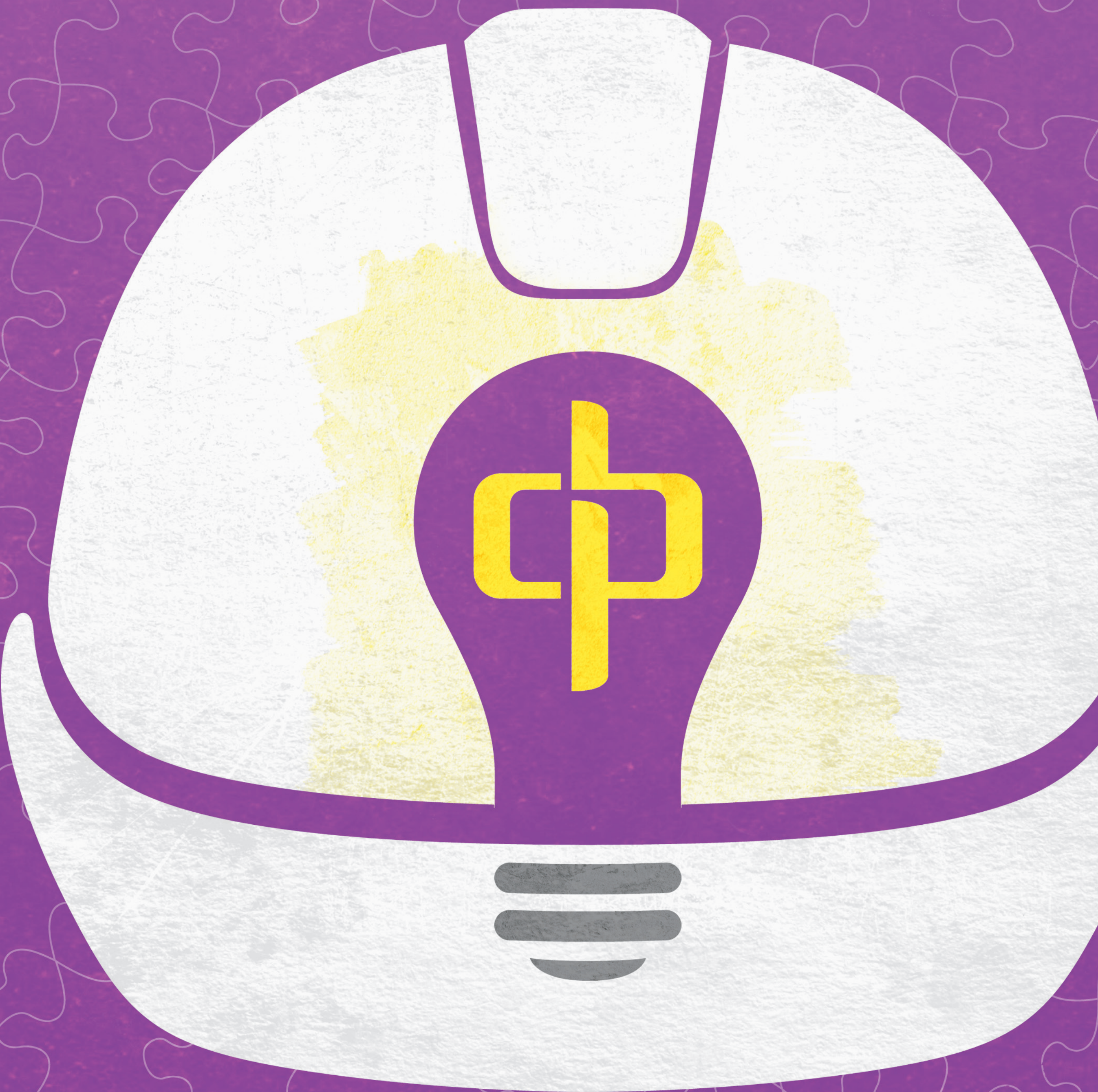
Resources

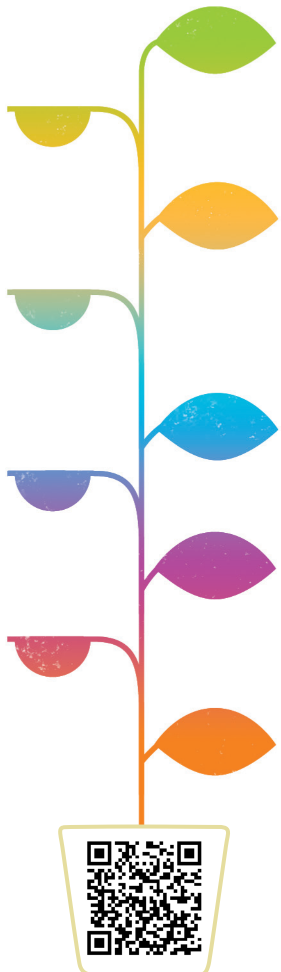
We have selected some of the resources and relationships that are critical to CLP and explain how the careful management of these can contribute to the sustainability of our business.



Values

Companies, like people, have values and standards by which they conduct themselves. In CLP's case we have chosen both to express the values we had and those to which we aspire in a formal "Value Framework". This was first published in 2003, then updated in 2009 and January 2012 to reflect developments in our business and feedback from external stakeholders. For example, this year we added further emphasis on the importance of proper management of all the economic, social and environmental aspects of our business.

The Value Framework expresses our vision, mission, core values, commitments, policies and our Code of Conduct. It covers all areas of our operations and applies to everyone in the CLP Group. It is a continuing statement of where and what CLP wants to be, the standards we expect of ourselves and which stakeholders may expect from us.



Vision

CLP's vision is to be the leading responsible energy provider in the Asia-Pacific region, from one generation to the next.

Mission

In a changing world, our mission is to produce and supply energy with minimal environmental impact to create value for shareholders, employees and the wider community.

Values

Our values guide us in fulfilling our mission and turning CLP's vision into reality.

Commitments

Our commitments are the promises that we make to our stakeholders about the way in which we will uphold our values.

Policies & Codes

CLP's policy statements aid in the articulation and incorporation of our values and commitments into our everyday operations and practices.

It may seem strange to think of "values" as a resource, but firm adherence to conducting our business responsibly supports our reputation, enhances our stakeholder relationships, promotes community acceptance of our activities and provides one of the foundations of a sustainable business model.

People

The commitment, experience and expertise of our workforce is a key resource for our shareholders and stakeholders.

