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Announcement of Annual Results
from 1 January 2011 to 31 December 2011,
Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings up 12.7% to HK$10,312 million whilst total earnings after Yallourn impairment decreased 10.1% to HK$9,288 million.
- Operating earnings from our electricity business in Hong Kong remained stable at HK$6,339 million.
- Operating earnings from our energy business in Australia increased by 123% to HK$2,911 million following the acquisition of New South Wales energy assets.
- Consolidated revenue increased by 56.9% to HK$91,634 million; Hong Kong electricity revenue rose by 5.3% to HK$31,518 million; revenue from Australia increased by 124% to HK$56,325 million.
- Fourth interim dividend of HK$0.96 per share; including the first three interim dividends paid, total dividends for 2011 amount to HK$2.52 per share, up 1.6% (2010: HK$2.48 per share).

CHAIRMAN'S STATEMENT

This Results Announcement presents a solid performance by the CLP Group during 2011. In line with our move towards integrated reporting, the social and environmental aspects of that performance are described both in this Results Announcement and, more fully, in our online Sustainability Report. Our financial performance, which is explained in detail in the Financial Performance section of this Results Announcement, showed an improvement in Group operating earnings to HK$10,312 million, a 12.7% increase compared to HK$9,148 million in 2010. Group total earnings, including non-recurring items at HK$9,288 million were 10.1% lower than those of the previous year.

Shareholders will particularly note the substantial growth in operating earnings from TRUenergy in Australia, following the acquisition in early 2011 of the EnergyAustralia retail business and the Delta Western GenTrader contracts, based in New South Wales (NSW). Overall, earnings from our activities outside Hong Kong contributed HK$3,711 million to operating earnings. This was the largest ever contribution from those activities, both in absolute terms and as a proportion of Group earnings. Even so, the Hong Kong electricity business remained to be the largest single source of earnings for CLP and its shareholders.

Serving Hong Kong

Rather than giving a broad overview of the Group's activities, it has been my practice in my Chairman's Statement in recent years to focus on specific issues which I consider are of particular importance or concern to our shareholders. This year, I wish to continue this practice by discussing issues arising from the tariff increase which CLP Power announced in December 2011 for our Hong Kong electricity customers, with effect from the beginning of this year. This is an appropriate subject for detailed discussion since this business contributes substantially towards the continued delivery of shareholder value. Moreover, shareholders, many of whom live in Hong Kong, and other stakeholders will have already seen the extensive press coverage of the tariff issue. This has included much criticism of the justification for the tariff increase and of the performance by CLP of its responsibilities to Hong Kong as the provider of an essential service, as well as numerous comments on future regulatory change.

At the outset, I wish to emphasise that we can have no objection to the close, continuing and critical scrutiny to which our Hong Kong electricity business is subject. This is both inevitable and proper, given that we are the sole supplier of an essential public service to 80% of Hong Kong's population. It is also not surprising that some of the criticism we received in the political domain and in the press is, in our view, misinformed, incorrect and unjustified. That, after all, is part and parcel of free speech on public issues. At the same time, I do not think that any fair-minded person would deny me an opportunity to express my views on such matters, on behalf of my colleagues, our Board and our shareholders – and to do so in the frank and straightforward manner which these issues deserve.

Let me start by saying that I am unreservedly proud of the quality of the service provided by CLP Power to electricity customers in Kowloon and the New Territories. For over a century, we have had the privilege of serving our community. Throughout those many decades, which have included troubled and turbulent times, CLP has faithfully discharged its responsibilities to provide Hong Kong with the electricity needed to power its remarkable social and economic development.

In the past ten years alone, CLP's shareholders and lenders have invested almost HK$70 billion in ensuring that Hong Kong has the electricity infrastructure it needs. All of those investments were aimed at providing an improved service – and all of them were made with the prior approval of the Hong Kong Government. By any of the characteristics by which the quality of an electricity supply should be measured, CLP delivers excellence to our community:

- Reliability – the reliability of our electricity supply is amongst the best of any city in the world – more reliable than New York, London and Sydney and greatly superior to that delivered to customers in other major cities of China such as Beijing, Shanghai and Shenzhen;

- Cost-competitiveness – even after the tariff increases which took effect in January 2012, CLP's tariffs, on average, are amongst the most competitive in the world. For example, within our region, they are lower than those of Tokyo, Sydney and Manila. What is more, CLP achieves these tariff levels without receiving any subsidies or support from taxpayers, whether direct or indirect such as in the form of property rights;

- Customer service – our customer service levels meet those of any developed economy and, in some instances, rank amongst the very best in the world. For example, CLP's service quality recently led to Hong Kong being ranked fourth out of 183 economies in the ease and speed by which electricity is connected to newly-constructed buildings;

- Environmental performance – with full operation of the emissions control facilities at Castle Peak Power Station in 2011, the Station now removes 99.76% of Respirable Suspended Particulates (RSP), as well as over 90% and 50% of emissions of Sulphur Dioxide (SO_2) and Nitrogen Oxide (NOx) respectively – making this amongst the cleanest coal-fired power stations in the world. This is just a recent example of the sustained effort made by CLP to reduce emissions from the generating capacity which serves our customers. Our CO_2 emissions intensity has seen massive reductions. Since 1990 total emissions of CO_2 from power generated to meet our customers' needs has only increased by 13%, even though there was an 82% increase in electricity demand over the same period; and

- Affordability – since 1991 CLP's average tariffs have risen by 64%. During the same period, Hong Kong's GDP rose by 170% and average household incomes rose by over 100%. In real terms, that is to say taking into account inflation, the price for electricity paid by our customers is unchanged since 1991. In other words, electricity has become more, not less, affordable – as is also demonstrated by the ongoing rise in electricity demand.

I would like to think that these figures speak for themselves about the quality of the electricity service which CLP provides. However, it is clear that they do not. There may be a number of reasons for this, some particular to Hong Kong's current political and social climate and some particular to the electricity industry. In many respects, excellence in electricity supply is something which Hong Kong people take for granted – rightly so, since our citizens need and deserve quality in the provision of this essential service. In the case of CLP, much of the service we provide and the investments which lie behind it are "invisible" to the public – our connection with customers may often be only a plug in a wall and a bi-monthly bill. In addition, for reasons which others may be able to comment on with greater insight, rises in the cost of public services which elsewhere would be unremarkable, and unremarked upon, have become issues of major political, press and public criticism and controversy in Hong Kong – as our counterparts in the provision of other public services, including utilities and transport, have similarly experienced. It is also noteworthy that the SAR Government has found difficulty, or has perhaps been reluctant, in explaining its policies for the provision of public services, including electricity, the choices involved in its policy decisions, the consequences for service providers and the resulting cost increases for consumers. This leads me to the key message which I wish to convey in this Chairman's Statement. This is one of "Choices and Balance".

Choices

Choices about Hong Kong's electricity supply are made by the community and by the SAR Government, speaking and acting on behalf of the community. Those choices should aim to strike society's preferred balance between cost, supply reliability and security, customer service and environmental performance.

Historically, Hong Kong placed great weight on the rapid expansion of generating, transmission and distribution infrastructure in order to meet the rapidly growing demand for electricity without jeopardising supply reliability. In recent times, Government, with the support of our legislature, has chosen to move towards cleaner generation and to place greater weight on improvement in environmental performance. This choice has direct consequence in terms of the need for major investment in new generating capacity to replace existing coal-fired generation and massive increases in fuel costs. The latter arises because gas is a considerably more expensive fuel than coal and gas prices have moved sharply upwards in recent years, given that Asian gas prices are generally linked to oil prices.

Let me give a specific example of a choice which Government has made, and the consequences. In August 2008 the SAR Government entered into the Memorandum of Understanding (MOU) with the National Energy Administration regarding Hong Kong's future energy supply. In so doing, the SAR Government chose to look towards the Mainland for long-term gas supply and to avoid the potential environmental impact associated with the development of a Liquefied Natural Gas (LNG) terminal on the South Soko Islands within Hong Kong waters. At the same time, that choice had consequences in reducing Hong Kong's options and ability to directly access potentially cost-competitive gas supplies from the international gas market, as well as upon Hong Kong's potential to become a centre for design, engineering and operating expertise in LNG terminals.

As part of the policy orientation towards cleaner generation, the SAR Government has also been setting increasingly stringent emission caps on our Hong Kong generating capacity. Such a choice is entirely understandable and legitimate. All of us, as Hong Kong citizens, myself included, would greatly welcome a significant improvement in local air quality.

Government's choice leads to more gas-fired generation and has already required the investment of about HK$9 billion in further emissions reduction plant for coal-fired generation at Castle Peak. These environmental improvements must be paid for. Let me take the increased use of gas as an example. The cost of fuel used to generate electricity for our Hong Kong customers is passed through to customers under CLP's fuel clause charge. CLP and its shareholders make no profit on fuel. At present, the amount charged under the fuel clause is set at a level which recovers only the costs of coal purchases and the cheap Yacheng gas (contracted for 20 years ago, and with declining production due to field depletion). In fact, over the past five years, the amounts charged to customers have not even been sufficient to cover the lower, historic fuel costs. By the end of 2012, unless the cost of fuel is more fully borne by those customers who benefit from the electricity which it generates, CLP's customers would have paid about HK$800 million less than the actual costs of the fuel used to supply their electricity in the past.

As a result of the gas supply agreements with Mainland suppliers, required by the MOU signed by the SAR Government, we estimate that, by 2015, fuel costs alone will increase by around 250% from current levels. This is the equivalent of about a 40% increase in overall cost to the consumer and will require regular and substantial tariff increases over the intervening period. I emphasise, once again, that this increase represents the price of gas paid to Mainland suppliers – none of this increase is for the benefit of CLP's shareholders.

I might also add, in anticipation of the point being made, that none of this increase is attributable to the Scheme of Control (SoC). Irrespective of whatever regulatory regime is in place, the costs of fuel must ultimately be paid by electricity customers. Singapore has already transitioned towards predominantly gas-fired generation. Singapore has competition between differing generating companies. It might, therefore, be regarded by some as a model towards which Hong Kong might migrate over time. And yet, a typical Singapore resident can face electricity bills which are over 80% higher than those paid by his or her counterparts in Hong Kong.

In its public consultation on Hong Kong's Climate Change Strategy and Action Agenda the Government is contemplating new policy developments to set a fuel mix target by 2020 for the power sector of 50% nuclear, 40% gas, 3 to 4% renewable energy and not more than 10% coal. The environmental benefits which this might deliver in terms of tackling climate change will come at substantial additional costs for fuel – above and beyond those which will already arise by 2015 due to higher gas costs. These increased costs will be reflected in sustained upwards tariff pressure on customers through to the end of the decade.

Balance

I explained earlier that CLP currently delivers an electricity supply which is first-class by any meaningful measures. Those who represent our society have already spoken for and made changes which are leading to a major transformation of Hong Kong's electricity sector and are contemplating further changes. These will deliver improved environmental performance, but will also have other consequences, notably in the form of the increased costs of delivering to our customers an electricity service which reflects the new balance which has been struck. A proper debate about the future of our industry involves not just discussion about the choices which can be made, but an honest and informed discussion about their consequences. A much more open debate needs to take place within Government, the political community and society as a whole to develop a sound energy policy which allows private sector investment to deliver an electricity supply and infrastructure whose qualities correspond to the wishes of our citizens. A sound energy policy will also promote the wise and sustainable use of energy in the interests of both cost-efficiency and the environment – an outcome from which all of us will benefit and to which all of us can contribute.

The choices to be made on energy policy, such as where the balance is to be struck between supply reliability, lower emissions and higher tariffs are not easy. They should be made by Government and society – not CLP. Our own role is two-fold. First, we welcome any opportunity to contribute an informed, authoritative and reasoned voice to the public debate on choices about Hong Kong's electricity service and their consequences. Secondly, and this is where CLP can truly add value to our community, we will implement whatever choices are made as effectively, responsibly and efficiently as possible - as we have for over 100 years.

The Hon. Sir Michael Kadoorie

CEO'S STRATEGIC OUTLOOK

Hong Kong

As regards our strategy for the Hong Kong business, we have always recognised the priority to be given to the ongoing management of the interface with our regulator, the HKSAR Government, both to protect shareholders' interests under the current SoC and to position the business for a post-2018 regulatory structure. We have identified the continued quality of our operations as critical to the relationship with Government, the shape of any revised regulatory structure and the willingness of Hong Kong people to extend our "social franchise" as the trusted provider of an essential public service. We understand that quality operations must include a strengthened focus on cost control and efficiency, as well as levels of customer service. Although our environmental performance has been first-rate, we expect to lower our emissions even further, including carbon emissions. This will involve further investments in lower carbon emission generation and, over time, a continued move away from coal-fired generation – provided that Government and our customers understand the implications of doing so on tariff levels, reliability and energy security.

