* | 39.8% | 36.7% |

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

a workforce which is loyal

### Voluntary Staff Turnover Rate



Notes:

(1) Includes CLP Holdings, CLP Power Hong Kong, and other Hong Kong payroll staff.

(2) Includes all CLP subsidiaries in China.

(3) Further explanation on the increased turnover is in the following pages.

\* Source: Hewitt Salary Increase Survey 2010 – 2011 and 2009 – 2010

## Enhancing the value of our people – across the Group

Our approach to human resources (HR) management in each business is geared to the needs of that business, but based on common characteristics. These characteristics, which express our values and our commitments to employees, include competitive remuneration and benefits aligned with local market requirements, ongoing investment in individual training and development, a culture of mutual respect and open communication, and an environment that recognises the importance of employee well-being and work-life balance.

We believe that our consistent Group-wide approach to people management partly explains why, despite the fact that we operate in very competitive labour markets, our businesses have stable and loyal workforces with levels of staff turnover often well below the local market average.

We have been fortunate to have a stable senior executive team in place for many years. However, within the next 10 years the retirement projection of this group will accelerate. Consequently, we need to ensure succession plans are in place. Supporting this is the annual Group-wide Management Development and Succession Planning (MDSP) process. In 2010, internal successors were identified for 100% of Senior Management positions retiring within the next five years (2009: 100%). All existing senior positions which became vacant in 2010 were filled internally in accordance with planned succession arrangements (2009: 96%).

To support our succession planning process, in 2010 we continued to make a significant investment in developing identified successors and other high potential staff. For example:

- Our commitment to talent development is shown by the fact that 55% of participants in our 2008 and 2009 Group-wide Executive Development programme have had job moves within the past three years;
- 18 of our high potential staff attended the Richard Ivey Business School Consortium Management Development Programme in Hong Kong (of which CLP is a founding member) to strengthen their management skills and enhance external networking with their peers in other large organisations;
- Two teams joined the Hong Kong Challenge, an experiential learning event with 24 teams from across the Asia-Pacific region competing on strategic planning, teamwork and physical endurance; and

## Capable and Committed People

- A series of workshops were held across the Group to strengthen the “executive presence” and ability to communicate for impact and influence of our high potential staff.

We also invested in the ongoing development of our general workforce through both internal and external training courses. These courses included technical skills, language training and management skills. In 2010, total training man days amounted to an average 5.5 man days per employee (4.9 in 2009).

### Leveraging our skills and experience across the Group

The individual businesses in the Group are at different stages of development. For example, the Hong Kong business is relatively mature, while our business in India is more recent and fast growing. A key strength of the Group is that we are able to leverage the skills and experience of our staff to support new projects and to strengthen the expertise of our developing businesses. In 2010, we continued to have a significant number of staff on assignment across the region, including in support of solar plant construction in Thailand, hydro projects in China and coal-fired projects in Vietnam. In total, there were 34 staff assigned to work in six countries across the region in 2010.

We have also embedded knowledge sharing processes in the Group. For example, in 2010, regional forums were conducted for Safety, Group Operations, Group Finance, Information Technology, and Human Resources. This year we also launched a Wind Technology Forum, reflecting the growing significance of wind power in our portfolio. These activities help to share best practices, market intelligence and knowledge, and enhance communication networks across the region.

### Employee engagement and communication

We maintain a culture of open communication with our colleagues. Each of our businesses has in place a spectrum of communication channels, both formal and informal. We use these channels to keep colleagues up to date on the performance of our business and important developments, and to seek their views and opinions. We take great care to ensure that our colleagues learn about key developments directly from management, and not indirectly from the media.

Established channels of communication include team-briefings, broadcasts over the intranet, and departmental or workplace meetings. For newly hired senior staff across the region, induction programmes were arranged for them to visit the relevant Group functions in Hong Kong to meet senior management and understand our Group values and practices.

The wide geographic scope of our operations means that we place great reliance on technology to ensure that key messages relating to the Group as a whole are distributed quickly to colleagues across the region. In addition, key executives from the Group Executive Committee make a particular effort to use their frequent travel schedules to engage in two-way discussions with local staff in order to keep them up to date with developments and answer their questions.

As part of our open communication policy, we encourage each of our businesses to carry out employee surveys in order to gauge the opinion of staff on a range of topics. Whilst the design and administration of surveys is a matter for each business, as a Group-wide standard we require all surveys to be administered independently by reputable external consultants, and the responses of individual employees to be guaranteed confidentiality. Survey responses are benchmarked against a normative database of responses for surveys in that country. This recognises different national and cultural norms in responding to survey questions, and allows us to identify substantive issues for further action.

### *Enhancing the value of our people – business by business*

#### Hong Kong

The Hong Kong business is a mature business with an experienced and loyal workforce. The challenges faced by this business include managing the consequences of workforce ageing and retirement projections, building the organisational and individual capabilities needed to deal with greater integration of business activities with Southern China and, in the medium term, preparing for an evolving regulatory and business environment.

#### Percentage of staff due to retire within the next five years

|                  | 2010  | 2009  |
|------------------|-------|-------|
| Hong Kong        | 12.5% | 11.4% |
| TRUenergy        | 9.5%  | 10.1% |
| CLP India        | 1.3%  | 1.5%  |
| Chinese Mainland | 11.3% | 5.7%  |



In response to the implications of an ageing workforce, we have been taking steps since 2005 to plan ahead for this through:

- our rolling five-year manpower planning framework;
- ongoing supply side initiatives, such as apprentice, technician trainee, and graduate recruitment. Our apprenticeship and graduate traineeship programmes in Hong Kong have now been in operation for over 30 years. Many of our current senior managers graduated from these programmes; and
- investments in knowledge management and training. These are targeted on those areas where we have identified a risk of losing critical expertise.

Our retirement projections have a positive dimension in that these provide an opportunity for promotion and career development for the next generation of managers and professionals. Our internal promotion rates are strongly correlated with our voluntary turnover rate. This confirms that we are preparing existing staff well to benefit whenever opportunities arise.

Voluntary turnover in Hong Kong has remained low at 3.1% (2009: 1.5%) compared to the market (11.6%). However, like other major employers, we have experienced increased competition to attract and retain young professionals, particularly in functional areas.