Safety

The most important aspect of the relationship between CLP and our staff is safety. 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 to 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. This is exactly what we said in last year's Annual Report – and we promised we would say exactly the same thing this year. For all of us, safety is an absolute priority – year-in, year-out; day-in, day-out. The following chart shows the number of incidents involving disabling injuries and the rate of such incidents for those assets under construction or in operation, where we have operational control or majority ownership (known as DIIR – Disabling Injury Incidence Rate) which is the number of reportable disabling injuries for every 200,000 employee hours of exposure. It is roughly equivalent to the number of disabling injuries per 100 employees per year.

Safety Performance – DIIR

	Employees				Combined Employees and Contractors			
	2011		2010		**2011**		2010	
Location	No.	DIIR	No.	DIIR	No.	DIIR	No.	DIIR
Hong Kong	**4**	**0.09**	2	0.05	**13**	**0.14**	20	0.17
Australia	**6**	**0.34**	6	0.62	**11**	**0.45**	11	0.68
India	**0**	**0.00**	0	0.00	**36**	**0.44**	11	0.19
Chinese Mainland	**1**	**0.09**	3	0.37	**1**	**0.03**	6	0.14
Southeast Asia and Taiwan	**0**	**0.00**	0	0.00	**0**	**0.00**	0	0.00
Total	**11**	**0.14**	11	0.15	**61**	**0.23**	48	0.19

Some businesses, including those in the power sector in our region, might be satisfied with such low incident rates. We are not satisfied. We aim to do better in this aspect of our business in 2012. First, the overall incident rate in 2011 was higher than in 2010. Secondly, zero incident is our goal. In 2011 we continued to exercise safety disciplines and procedures on a Group-wide basis – we make no concessions on safety for different countries or assets. A particular challenge has been to maintain a proper safety culture on our Jhajjar project where there were three fatal accidents to subcontractors. There were also two fatalities involving subcontractors at the Andhra Lake wind farm project, both resulting from vehicle accidents. However, we will not use the particular difficulty of a project or an unfavourable safety culture as an excuse for accidents. This year the Jiangbian hydro project in China was completed without a single fatality to our employees and contractors, notwithstanding the challenges of a complex project in difficult terrain, including extensive tunnelling through extremely demanding geological conditions.

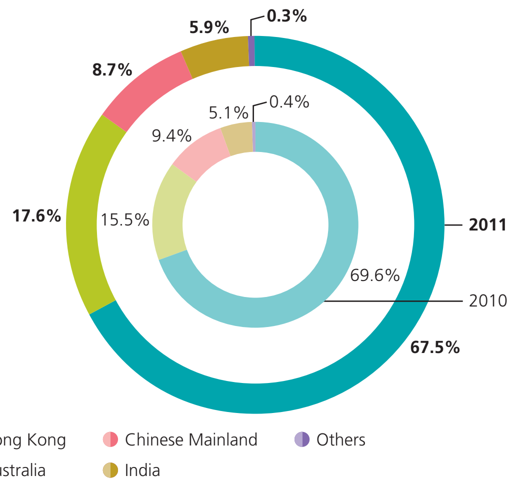
Safety management reviews were conducted at Jhajjar, together with an initiative to increase the engagement of all employees in health and safety efforts. Elsewhere, as at Jhajjar, safety management systems continued to be strengthened and aligned to an enhanced Group standard. Safety leading indicators, including pre-work risk assessment practices have been implemented and have been shown to reduce work safety risks. Our online Sustainability Report sets out the safety performance of our business in greater detail, including at assets or projects where we have only a minority stake and limited operating influence. SR

A Skilled and Experienced Team

CLP continues to bring to its shareholders and other stakeholders a work force which is...

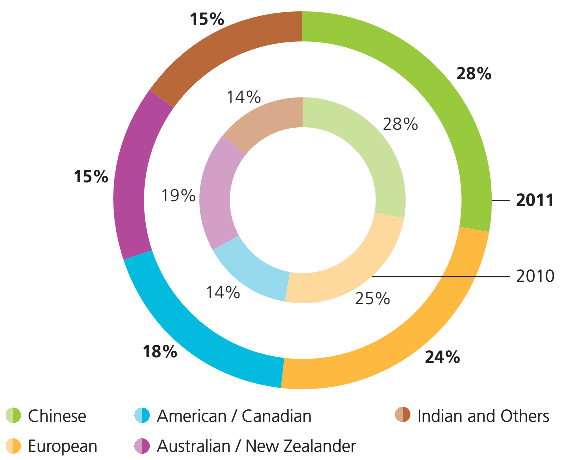
Distributed across the region in line with the demands of our activities

Staff Distribution by Geographical Location as at 31 December 2010 and 31 December 2011



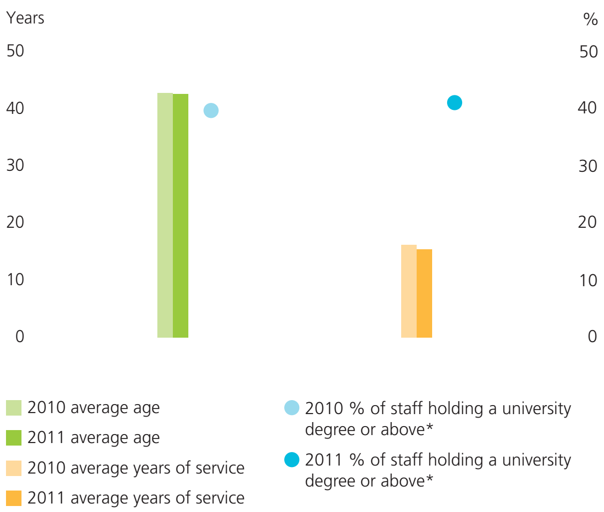
Led by a diverse management team

Breakdown of Senior Executives by Nationality as at 31 December 2010 and 31 December 2011



Experienced and highly educated

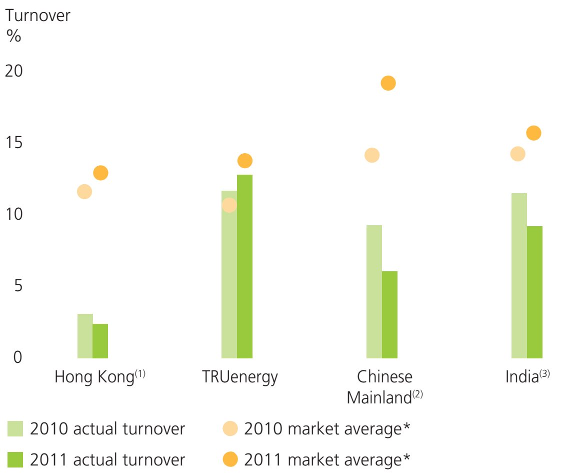
Workforce Characteristics



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

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 Includes all CLP subsidiaries in India.

