Announcement of Annual Results
as from 1 January 2008 to 31 December 2008,
Dividend Declaration and Closure of Books

Financial Highlights

- Operating earnings up 4.6% to HK$9,747 million whilst our total earnings were slightly down 1.7% to HK$10,423 million.
- Earnings from our electricity business in Hong Kong decreased by 0.5% to HK$7,549 million.
- Earnings from our businesses outside Hong Kong and other earnings increased by 20.9% to HK$2,564 million.
- Consolidated revenue rose by 6.9% to HK$54,297 million; revenue from our Hong Kong electricity business recorded a 1.7% growth to HK$30,191 million.
- Electricity sales in Hong Kong grew by 0.3% to 30,065 GWh; total sales (which include sales to the Chinese mainland) decreased by 1.1% to 33,617 GWh.
- Final dividend of HK$0.92 per share; including interim dividends paid, total dividends for 2008 amount to HK$2.48 per share (2007: HK$2.48 per share).

CHAIRMAN’S STATEMENT

I am pleased to report that, in a challenging economic climate, the responsible stewardship of CLP’s business and assets resulted in a satisfactory financial performance for 2008. The Group’s operating earnings in 2008 were up by 4.6% to HK$9,747 million. Total earnings for the year were HK$10,423 million, representing only a 1.7% decline against the previous year, despite the significant reduction in the permitted return to shareholders from our Hong Kong electricity business, following the coming into effect of a new Scheme of Control (SoC) Agreement with the Hong Kong SAR Government on 1 October 2008.

The Board has been able to recommend a final dividend for 2008 of HK$0.92 per share. This, together with the three interim dividends paid during the year, would result in a total dividend of HK$2.48 per share, the same as in 2007.

The underlying operational and financial performance of our various business streams will be more fully described in our Annual Report. In order to explain the implications of the current economic slowdown in greater details to shareholders and stakeholders, the CEO's Review and the Risk Management Report in our Annual Report will respectively explain the impact until now on CLP of the economic downturn and, looking forward, the various measures that we have in place to mitigate the risks that unfavourable business conditions may create or exacerbate.

In this Chairman's Statement, I wish to focus on political and regulatory developments in the past 12 months which have borne upon our Hong Kong electricity business and which have consequences for that business going forward. During the past year, this business continued to contribute the lion's share of overall Group earnings. I believe that this will continue to be the case for the foreseeable future. For that reason the Board pays particular attention to matters which have a material impact on that business.

Regulatory Regime

We have previously reported fully to shareholders on the terms of the new SoC Agreement. In essence, the previous SoC, which ran for a 15-year term to 2008, allowed shareholders a permitted annual return on average net fixed assets of 13.5% for those investments financed by borrowings and 15% for those financed by shareholders' funds. Under the new SoC, the permitted return has been reduced to 9.99%. This means that, on a like for like basis (i.e. assuming no change in the asset base or in gearing and interest rate levels) shareholder earnings from the Hong Kong electricity business will be reduced by around 30%. Because of the size of that business within our overall operations this will have a material impact on Group earnings – in 2007, the last full year of the previous SoC, earnings from Hong Kong represented about 70% of the Group's total earnings. The term of the new SoC is 10 years, with Government having the right to extend by five years on the same terms to 30 September 2023, by giving notice before 1 January 2016. Government has the right to introduce market changes after 2018, taking into account factors such as supply reliability and environmental standards. If this occurs, CLP is entitled to earn the permitted return until 2023 on all investments previously approved.

As I remarked in my Chairman's Statement in last year's Annual Report, while the significant reduction in return is unwelcome, the new SoC does provide clarity as to the basis on which we can continue to invest in Hong Kong's electricity infrastructure for the next 10 years. This point is demonstrated by the approval by the Hong Kong Government in September 2008 of the Development Plan covering the period from October 2008 to December 2013 under the new SoC Agreement. About HK$40 billion of new capital investment will need to be made over the five-year period to ensure that the current world-class standards of electricity supply will be maintained.

Maintaining the quality of Hong Kong's electricity infrastructure means that we as a society must move forward, in a methodical, balanced and focused way with the development of a long-term energy strategy. Without such a strategy, and its implementation in a timely, skilled and farsighted manner, our community will face the risk of an electricity service which no longer meets its expectations, be this in terms of reliability, security of supply, costs, customer service or environmental performance.