## Australia

The HR context for our business in Australia is perhaps the most complex and challenging in the region. This results from the interaction of a number of factors including a very competitive business environment, a strong economy and mobile staff. In addition, a partially unionised workforce and a comprehensive range of labour-related legislation means that labour negotiations are a feature of our HR calendar. For example, in 2010 Enterprise Bargaining Agreement negotiations were concluded successfully at the Yallourn mine, and the Australian Services Union Enterprise Bargaining Agreement (for call centre personnel) was concluded and approved by Fair Work Australia in June 2010.

As a developed and mature economy, Australia also faces some HR challenges in common with our Hong Kong business. These include an ageing operational workforce and a shortage of qualified engineers in the market. In Australia, these shortages are exacerbated by the strength of the natural resources industry in Western Australia and its ability to attract skilled labour.

In this challenging context, our priorities include ensuring remuneration and benefits are competitive in order to attract and retain the right people, building a high performance culture to ensure behaviours reflect our brand and deliver strong business results, and ensuring that our existing skill base is maximised.



Teamwork at one of the Huaiji hydropower stations

## Capable and Committed People

As part of local management development initiatives, TRUenergy completed a three-tiered management and leadership development programme "Focused Energy" for all employees in 2010. A Human Capital Committee has also been established locally to monitor employee training and development and succession issues in the company.

In terms of employee well-being, TRUenergy launched a range of employee health and well-being programmes including stress management, ergonomics assessments and a quit smoking campaign. These encourage a healthy lifestyle and promote a strong occupational health and safety culture throughout the company.

### Chinese Mainland

From an HR perspective, operating in China presents us with a number of challenges.

Some of our projects are located in remote areas. This means we face a challenge to attract and retain talent, as there may be a lack of suitably qualified local labour, and inadequate housing and education infrastructure.

Largely as a result of remote locations, combined with significant variation in the number of employees at our assets, we experience very different levels of voluntary turnover at our assets.

Due to the geographic scale and diversity of China, unlike in Hong Kong or Australia for example, there is no national pay market. Rather there are very different local markets, with significant variations in pay between the developed urban centres and rural areas. Whilst this significant variation is a market reality, it results in a level of internal variation in pay that we as an organisation do not feel is consistent with our values. This also inhibits staff movement between assets. In 2010 we carried out a detailed review of the pay of some common benchmark positions in each of our assets. We will use the results of this in 2011 to develop a pay policy that strikes an appropriate balance between the differing local market conditions and overall fairness across our business.

### India

In India we face aggressive competition for staff from other power companies, remuneration increasing at the fastest rate in the region, and a shortage of talent with the skills and qualifications that meet the standards of a multi-national organisation. Consequently, attraction and retention of staff is a demanding task. It was noted in a recent "Economist" survey that these challenges are common to all investors in the BRIC


economies, and are exacerbated by the need to raise both the number and quality of staff at the same time to support business growth.

Whilst maintaining remuneration at an aggressively competitive level in relation to the market helps us, it can never guarantee 100% staff retention. Non-remuneration factors including the distinctive culture and values of CLP, and our recognised professional approach to management, are also powerful attraction and retention tools.

As part of our long-term talent sourcing strategy, we recruited 42 engineer trainees in India in 2010. All of these trainees are undergoing comprehensive training and on-the-job placement. This will equip them with essential skills and experience in preparation for more responsibility as our business grows in the future. We also established development centres for all senior managerial staff, in order to ensure that management development initiatives are targeted on priority needs. Development programmes including "Collaborative Decision Making" and "Thinking Better for Success" were organised for employees at different levels to prepare our workforce in India to meet future business challenges.

As part of our commitment to effective employee communication, a series of "open house" meetings was conducted in Jhajjar and Bharuch for the Managing Director to meet staff and share with colleagues our business direction and future plans. The feedback was encouraging and this proved to be a useful means of enhancing two-way communication between management and staff.

## 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. CLP's 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. 

This is exactly what we said on safety in last year's Annual Report. It is exactly what we will say in next year's Report. For us all safety is an absolute priority – year-in, year-out; day-in, day-out.

# Excellence in Customer Service



In 2010, about 85% of the CLP Group's total revenue came from payments made by the public sector, business, industrial and residential electricity customers we serve in Hong Kong and Australia (and 520,000 gas customers in Australia).

We provide electricity to over three million customer accounts in those two markets. Millions of people depend everyday on CLP to deliver power to them. Through excellence in customer service we benefit the communities we serve, we secure our revenue base and we safeguard our opportunity and privilege to be an essential service provider in Hong Kong and Australia. These two markets are very different but, as the following pages explain, the focus on customer service must be equally unwavering.

## Hong Kong

The people of Hong Kong demand the highest level of service from their electricity provider. It is our job to deliver it.

The majority of our customers live in high-rise buildings. Their journeys to work, school, or to the shops start at the lift. Our hot and humid climate requires air-conditioning for comfort at home and at work. High population density means an individual power transmission failure, even within a single

building, can affect thousands of our fellow citizens. Although Hong Kong is one of Asia's wealthiest cities, more than half of our residential customers live in subsidised public housing. The size of their electricity bills matters a great deal to them. In all these circumstances, we need to offer our customers an electricity supply which is categorised by reliability, reasonable tariffs, power quality and outstanding service.

## Reliability

Hong Kong has one of the most reliable electricity services in the world. Since 2000, unplanned Customer Minutes Lost (CML) per year, a standard measure of supply reliability, has been improved by 84%. The improved supply reliability was demonstrated during the severe thunderstorms last September. The unplanned CML during the most intense thunderstorm period was significantly reduced when compared to a similar event in 2005.

A typical CLP customer would have experienced an average of only 2.6 minutes of unplanned power interruptions per year during the period from 2008 to 2010. This compares with 14 to 42 minutes (during 2007 to 2009 – the latest available data) of power outages experienced by electricity users in New York, Sydney and London.



Mr. Zhang Xianchong

**What has CLP Power done to promote the share of electricity amongst all end-use energy consumption in Hong Kong? In terms of expanding the electricity market, can you tell some successful cases?**

General Manager, Jilin Electric Power Company Limited

Electricity offers the potential for the very efficient use of energy at the point of use. In recent years, we have been able to help many of our customers better meet their needs with new applications, saving them money and giving them a better environmental performance.