* Source: Aon Hewitt 2009 – 2011 Salary Increase Survey in Asia

Preparing for Retirement

We are conscious that the expertise and experience of our colleagues are, at least in part, the results of considerable length of service within the CLP Group. As is to be expected, one consequence is a significant, but largely constant, percentage of staff approaching retirement within the next five years, as the following table explains:

Staff due to retire within the next five years

	2011	2010
Hong Kong	13.4%	12.5%
Australia	9.6%	9.5%
India	1.1%	1.3%
Chinese Mainland	9.6%	11.3%

In response to this challenge, and as part of the wider goal of enhancing the value of our people we are taking a wide range of measures to:

- ensure management succession;
- enhance the capabilities of all staff; and
- introduce new talent to CLP.

The following paragraphs explain just a few of the steps we are taking under each of these three headings.

Management

We closely monitor the retirement projection of the senior executive team. The annual Group-wide Management Development and Succession Planning process has enabled CLP to put in place the necessary succession plans. In 2011 internal successors were identified for 100% of senior management positions.

The Group Executive Development Program (GEDP), run in conjunction with the IMD Business School, is one of our key tools for developing management talent. In 2011, 23 participants from across the Group attended two intensive training modules, focusing on strategic issues facing the energy industry. 60% of the participants in this Program have had job moves within the past three years in order to expand their experience and capabilities. In addition to the GEDP, 20 of our high potential staff attended the Richard Ivey Business School Consortium Management Development Programs in Hong Kong.

Enhancing Staff Capabilities

In 2011 each employee in the CLP Group received an average of 5.4 training days (5.5 days in 2010) designed either to enhance their performance in their current roles or to prepare them for further advancement.

Q

How is the company dealing with the problem of ageing employees? As we are facing a retirement peak season in the coming few years, we have to dedicate resources to building up potential young engineers.

Mr. Leung, Leo Ting Pong
Engineer, CLP Power

A

It is an unfortunate fact of life that everybody gets older, and there is not very much we can do about this! If a large proportion of employees retire without effective know-how transfer then the organisation's knowledge and experience is depleted. Other problems might be rapidly increasing medical costs and, in physically demanding roles, loss of productivity and increased safety risks.

Across the Group, the business most at risk from these problems is the Hong Kong business. As a result of high average length of service and very low voluntary turnover rates, there is a relatively high average age and skewed age distribution. However these figures are not high when compared with major utilities in Europe and the U.S.

We have been planning ahead for the retirement projection for many years. Apart from annual succession planning and 5-year manpower planning processes, a strategic review on workforce planning was completed in 2011. The review included identifying competencies that meet current and future business needs, facilitating transfer of skills from retiring staff and strengthening the pool of high potential staff.

The retirement projection also has positive consequences. Most importantly it will create a wave of opportunity for younger staff who might otherwise have faced another consequence of a stable organisation with low turnover, which is limited promotion opportunity.

Roy Massey
Director – Group Human Resources

Specific initiatives were also undertaken within our different business units. For example, CLP India has been conducting workshops on the "Whole Brain" thinking framework to increase collaborative decision-making in the workplace. The framework helps employees understand their thinking preferences in order to optimise their personal effectiveness and in turn understand and appreciate each other. A presentation on CLP India's experience with the "Whole Brain" thinking framework and collaborative decision-making was made at the Annual Conference of the American Society for Training & Development in mid-2011 and will feature as a case study in Hermann International's global portfolio of case studies.

We do not believe that our staff can give their best without proper consideration for their overall well-being and work-life balance. In Hong Kong we organised initiatives such as Work-Life Balance Month, whilst TRUenergy's employee Wellness Program (Healthy, Wealthy, Fit and Wise) achieved finalist status and a commendation award in the 2011 Australian Human Resources Industry National Awards for Health & Wellbeing.

Introducing New Talent

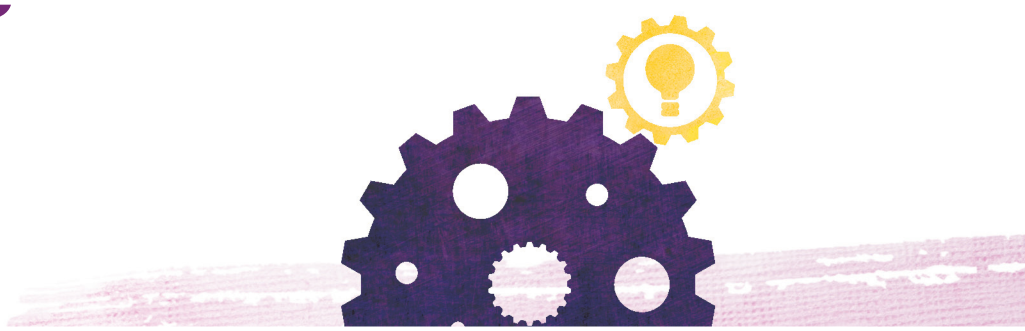
A number of initiatives have taken place to ensure the ongoing supply of technical talent. For example, in 2011:

- in Hong Kong we continued with our Recruit Trainees / Apprentices programmes and recruited more than 50 students;
- we enhanced the co-opt programme with the Vocational Training Council of Hong Kong and offered placements to their students, which also facilitated the recruitment of Technician Trainees;
- we extended our graduate trainee recruitment to the Mainland for the first time to strengthen the awareness of CLP in the Mainland and to expand the pool of candidates; and
- in Australia, TRUenergy launched a Graduate Program across a range of tertiary institutions to ensure a quality pipeline of graduates for critical business units in 2012.

In recent years, as the CLP Group's activities have expanded beyond our original Hong Kong base, we have faced the challenge of developing and managing an increasingly diverse workforce across a growing range of assets in widely differing markets. We believe that we are meeting this challenge to the point where the diversity of our workface, the breadth of opportunities open to them and the varying demands of different markets is now helping to enrich the capability of our staff and to raise their capacity to respond to new developments in our industry and in our business.

CLP trainees and apprentices celebrate graduation

Expertise



Expertise in power generation technology is a critical resource for CLP's business.