CLP believes that it would be in Hong Kong's interest for our society to be engaged in early discussions on the development of a long-term energy strategy, given the accelerated pace of integration with the Mainland and the increasing challenges faced by the energy sector worldwide. CLP will welcome the opportunity to contribute our experience and play an active role in the public discussion on the future development of Hong Kong's power industry. We will promote an outcome striking the right balance between the shareholders, the customers and the community as a whole, which will be crucial in ensuring the continuation of Hong Kong's outstanding electricity supply. We believe that the excellence of the electricity service which CLP offers to our customers in Kowloon and the New Territories is clear, can be objectively assessed and compares most favourably with the standards achieved in other cities and regions including, for that matter, with those currently achieved within neighbouring Guangdong Province.

Supply of Gas and Nuclear Energy

On 28 August 2008, the Central People's Government and the Government of the Hong Kong SAR announced their Memorandum of Understanding (MOU) on the continued supply of natural gas and nuclear energy to Hong Kong from the Mainland.

The MOU came as a surprise to CLP. Since 2002, we had been engaged in the large-scale exercise of planning for supplies of liquefied natural gas (LNG), and the provision of the related infrastructure, including an LNG receiving terminal on the South Soko Island, to replace the depleting Yacheng 13 gas field which presently meets our requirements for gas-fired generation at Black Point. In the months immediately preceding the MOU, we had been working closely with the Hong Kong Government on our LNG project. The necessary environmental impact assessment had been approved by the Director of Environmental Protection in April 2007 and in a briefing to the Legislative Council on 30 June 2008, Government had acknowledged the importance of commencing the planning process for the LNG project in ensuring that replacement gas supply was in place by 2013.

The MOU was, therefore, a new development - one which represents a significant change in the policy of the Central People's Government and Hong Kong Government in relation to Hong Kong's energy and fuel supply. Previously, we had been consistently advised that Hong Kong should be responsible for meeting its own energy needs, as China wrestled with the very real challenge of securing reliable gas supplies for the fast growing cities and provinces across the Mainland. We had also been advised that domestic demands for gas in the Mainland exceeded the available supply and that little, if any, gas could be made available to CLP. In addition, we understood that the certainty of the supply was questionable and the timing for delivery was uncertain. We believe that the change in policy to include Hong Kong in overall gas supply planning by the Central People's Government is attributable to recent successes in securing new gas supplies, including those from Central Asia.

CLP has welcomed Beijing's support for long-term energy supplies to Hong Kong. Our task is to turn this new development into reality and complete the deal on behalf of Hong Kong's people. The MOU (which can be viewed at www.epd.gov.hk) raises the opportunity of drawing gas from three sources:

- new gas fields planned to be developed in the South China Sea;
- the second West-to-East Gas Pipeline, bringing gas from Turkmenistan; and
- an LNG terminal to be located in the Mainland that will supply Hong Kong.

None of these sources is yet in place. As electricity demand grows through the next decade and a higher level of gas-fired generation is required in order to lower emissions, our needs for gas are so substantial that we will require not one or two of the three sources contemplated by the MOU to be brought on stream, but all three.

It is a measure of Beijing's good faith that we have immediately been able to begin discussions with counterparts at the National Development and Reform Commission (NDRC) and with Mainland energy suppliers. Construction of the second West-to-East Gas Pipeline Project was inaugurated by Vice Premier Li Keqiang in Shenzhen on 7 February 2009. Planning is underway for the development of the infrastructure necessary to bring gas sources to Hong Kong, including a new LNG receiving terminal in Shenzhen on Dachan Island in the Pearl River Delta, together with pipeline connections. A Letter of Intent has been signed with the relevant mainland entities whereby CLP will jointly develop the new LNG receiving terminal, with an equity interest of 24.5%. Commercial discussions on the volume, timing and price of gas supplies, issues that were left open in the MOU, have also begun. There is a great deal of ground to cover.

We face an acute time challenge to make adequate quantities of gas available by 2013. However, nothing could be stronger than a government to government agreement on such matters. If we are to ensure power supply reliability in Hong Kong over the coming decade, strong support from both the HKSAR and Central People's Governments will be of critical importance all the way to completion.

In addition to setting a new direction for the supply of gas to Hong Kong, the MOU also provided welcome confirmation that the existing supply of nuclear energy from Daya Bay is to be extended for a further 20 years, beyond the initial term of the current arrangements in 2014. Since commissioning in 1994, Daya Bay has been a source of substantial, clean and reliable electricity to Hong Kong, providing about 30% of CLP's power generation during 2008. We will work with our Mainland counterparts, including China Guangdong Nuclear Power Holding Co. (CGNPC), to discuss the necessary arrangements for the continued delivery of nuclear energy to Hong Kong.