We have continued to deliver on our commitment to provide our Hong Kong customers with an electricity supply which is characterised by supply reliability, power quality, environmental performance, excellence in customer service and reasonable tariff levels. As regards the quality of the relationship with our regulators within the HKSAR Government, and as Sir Michael Kadoorie has remarked in his Chairman's Statement, we would have welcomed Government being more forthcoming in the public domain about the consequences of its energy policy, the choices which it has made and the impact of its decisions on tariff levels. In 2012 and beyond we will re-double our efforts in explaining to Government and to the wider community the importance of a stable, fair and a long-term regulatory structure to enable the large-scale and long-term capital investment which is required to maintain the outstanding quality of Hong Kong's electricity supply.

We will also seek to explain, in an honest, informed and transparent manner, that the major transformation in Hong Kong's electricity infrastructure which Government has set in place as we move away from heavy reliance on coal-fired generation towards cleaner energy sources, notably gas and nuclear energy, requires substantial investment and the entering into contracts and commitments which will last 20 years or more. We will explain that the environmental benefits of this cannot be attained and maintained without increased cost, through higher tariffs, to the community for whom those benefits are intended. We welcome an intelligent and informed debate about Hong Kong's electricity supply – the motor of the SAR's social and economic development. We welcome rational and balanced choices about the future shape of that industry.

Outside Hong Kong

Our strategy outside Hong Kong is to adopt a flexible, market-by-market approach, with a focus on a balanced portfolio which reflects our long-term move towards a low-carbon business. We have moved away from our earlier intention of building "meaningful" businesses in pre-selected markets. We have become more cautious when contemplating wide-scope corporate joint ventures. Traditionally, CLP has always been a long-term holder of its assets and investment. Whilst CLP has not become a "trader", which reflects neither our business nor our philosophy, we have become more flexible in the timing and manner of the maximisation of portfolio values. This involves harvesting legacy assets without obvious growth opportunities, and the exploitation of the growth potential of other assets and market positions, on a case by case basis, with a view to long-term expansion through retention and organic growth, or through a partial sale, merger, or separate listing of various businesses.

The following paragraphs discuss the outlook for each of our four business streams outside Hong Kong from the perspective of our strategic approach.

A couple of years ago, I described TRUenergy in Australia as a platform either for organic growth or positioning within future industry consolidation. The acquisition in March 2011 of the EnergyAustralia retail business in NSW and substantial additional generating capacity was a transforming transaction for TRUenergy. It positions TRUenergy firmly as one of the three leading energy generators and retailers in Australia's national energy market and as the second largest in terms of electricity alone.

The size and quality of this business is such that it may be regarded as capable of being listed on the Australian Securities Exchange if and when such a step would be beneficial to CLP's shareholders and to TRUenergy's long-term future. Such a listing may have a number of potential benefits: it allows a return of capital to CLP, provides TRUenergy with its own capability to raise capital to fund future investment and strengthens the Australian identity of the business. In addition, it would allow TRUenergy's board and management to focus singlemindedly on its own business, rather than competing for resources and capital within the CLP Group as a whole. To that end, we have engaged financial advisors, on a preliminary basis, to review the prospects for a future possible listing. Even so, the quality of the business, and our growing experience in the Australian energy market are such that TRUenergy is a major asset to CLP, as it stands. As such, whilst a listing is an option for serious consideration, we have not yet taken any decision as to the principle, terms or timing of any such step.

Within the Chinese mainland we are repositioning our investment in coal-fired generation, as demonstrated in 2010 by the sale of our 70% interest in the Anshun II power station in Guizhou. We are also looking critically at those coal-fired assets with limited scope for expansion where we have a minority interest. On the other hand, our majority-owned coal-fired power station at Fangchenggang has proved to be a valuable asset and, within the next year, we hope to obtain the necessary approvals for two further 660MW units at the site. Other than Fangchenggang, our growth opportunities are predominantly in renewable energy and in nuclear power. We have started to build on the longstanding relationship with China Guangdong Nuclear Power Holding Company (CGNPC), which originated through our work together at Daya Bay. CLP's agreement to take a 17% interest in CGNPC's Yangjiang Nuclear Power Station in Guangdong is an example of how that relationship offers an avenue for further participation in the expansion of China's nuclear power industry, principally in Southern China and, possibly, in the longer-term in overseas markets where CLP already has established a business presence, reputation and relationships. The Fukushima accident has, understandably, caused a pause in the planned expansion of China's nuclear energy capacity. Nonetheless, I firmly believe that China's nuclear expansion will resume its projected path, once the lessons of Fukushima have been carefully analysed and absorbed and any necessary design and operating changes and improvements have been fully assessed and implemented.

India continues to present significant long-term development opportunities aligned with the overall upward trajectory of social and economic development. There are indications, such as the volatility of the Indian Rupee, the Union Government's budget deficit and disruptions in coal supplies, that the power sector in India may be going through a period of turbulence. However, CLP has gained considerable experience in the Indian market over the past decade, whilst other foreign energy players have withdrawn or stayed away. Our existing gas-fired power station at GPEC, the progress of our greenfield coal-fired power station project in Jhajjar and the growth of our wind energy portfolio mean that CLP has a broad presence in the Indian power sector and the capabilities to catch opportunities as they arise. It is possible that, as with TRUenergy, our Indian business may at some stage make demands on CLP Holdings' capital on a scale beyond that we are prepared to fund ourselves. Our response might involve recourse to joint ventures at project level, in order to ease our capital commitments. In due course we would consider a local listing, although the time scale for such a step is well beyond that which I might envisage for TRUenergy.

In Southeast Asia, markets such as Indonesia, the Philippines, Vietnam and Thailand, have a significant need for additional generating capacity and transmission infrastructure to support ongoing economic growth. However, in practice, the opportunities for outside private sector participants such as CLP to invest in these markets on terms which meet our required investment criteria and quality seem limited. The outcome of our development efforts on the two coal-fired projects which we are jointly developing in Vietnam, and on which we have already expended considerable time and effort, will be a major indicator of the medium to longer term prospects for this aspect of the Group's activities.

FINANCIAL PERFORMANCE

The Group's operating earnings were HK$10,312 million, an increase of 12.7% compared with 2010. This reflected mainly the more-than-doubled earnings growth from Australia. Taking into account the one-off items, in particular the impairment provision for Yallourn of HK$1,933 million, total earnings of the Group dropped by 10.1% to HK$9,288 million.

	2011		2010		**Increase/ (Decrease)**
	HK$M	**HK$M**	HK$M	HK$M	**HK$M**
Electricity business in Hong Kong (HK)		**6,339**		6,129	210
Energy business in Australia		**2,911**		1,303	1,608
PSDC and sales to Guangdong from HK	**116**		119		
Nuclear business	**595**		760		
Other power projects in Chinese mainland	**560**		642		
Electricity business in India	**154**		141		
Power projects in Southeast Asia and Taiwan	**86**		390		
Other earnings	**70**		121		
Earnings from other investments/operations		**1,581**		2,173	(592)
Unallocated net finance costs		**(48)**		(18)	
Unallocated Group expenses		**(471)**		(439)	
Operating earnings		**10,312**		9,148	1,164
Impairment provision for Yallourn		**(1,933)**		-	
Gain on sale of EGCO/CLP Power China (Anshun)		**876**		356	
Valuation gain on Hok Un redevelopment		**225**		-	
Stamp duty for NSW Acquisition		**(640)**		-	
Gain on reorganisation of Roaring 40s		**300**		-	
Gain on sale of 3.8% interest in ESG		**148**		-	
Tax consolidation benefit from Australia		**-**		989	
Yallourn coal mine subsidence insurance recovery		**-**		97	
Provision for Roaring 40s		**-**		(258)	
Total earnings		**9,288**		10,332	(1,044)

The performance of individual business is analysed under individual business section.

BUSINESS PERFORMANCE

Electricity Business in Hong Kong

Financial Performance

In 2011, the earnings from our Hong Kong electricity business were HK$6,339 million, compared to HK$6,129 million in 2010. This increase of 3.4% was due to the higher permitted return on a higher level of average net fixed assets, partially offset by the higher interest costs on increased borrowings for the financing of fixed assets.

Operational Performance

Meeting demand

The most important aspect of our performance remains our ability to meet the demand for electricity in Hong Kong, every day of every year. We achieved this in 2011. Local sales of electricity were 31,168 gigawatt hours (GWh), an increase of 0.8% compared to 2010. Sales growth was supported by the strong local economy and by increased cooling load from the residential sector due to hot summer months. There was slower growth in sales from the commercial sector and a decline in sales from the manufacturing sector due to the continued closure of local textile factories.

Local Sales	Increase/(Decrease)		As Percentage of Total Local Sales
	GWh	%	
Residential	137	1.6	27%
Commercial	28	0.2	41%
Infrastructure & Public Services	140	1.8	26%
Manufacturing	(66)	(3.4)	6%

Sales to the Chinese mainland were 2,957GWh, an increase of 13.3% as against 2010. This was primarily due to higher contract volumes with Guangdong Power Grid Corporation in 2011. Overall, total electricity sales, which include both local sales and sales to the Chinese mainland, increased by 1.8% compared to the previous year.

Capital Investment

The ongoing maintenance and enhancement of supply quality and reliability, as well as the need to meet the demand created by infrastructure development projects, requires continuing and substantial investment by CLP. In 2011 CLP invested HK$7.8 billion in generation, transmission and distribution networks as well as in customer services and supporting facilities. The reliability and operational performance of our supply network was reinforced by further upgrading existing plant and equipment.

Gas supply

Government policy requires a significant increase in the use of gas for the generation of electricity to meet Hong Kong’s needs. As part of that policy, the HKSAR Government and the Central People’s Government entered into a MOU in 2008 for long-term gas supply from the Mainland to Hong Kong.

In preparation for those new sources of gas supply, the construction of a new gas receiving station and other plant modifications at Black Point Power Station was approved by the HKSAR Government in early 2011. This was the first stage in securing the Executive Council’s approval for the various gas supply and gas infrastructure projects resulting from the MOU. The plant modification for the control systems in the first two units, out of a total of eight units, at Black Point was successfully completed. This modification will enable the Black Point plant to migrate progressively from the existing Yacheng gas supply to the various future new gas supplies from the Chinese mainland. The new gas receiving station and related plant modification works should be completed by the end of 2012 and early 2013 respectively.

Progress is being made in securing additional natural gas from all three sources contemplated under the MOU:

- New gas fields in the South China Sea – discussions with CNOOC on both short-term and long-term replacement natural gas supply have advanced. In the short-term, a Gas Sales Agreement entered into in December will allow for a small field, adjacent to the existing and depleting Yacheng field, to supplement those existing gas supplies for five years. Discussions with CNOOC on the long-term supply arrangements are still progressing.
- Second West-to-East Pipeline – negotiations have been finalised with PetroChina for substantial supplies of gas from the second West-to-East Pipeline and for the ownership of the branch line which will connect Black Point Power Station to that pipeline. The National Development and Reform Commission (NDRC) of the PRC approved PetroChina and CAPCO's investment in the branch line (PetroChina 60%, CAPCO 40%) in December 2011. The proposed gas supply contract is under review by the SAR Government and awaiting approval from the Executive Council. Preparations are now underway for sub-sea pipeline construction at the PRC side to start early in 2012. New supplies are expected to arrive by the first quarter of 2013.
- Shenzhen LNG terminal – this has not progressed as quickly as expected, due to difficulties in securing an appropriate site. Currently, a new site in eastern Shenzhen is being reviewed, with a feasibility study under preparation. Project approval from the National Energy Administration is targeted for 2012.

These projects have major implications for the future reliability of supply to our customers in Kowloon and the New Territories and on the emissions level from our local generating capacity. They will also have a substantial upward impact on future tariff levels, as discussed in the Chairman's Statement to this Results Announcement.

Fulfilling our duty to customers

CLP has a duty to deliver an electricity supply characterised by reliability, power quality, excellence in customer service, reasonable tariffs and good environmental performance. In 2011, CLP fulfilled its duty to customers in all these respects – and we will continue to do so.

Reliability

Hong Kong has one of the most reliable electricity services in the world. Since 2000, unplanned Customer Minutes Lost per year, a standard measure of supply reliability, has been improved by 87%. The result is that a typical CLP customer would have experienced an average of only 2.3 minutes of unplanned power interruptions each year between 2009 and 2011. This compares with 15 to 44 minutes (between 2008 and 2010 – the latest available data) of power outages experienced by electricity users in New York, Sydney and London. In 2011, CLP supply reliability reached its best ever levels.