We have more choices of technology and fuels today in the power industry than ever before. This is the result of various circumstances, including concern over the security of power supply, the discovery of more sources of natural gas, the growth of the developing world, particularly China and India, and the possible re-emergence of nuclear power. But the single greatest factor has been climate change and the need to generate more energy with less carbon. Use of renewable resources may still only provide a small part of our total energy supply but the growth in investment, improvement in performance and reduction in cost has been unprecedented. At the same time, the efficiency with which we use fossil fuels has improved to levels that would have been thought impossible not so many years ago.

CLP operates in the Asia-Pacific region and we have been able to develop, build and operate most types of power generation and use most of the available fuels. We have been able to achieve low costs and rapid construction, and we have also developed a deep understanding of the risks that are involved, which is essential for intelligent investment decisions in these rapidly evolving markets.

We review here the evolution of a wide range of technology and fuels, and look at the choices we now have for future projects and investments.

Coal – in the past was the natural and often the only choice for power generation in many countries, being cheap and widely available. However, traditional coal-fired technology could only achieve efficiencies of some 35 to 38%, which is no longer acceptable in a carbon-constrained environment. We have subsequently moved from subcritical to supercritical technology and in the future we expect to use ultra-supercritical technology for further coal-fired units. Efficiencies now reach 43 to 45% and we can foresee a continuing increase to 50% or higher. Further reductions in carbon are possible with carbon capture systems, but the economics are currently unfavourable. CLP was a pioneer of coal as a fuel for Hong Kong and we have subsequently developed projects with the improving technology in numerous other countries.

Natural gas – was not considered a viable fuel for power generation until the 1980s. It was sometimes seen as a waste product of oil production but large-scale discoveries in Europe, America, Russia and Australia changed this perception. We now see new reserves emerging in the form of shale gas, coal seam methane and also through increased use of LNG. Availability of gas led to the development of combined cycle technology, which now achieves efficiencies of 60% with a carbon intensity of half that of the best coal-fired units. CLP was the first to use gas from the South China Sea for power generation in Hong Kong and we have subsequently built and / or operated similar units in India and Australia. Gas can be viewed as a transitional fuel towards an even lower carbon energy world.

Nuclear power – was originally seen as an almost limitless source of cheap energy but nuclear accidents in the USA and Russia in the 1970s and 1980s changed public perception dramatically. Many nuclear projects were cancelled and China became the leader in new nuclear power construction, with CLP deeply involved in the pioneering project at Daya Bay. There is now renewed interest in nuclear power in many countries because it is essentially free from carbon in operation. Nevertheless, the accident at Fukushima illustrates the need for the highest standards of engineering. We continue to invest in China's nuclear programme through the Yangjiang project.

Expertise

Hydropower – has been a major resource in some countries for many years since it can be harnessed with relatively simple technology. It becomes even more important now as a form of renewable energy. CLP has developed several hydro projects in China, most recently commissioning the Jiangbian station where we are the sole owner, construction manager and operator. Sites for new hydro projects need to be chosen carefully since construction can be challenging and we are reluctant to develop large-scale projects due to potential social and environmental impact. Nevertheless, we will consider future medium-sized opportunities.

Wind power – is by far the leader of the so-called new renewables. The output of individual wind turbines has increased from a few kW to several MW over the past ten years and costs have reduced significantly. Wind energy is close to being competitive with traditional fossil fuels in some markets and tariff subsidies are gradually reducing elsewhere. CLP has been a leading investor in wind projects in China, India and Australia, and we now have the capability to engineer, build and operate on a wholly-owned basis. A challenge for the future is to exploit the much better winds available offshore.

Solar energy – is the second emerging renewable energy after wind and can be used to produce power directly in photovoltaic cells or indirectly as a heat source for conventional generation. Solar projects still require a significant subsidy to tariffs but the cost of solar cells continues to fall. Grid parity at the retail level is within sight and eventually large-scale utility projects may compete with other fuels, particularly if they earn credits for the carbon emissions which are avoided. CLP has been a pioneer in solar power as a shareholder and constructor in Asia's largest project in Thailand.

So, as we look to the future and evaluate our own capabilities to engineer and build new projects, we see the following as the proven and viable technologies:

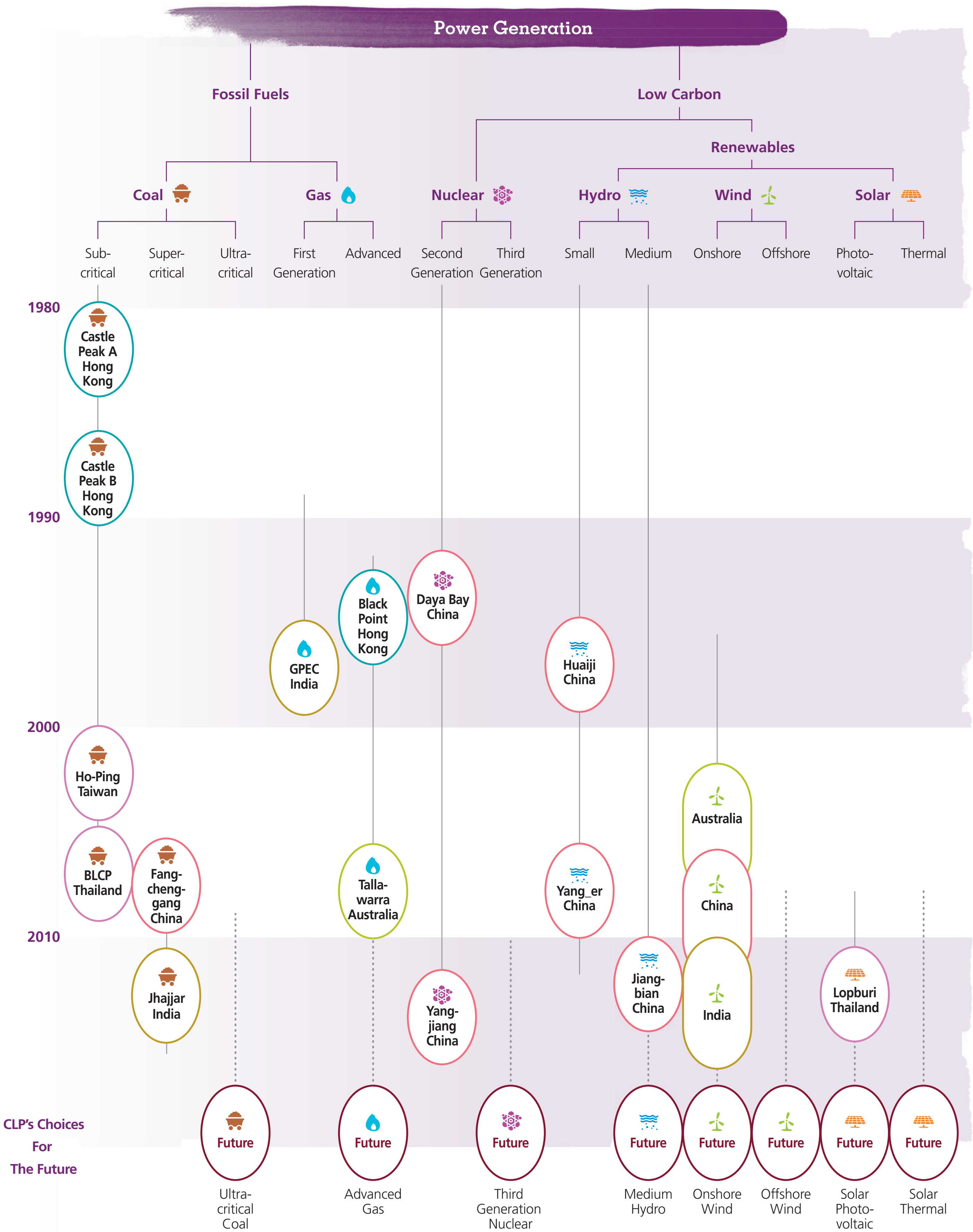
- Coal, using ultra-supercritical technology and emissions controls
- Advanced gas-fired combined cycle
- Nuclear, as third generation technology gradually emerges
- Hydropower at a modest scale in specific locations
- Wind power with increasingly wide application
- Solar power as capital costs continue to fall