In the commercial sector, our account managers have been working closely with customers to introduce heat pumps to many of the major hotels in Hong Kong. As an environmentally friendly product, they have provided good savings to our customers and have helped reduce the burning of more polluting fuels in some of the busiest areas of Hong Kong. We have also promoted sales of energy-efficient equipment such as electric tunnel ovens for commercial catering. For domestic customers, total market share of induction cookers following an active campaign reached 10% in 2010 and we are supporting the use of new domestic water heaters to promote switching from gas to electricity.



Richard Lancaster

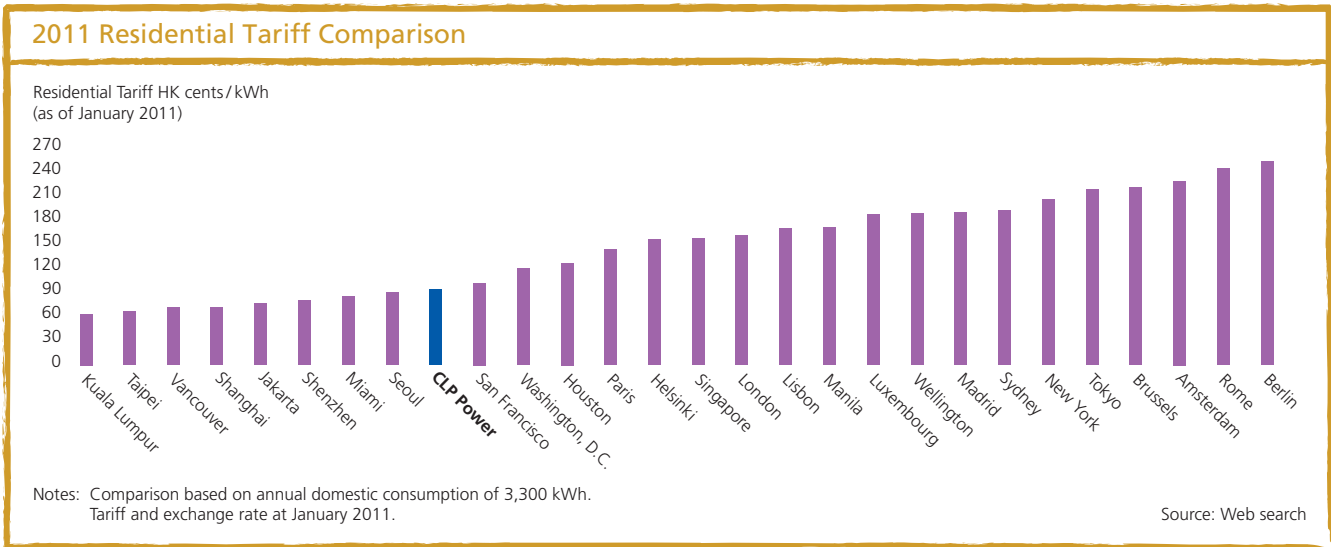
Group Director –  
Managing Director Hong Kong

Tariffs

On 14 December 2010, CLP Power announced that, with effect from 1 January 2011, its average net tariff would rise by 2.8%, with the Basic Tariff remaining unchanged and the Fuel Clause Charge being adjusted upward by 2.6 cents per unit of electricity as a result of rapidly rising international fuel prices. The average net tariff for 2011 is now forecast to be 94.2 cents per unit of electricity, up 2.8% from the 2010 actual level.

The Fuel Clause Charge reflects the costs of fuels for generating electricity and is directly passed through to customers. CLP makes no profit on fuel. Coal and gas account for almost 70% of CLP’s fuel mix. During 2010, international coal and gas prices rose by more than 30% and 20% respectively and this upward trend is expected to continue. The Fuel Clause Charge adjustment in 2011 is necessary to ease the pressure of rising fuel costs, so that the impact on our customers can be better managed.

CLP was able to freeze the Basic Tariff for 2011 despite the continuing inflationary pressure on operating costs, as reflected by the year-on-year rise of 3.5% in the Consumer Price Index (A) to December 2010. This is achieved by the Company’s ongoing efforts to contain tariff adjustments to a minimum through operational efficiency and careful cost control.



I have noticed that CLP’s current tariffs compare favourably to other major cities, especially those in Europe, the U.S., Australia and Japan. Nevertheless, I have also found that CLP’s tariffs are higher than Chinese mainland cities. How do you account for this?

Chairman, Sha Tau Kok District Rural Committee

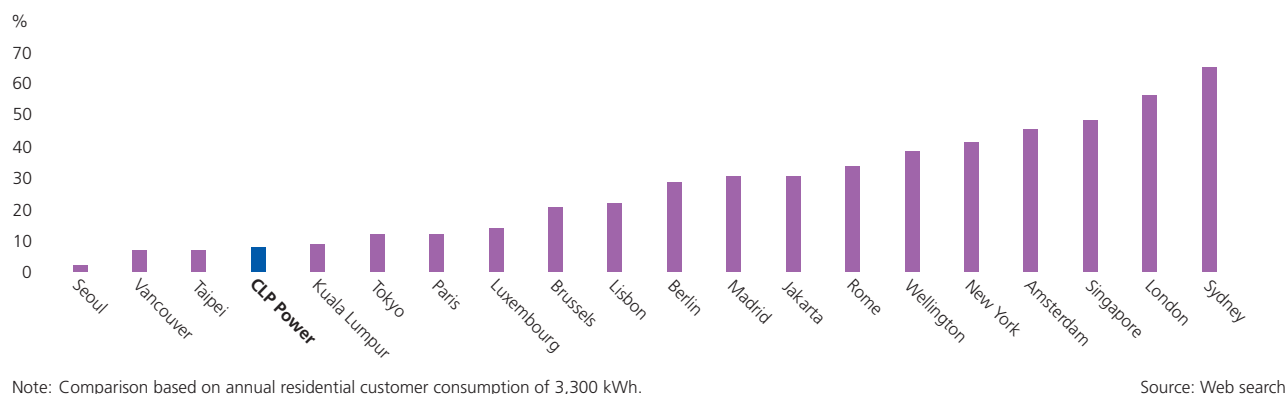
Even with the adjustment for 2011, CLP’s basic tariff is lower than it was during the mid-1990s. The adjusted tariff level compares favourably against other world cities such as New York, London, Tokyo and Singapore. CLP’s tariff is not subsidised by Government, and our policy is to try to avoid having one customer group cross-subsidising the tariff paid by another group. Different policies apply in Mainland cities which set residential tariffs at a lower level. However if you compare the average tariff across all customer groups between Hong Kong and other cities in Southern China they are broadly the same.