Power quality

Like all developed economies, Hong Kong requires stable electricity supply for critical and sensitive equipment. Given the susceptibility of Hong Kong's power system to voltage fluctuations caused by lightning strikes and third party interference, CLP has been making significant efforts to strengthen the resilience of our overhead line and cable networks against thundery weather and third party damage respectively.

Excellence in customer service

Our commitment to excellence in customer services remains most clearly expressed in our 12 performance pledges. These set out our targets in areas of our performance which we know are 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, where we also describe our performance against those pledges. In 2011, we met all of our service pledges.

Like the other aspects of our business, customer service requires continuous review and improvement. In 2011, we launched our “Customer Services Improvement Plan” for commercial, industrial and residential customers. This includes 18 initiatives which have been developed and progressively launched over the year.

Tariff

Supply reliability, power quality, excellence in customer service and environmental improvement comes at a price, which must be reflected in the tariffs paid by our customers for their electricity. We do all that we can to maintain those tariffs at reasonable levels. However, a tariff increase for 2012, whilst unwelcome, was inevitable and unavoidable. The Average Net Tariff in 2012 will be 98.7 cents, an increase of 4.9% from 2011. Details of the tariff increase we announced on 30 December 2011 are as follows:-

Components	**Previous (cents per unit)**	**Effective 1 Jan 2012 (cents per unit)**
Average Basic Tariff	80.0	84.2 (+4.2)
Fuel Clause Charge	14.1	17.8 (+3.7)
Rent & Rates Special Rebate	- -	- 3.3
Average Net Tariff	94.1	98.7 (+4.6)

This increase, as noted in the Chairman’s Statement, was a matter of significant political, media and public controversy. The background and breakdown of the tariff increase, whilst widely communicated, has not always been fully understood.

- The increase in basic tariff is primarily due to the costs associated with meeting increasingly stringent Government emission regulations in support of Hong Kong’s drive for better air quality, with the need to invest in emissions control facilities and new infrastructure to allow increased use of natural gas for power generation. Under the SoC, a “Tariff Stabilisation Fund” is used to smooth out the impact of tariff increases. This Fund has been drawn down heavily over the past two years to defer the need for a tariff increase. Despite the recent increase, the Fund will drop to a projected level of only HK$100 million by the end of 2012. This is the lowest balance ever recorded and represents just one day of electricity sales for CLP.

- The fuel clause charge is used to recover the costs of the fuel purchased to generate the electricity supplied to our customers. CLP makes no profit on fuel. CLP already carries a deficit in the fuel clause charge account held on behalf of customers. This deficit is growing. This is because of a global trend of higher fuel costs, in particular for gas to generate cleaner electricity. The challenges that we face in managing fuel costs are becoming more serious in the context of these rising costs and the increasing use of gas to meet Government’s regulatory requirements, including tighter emission caps on our generation operations.

- The rent and rates special rebate reflects our commitment to return to customers any repayments made by Government upon the final resolution of proceedings we have brought in the Hong Kong courts to recover the overcharging by Government of rent and rates over the past decade. Even though the case is still continuing, we have provided a special rebate of 3.3 cents per unit. This was the primary factor which enabled us to reduce the 2012 tariff increase from the level we had initially proposed.

The tariff increase, and CLP's overall tariff structure, have been carefully managed so that 30% of our domestic customers are expected to bear no tariff increase in 2012, with 50% having a monthly increase of no more than HK$3.4. Finally, half of our commercial customers should have a monthly increase of no more than HK$27.5.

Even with the 2012 tariff adjustment, CLP's tariffs remain highly competitive when compared with other major metropolitan cities, especially when many of those cities will not benefit from the levels of supply reliability, power quality and customer service which are provided by CLP.

Environmental Performance

With full operation of the emissions control facilities at Castle Peak Power Station, our 2011 emissions performance continues to meet the stringent regulatory requirements. Emissions of SO_2 reduced by 20% comparing with 2010. RSP emissions were maintained at a similar level. Emissions of NOx saw an increase of 22% due to less use of natural gas as a result of the depletion of the Yacheng gas reserve.

We know that the Hong Kong SAR Government, in support of national policy, aims for further carbon intensity reductions from Hong Kong. To this end, in September 2010 Government launched a public consultation on Hong Kong's Climate Change Strategy and Action Agenda, in which it envisaged an overall 50 to 60% carbon intensity reduction for Hong Kong. For the power sector, Government proposed a fuel mix target of 50% nuclear, 40% gas, 3 to 4% renewable energy and not more than 10% coal by 2020. CLP responded constructively to the consultation document (see our response, "Clean Energy" on our website). Although the consultation process was completed at the end of December 2010, Government is still considering the views expressed before finalising its intended policy direction, in particular with regard to increased reliance on nuclear energy in light of the Fukushima accident.

If Government moves ahead on the basis of its original proposal, this will require significant change in CLP's fuel mix and generating capacity. By way of reference, in 2011 the electricity used by our customers came from a fuel mix of 30% nuclear, 21% gas and 49% coal. For its part, CLP is in favour of a balanced mixture of fuel sources and generating capacity which meets our society's need for an electricity supply which is secure, adequate, reliable, cost effective and environmentally responsible as regards both local air quality and climate change. Differing fuel types have different characteristics: there is no single fuel source or generating technology which by itself can satisfy Hong Kong's electricity needs across all criteria.

We will continue to contribute to the safeguard of our environment not only through the way in which energy is generated, but also in helping our customers and the public to use energy wisely.

Energy Business in Australia

Financial Performance

The operating earnings from TRUenergy in 2011 were HK$2,911 million, compared to HK$1,303 million in 2010. Apart from the increase in average exchange rate of the Australian dollar, the increase in earnings was primarily driven by the acquisition of the EnergyAustralia retail business and Delta Western GenTrader contracts with effect from 1 March 2011 and by retail tariff increases during the course of the year. The increased operating costs compared to the previous year were due to the additional costs associated with the NSW acquisition, including higher employee costs, transitional services provided by Ausgrid, the NSW state-owned distribution company and higher bad debt expense. The NSW acquisition also resulted in higher depreciation and amortisation arising from the acquired assets, as well as higher interest costs due to additional borrowings.

Following the passing of the Australian Government's Clean Energy legislation on 8 November 2011, the book value of our Yallourn brown coal-fired generation business was written down by A$350 million (HK$2,761 million) as at 31 December 2011. As a result, a post-tax impairment loss of A$245 million, or HK$1,933 million, has been recognised for the year ended 31 December 2011.

Operational Performance

Asset Portfolio

2011 was marked by a number of changes to TRUenergy's asset portfolio. The most significant of these was the simultaneous acquisition of the EnergyAustralia retail business and the Delta Western GenTrader contracts through which TRUenergy acquired the retail, and industrial and commercial customers of EnergyAustralia (approximately 1.5 million customers), the Delta Western GenTrader contracts for the output of Mount Piper (1,400MW) and Wallerawang (1,000MW) power stations and three power station development sites. A Transition Services Agreement (TSA) was entered into with Ausgrid to manage the integration process and to ensure that a number of retail support services continue to be provided by Ausgrid until they are taken over by TRUenergy.

In June, we completed the disaggregation of our Roaring 40s wind joint venture, which was owned 50/50 by CLP and Hydro Tasmania. This resulted in an expansion of TRUenergy's renewable energy portfolio by 144MW, through acquiring the Waterloo Wind Farm and a 50% share of the Cathedral Rocks Wind Farm, both in South Australia and both previously owned by Roaring 40s. TRUenergy also acquired a number of Roaring 40s' development sites, representing a 400MW pipeline of projects at various stages of development.

In July, TRUenergy announced an agreement to acquire from gas producer Santos an effective interest in over 500 petajoules of coal seam gas reserves in the Gunnedah Basin in northern NSW for A$285 million. This was part of binding agreements by Santos to acquire 100% of a major coal seam gas company, Eastern Star Gas (ESG), with the subsequent sale to TRUenergy of a 20% working level interest in key ESG production and exploration permits and other assets. The purchase by Santos and subsequent sale to TRUenergy of the gas reserves was completed in November 2011. TRUenergy's purchase of the stake in the Gunnedah Basin has long-term strategic value and provides it with upstream gas reserves to help support generation and retail gas demand into the future.

Generation

TRUenergy's generating activities are characterised not only by good operating performance of the existing assets, but also by an attractive portfolio of development options and sites. For example, permitting for two potential power station sites in Queensland was initiated, one in Ipswich, close to the population growth areas of Southeast Queensland and the other at Gladstone in Central Queensland, which is projected to be a major hub for industrial growth. Both sites are close to existing infrastructure connections. These developments would utilise high efficiency gas-fired turbines, emitting less carbon than existing coal-fired power plants.

TRUenergy's proposal envisages developing these sites in stages as electricity demand grows and market conditions warrant. The initial units would be 500MW and have a total capacity of up to 1,500MW. At full capacity, they would be able to meet the projected growth in demand for electricity in Queensland for the next 10 years and increase the State's total generating capacity by more than 20%. Subject to all permitting and development approvals, construction at these sites could begin as early as 2013.

The Marulan development site in NSW, which was acquired as part of the NSW acquisition, offers scope for an open-cycle gas-fired power station project with a capacity of around 700MW. The permitting for this site is already in place, although some modifications to the project approval are still required. Subject to final investment review, analysis and decision, construction on this project could start as early as 2012. Peaking capacity at Marulan would reinforce TRUenergy's capability to meet its retail customers' needs at periods of high demand in NSW.

Maintaining a balanced generating portfolio, and complying with Federal Government policy on renewable energy capacity, will require TRUenergy to continue to increase its investment in renewable energy sources throughout this decade. Amongst other wind energy projects, TRUenergy has lodged an application for the development of a 123MW wind farm at Stony Gap in South Australia, as well as securing options to acquire wind farm sites in NSW with a potential total capacity of 250MW. TRUenergy's proposal to build a solar plant of up to 180MW in Victoria was unsuccessful in the initial competitive process for funding under the Australian Government's Solar Flagships Program. However, in February 2012, we, along with three other shortlisted photovoltaic projects, were invited to update our application for reassessment.

Retail

The year marked a period of significant growth and change for TRUenergy's retail operations, which now represent one of the largest energy retail businesses in the National Electricity Market.

The acquisition of EnergyAustralia's retail business more than doubled TRUenergy's existing customer base and cemented TRUenergy's position as the third largest gas retailer and the second largest electricity retailer in Australia. The acquisition supported TRUenergy's broader strategy of building a diversified and integrated energy business by substantially expanding its retail presence in NSW, Australia's largest electricity market. The acquired customer base is of high quality, with a major concentration of accounts in metropolitan Sydney. EnergyAustralia also has a strong retail brand, being the most recognised brand in NSW, and enjoys high levels of satisfaction amongst its customers.

From March 2011 onwards, the EnergyAustralia retail business continued to operate under the TSA, whereby the state-owned network business Ausgrid (formerly the EnergyAustralia network business) provides operational and billing services to TRUenergy for up to three years. The TSA has been designed to support a smooth migration of the EnergyAustralia retail customer accounts to TRUenergy's retail billing platform. The initial phase of integration of the EnergyAustralia retail business with TRUenergy has been successfully completed.

An important element of the integration will be the move to a single national brand. While both the TRUenergy and EnergyAustralia brand names are strong in their primary markets of Victoria and NSW respectively, with strong levels of customer awareness and satisfaction, we have decided to adopt a single national brand. Research with customers and stakeholders has been completed to inform the final brand name decision. The new brand will be launched towards the middle of 2012.

Project Odyssey, the development of TRUenergy's new retail customer service and billing platform saw significant and encouraging progress in 2011, with system integration testing and user acceptance testing scheduled to complete by end of February 2012. A dress rehearsal for the roll-out of Project Odyssey was successfully held in December 2011. Odyssey roll-out is now targeted for the first half of 2012.

The Australian energy markets remain amongst the most competitive in the world and are characterised by high levels of customer turnover (known as "churn"). The EnergyAustralia retail acquisition, and resulting diversification from its previously more concentrated customer base in Victoria, helped TRUenergy reduce its annualised mass market churn rate from 22.5% in 2010 to 20.2% in 2011. Despite increased competitive activity, not only in NSW but also in Victoria, TRUenergy's home state, the overall churn for the expanded retail business stayed below the market average of 20.4%. Over the whole TRUenergy business, overall customer numbers increased from 1.24 million to 2.81 million during 2011. This includes the 1.54 million EnergyAustralia customers acquired on 1 March 2011.