CLP Technology Roadmap

The chart on the next page tells how, over the past 30 years, CLP has deployed new technologies across our business.
It also explains our choices of technologies for the future – we have the resources and the expertise to apply these technologies.

Lopburi solar project

CLP's Choices of Technology – Past, Present and Future



Financing

One of the key resources on which CLP relies to sustain its existing business and create future growth is our ability to raise external finance in an extremely capital intensive industry. In 2011 alone, the CLP Group raised an aggregate of about HK$36 billion to support current operations and future growth. On a typical greenfield generation project, whether based on conventional fuels or renewable energy, up to 75% of the capital cost can be met by borrowing. With each MW of new generating capacity costing around US$1 million, the ability to raise debt on favourable terms and over long periods is critical to our success. To do so requires understanding and management of a number of factors:

- the status and trends of financial markets;
- an effective funding model;
- a prudent funding strategy;
- supportive credit ratings; and
- disciplined and focused risk management.

Each of these is discussed in this section.

The Financial Markets

This year global financial markets have passed from one extreme to another. Early in 2011 the U.S. Federal Reserve committed to maintain short-term rates at close to zero percent and indicated there would be no scaling back on quantitative easing in the near-term due to the weak economy. Though certain countries had started to tighten credit to fence off inflationary pressure, interest rates were relatively low and liquidity remained strong. Debt capital market activity continued at a strong pace throughout the first quarter.

However, tougher conditions started to emerge in the second quarter. Concerns about lack of political leadership with respect to Greece and the U.S. fiscal situation unsettled global financial markets with a corresponding increase in volatility, reduced liquidity and higher interest rate margins. In April, Standard & Poor's (S&P) changed its outlook on the U.S. sovereign long-term AAA rating from stable to negative, with a perverse effect as investors fled to U.S. Treasury bonds, the world's most liquid financial instrument.

In Hong Kong, the Hong Kong Monetary Authority took steps to slow down loan growth, citing the rapid rise in the loan to deposit ratio from 2010. Concerns about the ongoing European sovereign debt crisis compounded the situation. As investors exercised high levels of caution, the primary equity and debt capital markets effectively shut down from mid-year with only selective and opportunistic issuances. Funding has emerged as a critical issue for many companies as banks, in particular those from Europe, have reduced their lending activities to reduce risk and rebuild their balance sheets. The resulting credit squeeze has, not surprisingly, increased interest rate margins for all borrowers.

CLP understands that we cannot rely on past success and just hope for positive future outcomes, nor can we pretend to be able to forecast market movements. We will remain vigilant to further market developments. Most importantly, we will remain highly disciplined in maintaining prudent financial management of liquidity and risk management (foreign exchange, interest rate, credit, counterparty) so that we can obtain cost-effective funding and maintain a good credit profile. Abrupt changes in market conditions, such as in recent months, both reward earlier prudence and demand proactive management.

CLP's Funding Model

CLP had been careful in using debt gearing to grow our business in accordance with our business strategy. At end-2011, the Group's gearing ratio (net debt to total capital) grew to 43.1%, reflecting our significant capital investment and acquisition activity throughout the year. Besides debt financing, we were able to fund a significant portion of our investments through retained earnings as well as from the proceeds from the disposal of our stake in EGCO. We know that maintaining financial discipline means that there are limits on the amount that we can borrow. We will, therefore, continue to look at self-funding strategies such as disposals or potential listings to fund our growth.

Over the past five years, we have actively diversified our funding sources, maintained strong long-term relationships with lenders and investors and have spread out maturities to reduce refinancing risk. We tend to borrow in the functional currency of the underlying business, and hedge foreign exchange and interest rate exposures to reduce volatility. Our discipline in investment and borrowing is important as it helps maintain a high level of confidence from our stakeholders (investors, lenders, business counterparties) and credit rating agencies, so that we can raise debt and carry out business in a cost and commercially effective manner.

CLP's solid financial position and good track record have enabled our subsidiaries to solicit new business opportunities without recourse to the holding company (such as in the form of guarantees or other support) so we can keep a strong balance sheet in meeting our business objectives. In many cases we have used project finance, often supported by export credit and quasi-government agencies, to attract a balanced mix of lenders with good funding capability and local market knowledge.

CLP's financing programme for 2011 had a number of key characteristics. First, we retained strong business relationships with qualified, financially strong institutions so we were not affected by the tightening of liquidity seen in the market. Over the year, we increased our banking relationships from 57 financial institutions to 59 to further facilitate business growth and spread out concentration risk. Our success in managing these crucial long-term relationships can be demonstrated by the fact that about

Q

CLP balances its need to maintain dividend pay-outs with business growth. As CLP continues to grow in its focus markets, it may need to take on a greater degree of leverage which could put CLP's credit rating under pressure. How does CLP view the trade-off between maintaining its credit rating and growing the company?