CLP has made great efforts to hold back tariff rises in recent years. We will work hard to ensure that our customers continue to enjoy competitive tariff levels in the coming years.

### Electricity Tariff Rises in Major Metropolitan Cities (2005 – January 2011)



### Power Quality

The rapid development of electronics and, in particular, computerised equipment in recent decades has brought many advantages to our society. However, this equipment tends to be more sensitive and requires power quality of the highest standard. Minor deviations in power quality, which in the past had no impact on equipment, can now adversely affect it.

Addressing power quality problems requires CLP to improve the stability of our power systems, and customers to understand and manage the vulnerability of their highly sensitive equipment.

CLP has been assisting our customers in solving power quality issues by offering technical services, providing evaluation of sensitive equipment, and by assessing and promoting new power quality technology. In 2010 alone, we recommended 50 technical proposals to our customers to enhance the power quality performance of their equipment. We also met equipment manufacturers and project consultants to develop practical and cost-effective schemes which could be incorporated as power quality requirements for new equipment.

### Customer Service

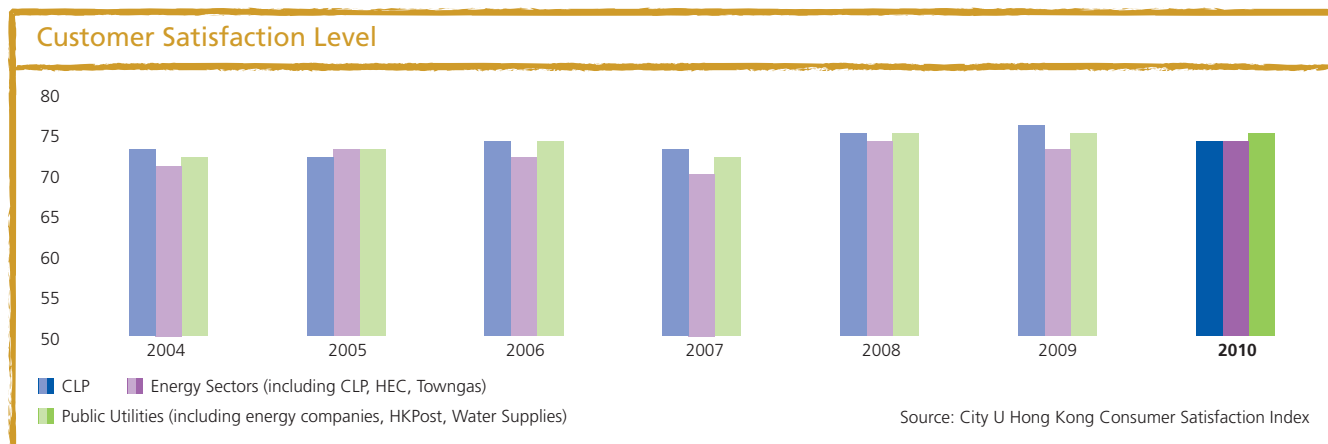
CLP's commitment to customer service is most clearly expressed in our 12 performance pledges. These set out our targets in 12 different areas of particular importance to our customers, such as reliable electricity supply and speedy response to our emergency service hotline. These pledges are set out on our website at [www.clponline.com.hk](http://www.clponline.com.hk), as well as our performance against those pledges. In 2010, we met all of those service pledges. 🏆

Our customer service pledges are backed up by continuing initiatives to find new and improved ways to better serve our customers. For example, a multi-media promotion platform, with quick links to key customer services, was introduced to provide customers with more convenient access to CLP's services. We know that our customers are environmentally aware and so we introduced our "Green Info Hub". This is a user-friendly web-based service which lists CLP's energy efficiency and conservation initiatives that can help our customers use energy more efficiently and wisely.

Our drive for improved customer service is supported by an ongoing dialogue and exchange of information, experience and ideas with our customers. Our Customer Consultative Group and 14 Local Customer Advisory Committees (LCAC) are a valuable network through which we can solicit advice, opinions and feedback from community leaders and customer representatives. These exchanges often centre on matters which are particularly topical. In 2010 we discussed nuclear safety and climate change issues with LCAC members, including through visits to Daya Bay Nuclear Power Station. In our regular meetings we have also discussed CLP's initiatives on electric vehicles, smart meters and energy saving.

## Excellence in Customer Service

The judgment on customer service which matters most is not our own – it is our customers who must judge the quality of the service we provide. Each year CLP's customer satisfaction level is measured and compared against other Hong Kong benchmarking utilities.

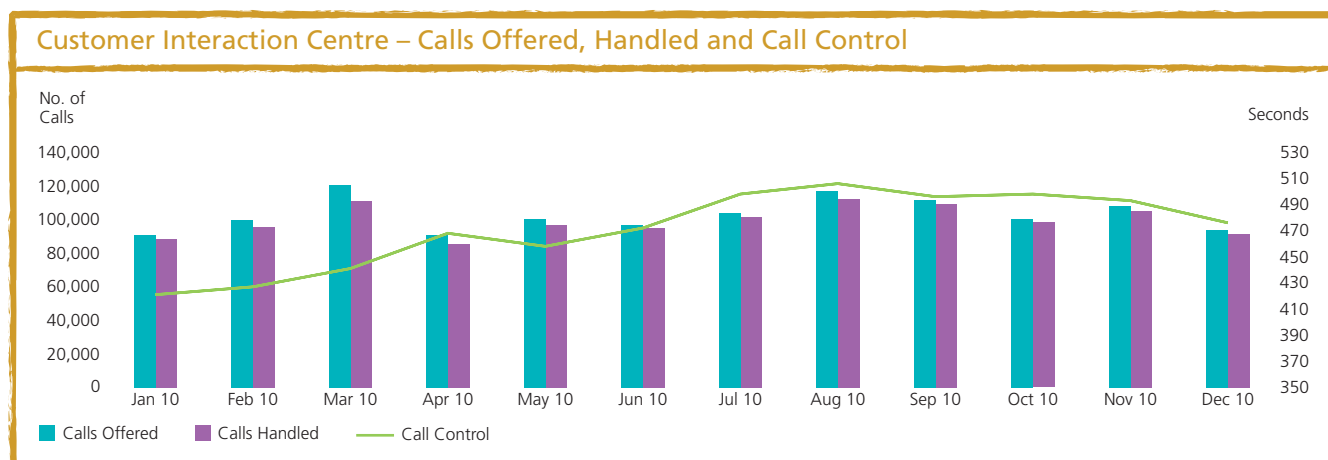


This chart indicates that CLP's level of service compared well with other energy companies in Hong Kong. However, there is always room for improvement. We will continue to do better in 2011.