While there was an increase in mass market churn in NSW from 11.4% in 2010 to 15.1% in 2011, EnergyAustralia's customer account numbers remained reasonably constant, with 1.54 million mass market accounts at the end of the year, the same as at the 1 March acquisition date. TRUenergy's other major market, Victoria, continued to experience amongst the highest levels of churn in the world, highlighting the continued challenge to maintain both market share and profitability in a fully deregulated environment. The TRUenergy retail business performed well despite increased competitive pressure. At the end of 2011, customer accounts within the TRUenergy brand itself had increased to 1.27 million, compared to 1.24 million at the end of 2010.

Environmental Performance

There were some regulatory non-compliances at our Tallawarra Power Station during the first half of 2011. These involved untimely information reporting and submission, not related to any breaches of emissions limits or standards. Looking ahead, TRUenergy will be managing the transition of its business in line with the climate change policy directions set by Federal and State Government including the Federal Government's recent Clean Energy legislative package. TRUenergy will also be progressing its own Climate Change Strategy launched in 2007. This targets an ambitious one-third reduction in emissions intensity by 2020 and a 60% reduction in emissions intensity by 2050. TRUenergy is also committed to supporting its customers in better managing their own carbon footprints.

Electricity Business in the Chinese Mainland

Financial Performance

Earnings from the Chinese mainland (including our 25% stake in the Daya Bay Nuclear Power Station, 70% of its output serves our Hong Kong electricity business) in 2011 totalled HK$1,155 million, a decrease from HK$1,402 million in 2010.

Earnings from Fangchenggang and from our investment in the Guohua International joint venture were supported by strong market demand and good operational performance, but all our coal-fired projects were affected by high coal prices. There were modest adjustments to tariffs in April 2011, followed by more substantive nationwide increases in December 2011 together with caps on spot coal prices. We hope these measures can mitigate the impact of high fuel costs in 2012.

The increasing contribution from our renewable energy investments reflected the successful commissioning and smooth operation of Jiangbian hydro. The earnings from our wind energy portfolio in China were below those in 2010, despite new capacity coming into service. This was due to low wind speeds in 2011.

Daya Bay maintained satisfactory operational and safety performance. Its earnings decreased in 2011 mainly because of lower shareholders' funds resulting from a higher dividend payout in 2011.

Operational Performance

Coal-fired projects

Overall, our coal-fired projects maintained a high level of generation, due to strong market demand, supported by effective asset operations and maintenance.

The major contribution to our coal-fired generation activities in the Mainland continues to come from Fangchenggang. Electricity demand in Guangxi has grown as the economy recovers and at the same time, regional hydro electricity generation has been adversely affected by dry weather. Consequently, there have been severe electricity supply shortages and generation from Fangchenggang has made an essential contribution to support the local grid, leading to high dispatch levels. The high demand growth, proven operational performance and the use of imported coal support the construction of two further 660MW units at Fangchenggang. We therefore propose to develop Fangchenggang Stage II. We await approval from the NDRC for this expansion project.

Coal costs have been high at the other power stations in the Mainland in which we hold an interest. Our local partners have been able to obtain lower prices in some cases, but economic performance has still been adversely affected, particularly in Shandong. The coal price-linked tariff adjustment was not fully implemented by the Government for most of the year, with only minor tariff adjustments in several provinces.

Renewables - Wind energy

CLP's investments in wind energy in the Mainland are in three forms:

- minority shareholdings in individual projects (reflecting the limitations in earlier years on non-Mainland companies holding a majority stake in such projects);
- our 32% shareholding in the CGN Wind joint venture; and
- more recently, wholly-owned projects which are also operated and maintained by CLP itself.

In 2011, 20 out of 22 of CLP's minority-owned projects were in commercial operation. Of the remaining two, the 48MW project in Shanghai is under construction with a target completion date in early 2012, whereas construction of the 49.5MW project in Shandong (Haifang Wind) was delayed due to land permitting issues. Future capacity growth from minority-owned projects will be limited to expansions of existing projects which have already performed well.

In March 2010 CLP completed the acquisition of a 32% stake (HK$1.19 billion) in CGN Wind. However, CLP and our partner, China Guangdong Nuclear Power Holding Company, Limited (CGNPC), have had different views about the speed and scale of the expansion of this joint venture. CGNPC now intends to expand the business more quickly than previously expected, whereas CLP has been concerned that this growth might result in the development of projects that do not match our own investment criteria. Accordingly, we have reached an agreement whereby CLP's equity stake in the joint venture will be diluted from 32% to 15.75% as CGNPC continues to inject additional capital. Implementation of this agreement is pending approval by the relevant PRC authorities.

Our first wholly-owned wind project, Qian'an I, entered commercial service in November 2010 and is operating smoothly. We obtained approval for the construction of phase II at Qian'an, an additional 49.5MW, in early 2011 and all 33 new wind turbines were in commercial operation by October 2011. We are subsequently pursuing the necessary approvals for the development of phases III and IV at Qian'an. Construction of phase I (48MW) of the Penglai wind project, CLP's second wholly-owned wind project, has progressed well with energisation completed in December 2011 and commercial operation achieved in February 2012.

Renewables – hydro and biomass

The Jiangbian Hydro Power Station, comprising 3x110MW units in Sichuan Province is the first wholly-owned greenfield hydro project in China to be developed, constructed and operated by CLP. We completed construction and commissioning of all three units in June 2011, within budget and ahead of schedule. There were many challenges in working at a remote site that is subject to floods, rock bursts, landslides and earthquakes, but the project was managed in compliance with both national and CLP standards on safety, quality, health and environment. Our most significant achievement was zero fatalities during construction, consistent with the value we place on the safety of all those working on our sites. All three units have performed well since the start of commercial operation.

Electricity sales for both the Dali Yang_er and Boxing biomass projects improved significantly in 2011. In the case of Dali Yang_er this was due to increased water discharge from the upstream lake; at Boxing this was due to commissioning of an additional 15MW condensing turbine.

Nuclear

Daya Bay achieved a utilisation rate of 93% in 2011, compared to 91% in 2010. In January 2011, an enhanced notification mechanism for non-emergency Licensing Operational Events was introduced for the Daya Bay units. There was no such event at Daya Bay in 2011.

Following the Fukushima accident, a comprehensive safety review, requested by the State Council, was conducted by the National Nuclear Safety Administration (NNSA) at all nuclear power stations in China, including Daya Bay. The report of the review is expected to be released by the State Council shortly. Preliminary findings have confirmed that the design and operation of Daya Bay is in full compliance with existing national regulations and standards. Prior to the NNSA's review, Daya Bay also conducted its own internal review and had been formulating improvement initiatives in dealing with natural disasters of extreme severity in order to further enhance its safe operation.

In July 2011, CLP reached an agreement with CGNPC, our longstanding partner in Daya Bay, to acquire a 17% equity share in the Yangjiang Nuclear Power Station project (6 x 1,080MW of the CPR1000 technology) in Guangdong. Regulatory approvals from the relevant Mainland authorities are being sought. Construction of the station commenced in 2008 and has been making good progress. The project is expected to commission in phases between 2013 and 2017 and will supply power to Guangdong.

Environmental Performance

During 2012 CLP intends to enhance and extend its processes for the measurement of emissions from each asset where we have operating control. Emissions to be measured are expected to include carbon intensity, SOx, NOx, particulates, recycled or reused water and hazardous waste. We aim to set baseline levels for each asset, establish specific targets to reduce emissions and strengthen the benchmarking of performance against other assets elsewhere in the Group and those of our peers in the Chinese mainland. We also aim to contribute to the Group's efforts to move towards a more sustainable rate of resource use, such as by measuring water use and discharges and developing initiatives to promote a culture of efficient resource use in the offices of our project companies, such as in respect of paper, water, batteries, stationery and the like.

Electricity Business in India

Financial Performance

The operating earnings from India in 2011 were HK$154 million, compared to HK$141 million in 2010. The earnings from GPEC increased from HK$247 million in 2010 to HK$391 million in 2011 due to the effects of foreign exchange protection provision under its Power Purchase Agreement (PPA) and to lower maintenance expenses.

Jhajjar suffered a loss of HK$223 million compared to a loss of HK$108 million in 2010 largely attributable to the start-up costs and the following foreign exchange movements:

- exchange loss on the translation of Euro and U.S. dollar retention payables of construction work at the closing rate; and
- amortisation of forward points premium of forward foreign exchange contracts relating to U.S. dollar loans.

Our wind energy investments made a profit of HK$21 million compared to a profit of HK$10 million in 2010. In addition, it recorded a pre-operating loss of HK$8 million, unchanged from 2010 and a one-off hedges termination cost of HK$27 million. Whilst the start of commercial operations at our Samana II and Harapanahalli projects in 2011 contributed to earnings, this was partly offset by the adverse impact of lower than expected wind resources and grid restriction for Theni wind farm.

Operational Performance

GPEC, which still represents the primary source of earnings from India, continued to perform well. Availability was maintained at a high level (91.53% compared to 90.1% in 2010). Due to declining production at the relevant gas field, that part of the gas supply to meet GPEC's need which is provided through a gas supply contract with Reliance Industries Limited has been reduced. This means that the coming months may see higher reliance on LNG purchased on the spot market at higher prices, with a potential adverse impact on earnings during 2012. The impact of this may be somewhat mitigated by the potential for lower generation at neighbouring coal-fired power plants, as a result of problems with coal supply, to lead to higher demand for generation at GPEC using gas and naphtha.

There has been a longstanding dispute between CLP India and its off-taker, Gujarat Urja Vikas Nigam Ltd. (GUVNL) regarding CLP India's entitlement to receive payments when availability of the GPEC plant is declared on the basis of naphtha, rather than gas. That dispute remains before the Supreme Court of India. Because spot gas availability was constrained for parts of 2011, GPEC was forced to declare capacity on naphtha. This resulted in an increase of about HK$3 million in the disputed deemed generation incentive payment. The total amount of the claim, plus interest and tax, with respect to the deemed generation incentive has therefore been revised to HK$1,245 million. Further details of the claim are set out in Note 19 to the Financial Information as a contingent liability.

Jhajjar

The Jhajjar project has progressed towards scheduled full commissioning in the first half of 2012. There are currently no major delays in construction and commissioning. Project progress is close to performance schedule, with overall progress at end December 2011 at 96.1% compared to a planned 95.3%.

The availability of coal for the Jhajjar project has been an issue which has also received particular attention throughout 2011. The expansion of India's coal-fired generating capacity in recent years, coupled with the inability of Coal India to meet that increasing demand, has caused delay, disruption and shortfalls in the supply of domestic coal to both existing plant and projects under construction. In the case of Jhajjar, following intensive efforts with concerned parties such as the Central Electricity Authority, we have secured enough coal to take the project through the commissioning stages of both units. We have also made significant progress in making arrangements for Jhajjar to receive imported coal and for the cost of such fuel to be passed through under the PPA.

Wind Energy

Starting with CLP's first project, at Samana in 2007, CLP India's wind energy portfolio has grown rapidly and to a scale where we are now the largest investor in wind energy in India.

The Andhra Lake project, presently the largest in our portfolio, has suffered from construction delays, largely attributable to the unusually difficult terrain at the site. The overall delay on this project will be about 19 months, which affected earnings from our wind portfolio in 2011. However, the project is now moving towards completion. As at the end of December 2011, 90 wind turbines out of a total of 142 at Andhra Lake had been commissioned, with the remainder due to be commissioned by the end of February 2012.

The wind resources on our earlier projects have fallen short of expectations. We have been exercising much greater discipline and carrying out even more extensive analysis on the wind resources for new projects. In line with that discipline, we recently stepped back from a proposed project at Narmada in Andhra Pradesh, where further analysis had indicated that the wind resource was less than that originally estimated. We have also experienced problems in receiving payments due under the PPA for the Theni I and II wind farms in Tamil Nadu. However, in recent months the state off-taker has been making renewed and substantial efforts to make good on the delayed payments. The problem is not related specifically to the Theni projects. CLP India would not expect to pursue new wind projects in Tamil Nadu until a more stable and predictable payment regime is firmly in place, even though the state has the best wind resources in India.

Notwithstanding the difficulties and challenges on individual projects, CLP India intends to continue to grow its wind energy business in a steady and disciplined manner.

Environmental performance

CLP India is making a significant contribution to the realisation of the CLP Group's Climate Vision. The carbon emissions intensity of our generating capacity in India is aimed to be maintained at around 0.45 tonnes CO_2/MWh in 2012, with a further move downwards to around 0.4 tonnes CO_2/MWh by 2015. In addition to our growing wind energy portfolio we are exploring the opportunity to participate in the deployment of solar energy in India. We are likely to focus our efforts in Gujarat and Rajasthan which have the best solar resource in India, and supportive state-level policies.