Mr. Mark Dowie
Group Head Corporate Finance,
Wholesale Bank, Standard Chartered Bank

A

One of CLP's key financial strategies is to maintain a strong investment grade credit rating. A strong credit rating provides CLP with access to capital at competitive rates, an intangible asset in these days of high market volatility and reduced bank liquidity.

At the same time, we recognise that our investors fundamentally value our strong historical dividend, and maintaining our track record in this regard is extremely important. Notwithstanding a rebasing of our earnings in 2009 following the reduction in the SoC permitted return we maintained our absolute dividend level. This meant a higher dividend pay-out ratio than our historical level. This year we have been able to increase our absolute dividend level to HK$2.52.

Following TRUenergy's completion of the NSW acquisition last year, CLP's consolidated debt level rose to a higher level. We were able to defend our rating as the agencies concurred that CLP's discipline and historical track record gave them comfort that our gradual approach to expansion and prudent financial management would allow our financial metrics to improve over time.

Moving forward, we realise that there are limits as to how much we can increase our gearing ratio without some consequences to our credit rating. Towards that end, we will continue to proactively identify and implement self-financing strategies. In some cases, that has meant divestiture of certain assets which no longer fit the longer term business strategy. Our sale of our interests in EGCO in 2011 is an example of this. In other cases, we believe that the potential listing of our overseas assets could provide access to growth capital to grow while strengthening our balance sheet. A listing of TRUenergy in the Australian market is one of the possible options which we have under consideration.

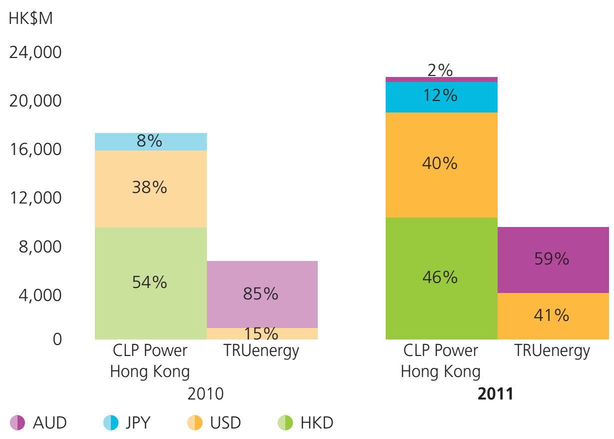
In summary, our financial track record of steady dividends and strong credit ratings continues to be our primary objective, with future growth being on a gradual and measured basis in line with our ability to develop self-financing strategies throughout the Group.

Mark Takahashi
Group Director &
Chief Financial Officer

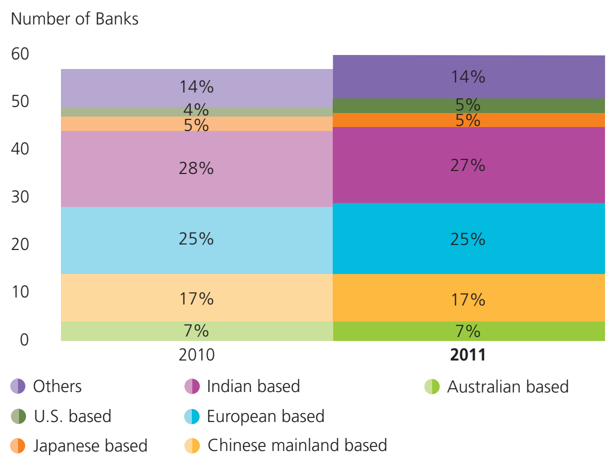
80% of the financial institutions we had relationships with a decade ago are still working in partnership with us. Secondly, the Group (particularly CLP Holdings, CLP Power, TRUenergy and CLP India) completed most of its debt raising in the first half of 2011. This allowed us to benefit from better terms and funding availability than was obtainable in the second half of the year. Thirdly, apart from the conventional U.S. dollar and H.K. dollar markets, CLP Power further diversified funding into regional currency bond markets including Australian dollar and Japanese yen and achieved pricings better than that in the U.S. dollar bond market. Finally, CLP Power lengthened maturity with debt tenor up to 30 years in bond issuance, so that we could lock in attractive fixed interest rates for extended periods.

Major achievements in financing activities	
CLP Holdings	**HK$5.2 billion 5-year revolving bank loan facility** • Financed by a consortium of 16 international and regional banks • Terms were identical to the HK$6 billion revolving facility the Company arranged in 2010 when the financial market was more liquid **HK$2.4 billion bilateral bank facilities** • Attractive pricing
CLP Power Hong Kong	**US$300 million (HK$2.3 billion) 10-year bond** • Received an order book of US$2.7 billion (nine times coverage) • All the U.S. dollar proceeds were swapped back to Hong Kong dollars to mitigate foreign currency risk and lock in attractive rates **JPY10 billion (HK$1 billion) 10 and 15-year fixed rate bonds** • Long tenor with Japanese yen converted into favourable Hong Kong dollars long-term fixed rates **A$55 million (HK$443 million) 10-year bonds** • Long tenor with Australian dollars converted into favourable Hong Kong dollars long-term fixed rates **HK$815 million 15, 20 and 30-year fixed rate bonds** • Further lengthened the maturity profile at favourable fixed interest rates **HK$2.2 billion 2 to 7-year bank loan facilities** • Medium term loan with favourable interest rate and terms
TRUenergy	**A$2.05 billion (HK$16.2 billion) debt with 14 multinational banks** • Refinanced the NSW acquisition with a balanced mix of 3-year (A$1.15 billion), 4-year (A$450 million) and 5-year (A$450 million) facilities • Strong support in the banking sector was evidenced by 2 times oversubscription and completion at terms better than the maturing debt **US$360 million (HK$2.8 billion) 8, 12 and 15 years bonds** • Private placement of long tenor bonds issued at attractive fixed interest rate • All U.S. dollar proceeds were swapped back to Australian dollars to mitigate foreign exchange rate risk
CLP India	**US$125 million (HK$971 million) and Rs.2.2 billion (HK$324 million) 10 to 13.5-year project loans** • Long-term project loans to fund construction of Andhra Lake and Sipla wind projects at competitive rates • Refinanced the project loan for Samana II on more favourable terms and conditions • All U.S. dollar proceeds were swapped back to Indian rupee to mitigate foreign exchange rate risk **Rs.3.5 billion (HK$510 million) bank facilities** • Working capital facilities for Jhajjar project at competitive terms
CLP China	**RMB300 million (HK$370 million) 15-year project loan** • Long-term project level financing to fund construction of Qian'an Phase II wind project at a competitive rate amidst credit tightening in Chinese mainland