## Australia

In Hong Kong CLP uses its own transmission and distribution system to deliver to customers the electricity we generate or buy from Daya Bay and other sources. In Australia the market structure is quite different. Like all generators there we must sell generated electricity to a pool run by the independent Australian Energy Market Operator (AEMO). We then purchase electricity from that pool to service our 725,000 electricity customer accounts, using the independently owned, regulated transmission and distribution systems. We also have 520,000 gas customer accounts. These are served through gas distribution networks which are also separately owned.

In 2010 TRUenergy handled 2,007,181 customer enquiries. Of these 1,189,084 were handled by consultants, whilst 818,097 were handled by our interactive voice response system by which customers can undertake self-service of most routine matters. During 2010 the average call handling time, measured in seconds, increased slightly due to additional customer activity relating to new domestic solar energy and Advanced Metering Infrastructure programmes.



In Australia, as in Hong Kong, our customer service levels are subject to objective and systematic measurement. Customer service standards are overseen by the State-based energy regulators. Service levels were challenged early in 2010 as a number of operational improvement programmes were undertaken in areas such as customer credit management. As 2010 progressed, TRUenergy's customer service levels improved.

While most customer contacts result in TRUenergy meeting the needs of our customers, TRUenergy continues to focus on those areas where we are not satisfying customers. During the year, TRUenergy had 44 Ombudsman complaints for every 10,000 customer accounts. To better manage customer complaints, TRUenergy introduced a new complaint handling and escalation procedure. TRUenergy is also discussing fast tracking complaint resolution options with the Energy and Water Ombudsman of Victoria.

There are many potential causes of customer complaints. TRUenergy spent considerable time in resolving a number of billing issues in 2010. In particular, TRUenergy introduced additional resources to address a delay in billing for some customers, which was the result of billing system errors. By the end of the year there were 0.3% of customers who had not received their bills on time.

The rapid increase in customers seeking solar-related products and the introduction of interval meters for all Victorian consumers are two of the drivers of system changes to ensure billing is accurate as the market changes. TRUenergy continues to work on resolving a number of system issues to ensure that all customer bills are accurate.

In Australia there has been a particular focus, by State and Federal Governments and from TRUenergy itself, on clean energy and energy efficiency. Our Energy Management Initiative (EMI) was established to offer customers energy efficient products and services to help reduce their carbon impact and energy costs. As part of the Victorian Government's Energy Saver Incentive Programme, EMI this year completed the installation of low energy lighting and low-flow showerheads in over 40,000 Victorian households – at no cost to the customer. TRUenergy also offered free home energy assessments to households under the Federal Government's Green Loans scheme. These assist households in identifying ways in which they can become more energy efficient.

In March 2010, TRUenergy Solar Solutions was established, offering households a range of solar hot water products. The Solar Solutions group consists of a dedicated sales and service centre. This provides expert information on solar options for households. TRUenergy currently sells and installs these systems to Victorian customers. In July 2010, Solar Solutions expanded to selling and installing solar photovoltaic systems, enabling households to generate their own electricity.

The acquisition of EnergyAustralia's retail business, scheduled to be completed in March 2011, will constitute both a challenge and an opportunity for TRUenergy to extend its customer base into NSW, Australia's largest electricity market. EnergyAustralia has a well-regarded retail electricity and gas business. This, combined with TRUenergy's existing high levels of customer service, will provide an excellent platform from which to build Australia's leading electricity and gas retail brand in the coming years.



**Mr. Bob Anderson**

**What tools or programmes does TRUenergy make available to its large user customers, to help them and their staff become better informed about the energy sector? And what goes into developing and managing an energy supply agreement?**

Purchasing Unit Manager, YMCA Australia

TRUenergy seeks to assist its large customers to better understand energy supply options.

We offer large customers a dedicated account management programme, which includes competitive fixed term retail pricing. These customers are also offered various payment options, including electronic funds transfer, consolidated billing and direct debit. Customers are managed by their individual account manager, who seeks to assist in all facets of your account. Managers also have access to usage reports that can be made available to help you better understand your consumption.

Online usage tracking is available via the Datanet programme, which gives customers access to reports to help meet their CO<sub>2</sub> emission reporting needs. Through this dedicated programme, our customers have access to trained employees who have information and details relating to new and industry updates. Our staff can provide ongoing network tariff analysis and upon request can also help in determining the best option for your site.

Through our third party affiliations we can also offer quality of supply reporting, power factor correction services, energy audits and thermal imaging, all of which help customers to better manage their energy supply.



**Richard McIndoe**

Group Director –  
Managing Director Australia

# Financing Strength and Capacity



CLP's ability to raise external finance is essential to creating value for our shareholders in the highly capital-intensive power industry. Put simply, if we cannot borrow adequate amounts of money, on favourable terms and over long periods we cannot grow our business. The important link between financing strength and capacity and shareholder value may not be immediately apparent. Each of our four value drivers relies heavily on a range of internal and external stakeholders. In the case of CLP Holdings' financing capacity it is our relationships with our lenders that can mean the success or failure of each investment proposition and in turn, whether or not we can continue to grow the business, further creating and enhancing value.

## Our Strategy

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. We are disciplined in applying these strategies and successful in maintaining these key relationships both during good and challenging times. As at December 2010, the Group had business relationships with 57 (2009: 54) financial institutions in Hong Kong, Australia, Chinese mainland, India and Southeast Asia. The diversity of our financial partnerships has enabled us to obtain sufficient, cost effective funding for long-term growth. We also consider it a mark of our success in managing these crucial relationships that when comparing the financial institutions we had relationships with in 2001, almost a decade ago, approximately 80% are still working in partnership with us. The longevity of our relationships with financial institutions is no accident. These mutually beneficial relationships help maximise shareholder value through the provision of adequate and cost effective finance that enables the sort of profitable and stable long-term returns that meet our shareholders requirements. In 2010 we implemented our financing strategy effectively across the Group, as demonstrated by the following major financing events.