Electricity Business in Southeast Asia and Taiwan

Financial Performance

The operating earnings from Southeast Asia and Taiwan in 2011 were HK$86 million, HK$304 million below those in 2010. This was mainly due to the absence of earnings contribution from EGCO in Thailand, following the sale of all of our EGCO shares in February 2011. Earnings from CLP's 20% stake in the Ho-Ping power station in Taiwan were also lower than the previous year. This was due to higher coal prices and to a major plant overhaul in February and March 2011 which meant less generation and higher maintenance expenses.

The divestment of CLP's effective interest of 13.36% in EGCO, together with the associated restructuring of our OneEnergy joint venture with Mitsubishi Corporation, was completed in April 2011. The sale price for our EGCO shares was US$273 million (HK$2,122 million) and a one-off gain of HK$876 million was recognised.

Operational Performance

Ho-Ping achieved good operational and safety performance during the year, including the successful completion of the major overhaul of Unit 1. Although earnings in 2011 were impacted by the rise in coal market prices, Ho-Ping will eventually be compensated through the energy tariff adjustment mechanism. This is linked to the coal prices paid by the off-taker, Taipower, but with a one-year delay.

Good progress was made on the 55MW Lopburi solar project in Thailand, which is owned equally by CLP, Mitsubishi Corporation and EGCO and operated by CLP. The project site is not located in those areas of Thailand which were subject to severe flooding in late 2011. At end December the project was 95% complete, with the installation of solar panels in its final stage. Commissioning of the initial phases was delayed by the late availability of Electricity Generation Authority of Thailand's 115kV grid connection (unrelated to the effects of flooding). Nonetheless, the first phase of 8MW was commissioned in December 2011. The remaining 47MW will be commissioned in phases by mid-2012 and should meet the original completion schedule. Arrangements for an 8MW expansion at an adjacent site are being finalised.

CLP and Mitsubishi Corporation have been developing the 1,320MW Vung Ang II and 1,980MW Vinh Tan III coal-fired projects in Vietnam. We have been negotiating with the Vietnamese Government on the terms of the key project agreements that are necessary to provide a reasonable basis for investment and to enable project financing to be secured. We are also evaluating bids for the power plant equipment supply and construction. We have local partners in both projects, but we have reached a restructuring agreement which would allow the local partners in the Vung Ang II project to transfer their shares in the project company upon completion of a number of conditions. If this occurs, CLP and Mitsubishi Corporation will each hold a 50% interest in this project.

Safety

Our responsibility for safety extends not only to our employees, but to the staff of our contractors and to everyone who legitimately comes into our facilities. For 2011, despite continued efforts in exercising safety discipline and enforcing procedures at our majority-owned facilities, we had a total of five fatalities involving employees of sub-contractors. All five were in India and involved construction activities: three at our Jhajjar site and two at our Andhra Lake Wind Farm. Safety management reviews were conducted at Jhajjar site, together with an initiative to increase the engagement of all workers in health and safety efforts. Elsewhere, as at Jhajjar, safety management systems continued to be strengthened and aligned to the Group Standards and Expectations. We will continue our efforts in working with our contractors and partners to understand the root cause of these incidents and put in place effective corrective and preventive measures. Any fatalities are completely unacceptable and we will strive to improve this in every aspect of our business going forwards.

Disabling Injury Incidence Rate (DIIR)

DIIR is the number of disabling injuries per 200,000 man-hours exposure which is roughly equal to the number of disabling injuries for every 100 full-time employees in one calendar year. Our combined DIIR for employees and contractors (working at facilities under our operational control and at facilities under construction) increased to 0.23 in 2011 (0.19 in 2010) mainly due to our increasing construction activities in India. Construction works still present one of the greatest safety challenges to us and although we cannot completely eliminate all risks involved, we continue to strive to raise safety standards substantially above the local prevailing norms.

Human Resources

On 31 December 2011, the Group employed 6,316 staff (2010: 6,075), of whom 4,039 were employed in the Hong Kong electricity and related business, 2,003 by our businesses in Australia, Chinese mainland, India, and Southeast Asia and Taiwan, as well as 274 by CLP Holdings. Total remuneration for the year ended 31 December 2011 was HK$3,983 million (2010: HK$3,475 million), including retirement benefits costs of HK$295 million (2010: HK$267 million).

FINANCIAL INFORMATION

The financial information set out in this announcement below does not constitute the Group's statutory accounts for the year ended 31 December 2011, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, PricewaterhouseCoopers.

Consolidated Income Statement
for the year ended 31 December 2011

	Note	**2011 HK$M**	2010 HK$M
Revenue	*4*	**91,634**	58,410
Expenses			
Purchases of electricity, gas and distribution services		**(43,029)**	(21,740)
Operating lease and lease service payments		**(12,169)**	(10,098)
Staff expenses		**(2,623)**	(2,189)
Fuel and other operating expenses		**(12,287)**	(7,321)
Depreciation and amortisation		**(6,353)**	(5,065)
		(76,461)	(46,413)
Other income	*6*	**776**	400
Other charge	*7*	**(2,761)**	-
Operating profit	*8*	**13,188**	12,397
Finance costs	*9*	**(6,005)**	(4,212)
Finance income	*9*	**146**	101
Share of results, net of income tax			
Jointly controlled entities		**2,929**	2,080
Associated companies		**681**	813
Profit before income tax		**10,939**	11,179
Income tax expense	*10*	**(1,650)**	(844)
Profit for the year		**9,289**	10,335
Earnings attributable to:			
Shareholders		**9,288**	10,332
Non-controlling interests		**1**	3
		9,289	10,335
Dividends	*11*		
First to third interim dividends paid		**3,753**	3,753
Fourth interim dividend declared		**2,310**	2,214
		6,063	5,967
Earnings per share, basic and diluted	*12*	**HK$3.86**	HK$4.29

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	2011 **HK$M**	2010 HK$M
Profit for the year	**9,289**	10,335
Other comprehensive income		
Exchange differences on translation	**(971)**	3,929
Cash flow hedges	**325**	588
Net fair value gains on available-for-sale investments	**27**	128
Share of other comprehensive income of jointly controlled entities	**(498)**	2
Reclassification adjustments		
Sales of available-for-sale investments	**(281)**	-
Sale of a jointly controlled entity	**(320)**	-
Sale of a subsidiary	**-**	(91)
Acquisition of additional interest in a jointly controlled entity to become a subsidiary	**-**	(17)
Other comprehensive income for the year, net of tax	**(1,718)**	4,539
Total comprehensive income for the year	**7,571**	14,874
Total comprehensive income attributable to:		
Shareholders	**7,565**	14,867
Non-controlling interests	**6**	7
	7,571	14,874

Consolidated Statement of Financial Position
as at 31 December 2011

	Note	**2011 HK$M**	2010 HK$M
Non-current assets			
Fixed assets	*13(A)*	**128,571**	115,731
Leasehold land and land use rights under operating leases	*13(B)*	**1,811**	1,729
Goodwill and other intangible assets		**27,369**	9,150
Interests in jointly controlled entities		**18,226**	20,476
Interests in associated companies		**1,465**	2,378
Finance lease receivables		**1,847**	2,286
Deferred tax assets		**1,276**	4,210
Fuel clause account		**212**	294
Derivative financial instruments		**5,027**	2,736
Available-for-sale investments		**1,288**	1,512
Other non-current assets		**141**	139
		187,233	160,641
Current assets			
Inventories – stores and fuel		**1,470**	751
Trade and other receivables	*14*	**19,419**	11,118
Finance lease receivables		**142**	144
Available-for-sale investments		**-**	336
Derivative financial instruments		**2,158**	1,609
Bank balances, cash and other liquid funds		**3,866**	4,756
		27,055	18,714
Current liabilities			
Customers' deposits		**(4,297)**	(3,979)
Trade and other payables	*15*	**(16,990)**	(11,344)
Income tax payable		**(143)**	(165)
Bank loans and other borrowings	*16*	**(12,596)**	(7,816)
Obligations under finance leases		**(2,200)**	(1,995)
Derivative financial instruments		**(2,212)**	(932)
		(38,438)	(26,231)
Net current liabilities		**(11,383)**	(7,517)
Total assets less current liabilities		**175,850**	153,124
Financed by:			
Equity			
Share capital		**12,031**	12,031
Share premium		**1,164**	1,164
Reserves	*18*		
Declared dividends		**2,310**	2,214
Others		**65,754**	64,252
Shareholders' funds		**81,259**	79,661
Non-controlling interests		**93**	97
		81,352	79,758
Non-current liabilities			
Bank loans and other borrowings	*16*	**52,925**	36,807
Obligations under finance leases		**25,196**	25,105
Deferred tax liabilities		**7,979**	7,590
Derivative financial instruments		**5,082**	1,079
Scheme of Control (SoC) reserve accounts	*17*	**643**	1,509
Other non-current liabilities		**2,673**	1,276
		94,498	73,366
Equity and non-current liabilities		**175,850**	153,124

Notes:

1. General Information

The Company is a limited liability company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong. The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are the generation and supply of electricity in Hong Kong, Australia and India, and investment holding of power projects in the Chinese mainland, Southeast Asia and Taiwan.

The financial operations of the Company's major subsidiary, CLP Power Hong Kong Limited (CLP Power Hong Kong), and its jointly controlled entity, Castle Peak Power Company Limited (CAPCO) are governed by a SoC entered with the Hong Kong Government. Our electricity business in Hong Kong is therefore also referred to as the SoC business.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. Effect of New/Revised Hong Kong Financial Reporting Standards (HKFRS)

The Group has adopted the following new/revised HKFRS standards and interpretations for the first time for financial year beginning 1 January 2011:

- HKAS 24 (Revised) "Related Party Disclosures"
- Improvements to HKFRS published by HKICPA in May 2010

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

3. Business Combinations and Reorganisations

(A) New South Wales (NSW) Acquisition

On 1 March 2011 the Group completed the acquisition of EnergyAustralia Retail, the Delta Western GenTrader contracts and Project Sites (the “NSW Acquisition”) from the NSW Government.

EnergyAustralia Retail was an energy retailing business with a customer base of approximately 1.5 million billable accounts across the east coast of Australia. The acquisition of EnergyAustralia Retail did not include EnergyAustralia’s electricity distribution network, which remains to be owned and operated by the vendor, now known as Ausgrid. The EnergyAustralia Retail business consists of the customer accounts and associated assets, but does not include the transfer of employees or physical assets. The Group entered into a Transition Services Agreement with the vendor to ensure the smooth integration of EnergyAustralia customers into the TRUenergy business.

The Delta Western GenTrader contracts comprise long-term exclusive off-take arrangements to control the dispatch and buy the output of the black coal-fired power stations of Delta Electricity at Mount Piper and Wallerawang. The Mount Piper and Wallerawang Power Stations have power generating capacities of 1,400MW and 1,000MW respectively. In accordance with the terms of the GenTrader contracts, Delta Electricity continues to own, operate and maintain the power stations and employ a workforce for these purposes, while the Group has exclusive rights to trade the electricity for the anticipated life of each power station. The Group makes periodic payments to Delta Electricity (“Fixed and Variable Charges”) which are intended to cover Delta Electricity’s costs of operating and maintaining the stations, including capital expenditure.

The Project Sites are development sites for potential new power station projects located at Marulan and Mount Piper. Development of power stations at these sites will be subject to obtaining all necessary licences and approvals, and future market conditions.

The acquisition offers an opportunity for the Group to strengthen its position in NSW, the largest energy market in Australia, and is in line with the Group’s objective of building a diversified and integrated energy business in Australia. The total consideration for the acquisition was A$2,183 million (HK$17,319 million). The following table summarises the consideration paid and the provisional amounts of the assets recognised and liabilities assumed at the acquisition date. The initial accounting for the NSW Acquisition has only been provisionally determined as the necessary market valuation and other calculations have not been finalised.

3. Business Combinations and Reorganisations (continued)

(A) NSW Acquisition (continued)

	HK$M
Consideration	
Cash	15,378
Deferred consideration [(a)]	1,894
Others	47
Total consideration [(b)]	17,319
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fixed assets [(c)]	6,159
Other intangible assets	1,797
Trade receivables [(d)]	5,605
Derivative financial instrument assets	567
Other current assets	1,058
Trade and other payables	(4,955)
Deferred tax liabilities	(2,640)
Derivative financial instrument liabilities	(4,283)
Total identifiable net assets	3,308
Goodwill [(e)]	14,011
	17,319

Acquisition-related costs charged to profit or loss (included in fuel and other operating expenses) totalled HK$791 million, which comprised stamp duty of HK$640 million (including an amount of HK$622 million paid through the vendor) and other costs of HK$151 million.