Diversification of Bond Funding



CLP Banking Relationships – Balanced Mix of Lending Financial Institutions



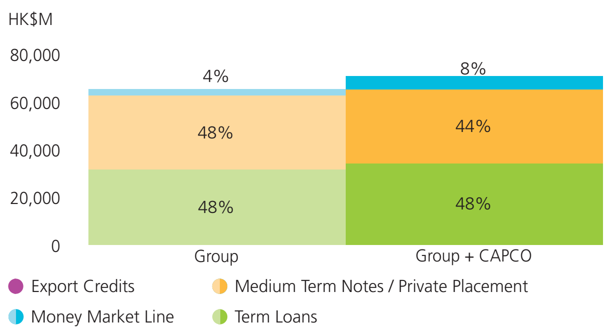
The quality and durability of the relationships we have established with lenders gives us confidence that, even in challenging times, CLP will retain access to capital to take its business forward in each of our markets. We retain sufficient undrawn debt capacity to capitalise on acquisitions and development opportunities which may emerge. In Hong Kong, CLP Power can tap into Hong Kong dollar and foreign currency debt capital markets under its Medium Term Note (MTN) Programme for an aggregated amount of up to US$3.5 billion, increased from US$2.5 billion. As at 31 December 2011, bonds with a nominal value of about HK$21.6 billion were issued under the MTN Programme.

Debt Profile as at 31 December 2011

	CLP Holdings HK$M	CLP Power Hong Kong HK$M	Other Subsidiaries[1] HK$M	Group HK$M	Group + CAPCO HK$M
Available Facility[2]	15,750	33,481	40,667	**89,898**	**96,175**
Loan Balance	7,678	27,391	30,452	**65,521**	**70,835**
Undrawn Facility	8,072	6,090	10,215	**24,377**	**25,340**

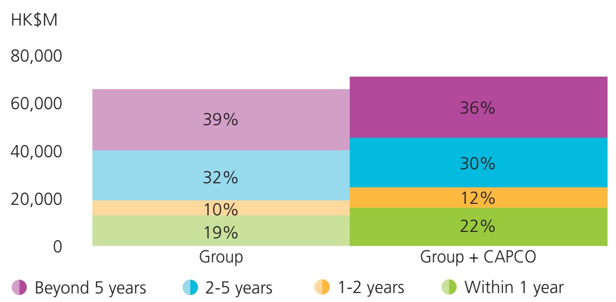
Notes:
1 Mainly relates to TRUenergy and subsidiaries in India.
2 For the MTN Programme, only the amount of the bonds issued as at 31 December 2011 was included in the total amount of Available Facility. The Available Facility in TRUenergy excludes a facility set aside for guarantees.

Loan Balance – Type



Note: Export credits accounted for less than 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.

Loan Balance – Maturity by Ageing



Note: Loan balance between two to five years includes loan drawdown with current tenor less than one year under revolving facility with maturity falling beyond one year.

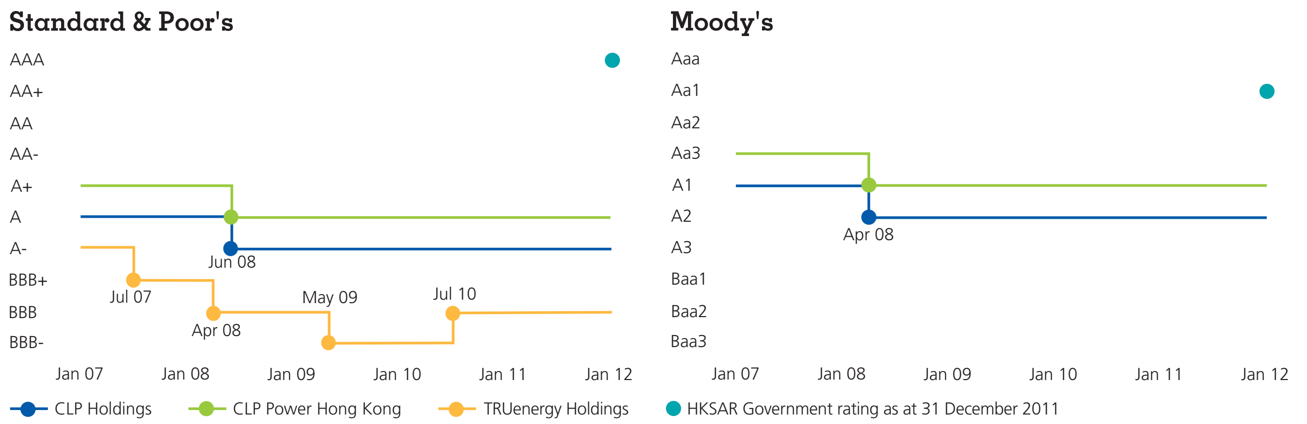
In 2011, interest cover (which equals profit before income tax and interest divided by the sum of interest charges and capitalised interest) was 4 times (2010: 7 times). The financial obligations of the Group, CAPCO and PSDC, and the Group's share of the financial obligations of jointly controlled entities and associated companies as at 31 December 2011 are shown on page 23.

Credit Ratings

Maintaining credit ratings was a fairly challenging exercise in 2011. In December 2010 S&P and Moody's placed CLP Holdings and CLP Power under ratings watch with negative implication following our announcement of TRUenergy's successful acquisition of certain power assets in NSW, Australia. Even though credit ratings are not the sole driver of our investment decisions and funding policies, they remain an important benchmark as to how external parties regard CLP, so we were keen to explain to rating agencies the strong reasons to maintain the original credit ratings.

The subsequent affirmation of CLP Holdings' and CLP Power's strong credit ratings by S&P and Moody's in March 2011 illustrated their confidence in CLP's strong track record and commitment to prudent financial policies. This facilitated CLP's continued success in obtaining market competitive terms.

Long-term Credit Ratings – Foreign Currency and Local Currency



CLP Holdings

Moody's Rating

In March 2011, Moody's re-affirmed the A2 credit rating of CLP Holdings with stable outlook.