### Major achievements in financing activities

|                     |   |  |
|---------------------|---|--|
| CLP Holdings        | Refinanced HK\$6 billion bank loan facility     | <ul style="list-style-type: none"> <li>Financed by a consortium of 18 international and regional banks</li> <li>Attractive pricing</li> <li>Overwhelming funding commitment from banks</li> </ul>  |
| CLP Power Hong Kong | Issued US\$500 million bonds                    | <ul style="list-style-type: none"> <li>Attractive pricing closer to the level of quasi-government bond issuers in Hong Kong vis-à-vis other blue chip companies</li> <li>9 times cover from global investors</li> </ul>  |
|                     | Issued HK\$760 million fixed rate bonds         | <ul style="list-style-type: none"> <li>Very long tenor with favourable fixed interest rate</li> </ul>  |
|                     | Arranged HK\$1 billion new bank loan facilities | <ul style="list-style-type: none"> <li>Medium term loan with favourable interest rate and terms</li> </ul>   |
| Jhajjar Power       | Refinanced US\$288 million syndicated loan      | <ul style="list-style-type: none"> <li>First time power project finance transaction by PRC lenders in India</li> <li>One of the first Indian coal-fired projects to be project-financed by overseas lenders</li> <li>Awarded the Indian Deal of the Year by Project Finance International</li> </ul> |
| TRUenergy           | Revised terms of A\$350 million bank facility   | <ul style="list-style-type: none"> <li>Lower interest rates and improved facility terms</li> </ul>   |
|                     | Arranged US\$270 million bonds                  | <ul style="list-style-type: none"> <li>Long tenor at low fixed interest rate</li> </ul>  |



## CLP Group

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.

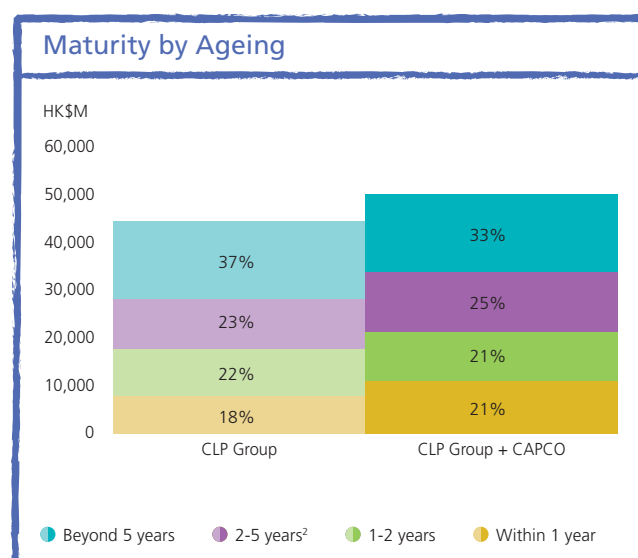
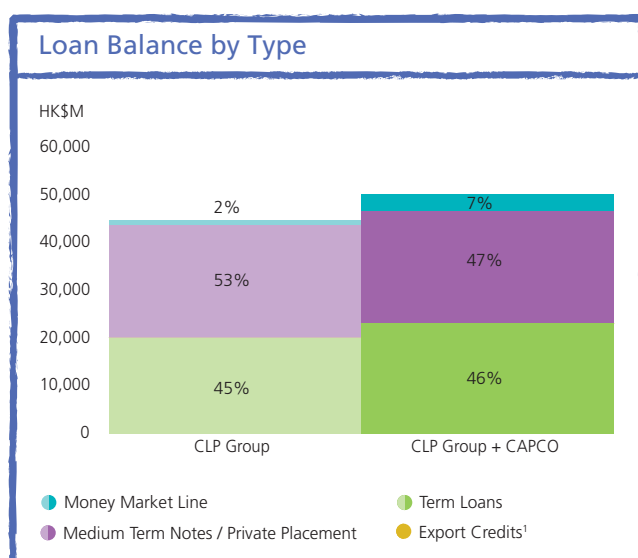
CLP Holdings successfully completed the refinancing of a HK\$6 billion 5-year revolving bank loan facility with a consortium of 18 international and regional banks. It received strong support from a wider group of lenders (2005: 15 banks) and achieved attractive pricing not seen in the market since the U.S. subprime turmoil. CLP entities in Hong Kong have further broadened their list of lenders, 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.

The Group's total debt to total capital ratio was 35.9% as at 31 December 2010 (2009: 35.7%), and was 33.3% (2009: 30.7%) after netting off bank balances, cash and other liquid funds as at 31 December 2010.

| Debt Profile as at 31 December 2010 | CLP Holdings<br>HK\$M | CLP Power<br>Hong Kong<br>HK\$M | Other<br>Subsidiaries <sup>1</sup><br>HK\$M | Group<br>HK\$M | Group +<br>CAPCO<br>HK\$M |
|-------------------------------------|-----------------------|---------------------------------|---|----------------|---------------------------|
| Available Facility <sup>2</sup>     | 8,200                 | 29,353                          | 40,572                                      | 78,125         | 85,348                    |
| Loan Balance                        | –                     | 25,603                          | 19,020                                      | 44,623         | 50,285                    |
| Undrawn Facility                    | 8,200                 | 3,750                           | 21,552                                      | 33,502         | 35,063                    |

Notes:

- 1 Mainly relates to TRUenergy and subsidiaries in India.
- 2 For the Medium Term Note Programme, only the amount of the bonds issued as at 31 December 2010 was included in the total amount of Available Facility. The Available Facility in TRUenergy excludes facility set aside for guarantees.



Notes:

- 1 Export credits only accounted for 0.1% of the total loan balance of the Group and CAPCO combined (nil for the Group) and are not reflected in the chart above.
- 2 Including loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

In 2010, interest cover (which equals profit before income tax and interest divided by the sum of interest charges and capitalised interest) was 7 times (2009: 8 times).

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 2010 are shown on page 81.