Integration

The government to government MOU is an example of the increasing integration between Hong Kong and the Mainland on all fronts. Hong Kong has moved away from a policy of substantial energy independence towards a position where planning for supplies of gas and nuclear energy will now largely fall beyond the control of the Hong Kong SAR Government. CLP looks forward to playing its full part in meaningful cross-boundary collaboration in the power sector, be that in the implementation of the MOU or in the longer term evolution of Hong Kong and the Pearl River Delta's electricity industry, such as strengthened interconnection. With its long history of co-operation with Mainland authorities and partners, CLP has a great deal to contribute to this process. I recently attended a forum at Daya Bay to mark the thirtieth anniversary of China's "open door" policy. This occasion, and my earlier meetings in Beijing with Madam Liu Yandong of the State Council and Mr. Zhang Guobao of the NDRC, reinforced my opinion of the excellent relationship which CLP enjoys with Mainland industry counterparts and with the Central People's Government. The MOU is a reminder that the pace of integration between Hong Kong and the Mainland's energy market will accelerate more rapidly than we might have expected. We must continue to enhance our relationship with the Central People's Government and with our Mainland counterparts and become more involved in the development of their energy strategies and policies.

I am confident that CLP has the reputation, the relationships and the capability to adjust to the new realities of the Hong Kong electricity industry. With the support of our Board and Management, who are presented in our Annual Report, I am equally confident that our business in Hong Kong will continue to prosper and to serve as the cornerstone of the CLP Group's activities for the years ahead, whilst we continue to diversify and grow our activities elsewhere in the wider Asia-Pacific region.

The Group's prosperity and growth will be built on our longstanding values, including our commitment to sustainable development. In the current economic downturn we must redouble our efforts to deliver financial value to our shareholders and social and environmental value to all our stakeholders. Our actions in this latter respect are more completely described in our

Sustainability Report. These take many forms, ranging from emissions reduction projects, and the supply of reliable and cost-effective electricity through to the offer of rewarding career and training opportunities to young people in the communities we serve.

I look forward to reporting to shareholders at the AGM and in the next interim and annual reports on the effective stewardship on your company's business and assets and upon the continued delivery of value to you and other stakeholders.

The Hon. Sir Michael Kadoorie

BUSINESS PERFORMANCE AND OUTLOOK

Electricity Business in Hong Kong

The global economic slowdown will inevitably affect consumer behaviour, corporate profitability and the labour market in Hong Kong. Notwithstanding the support of the Central People's Government and the Hong Kong SAR Government's aim to boost the local economy through the launch of 10 major infrastructure projects, the local economic outlook is not encouraging over the near term. Business contraction will eventually, and inevitably, lead to slower growth in electricity sales, perhaps even to a decline in the coming months.

In the longer term, Hong Kong's economic growth is predicted to be moderate and in line with that of the advanced economies. Electricity sales growth in the coming decade may remain low at slightly less than 2% per annum, given that Hong Kong's transformation to a developed, service-based economy means that electricity demand growth is no longer closely aligned with underlying economic growth.

Under the 11^{th} 5-year Plan, Guangdong Province has planned a sizeable amount of new generating capacity by 2010 as well as the transfer of more power from the western provinces. The supply and demand balance is likely to improve in the near future. Consequently, electricity demand from Guangdong may reduce over the medium term.

Ongoing concern about poor air quality in Hong Kong continues to drive tightening regulation of emissions from our power stations. Government is reviewing the Hong Kong Air Quality Objectives (AQOs) with a view to devising a long-term plan to meet World Health Organisation standards. The new AQOs and a long-term strategy on air quality management are expected to be finalised in 2009. Statutory emission caps have already been established for our power plants in 2010 and CLP is working to meet these. Further lowering of these caps will need to take into account the practicality of such a step, including technical, cost and supply reliability implications.

CLP's strategy for our Hong Kong electricity business is as follows:

- Pursue expeditiously the energy supply options contemplated by the Central People's Government/HKSAR Government's MOU;
- Careful management of fuel procurement to minimise costs and resulting tariff pressure;
- Strong overall control of costs to minimise the risk of lower electricity sales and rising operating costs;
- Continued financial prudence in all aspects of our business;
- Active and informed contribution to the evolution of policy on Hong Kong's electricity industry and environmental regulations;
- Strengthened relationship management, both locally and in the Mainland, particularly in Guangdong and Beijing, to reflect the growing integration of Hong Kong with neighbouring Guangdong Province and with the Mainland as a whole; and
- Ongoing operating excellence, characterised by world-class supply reliability, strong safety record, excellence in environmental performance and enhanced customer service.