	HK$M
Net cash flow on acquisition	
Cash paid to vendor [(f)]	16,000
Less: stamp duty expensed	(622)
Net cash outflow for business acquisition	15,378

Notes:

(a) A payable for the GenTrader contract with respect to Wallerawang Power Station of A$239 million (HK$1,894 million) was recognised upon the acquisition. The deferred consideration reflects the fair value of committed, contracted and unavoidable fixed capital charges that must be paid to Delta Electricity in return for no future economic benefit. Excluding the fixed capital charges, the fair value of the Wallerawang GenTrader contract as at 1 March 2011 was nil.

(b) A contingent consideration of up to an additional A$60 million (HK$476 million) is payable if the Australian Tax Office rules that GenTrader upfront capacity payments are tax deductible. The Group is not aware of any similar circumstances or structures where the Australian Tax Office has allowed such deductions. The Group therefore considers that an additional payment is unlikely and no consideration has been recorded for this contingent payment.

(c) Including leased fixed assets of Mount Piper Power Station of A$761 million (HK$6,039 million). The GenTrader arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17 whilst the corresponding obligations under finance leases have been effectively paid upfront as part of the consideration.

(d) The fair value of trade receivables acquired is HK$5,605 million, with the gross contractual amount being HK$5,744 million. The Group expects HK$139 million to be uncollectible.

3. Business Combinations and Reorganisations (continued)

(A) NSW Acquisition (continued)

(e) The goodwill arising from the acquisition is attributable to increased business scale, diversity of earnings, greater liquidity and access to capital, and other cost and revenue synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

(f) The net cash paid was A$2,017 million (HK$16,000 million), being A$2,025 million (HK$16,064 million) consideration paid on 1 March 2011 and A$1 million (HK$8 million) deferred consideration paid in October 2011, less working capital completion amount received of A$9 million (HK$72 million) in December 2011. This net cash paid included estimated stamp duty of A$78 million (HK$622 million) paid to the vendor as part of the purchase price.

It is not practicable to disclose the expected annualised performance of the acquired business as if it had been owned by the Group for the full financial year ended 31 December 2011, because the required historical financial information for the specific assets acquired is not available as part of the acquisition transaction. It is also not practicable to disclose the performance of the acquired business from 1 March 2011 to 31 December 2011, as the business has been largely integrated into the existing TRUenergy business, and stand alone results for the acquired business are not available.

(B) Reorganisation of OneEnergy Limited (OneEnergy) and sale of interest in Electricity Generating Public Company Limited (EGCO)

In February 2011, the Group, Mitsubishi Corporation (MC) and OneEnergy (a 50% owned jointly controlled entity held by the Group with MC) entered into an agreement in relation to the reorganisation of OneEnergy and the divestment of the Group's interest in EGCO.

Prior to the reorganisation, the Group had an effective interest (both direct and indirect interest through OneEnergy) of approximately 13.36% in EGCO. As part of the reorganisation, the Group and OneEnergy sold all their interests in EGCO to a company owned by MC and its business partner. The total consideration for the divestment was US$273 million (HK$2,122 million). In addition, OneEnergy became a wholly-owned subsidiary of the Group after the reorganisation and the Group continues to hold a 20% effective interest in Ho-Ping Power Company in Taiwan through OneEnergy Taiwan Ltd (a 50% owned jointly controlled entity held by OneEnergy with MC).

The reorganisation was completed in April 2011 and the Group recognised a total gain of HK$876 million, which comprised the gain on sale of the Group's direct interest in EGCO of HK$171 million (Note 6) and an amount included in the share of results of OneEnergy of HK$705 million (being the gain on sale of the indirect interest in EGCO).

(C) Reorganisation of Roaring 40s Renewable Energy Pty Ltd (Roaring 40s)

On 30 June 2011, the Group completed a restructuring of its 50% investment in the Roaring 40s joint venture. Under the reorganisation, the Group acquired 100% of the issued capital of Waterloo Investment Holding Pty Ltd (100% owner of the Waterloo wind farm), 100% of the issued capital of Cathedral Rocks Investments Pty Ltd (owner of 50% of the Cathedral Rocks wind farm) and certain development site assets from Roaring 40s. Consideration for the assets was A$145 million (HK$1,206 million), including the fair value of the Group's 50% interest in existing issued capital in Roaring 40s. As a result of the transaction, the interest in Roaring 40s was effectively sold and a gain of HK$457 million was recognised (Note 6). Taking into account the loss on deemed cancellation of a pre-acquisition off-take contract between TRUenergy and Waterloo wind farm of HK$120 million and related stamp duty and other transaction costs of HK$37 million, the overall gain on the reorganisation was HK$300 million.

3. Business Combinations and Reorganisations (continued)

(C) Reorganisation of Roaring 40s (continued)

The reorganisation expands the Group's renewable energy portfolio in Australia, in addition to providing wind farm development opportunities of more than 400MW across various stages of development.

(D) Asset acquisition in Eastern Star Gas Limited (ESG)

On 21 November 2011, the Group acquired a 20% working level interest in key ESG exploration permits and other assets in Australia as part of a joint arrangement with Santos Limited (Santos). Under the arrangement, Santos purchased 100% of the ESG shares (including the Group's existing holding of 3.8%) and subsequently on-sold a 20% interest in the permits to the Group via a joint venture arrangement. Consideration for the interest was A$304 million (HK$2,374 million) comprising cash of A$250 million (HK$1,951 million), sale proceeds of ESG shares sold of A$35 million (HK$271 million) and transaction costs of A$19 million (HK$152 million). A completion adjustment is expected to occur in March 2012. A gain of A$19 million (HK$148 million) was recognised upon the sale of the 3.8% interest in ESG (Note 6).

The asset acquisition provides the Group with upstream gas reserves to help support generation and retail gas operation in Australia into the future. ESG has the largest natural gas reserves position in NSW, with current gross reserves across its permits of 988PJ (2P) and 1,818PJ (3P), and a large inventory of contingent and prospective resources. The transaction provides the Group with an effective interest in over 500 PJ of coal seam gas reserves in Australia.

4. Revenue

An analysis of the Group's revenue is as follows:

	2011	2010
	HK$M	HK$M
Sales of electricity	**79,922**	49,462
Lease service income	**2,007**	1,889
Finance lease income	**347**	363
Sales of gas	**7,836**	5,792
Other revenue	**936**	980
	91,048	58,486
Transfer for SoC (note)	**586**	(76)
	91,634	58,410

Note: Under the SoC, if the gross tariff revenue in Hong Kong in a period is less than or exceeds the total of the SoC operating costs, permitted return and taxation charges, such deficiency shall be deducted from, or such excess shall be added to, the Tariff Stabilisation Fund under the SoC. In any period, the amount of deduction from or addition to Tariff Stabilisation Fund is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in profit or loss.

5. Segment Information

The Group operates, through its subsidiaries, jointly controlled entities, jointly controlled assets and associated companies, in five major geographical regions – Hong Kong, Australia, the Chinese mainland, India, and Southeast Asia and Taiwan. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on geographical regions. Substantially all the principal activities of the Group in each region are for the generation and supply of electricity which are managed and operated on an integrated basis.

Information about the Group's operations by geographical region is as follows:

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2011							
Revenue	31,722	56,325	625	2,923	33	6	**91,634**
Operating profit/(loss)	9,606	3,097	147	671	138	(471)	**13,188**
Finance costs	(3,508)	(1,929)	(135)	(382)	-	(51)	**(6,005)**
Finance income	2	70	4	63	4	3	**146**
Share of results, net of income tax							
Jointly controlled entities	1,448	11	645 [(a)]	-	825	-	**2,929**
Associated companies	-	42	639 [(a)]	-	-	-	**681**
Profit/(loss) before income tax	7,548	1,291	1,300	352	967	(519)	**10,939**
Income tax expense	(874)	(505)	(68)	(198)	(5)	-	**(1,650)**
Profit/(loss) for the year	6,674	786	1,232	154	962	(519)	**9,289**
Earnings attributable to non-controlling interests	-	-	(1)	-	-	-	**(1)**
Earnings/(loss) attributable to shareholders	6,674	786 [(b)]	1,231	154	962	(519)	**9,288**
Capital additions	8,042	4,563	1,268	4,710	-	56	**18,639**
Depreciation and amortisation	3,797	2,205	148	182	-	21	**6,353**
Impairment charge	-	3,210 [(c)]	-	23 [(c)]	-	-	**3,233** [(c)]
At 31 December 2011							
Fixed assets	86,384	25,511	5,199	11,360	-	117	**128,571**
Goodwill and other intangible assets	-	27,295	39	35	-	-	**27,369**
Interests in							
Jointly controlled entities	9,096	98	7,609	-	1,423	-	**18,226**
Associated companies	-	-	1,465	-	-	-	**1,465**
Deferred tax assets	-	1,212	63	1	-	-	**1,276**
Other assets	7,959	19,047	3,605	5,910	49	811	**37,381**
Total assets	103,439	73,163	17,980	17,306	1,472	928	**214,288**
Bank loans and other borrowings	27,391	19,127	3,271	8,054	-	7,678	**65,521**
Current and deferred tax liabilities	7,374	-	146	602	-	-	**8,122**
Obligations under finance leases	27,328	68	-	-	-	-	**27,396**
Other liabilities	10,917	18,893	366	1,483	5	233	**31,897**
Total liabilities	73,010	38,088	3,783	10,139	5	7,911	**132,936**

5. Segment Information (continued)

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2010							
Revenue	30,281	25,182	305	2,578	59	5	58,410
Operating profit/(loss)	9,252	2,793	412	374	5	(439)	12,397
Finance costs	(3,115)	(831)	(49)	(198)	-	(19)	(4,212)
Finance income	1	52	1	46	-	1	101
Share of results, net of income tax							
Jointly controlled entities	1,159	(287)	816 [(a)]	-	392	-	2,080
Associated companies	-	9	804 [(a)]	-	-	-	813
Profit/(loss) before income tax	7,297	1,736	1,984	222	397	(457)	11,179
Income tax (expense)/credit	(1,004)	395	(147)	(81)	(7)	-	(844)
Profit/(loss) for the year	6,293	2,131	1,837	141	390	(457)	10,335
Earnings attributable to non-controlling interests	-	-	(3)	-	-	-	(3)
Earnings/(loss) attributable to shareholders	6,293	2,131	1,834	141	390	(457)	10,332
Capital additions	11,577	1,880	965	5,763	-	37	20,222
Depreciation and amortisation	3,365	1,493	81	112	1	13	5,065
Impairment charge	-	170	17	17	-	-	204
At 31 December 2010							
Fixed assets	82,829	20,093	3,907	8,814	3	85	115,731
Goodwill and other intangible assets	-	9,078	37	35	-	-	9,150
Interests in							
Jointly controlled entities	9,144	1,018	7,371	-	2,943	-	20,476
Associated companies	-	36	2,342	-	-	-	2,378
Deferred tax assets	-	4,146	64	-	-	-	4,210
Other assets	6,288	9,179	2,271	7,009	378	2,285	27,410
Total assets	98,261	43,550	15,992	15,858	3,324	2,370	179,355
Bank loans and other borrowings	25,603	10,815	2,288	5,917	-	-	44,623
Current and deferred tax liabilities	6,881	21	231	622	-	-	7,755
Obligations under finance leases	27,064	36	-	-	-	-	27,100
Other liabilities	10,615	6,376	244	2,650	4	230	20,119
Total liabilities	70,163	17,248	2,763	9,189	4	230	99,597

Notes:

(a) Out of the total amount of HK$1,284 million (2010: HK$1,620 million), HK$715 million (2010: HK$877 million) was attributed to investments in Guangdong Nuclear Power Joint Venture Company, Limited and Hong Kong Pumped Storage Development Company, Limited, whose generating facilities serve Hong Kong.

(b) Excluding the impairment provision for Yallourn and other one-off items, the operating earnings of Australia were HK$2,911 million (2010: HK$1,303 million).

(c) Included the impairment provisions for Yallourn of HK$2,761 million (Note 7) and trade receivables of HK$472 million.

6. Other Income

	2011 HK$M	2010 HK$M
Gains on sales of available-for-sale investments (note)	**319**	-
Gain on sale of a jointly controlled entity (Note 3(C))	**457**	-
Gain on sale of a subsidiary	**-**	400
	776	400

Note: Including the gains on sales of the direct interests in EGCO of HK$171 million (Note 3(B)) and ESG of HK$148 million (Note 3(D)) (2010: nil).