## Financing Strength and Capacity

### Hong Kong

In 2010, our Hong Kong-based operation continued to source funding from various markets including bank loans and bonds, and from different geographic locations including Hong Kong and the United States. CLP Power Hong Kong further lengthened its debt maturity by issuing fixed rate bonds with tenors up to 20 years to lock in benign fixed interest rates over a longer period of time when interest rates were at a low historical level. These include

- (a) US\$500 million (HK\$3.9 billion) 10-year bond issued on 12 March 2010 under the Medium Term Note (MTN) Programme with a 4.75% coupon. The bond was priced at U.S. Treasury yield plus 1.15%. This level was closer to the pricing of quasi-government bond issuers in Hong Kong vis-à-vis other blue chip companies. The bond issue received overwhelming support from investors with an order book of US\$4.5 billion (9 times cover). The bond is a Regulation S issue with listing on the Hong Kong Stock Exchange. All the U.S. dollars proceeds were swapped back into fixed rate H.K. dollars at favourable rates and mitigated foreign currency and interest rate exposures.
- (b) HK\$760 million 15 and 20-year fixed rate bonds issued through private placement to long-term investors at coupon rates 3.41% and 3.60% respectively. The extremely low interest rate environment seen before the fourth quarter of 2010 has provided us with excellent opportunities to further extend the maturity profile at attractive terms.

Thanks to CLP Power Hong Kong's MTN Programme, it can issue long-dated bonds at short notice in an aggregate amount of up to an equivalent of US\$2.5 billion to capture market opportunities in financing. As at 31 December 2010, bonds with a nominal value of about HK\$16,940 million were issued under the Programme.

### Beyond Hong Kong

Our subsidiaries and affiliates overseas continued to capitalise on the strong credit of CLP Holdings, risk-balanced project structures and healthy project economics to grow their business. 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. Though the financial markets have become less challenging, we have not ceased the cooperation between the Hong Kong and overseas teams to leverage on CLP Holdings' financial expertise and relationships with financial institutions to help arrange financing and refinancing in a timely manner and at acceptable costs. For instance, in December CLP India completed a US\$288 million refinancing for part of the existing Indian rupee project loan of the Jhajjar project with a group of five international and Chinese banks to better match construction payment currency and optimise funding cost. TRUenergy reduced the financing costs and improved other terms of a A\$350 million 3-year credit facility in August 2010. In addition, TRUenergy arranged a total of US\$270 million 10 and 15-year bonds through private placement in December 2010, and has arranged an issue in March 2011 of 8, 12 and 15-year bonds totalling a further US\$225 million.



Mr. Mark S McCombe, OBE

**There is a good deal of publicity around incentive schemes for renewable energy project developments including cheaper sources of capital available for new renewable energy projects. How viable is it for CLP to attract these sources of funding and what are the benefits of these financing arrangements as opposed to traditional project finance?**

Chief Executive Officer Hong Kong, The Hongkong and Shanghai Banking Corporation Limited

With increasing awareness of environmental protection, there are more incentive programmes to finance renewable energy project developments by governments or quasi-government agencies. They usually take the form of preferential funding cost, more favourable terms or less restrictive covenants in the financing package which can enhance investment returns. CLP will adopt a dynamic yet pragmatic approach in soliciting funding from diversified, cost-efficient, "green" sources in parallel with traditional corporate and project level finance. For instance, in 2010, the Asian Development Bank has supported our 55MW solar project in Thailand, a co-investment with EGCO (which is unaffected by CLP's recent sale of its stake in EGCO itself) and Mitsubishi Corporation, with preferential interest rate and favourable loan terms.

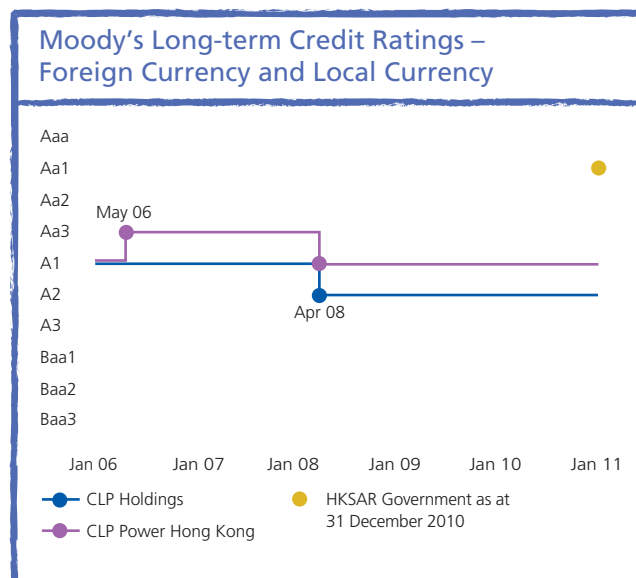
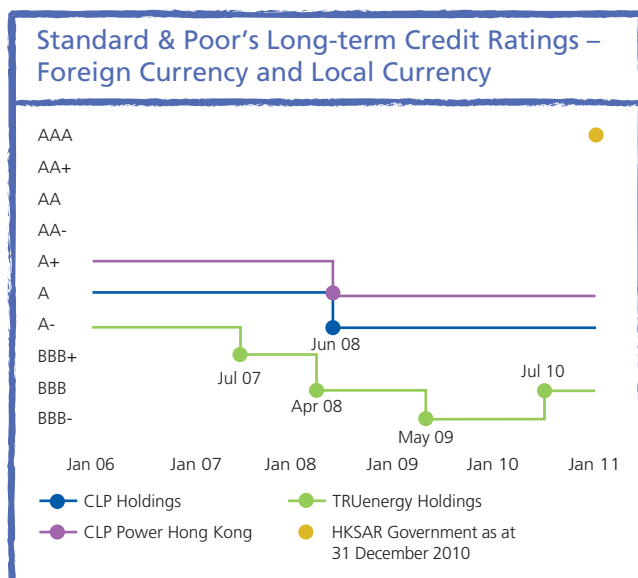


Mark Takahashi

Group Director & Chief Financial Officer

## Credit Rating

CLP has applied prudent financial management throughout the business expansion of recent years. This has enabled the Group to maintain good investment grade credit ratings, meet all commitments to lenders and secure adequate financing to support current and future funding needs.