2008

Throughout 2008, we worked hard on:

- meeting Hong Kong's electricity demand in a reliable, cost-efficient and environmentally responsible manner;
- moving forward with the capital investment required to maintain the quality of Hong Kong's electricity infrastructure; and
- delivering earnings to the CLP Group.

The implications of the new SoC, which came into effect on 1 October 2008, and of the MOU between the Central People's Government and the Hong Kong SAR Government on the continued supply of nuclear energy and natural gas to Hong Kong are discussed in the Chairman's Statement.

Meeting the Demand for Electricity

Sector	2008 Number of customers ('000)	2008 Electricity sales (GWh)	Sales Increase / (Decrease) over 2007 (%)	Average annual sales change over 2004-2008 (%)	Notes to 2008 performance
Residential	1,989	7,890	2.2	1.9	Colder weather experienced in winter and warmer weather in autumn
Commercial	183	12,312	1.4	2.8	Moderate economic growth
Infrastructure and public services	92	7,661	(0.2)	1.0	Growth offset by energy efficiency and conservation efforts
Manufacturing	27	2,202	(8.9)	(5.1)	Reduction in sales, particularly in the textile, clothing and electronics sectors
Total local sales	2,291	30,065	0.3	1.4	
Export sales	-	3,552	(12.0)	3.4	Declining electricity demand from Guangdong
Total Sales	2,291	33,617	(1.1)	1.6	

The demand for electricity from our Hong Kong customers increased slightly, compared to 2007.

Sales by CLP to the Chinese mainland fell by 12% compared to 2007 levels, due to the increased power supply into Guangdong from other provinces. Overall, CLP's total sales volume in 2008, including sales to the Mainland, was 1.1% below that achieved in 2007.

Whilst overall local sales increased slightly, a new local maximum demand of 6,749MW was recorded on 22 September. This exceeded the previous historical peak by 4.2%. As a result, CLP's reserve margin (the extent to which total generating capacity, assuming it were all available at the same time, is higher than the historical peak demand for electricity) fell to 31.7% for Hong Kong and 6.9% for the system as a whole, taking into account the demand from Guangdong.

Meeting the demand for electricity and satisfying our customers' expectation that adequate and reliable power supply is available at all times, demands high standards in the operation of our generating plant. These standards were achieved in 2008.

Fuel is a major element in electricity costs, representing one third of the total cost of supplying electricity to our customers. About 40% of CLP's power generation comes from coal, which was subject to unprecedented price increases from mid-2006 to mid-2008. In managing coal costs, whilst ensuring adequate and timely coal deliveries, CLP faces an additional challenge in that, for environmental reasons, high quality sub-bituminous coal accounts for the majority of CLP's total coal consumption. Supplies of this coal remain tight, due to growing worldwide recognition of its superior environmental performance. We are applying a number of strategies to better manage our coal supply and price risk, including strengthening long-term relationships with key suppliers and securing base supply volume from them, adopting different pricing mechanisms to mitigate market exposure and help stabilise fuel costs, as well as maintaining the greatest possible flexibility in both coal quality and quantities to accommodate fluctuations in electricity demand.

The use of ultra-low sulphur coals and the increased flexibility of our gas supply have helped to reduce the emissions from our power stations, in line with our ongoing commitment to the responsible environmental management of our business. Total emissions in 2008 were below the Hong Kong Government's emission caps and we achieved 100% compliance with environmental licence requirements. Our emissions control project at Castle Peak "B" Power Station continues at full pace. Presently around 1,500 staff and contractors are engaged on site, working to a very tight schedule, whilst ensuring that generating plant remains available to meet ongoing electricity demand. The project involves several plant improvements, including refurbishment of coal burners and the installation of flue gas desulphurization and nitrogen oxide reduction equipment. On completion in 2011, this project will lead to substantial reductions of emissions of sulphur dioxide and nitrogen oxide for each unit of electricity generated at Castle Peak "B".