7. Other Charge

The passing of the Australian Government's Clean Energy legislative package on 8 November 2011 imposes a cost on the emission of carbon dioxide (CO_2) equivalent, resulting in increased production costs and reduced generation over the longer term at Yallourn. The impairment test for the Yallourn cash generating unit has resulted in an impairment provision of HK$2,761 million (A$350 million) (HK$1,933 million (A$245 million) after tax) for the year ended 31 December 2011 (2010: nil). The impairment loss has been recognised in the consolidated income statement.

8. Operating Profit

Operating profit is stated after charging/(crediting) the following:

	2011 HK$M	2010 HK$M
Charging		
Staff costs		
Salaries and other costs	**2,431**	2,024
Retirement benefits costs	**192**	165
Auditor's remuneration		
Audit	**42**	32
Permissible non-audit services	**6**	10
Operating lease expenditure on the agreement with Ecogen	**328**	282
Net loss on disposal of fixed assets	**122**	183
Impairment of fixed assets	**2,761**	17
Net fair value (gain)/loss on derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	**(116)**	(60)
Fuel and other operating expenses	**(606)**	(63)
Transactions not qualifying as hedges	**141**	452
Ineffectiveness of cash flow hedges	**100**	82
Crediting		
Net rental income from properties	**(18)**	(19)
Net exchange gain	**(40)**	(79)
Coal mine subsidence insurance recovery of TRUenergy	**-**	(138)

9. Finance Costs and Income

	2011 **HK$M**	2010 HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**1,849**	1,103
Other borrowings		
Wholly repayable within five years	**628**	214
Not wholly repayable within five years	**642**	583
Tariff Stabilisation Fund (note)	**2**	3
Customers' deposits, fuel clause over-recovery and others	**-**	2
Finance charges under finance leases	**2,735**	2,471
Other finance charges	**548**	203
Fair value loss/(gain) on derivative financial instruments		
Cash flow hedges, reclassified from equity	**(351)**	(53)
Fair value hedges	**(153)**	54
Ineffectiveness of cash flow hedges	**(65)**	-
Loss/(gain) on hedged items in fair value hedges	**151**	(43)
Other net exchange loss on financing activities	**718**	168
	6,704	4,705
Less: amount capitalised	**(699)**	(493)
	6,005	4,212
Finance income		
Interest income on short-term investments, bank deposits and fuel clause under-recovery	**146**	101

Note: CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge of the average of one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund under the SoC.

10. Income Tax Expense

Income tax in the consolidated income statement represents the income tax of the Company and subsidiaries and is analysed below:

	2011 **HK$M**	2010 HK$M
Current income tax		
Hong Kong	**489**	621
Outside Hong Kong	**126**	136
	615	757
Deferred tax		
Hong Kong	**385**	382
Outside Hong Kong (note)	**650**	(295)
	1,035	87
	1,650	844

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

Note: In 2010, the amount included TRUenergy Holdings Pty Ltd (TRUenergy)'s tax consolidation benefit of HK$989 million (A$144 million) as a result of certain amendments to the tax consolidation rules in Australia.

The Australian Government announced on 25 November 2011 that it will retrospectively amend the tax consolidation amendments that it enacted in 2010. This may impact on the tax consolidation benefit recorded in 2010. However, as no draft legislation has been released and the exact details of the changes to the tax law are not known, no changes have been made with regard to the tax benefit recorded in 2010.

11. Dividends

	2011		2010	
	HK$ per share	**HK$M**	HK$ per share	HK$M
First to third interim dividends paid	**1.56**	**3,753**	1.56	3,753
Fourth interim dividend declared	**0.96**	**2,310**	0.92	2,214
	2.52	**6,063**	2.48	5,967

At the Board meeting held on 27 February 2012, the Directors declared the fourth interim dividend of HK$0.96 per share (2010: HK$0.92 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements, but as a separate component of the shareholders' funds at 31 December 2011.

12. Earnings per Share

The earnings per share are computed as follows:

	2011	2010
Earnings attributable to shareholders (HK$M)	**9,288**	10,332
Weighted average number of shares in issue (thousand shares)	**2,406,143**	2,406,143
Earnings per share (HK$)	**3.86**	4.29

Basic and fully diluted earnings per share are the same as the Company did not have any dilutive equity instruments throughout the year ended 31 December 2011 (2010: nil).

13. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases

Fixed assets and leasehold land and land use rights under operating leases totalled HK$130,382 million (2010: HK$117,460 million). Included in fixed assets is plant under construction with book value of HK$15,375 million (2010: HK$12,689 million). Movements in the accounts are as follows:

(A) Fixed Assets

	Land		**Buildings**		**Plant, Machinery and Equipment**		
	Freehold HK$M	**Leased HK$M**	**Owned HK$M**	**Leased [(a)] HK$M**	**Owned HK$M**	**Leased [(a)] HK$M**	**Total HK$M**
Net book value at 1 January 2011	849	412	10,817	5,907	76,517	21,229	115,731
Acquisition of business (Note 3(A))	120	-	-	-	-	6,039	6,159
Acquisition of subsidiaries (Note 3(C))	-	-	89	-	1,969	216	2,274
Additions	5	176	1,515	153	11,462	2,364	15,675
Transfers and disposals	-	(3)	(198)	(13)	(185)	(251)	(650)
Depreciation	-	(13)	(230)	(331)	(3,408)	(1,831)	(5,813)
Impairment charge (Note 7)	-	-	(25)	-	(2,736)	-	(2,761)
Exchange differences	(94)	-	98	-	(2,008)	(40)	(2,044)
Net book value at 31 December 2011	**880**	**572**	**12,066**	**5,716**	**81,611**	**27,726**	**128,571**
Cost	880	647	15,378	11,652	125,049	50,629	204,235
Accumulated depreciation and impairment	-	(75)	(3,312)	(5,936)	(43,438)	(22,903)	(75,664)
Net book value at 31 December 2011	**880**	**572**	**12,066**	**5,716**	**81,611**	**27,726**	**128,571**

Note (a): These leased assets include mainly CAPCO's operational generating plant and associated fixed assets of net book value of HK$27,328 million (2010: HK$27,065 million), which are deployed for the generation of electricity supplied to CLP Power Hong Kong under the Electricity Supply Contract between the two parties; and Delta Electricity's power station at Mount Piper of net book value of HK$5,838 million (2010: nil) under the Delta Western GenTrader contracts. These arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17.

13. Fixed Assets and Leasehold Land and Land Use Rights under Operating Leases (continued)

(B) Leasehold Land and Land Use Rights under Operating Leases

	2011
	HK$M
Net book value at 1 January	1,729
Additions	123
Amortisation	(44)
Exchange differences	3
Net book value at 31 December	**1,811**
Cost	2,149
Accumulated amortisation	(338)
Net book value at 31 December	**1,811**

14. Trade and Other Receivables

	2011	2010
	HK$M	HK$M
Trade receivables	**12,702**	7,425
Deposits and prepayments	**6,267**	3,425
Dividend receivables		
Jointly controlled entities	**36**	160
Associated companies	**349**	48
Current accounts with jointly controlled entities	**65**	60
	19,419	11,118

The Group has established credit policies for customers in each of its retail businesses. CLP Power Hong Kong's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within two weeks after issue. Customers' receivable balances are generally secured by cash deposits or bank guarantees from customers for an amount not exceeding the highest expected charge for 60 days of consumption. For subsidiaries outside Hong Kong, the credit term for trade receivables ranges from about 14 to 60 days.

TRUenergy in Australia determines its doubtful debt provisioning by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. Future cash flows for each group of trade receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions. As a result of this credit risk assessment, virtually all of the credit risk groupings have been subject to some level of impairment. Receivable balances relating to known insolvencies are individually impaired.

The ageing analysis of trade receivables at 31 December based on invoice date is as follows:

	2011	2010
	HK$M	HK$M
30 days or below	**10,951**	5,534
31 – 90 days	**644**	771
Over 90 days	**1,107**	1,120
	12,702	7,425

14. Trade and Other Receivables (continued)

Out of the amount aged over 90 days, HK$482 million (2010: HK$647 million) is related to an amount deducted by Gujarat Urja Vikas Nigam Ltd. (GUVNL) from the past invoices of CLP India Private Limited (CLP India) (formerly known as Gujarat Paguthan Energy Corporation Private Limited (GPEC)) netted with refund. Further details of this dispute can be found in Note 19(A).

15. Trade and Other Payables

	2011 HK$M	2010 HK$M
Trade payables	**8,824**	5,026
Other payables and accruals	**6,373**	4,807
Current accounts with		
Jointly controlled entities	**1,656**	1,425
Associated companies	**137**	86
	16,990	11,344

The ageing analysis of trade payables at 31 December based on invoice date is as follows:

	2011 HK$M	2010 HK$M
30 days or below	**8,239**	4,828
31 – 90 days	**247**	87
Over 90 days	**338**	111
	8,824	5,026

16. Bank Loans and Other Borrowings

	2011 HK$M	2010 HK$M
Current		
Short-term bank loans	**2,802**	1,161
Long-term bank loans	**1,301**	6,655
Other long-term borrowings		
MTN programme (USD) due 2012	**2,371**	-
MTN programme (HKD) due 2012	**1,000**	-
Electronic Promissory Notes (EPN) and MTN programme (AUD) due 2012	**5,122**	-
	12,596	7,816
Non-current		
Long-term bank loans	**30,298**	13,207
Other long-term borrowings		
MTN programme (USD) due 2020 and 2021	**6,376**	6,411
MTN programme (HKD) due 2013 to 2041	**9,095**	9,280
MTN programme (JPY) due 2021 to 2026	**2,502**	1,433
MTN programme (AUD) due 2021	**434**	-
EPN and MTN programme (AUD) due 2015	**394**	5,524
U.S. private placement notes (USD) due 2019 to 2026	**3,826**	952
	52,925	36,807
Total borrowings	**65,521**	44,623

17. SoC Reserve Accounts

The Tariff Stabilisation Fund and Rate Reduction Reserve of the Group's major subsidiary, CLP Power Hong Kong, are collectively referred to as SoC reserve accounts. The respective balances at the end of the year are:

	2011 HK$M	2010 HK$M
Tariff Stabilisation Fund	**637**	1,505
Rate Reduction Reserve	**6**	4
	643	1,509

18. Reserves

	Capital Redemption Reserve[(a)] **HK$M**	**Translation Reserves HK$M**	**Hedging Reserves HK$M**	**Other Reserves HK$M**	**Retained Profits HK$M**	**Total HK$M**
Balance at 1 January 2011	2,492	7,683	1,182	843	54,266	66,466
Earnings attributable to shareholders	-	-	-	-	9,288	9,288
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	-	(1,246)	-	-	-	(1,246)
Jointly controlled entities	-	279	-	-	-	279
Associated companies	-	(9)	-	-	-	(9)
Cash flow hedges						
Net fair value gains	-	-	1,391	-	-	1,391
Reclassification adjustment for amount included in profit or loss	-	-	(1,073)	-	-	(1,073)
Transfer to assets	-	-	1	-	-	1
Tax on the above items	-	-	6	-	-	6
Available-for-sale investments						
Fair value gains	-	-	-	27	-	27
Share of other comprehensive income of jointly controlled entities	-	(345)	-	(153)	-	(498)
Reclassification adjustments						
Sales of available-for-sale investments	-	-	-	(319)	-	(319)
Tax on the above item	-	-	-	38	-	38
Sale of a jointly controlled entity	-	(346)	26	-	-	(320)
Total comprehensive income attributable to shareholders	-	(1,667)	351	(407)	9,288	7,565
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(2)	2	-
Appropriation of reserves of jointly controlled entities	-	-	-	24	(24)	-
Dividends paid						
2010 fourth interim	-	-	-	-	(2,214)	(2,214)
2011 first to third interim	-	-	-	-	(3,753)	(3,753)
Balance at 31 December 2011	**2,492**	**6,016**	**1,533**	**458**	**57,565** [(b)]	**68,064**

Notes:

(a) Capital redemption reserve represents the nominal value of shares repurchased which was paid out of the distributable reserves of the Company.

(b) The fourth interim dividend declared for the year ended 31 December 2011 was HK$2,310 million (2010: HK$2,214 million). The balance of retained profits after the fourth interim dividend of the Group was HK$55,255 million (2010: HK$52,052 million).

19. Contingent Liabilities

(A) CLP India – Deemed Generation Incentive Payment and Interests on Deemed Loans

Under the original power purchase agreement between CLP India and its off-taker GUVNL, GUVNL was required to make a "deemed generation incentive" payment to CLP India when the plant availability was above 68.5% (70% as revised subsequently). GUVNL has been making such payments since December 1997.