As noted earlier in this Report, in December 2010 TRUenergy announced its successful bids for the acquisition of certain energy assets in NSW, Australia. Following the announcement, Standard & Poor's (S&P) and Moody's placed the credit ratings of CLP Holdings and CLP Power Hong Kong on watch with possible downgrade while they performed a credit rating review. This is to be expected after a major acquisition. We have worked closely with S&P and Moody's to explain the implications of this acquisition and TRUenergy's financial position as these assets are integrated with TRUenergy's existing business. Subsequently, S&P completed their review and re-affirmed the A- and A credit ratings of CLP Holdings and CLP Power Hong Kong respectively with stable outlooks. Moody's is still performing its credit rating review. Notwithstanding the outcome with Moody's, we remain confident that CLP's financing capability, access to markets and corporate flexibility (through project sell downs) will provide adequate firepower to support planned investments and selected opportunistic investments in the future.

## CLP Holdings

### Moody's rating

In July 2010, Moody's re-affirmed the A2 credit rating of CLP Holdings with stable outlook. On 15 December 2010 Moody's placed the A2 rating on review for possible downgrade.

| Positives   | Negatives   |
|---|---|
| <p>In July 2010</p> <ul style="list-style-type: none"> <li>Strong and predictable cash flows generated from CLP Power Hong Kong</li> <li>Sound liquidity profile supported by CLP Holdings' ability to access the domestic and international bank and capital markets</li> <li>Appropriately managed debt maturity profile</li> <li>Prudent and gradual approach to overseas expansion</li> </ul> | <ul style="list-style-type: none"> <li>Weakened financial profile resulting from the lower permitted rate of return under the SoC</li> <li>Ongoing expansion into riskier, non-regulated merchant energy and retail businesses in the region</li> </ul>                                   |
| <p>Review in December 2010 (post announcement of NSW acquisition)</p> <ul style="list-style-type: none"> <li>Provide immediate diversity benefit through economies of scale</li> <li>The NSW acquisition would strategically enhance TRUenergy's overall scale and market position</li> </ul>   | <ul style="list-style-type: none"> <li>Potential integration issues of the NSW assets</li> <li>The majority debt-funded nature of the NSW acquisition, following CLP's intention to invest in Yangjiang Nuclear Power Station, could weaken its consolidated financial profile</li> </ul> |

## Financing Strength and Capacity

### S&P Rating

In June 2010, S&P re-affirmed the A- credit rating of CLP Holdings with stable outlook. On 15 December 2010 S&P placed the A- rating on credit watch with negative implications. Subsequently, S&P removed the negative credit watch placed in December 2010 and re-affirmed the A- credit rating of CLP Holdings with stable outlook.

| Positives   | Negatives   |
|---|---|
| <ul style="list-style-type: none"><li>• Strong business risk profile supported by CLP Holdings' dominant asset, CLP Power Hong Kong operating in a stable and favourable regulatory environment</li><li>• Strong market position in its service area</li><li>• Liquidity remains adequate</li><li>• Expect CLP Group's financial flexibility will improve in 2012</li></ul> | <ul style="list-style-type: none"><li>• Expansion into Asia-Pacific power investments – typically into higher risk generation assets</li><li>• Increased debt arising from the Australian acquisitions will weaken financial health in 2011</li></ul> |

### Fitch Rating

In July 2010, Fitch re-affirmed its self-initiated A+ long-term issuer default rating to CLP Holdings with outlook remaining negative.

| Positives   | Negatives  |
|---|--|
| <ul style="list-style-type: none"><li>• Liquidity is sound</li><li>• Stable and recurring SoC cash flow</li><li>• Strong access to bank funding and capital markets</li></ul> | <ul style="list-style-type: none"><li>• Higher leverage</li><li>• Large capital expenditure pipeline in Hong Kong and overseas</li></ul> |

## CLP Power Hong Kong

### Moody's Rating

In June 2010, Moody's re-affirmed the A1 credit rating of CLP Power Hong Kong with stable outlook. The credit rating was placed on watch in December 2010 because Moody's considered the credit ratings of CLP Power Hong Kong and CLP Holdings are closely linked, and the ratings of CLP Power Hong Kong will be dependent on the outcome of the rating review of CLP Holdings on the NSW acquisition.

| Positives   | Negatives  |
|---|--|
| <ul style="list-style-type: none"><li>• Largely unchanged regulatory framework would continue to provide CLP Power Hong Kong with a strong and highly predictable cash flow</li><li>• Good track record in accessing domestic and international bank and capital markets</li><li>• Well-managed debt maturity profile</li></ul> | <ul style="list-style-type: none"><li>• Lower permitted rate of return under the new SoC would weaken CLP Power Hong Kong's financial profile, albeit from a very strong level</li><li>• Liquidity profile is pressured to a certain extent by its dividend payment to CLP Holdings</li><li>• Long term capital expenditure plan</li></ul> |



### S&P Rating

In June 2010, S&P re-affirmed the A credit rating of CLP Power Hong Kong with stable outlook. S&P placed the credit rating of CLP Power Hong Kong on watch in December 2010, but have since removed the credit watch with affirmation of A credit rating and stable outlook of CLP Power Hong Kong.

| Positives   | Negatives  |
|---|--|
| <ul style="list-style-type: none"><li>• Stable regulatory environment in which to operate</li><li>• Strong market position in its service area</li><li>• Strong operating track record</li><li>• Strong financial flexibility</li></ul> | <ul style="list-style-type: none"><li>• Uncertainty stemming from its parent's plan to continue expanding overseas</li></ul> |

### Fitch Rating

In July 2010, Fitch re-affirmed its self-initiated A+ long-term issuer default rating to CLP Power Hong Kong with outlook remaining negative.

### TRUenergy Holdings

#### S&P Rating

In July 2010, S&P raised the credit rating of TRUenergy Holdings from BBB- to BBB with stable outlook. S&P has not taken any rating action on TRUenergy following the announcement of the acquisition of NSW energy assets in December 2010.

| Positives  | Negatives   |
|--|---|
| <ul style="list-style-type: none"><li>• Strong operations and improved financial profile</li><li>• Abatement of TRUenergy's debt-financing risks</li><li>• Australian Government's deferral of the proposed carbon pollution reduction scheme</li><li>• Lenders' willingness to support TRUenergy's business strategy</li><li>• CLP Holdings' continued support to TRUenergy</li></ul> | <ul style="list-style-type: none"><li>• Exposure to the volatile wholesale electricity market</li><li>• Relatively aged condition of TRUenergy's main plant</li></ul> |



Jhajjar – the first Indian power project financed by PRC lenders