Capital Investment

Ongoing investment in our electricity infrastructure is essential, if we are to continue to meet Hong Kong's electricity demand in the years ahead and to do so in a manner which is, reliable, cost-effective and environmentally sound. During 2008, we invested HK$7.7 billion in our generating facilities, transmission and distribution network, customer services and other supporting facilities. In addition to the Castle Peak emissions control project, some of our major projects included commissioning two of the largest naturally-cooled 400kV series reactors in the world on our Black Point to Castle Peak circuit, in order to improve fault prevention. We have increased the use of cable tunnels and trenchless construction, in order to strengthen electricity transmission, whilst minimising disturbance to public during construction works. The expansion of our 132kV substation network provided supply to new commercial and residential developments, as well as enhancing supply flexibility and maintaining reliability.

2009

All the elements of our action plan for 2009 reflect our ongoing commitment to operating excellence.

- Strengthening employee and contractor safety;

- Carrying forward the implementation of the MOU on the supply of natural gas and nuclear energy. This will include:

  - developing the infrastructure necessary to bring gas sources to Hong Kong, including a Shenzhen LNG receiving terminal and pipeline connections;
  - concluding gas sale and purchase agreements and LNG terminal use agreements, as appropriate;
  - developing technical solutions to manage gas quality and to ensure that our generating plant is capable of burning gas delivered from differing sources with differing chemical characteristics; and
  - working with our Chinese counterparts on arrangements for the continuing supply of nuclear energy from Daya Bay beyond 2014;

- effective tariff management including:

  - continuous stringent cost control and management of fuel procurement;
  - monitoring of local sales growth to assess its impact on tariff strategy; and
  - informing our customers, in a timely and transparent manner, of future tariff trends, including the implications of rising fuel costs in recent years;

- ongoing improvement in the environmental performance. In 2009, this will involve:

  - progressing the emissions reduction retrofit of Castle Peak "B" Power Station;
  - striving to meet the emissions targets set by Government;
  - engaging the Hong Kong Government and the public on the post-2010 emission caps and contributing to the review of air quality objectives and the development of the pilot emissions trading scheme for the Pearl River Delta;
  - delivering energy efficiency services to meet environmental regulations and the needs of customers; and
  - progressing feasibility studies and environmental impact assessment on an offshore wind farm; and

- enhanced stakeholder management. This will include reinforcing our stakeholder engagement plans within Hong Kong and the Mainland to assist in the management of critical business issues, including tariff, environment, energy supplies, the implementation of the MOU and long-term changes in the local electricity market.

Energy Business in Australia

The energy industry in Australia continues to experience dynamic change. A key factor influencing the market in 2008 was planning for the introduction of the Australian Government's Carbon Pollution Reduction Scheme (CPRS). When introduced in 2010, the CPRS will cap economy-wide carbon emissions, place a price on carbon emissions, and introduce a trading framework.

In December, the Government released a White Paper detailing a 5 to 15% reduction target for carbon emissions by 2020 (based on 2000 emission levels) under the CPRS. A critical element in the finalisation of the CPRS has been the extent of transitional assistance to industry, and to coal-fired electricity generators in particular, to support a smooth transition to a low carbon economy.

As part of its White Paper, the Federal Government announced that it would provide 130.7 million permits over the first five years of the scheme under an Electricity Sector Adjustment Scheme (ESAS). The estimated value of the permits is A$3.5 billion based on Australian Treasury modeling. Under this scheme, TRUenergy's Yallourn Power Station is expected to be provided with certain value of the permits from the start of the CPRS in 2010 for the five years until 2015.

In December, the Federal Government released draft legislation to increase the national Renewable Energy Target to 20% by 2020. This will encourage investment in renewable energy generation. TRUenergy will continue to develop its renewables portfolio through strategic investments in wind, geothermal and solar technology.

In retail markets, Australian state governments have announced plans for separate energy efficiency schemes. During the year, Victoria and South Australia (SA) unveiled their proposed schemes, to begin on 1 January 2009.

The Victorian Energy Efficiency Target (VEET) allocates greenhouse gas reduction targets to energy retailers in the form of certificates based on residential customer energy usage. Retailers earn certificates by assisting households to reduce their emissions. Any excess certificates can then be traded.

TRUenergy's retail and generation businesses operate within the National Electricity Market (NEM), the wholesale market that supplies to retailers and end users in six connected regions throughout Australia. The NEM facilitates the trade of electricity as a commodity through the operation of a trading pool. Retailers, including TRUenergy, have the option to either buy electricity through the pool at market prices or direct contracts with generators through private hedge arrangements.

During 2008, pool prices in the NEM were subdued, compared to the high prices experienced in the previous year, resulting from milder weather, low baseload plant outage and changed bidding behaviour from contracted generators. SA was an exception due to record hot weather in March, resulting in record demand and price volatility.