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when the plant is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$1,058 million). CLP India's position, amongst other arguments, is that the CLP India power station is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$121 million) (2010: Rs.830 million (HK$144 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when CLP India's plant was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India in respect of deemed generation incentive payments up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,896 million (HK$422 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

CLP India filed an appeal with the Appellate Tribunal for Electricity (ATE) against the decision of the GERC. GUVNL also filed an appeal in the ATE against an order of the GERC rejecting GUVNL's claims on interest on deemed loans and the time barring of the deemed generation claim to 14 September 2002. On 19 January 2010, the ATE dismissed both CLP India and GUVNL's appeals and upheld the decision of the GERC. CLP India has filed an appeal against the ATE order in the Supreme Court of India. The appeal petition was admitted on 16 April 2010 but the next date of hearing has not yet been fixed by the court. GUVNL has also filed a cross appeal challenging those parts of the ATE judgment which held that GUVNL's claims before September 2002 were time barred and which disallowed its claims for interest on "deemed loans".

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$544 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$73 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

19. Contingent Liabilities (continued)

(A) CLP India – Deemed Generation Incentive Payment and Interests on Deemed Loans (continued)

Subsequent to the above deduction, CLP India represented to GUVNL that during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$43 million) and interest of Rs.150 million (HK$22 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, CLP India was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$3 million). At 31 December 2011, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" was revised to Rs.8,543 million (HK$1,245 million) (2010: Rs.8,968 million (HK$1,555 million)).

On the basis of legal advice obtained, the Directors are of the opinion that CLP India has a strong case on appeal to the Supreme Court. In consequence, no provision has been made in the financial statements at this stage in respect of these matters.

(B) Indian Wind Power Projects – Enercon's Contracts

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries ("CLP India group") have invested (or are committed to invest) in around 500MW of wind power projects to be developed with Enercon India Limited ("EIL"). EIL's major shareholder, Enercon GmbH, has commenced litigation against EIL claiming infringement of intellectual property rights. CLP India group, as a customer of EIL, has been named as a pro-forma defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from EIL. As at 31 December 2011, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits to the Group.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in 2011 in support of the expansion of its electricity business. In May 2011, CLP Holdings successfully completed a HK$5.2 billion 5-year revolving bank loan facility with a consortium of 16 international and regional banks. Together with the HK$2.4 billion bilateral bank facilities arranged in the first half of 2011, CLP Holdings has obtained a total of HK$7.6 billion new credit facilities to support our business growth and maintain ample liquidity for contingencies. CLP Power Hong Kong successfully arranged HK$6.8 billion new financing at attractive interest rates. This comprised US$300 million (HK$2.3 billion) 10-year bond, JPY10 billion (HK$1 billion) 10 and 15-year bonds, A$55 million (HK$443 million) 10-year bonds, HK$815 million 15, 20 and 30-year bonds under the Medium Term Note (MTN) Programme, and HK$2.2 billion 2 to 7-year bank loan facilities at favourable interest rate and terms. All foreign currency proceeds were swapped back to Hong Kong dollars to mitigate foreign exchange rate risk. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$3.5 billion, increased from US$2.5 billion, may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 31 December 2011, notes with an aggregate nominal value of about HK$21.6 billion have been issued under the MTN Programme.

In Australia, TRUenergy successfully arranged A$2.05 billion (HK$16.2 billion) debt with 14 multinational banks in June 2011. This comprised a balanced mix of A$1.15 billion 3-year, A$450 million 4-year and A$450 million 5-year bank facilities mainly to refinance the NSW Acquisition. In addition, TRUenergy issued a total of US$360 million (HK$2.8 billion) 8, 12 and 15-year bonds through U.S. private placement. All U.S. dollars proceeds were swapped back to Australian dollars. In India, CLP India arranged US$125 million (HK$971 million) and Rs.2.2 billion (HK$324 million) 10 to 13.5-year projects loan to fund construction of various wind projects. All U.S. dollars proceeds were swapped back to Indian rupee. In addition, a total of Rs.3.5 billion (HK$510 million) working capital facilities were arranged for Jhajjar project at competitive terms. In the Chinese mainland, CLP China procured a RMB300 million (HK$370 million) 15-year project level loan for the CLP wholly-owned Qian'an Phase II wind power project in Jilin Province.

As at 31 December 2011, financing facilities totalling HK$89.9 billion were available to the Group, including HK$37.0 billion for TRUenergy and subsidiaries in India. Of the facilities available, HK$65.5 billion had been drawn down, of which HK$27.2 billion relates to TRUenergy and subsidiaries in India. Facilities totalling HK$6.3 billion were available to CAPCO, of which HK$5.3 billion had been drawn down. The Group's total debt to total capital ratio as at 31 December 2011 was 44.6%, decreasing to 43.1% after netting off bank balances, cash and other liquid funds. Interest cover for the year ended 31 December 2011 was 4 times.

CLP's prudent financial and risk management and a disciplined investment strategy have enabled the Group to maintain good investment grade credit ratings during both favourable and challenging times. CLP's ability to maintain a good credit standing and access the financial markets at cost-effective terms is crucial if we are to meet our business needs and objectives.

Moody's re-affirmed the A2 credit rating of CLP Holdings and A1 credit rating of CLP Power Hong Kong with stable outlooks in March 2011. They opined CLP Power Hong Kong (the wholly-owned subsidiary of CLP Holdings) has strong and highly predictable cash flows generated from the SoC business in Hong Kong; a sound liquidity profile supported by the good track record in accessing the domestic and international bank and capital markets; a well managed debt maturity profile; and management's prudent and gradual approach in pursuing overseas expansion. As a matter of caution, Moody's alerted that CLP Holdings' rating reflected a weakened (though still appropriate) financial profile after its recent expansion into riskier, non-regulated merchant energy and retail businesses in the region which was mainly funded by debt borrowings. Moody's considered the NSW Acquisition would bring strategic benefits to the CLP Group (geographical diversification, economies of scale) and is immediately earnings-accretive due to the significant increase in TRUenergy's customer base. As a result, Moody's expected that CLP Holdings' financial metrics would weaken temporarily in 2011, but would 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.

Standard & Poor's (S&P) re-affirmed the A- credit rating of CLP Holdings and A credit rating of CLP Power Hong Kong with stable outlooks in March and September 2011. The ratings reflect the adequate liquidity position supported by the stable operations and cash flow of the SoC business in Hong Kong, and good liability management practices with diversified funding sources and debt tenors. S&P opined that the NSW Acquisition will weaken the Group's financial health in 2011 due to increased debt and overseas expansion in recent years which weakened CLP Holdings' business risk profile from a strong level. Notwithstanding this, S&P expected that CLP Holdings' financial strength is likely to improve meaningfully from 2013 as a result of higher returns from Hong Kong operations due to further capital expenditure and stable local electricity demand, higher earnings from its enlarged Australian operations, expected full commissioning of Jhajjar project in India and management's strong commitment to deleveraging the balance sheet.

S&P re-affirmed the BBB credit rating of TRUenergy Holdings with stable outlook in July 2011. According to S&P, the rating reflects the 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; and strong liquidity following the refinancing of maturing debt. That said, S&P reminded TRUenergy about the integration risks from the acquisition of assets in NSW; potential exposure to higher competitive pressures; and over the longer term, a need to manage its asset portfolio to mitigate the impact of the government's carbon policy.

The Group's investments and operations have resulted in exposure to foreign currency risks, interest rate risks, credit risks, as well as price risks associated with the sale and purchase of electricity in Australia. We actively manage these risks by using different derivative instruments with the objective of minimising the impact of rate and price fluctuations on earnings, reserves and tariff charges to customers. In meeting the objectives of risk management, we always prefer simple, cost-efficient and HKAS 39 hedge-effective instruments. For instance, we prefer foreign currency forward contracts, cross currency and interest rate swaps to options and structured products. We also monitor our risk exposures with the assistance of a "Value-at-Risk" (VaR) methodology, Volumetric Limits and stress testing techniques. Other than very limited energy trading activities engaged by our Australia business, all derivative instruments are employed solely for hedging purposes.

As at 31 December 2011, the Group had gross outstanding derivative financial instruments amounting to HK$173.4 billion. The fair value of these derivative instruments was a net deficit of HK$109 million, representing the net amount payable if these contracts were closed out on 31 December 2011.

CORPORATE GOVERNANCE

Since February 2005, the Company has adopted its own Code on Corporate Governance (the CLP Code). This incorporates all of the Code Provisions and Recommended Best Practices in the Stock Exchange's Code on Corporate Governance Practices (the Stock Exchange Code), save for the single exception regarding quarterly financial results which is specified and explained in our Corporate Governance Report, as part of our Annual Report. CLP has also applied all of the principles in the Stock Exchange Code. The manner in which this has been done is set out in the CLP Code and the Corporate Governance Report.

CLP's only deviation from the Recommended Best Practices relates to the recommendation that an issuer should announce and publish quarterly financial results. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. Quarterly reporting encourages a short-term view of a company's business performance. CLP's activities do not run and should not fall to be disclosed and judged on a three month cycle. Preparation of quarterly reports also costs money, including the opportunity cost of board and management time spent on quarterly reporting. CLP's position is set out on our website. We do, however, issue quarterly statements which set out key financial and business information such as revenue, electricity sales, dividends and progress in major business activities.

Amendments to the Stock Exchange Code were announced in October 2011. The revised Appendix 14, Corporate Governance Code and Corporate Governance Report (the revised Stock Exchange Code) will become effective on 1 April 2012. The CLP Code was most recently updated in February 2012 to reflect the new requirements under the revised Stock Exchange Code and will be made available on the CLP website.

Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. Details of the continuing evolution of our corporate governance practices in 2011 are set out in the Corporate Governance Report, including our early adoption of the Code Provisions and Recommended Best Practices of the revised Stock Exchange Code.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2011. It has also reviewed the findings and opinion of Group Internal Audit and management on the effectiveness of the Company's system of internal control. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman, Professor Judy Tsui and Mr. Nicholas C. Allen having appropriate professional qualifications and experience in financial matters.

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. This Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2011 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.

We have voluntarily extended the ambit of the CLP Code for Securities Transactions to cover all Senior Management (comprising three Executive Directors and six other managers, whose biographies are set out in the Annual Report and on CLP's website) and other "Specified Individuals" such as senior managers in the CLP Group. Members of the Senior Management have all confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2011 they complied with the required standard set out in the Model Code and CLP Securities Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2011.

FOURTH INTERIM DIVIDEND

Today, the Board of the Company declared the fourth interim dividend for 2011 at HK$0.96 per share (2010: HK$0.92 per share). This fourth interim dividend will be payable on all shares of HK$5.00 each in issue as at the close of business on 12 March 2012 after deducting any shares repurchased and cancelled up to the close of business on 12 March 2012. As at 31 December 2011, 2,406,143,400 shares of HK$5.00 each were in issue. The fourth interim dividend of HK$0.96 per share will be payable on 22 March 2012 to shareholders registered as at 13 March 2012.

The Register of Shareholders will be closed on 13 March 2012. To rank for the fourth interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12 March 2012.

ANNUAL GENERAL MEETING

The fourteenth Annual General Meeting (AGM) will be held at the Jockey Club Auditorium, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong on Tuesday, 8 May 2012, at 11:00 a.m. The Notice of AGM will be published on the websites of the Company and the Stock Exchange of Hong Kong Limited and despatched to Shareholders on or about 28 March 2012.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 7 May 2012 to 8 May 2012, both days inclusive, during which period the registration of transfers of shares will be suspended. To be entitled to attend and vote at the AGM, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 May 2012.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 27 February 2012

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2011 will be published on the Company's website at www.clpgroup.com and the website of the Stock Exchange of Hong Kong on or about 12 March 2012. The Annual Report and the Notice of Annual General Meeting will be despatched to shareholders on or about 28 March 2012.
All of these will be made available on the Company's website.

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Non-executive Directors:	The Hon. Sir Michael Kadoorie, Mr. William Mocatta, Mr. R. J. McAulay, Mr. J. A. H. Leigh, Mr. I. D. Boyce, Dr. Y. B. Lee and Mr. Paul A. Theys (Mr. James F. Muschalik as Mr. Theys' alternate)
Independent Non-executive Directors:	Mr. V. F. Moore, Mr. Hansen C. H. Loh, Professor Judy Tsui, Sir Rod Eddington, Mr. Nicholas C. Allen, Mr. Vincent Cheng and Mrs. Fanny Law
Executive Directors:	Mr. Andrew Brandler, Mr. Peter P. W. Tse and Mr. Peter W. Greenwood