Positives	Negatives
• Cash flow predictability supported by a well-established regulatory regime in Hong Kong • Sound liquidity profile and good operating track record • Management's prudent and gradual approach in pursuing overseas expansion • No material impact on CLP Holdings' business and financial profiles due to the NSW acquisition • The NSW acquisition can: (1) provide strategic benefits to TRUenergy and be immediately earnings-accretive; (2) significantly increase TRUenergy's customer base and improve geographical diversification and economies of scale; (3) help TRUenergy become the second-largest player in Australia's retail electricity market; (4) provide TRUenergy with a long-term supply of electricity to match growing demand and maintain a balanced hedging profile; and (5) help counteract TRUenergy's exposure to uncertainties related to future carbon emission regulations in Australia	• Weakened financial profile due to debt-funded overseas expansion, albeit still appropriate for the rating • Expansion in riskier, non-regulated merchant energy and retail businesses in the region has raised the overall business risk • CLP Holdings' financial metrics weakened temporarily in 2011 after the NSW acquisition, but should improve in 2012 and afterwards as a result of the full-year contributions from the NSW business and the commissioning of the Jhajjar project in India

S&P Rating

In March and September 2011, S&P re-affirmed the A- credit rating of CLP Holdings with stable outlook.

Positives	Negatives
• Financial strength is likely to improve from 2013 due to: (1) higher returns from Hong Kong operations from further capital expenditure and stable local electricity demand; (2) higher earnings from its enlarged Australian operations after integration of the NSW assets in 2013; and (3) full commissioning of Jhajjar project in India in 2012 • Strong business risk profile due to the stable and regulatory SoC operations in Hong Kong • Management's strong commitment to deleveraging the balance sheet by 2012 • Liquidity remains adequate	• Increased operating and financial risk from international power investments • Expansion into unregulated power generating assets in Asia-Pacific with riskier profiles and less stable cash flows • Increase in debt to finance the acquisition of energy assets in NSW has weakened the Group's financial health

CLP Power Hong Kong

Moody's Rating

In March 2011, Moody's re-affirmed the A1 credit rating of CLP Power with stable outlook.

Positives	Negatives
• Strong financial profile supported by regulated stable cash flow • Strong and highly predictable cash flow generated from SoC operations • Regulatory framework continues to offer a transparent tariff system, allowing 100% cost pass-through • Good track record in accessing domestic and international bank and capital markets • Well managed debt maturity profile • Comfort was drawn from CLP Holdings' good corporate governance practice, as well as its sound track record for high transparency and disclosure	• Liquidity profile may be pressured to a certain extent by its dividend payments to CLP Holdings • Long-term capital expenditure plan • Ratings of CLP Power and CLP Holdings are closely linked, and a material deterioration in one could mean rating pressure for the other • Rating constrained by CLP Holdings' continuous expansion into the more risky non-regulated energy and retail businesses in the region

S&P Rating

In March and September 2011, S&P re-affirmed the A credit rating of CLP Power with stable outlook. This reflected a stable and favourable regulatory environment, monopoly in its service area, satisfactory operating record, modest financial risk profile and strong liquidity position.

TRUenergy Holdings

S&P Rating

In July 2011, S&P re-affirmed the BBB credit rating of TRUenergy Holdings with stable outlook.

Positives	Negatives
• Support from a strongly rated owner, CLP Holdings • Vertically integrated electricity generation and retailing components of the business, with market diversity • Operational flexibility provided by a diverse portfolio of generation fired by brown coal, black coal, and gas • Strong liquidity following the refinancing of maturing debt	• Integration risks from the acquisition of assets in NSW in early 2011 • Potential exposure to higher competitive pressures • Over the longer term, a need to manage its asset portfolio to mitigate the impact of the government's carbon policy

Financial Risk Management

The Group's investments and operations have resulted in exposure to a variety of financial risks. Our commitment to the careful management of our financial exposures is longstanding. The purpose is straightforward – we prefer a healthy capital structure, high level of certainty in earnings and cash flows so that we can enhance shareholder value by delivering business performance, planning for the long-term and withstanding unforeseen contingencies. The Group has developed comprehensive, but easy-to-understand, policies and guidelines for all CLP subsidiaries and majority-owned entities. Our risk management approach was also well-tested throughout the global financial market turmoil of 2008. We review our policies from time to time to ensure they are robust. Key components such as conservative capital reserve and debt gearing level, minimum risk and return threshold profiles continue to safeguard shareholders' return, within an overall context of a disciplined investment and financing strategy.

Key Risk Elements

Liquidity

In order to provide us with a sufficient buffer against liquidity risks, over the past several years we have actively diversified our funding sources to include the public capital markets and private placement markets in a range of countries (Hong Kong, United States, Japan, Australia). Besides diversification, this has lengthened our maturity profile and has reduced our dependence on commercial banks. Our bank liquidity position remains strong, reflecting our strong relationships with domestic and international banks as well as the decision to arrange significant new revolver facilities in Hong Kong and Australia in the first half of 2011.

Foreign Exchange and Interest Rate

We generally hedge a high percentage of our committed exposure and a reasonable portion of high probability exposure with vanilla type of derivatives that are hedge effective from an accounting perspective. The hedging is carried out with approved financial institutions which are quality entities with strong financial standing (credit rating, balance sheet) so they will be able to perform their obligations in the years to come. In addition, treasury policies and guidelines are reviewed periodically to ensure they are able to progress with the changing business and financial market situations.

We also take further steps to safeguard the interest of other stakeholders, such as mitigating tariff increases for customers which might result from adverse currency movements, whenever it makes commercial sense to do so. For instance, we took the initiative to hedge the foreign exchange risk in the Hong Kong tariff component even though the costs of adverse foreign currency movements against the Hong Kong dollar could be passed through to customers, because we believe it is in the best interest of customers to do so.

Each of the financial risks and the associated mitigation measures are discussed in detail under "Financial Risk Management" in the Financial Statements at page 202.

Connection to Shareholder Value

The prudent management of foreign exchange and interest rate risks has led to a sizeable hedging portfolio on CLP's balance sheet. This requires us to maintain a strong credit profile so that we can obtain increased credit limits from qualified financial institutions to support our business and transact hedging in cost-effective ways. Without such prudent risk management strategy, CLP might have a higher business risk profile. This would translate to lower credit ratings, higher borrowing costs and less value for our shareholders.