The New South Wales (NSW) government announced a revised electricity reform plan in September. This excludes the sale of state-owned generators and pursues a trader model instead. Further details of the privatisation process are expected to be announced during the first half of 2009.

In response to the business environment, TRUenergy internally relaunched its vision and strategic objectives in February. Strategic objectives were refined to provide greater clarity around goals and to make it easier to translate strategic objectives at the business unit and individual level. TRUenergy's vision is to become Australia's best customer-focused energy management group. To realise this vision, TRUenergy's strategy is built on three pillars:

- Optimising core operations;
- Growing a balanced, national portfolio of customers, generation and fuel; and
- Innovating and leading in a low-carbon, energy-efficient world.

<u>2008</u>

In line with its strategy, during the year, TRUenergy specifically focused on:

- cost savings;
- realignment of the retail business to increase profitability in competitive markets;
- effective asset management;
- business development; and
- a proactive position on climate change.

Cost Savings

TRUenergy completed a project to identify and introduce 10% reductions in operating costs across the business.

Retail Market

A retail business strategy review was undertaken, including market assessments, analysis of the most profitable customer segments and identification of the most effective channels to market to pursue. As a result, our retail activities have an increased focus on Victoria for mass market, profitable, organic growth.

TRUenergy's retail business achieved 1.29 million customer accounts, despite continuing intense competition, particularly in Victoria. Whilst customer churn remained high, TRUenergy's customer churn was approximately 3% better than the market average with even stronger performance in its prime market, Victoria.

TRUenergy strengthened its customer retention activities through increased "customer save" initiatives and enhanced service training for customer consultants. In particular, TRUenergy continued to make strong gains in GreenPower customers – those buying accredited renewable energy. These reached 138,000 at the end of 2008, or 19 percent of all electricity accounts. This represented a year-on-year growth rate of 67 percent.

From 1 January 2009, government regulated retail prices were removed in Victoria. To date, government-mandated price caps have set a benchmark price for retail customers. The removal of these price caps reinforced the need for all retailers to carefully assess their cost to serve and reinforced the strategic importance of reviewing TRUenergy's retail positioning during the year.

Asset Management

TRUenergy has been positioning itself to reduce its carbon emissions through ongoing efficiency improvements and investment in low and zero-emission generation assets, such as the gas-fired Tallawarra Power Station, solar and geothermal technologies.

In March, a major outage was undertaken at the Yallourn Power Station to upgrade and overhaul Unit 2. Following the outage, which was completed within 60 days, the power station set a monthly record for generation in July, exceeding the previous record generation that was set in March 2004. In October gross generation reached a new station record and for the first time since July 1998 all four units ran continuously synchronised during a calendar month.

In August, Yallourn concluded a new four-year Workplace Agreement with its workforce.

Following a mine subsidence in November 2007 which temporarily halted all three coal supply conveyor lines, the Yallourn Coal Mine was returned to full generation capability in January with the opening of a second coal conveyor. All three coal conveyors were fully operational by 19 February with full restoration work completed. TRUenergy's insurers have commenced making progress payments in the second half of 2008. The detailed adjustment process is underway and is expected to be completed in 2009.

Construction of the 400MW gas-fired, combined cycle Tallawarra Power Station was completed and the station achieved the first firing of its gas turbine in October. The final testing phase for the plant began in December. While full commissioning of the plant was slightly behind schedule, the plant achieved full operation in January 2009 and is the most efficient gas-fired power station in Australia. The plant has now been rated at 420MW.

To meet the increasing demand for gas in Victoria and SA, TRUenergy has progressed the design, procurement and site preparation works of a project to increase the Iona gas plant’s daily processing capacity from 320 terajoules to 500 terajoules and its gas storage capacity from 12 petajoules to 22 petajoules. Plant construction will begin in early 2009 with full operation by the end of the year.

In September, TRUenergy completed the sale of its one-third equity stake in the SEAGas Pipeline to the Retail Employees Superannuation Trust for a price in excess of A$119 million. The sale followed a strategic review of the asset early in the year.

In Australia, Roaring 40s (a 50:50 joint venture partnership between the CLP Group and Hydro Tasmania) has wind farm interests in Tasmania and SA with a combined total capacity of more than 200MW. Roaring 40s has planning approval for two further wind energy developments, one in Tasmania and one in SA with a combined capacity of over 250MW. Roaring 40s aims to commence the construction of these projects before the end of 2009. CLP has a positive view of the range and quality of Roaring 40s’ wind energy portfolio and will be looking for ways to build on this.

Business Development

In February 2008, TRUenergy announced the acquisition of a 20% equity interest in Solar Systems for A$40 million and entered into a Project Agreement with Solar Systems to build one of the world's largest and most efficient concentrated solar photovoltaic power station in northern Victoria.

TRUenergy will contribute A$7 million to the development of a two megawatt (MW) heliostat concentrated photovoltaic pilot plant. Subsequently, up to A$285 million will be invested to build the remaining stages of the project, including a 154MW power station. The funding is in addition to A$129.5 million provided by Federal and Victorian Government funds (subject to certain conditions) to assist in the development of new technologies.

In October, Solar Systems opened a research and development facility near the Victorian regional centre of Bendigo, including a 140kW test bed. The Mildura region in northern Victoria was confirmed as the site for the first stage of the 154MW power station to be operated by TRUenergy. This station is scheduled to start generation in 2010 and to be completed by 2013.

TRUenergy expanded its Australian renewable energy portfolio in August 2008 with an investment of up to A$57 million in a geothermal joint venture with Petratherm, a leading Australian developer of geothermal technology, and Beach Petroleum, an oil and gas exploration company. TRUenergy will be able to acquire up to a 30% stake in Petratherm's advanced Paralana project as specific project milestones are achieved. Paralana is considered to be one of Australia's top tier geothermal projects with good prospects of progressing beyond exploration to a 30MW pilot stage by mid 2010.

TRUenergy commenced drilling up to five coal seam methane (CSM) coring wells on two tenements in the Surat Basin Queensland in January 2009. Joint venture arrangements provide the potential for TRUenergy to hold up to a 70% interest in certain CSM resources in Queensland.

Climate Change

Throughout 2008, TRUenergy continued to act in support of its Climate Change Strategy launched in July 2007.

Along with the completion of Tallawarra, Australia's most efficient gas-fired power station, our new renewable energy investments will make a significant contribution lowering the emissions intensity of TRUenergy's portfolio. Further gains have been made by working to reduce emissions at Yallourn.

On the retail side of the business, TRUenergy continued to provide customers with the opportunity to make a positive contribution toward combating climate change by switching to green energy. By the end of 2008, 138,000 TRUenergy customers were using accredited green energy. During the year, TRUenergy also launched "Planet Neutral", a tool to allow customers to offset their carbon emissions and tested customer offers focused around home installation of solar hot water and solar photovoltaic energy systems.

2009

Key initiatives in 2009 will include:

- continuing to implement TRUenergy's Climate Change Strategy, including through the development of our renewable energy portfolio, and preparing for the introduction of the CPRS;
- positioning of TRUenergy as an energy services company as part of its response to the introduction of state-based energy efficiency schemes;
- finalising the development approval and delivery planning for Tallawarra Stage B and continued work to advance development of Tallawarra Lands as a site for mixed use including land for businesses, residential communities, and more than 200 hectares of protected environmental and recreational reserves;
- completion of the Iona low pressure upgrade and expansion project;
- implementation of the new retail customer service and back office information technology platform being developed with IBM;
- development applications for two Combined Cycle Gas Turbine (CCGT) power stations in Victoria;
- achievement of retail growth in high value market segments and continued expansion of our green power customer base;
- investigation of "distributed generation" options for relevant industrial and commercial customers. In addition to electricity generation, this point-of-use technology recovers waste heat for use to achieve energy efficiency conversion rates of up to 75%; and
- assessment of longer-term, low-carbon technology options for the Yallourn Power Station, including coal drying, gasification and carbon capture and storage.

The Australian Government is expected to release its draft legislation to introduce the emissions trading scheme for discussion in February 2009 with a bill presented to Parliament in March. The Government is aiming to have its legislation through the Australian Parliament by mid-2009.

In response to rising energy demand, TRUenergy is preparing for the development of Tallawarra Stage B. We have prepared a Development Consent application for a 400MW gas-fired plant adjacent to Tallawarra Stage A. This application including an environmental assessment, is expected to go on public exhibition in early 2009, prior to consideration for approval by the NSW Government.

NSW will release the timeline and process for achievement of its energy privatisation plans. The reform plan is expected to include the sale of the three state-owned retail businesses, generation development sites, as well as allowing the private sector to acquire the trading rights for state-owned generators, known as the trader model. TRUenergy will review the opportunities created by these privatisation plans.

Electricity Business in the Chinese Mainland

To maintain economic growth through the present global recession, the Chinese government has stepped up measures to boost domestic demand by introducing a 4 trillion yuan stimulus package, including investment in electricity infrastructure. Developments in the power industry will support industries such as steel, cement, and engineering, and in turn boost domestic demand. Liquidity issues are easing as banks become readier to grant loans to power projects which generate stable and reliable returns.

The energy industry in the Chinese mainland continued to grow in 2008. Total installed capacity reached 793GW, with 91GW new units installed. Electricity demand continued to grow 5.2% in 2008, much lower than the growth of 14.4% in 2007. The average utilisation rate of power plants in the Mainland fell in 2008.

Coal prices continued to rise in the first half of 2008, with the benchmark Datong coal price reaching a record high in July. With a slowing economy and declining electricity demand and generation, the coal price then fell substantially. The PRC authorities had approved two tariff hikes in July and August, but these increases could not cover the increase in coal costs in 2008. The timing and magnitude of the next coal price linked tariff adjustment remain uncertain.

To reduce emissions and to improve the overall generation efficiency, the State will continue to shut down small coal-fired and small oil-fired units in the Mainland. A total of 17GW was decommissioned in 2008, exceeding the target set for the year. In the last year’s Annual Report, we mentioned that the Mainland’s development focus will be on renewable, nuclear and more efficient coal-fired plants in the future. With global energy supply and environmental issues taking centre stage, renewable energy alternatives are receiving growing government attention. To support sustainable and scientific development, the government has implemented the PRC Renewable Energy Law. The Mainland has set a target that the non-hydro power renewable energy capacity of power companies should reach 3% and 8% of their total installed capacity by 2010 and 2020 respectively. As at end 2008, the comparable figures were 1.1%, illustrating the tremendous growth expected in renewable energy.

To promote the renewable energy sector, including wind power and hydropower projects of more than 250MW, the Chinese government recently introduced preferential income tax arrangements – three years income tax exemption and 50% income tax reduction for another three years. However, under the new provisional regulations on value-added tax that will take effect in January 2009, instead of Sino-foreign Joint Venture companies receiving a VAT refund, all companies will be eligible to deduct equipment procurement VAT expenses from the VAT payable on electricity sales. This change will eliminate a small competitive advantage previously enjoyed by a foreign company investing in the Mainland, like CLP.

Within this business environment, CLP’s strategy is to:

- explore investment opportunities, where CLP has competitive advantages against other investors and in line with Group’s climate change strategy;
- develop projects which have synergy with existing investments;
- pursue gas-fired CCGT projects in selected regions;
- investigate clean coal technology and explore opportunities for direct participation; and
- continue our development of renewable energy projects, including small and medium-sized hydro, wind, biomass, solar and geothermal through acquisition or greenfield projects.

<u>2008</u>

The following paragraphs describe the key aspects of CLP's business in the Mainland during 2008 and the contribution that this business made to overall Group earnings.

Completion of Fangchenggang Unit 2

Construction of the two 630MW supercritical coal-fired units has progressed well, with the two units entering commercial service in September 2007 and January 2008 respectively. A series of tests were conducted and nameplate rating of the 2 units was upgraded from 600MW to 630MW.

CSEC Guohua International Power Company Limited (CSEC Guohua)

The Ministry of Commerce has approved the expansion of CLP Guohua and the change of name to CSEC Guohua in April 2008, with its registered capital increased from 1.64 billion yuan to 4.01 billion yuan. Five more power plants, including Sanhe II (600MW), Suizhong I and II (3,600MW) and Zhungeer II and III (1,320MW) have been injected by Shenhua into the JV. CLP will pay cash to top up the registered capital to maintain its shareholding ratio at 30%. Based on the actual injection made, CLP owns 27% of CSEC Guohua as of 31 December 2008.

Jiangbian Hydro

Frequent rock bursts encountered during excavation of one section of the water tunnel caused delays in progress and became a critical path item for the project. Improved methods of work were identified and additional equipment is being mobilised to recover retarded progress. Maintaining safety on site is the major challenge to the construction of the power station, due to its remoteness and difficult terrain. Added to this challenge is the lack of safety culture of the local contractors. CLP's major focus is to ensure proper safety policies and procedures are in place. Tremendous efforts have been, and will continue to be, made to improve the safety culture of the contractors.

CGNPC Joint Venture

As a large corporation under the leadership of the State-owned Assets Supervision and Administration Commission of the State Council, CGNPC was established in September 1994 with nuclear power as its core business. We have a strong relationship with CGNPC through our partnership in the Daya Bay nuclear station. Alongside the promotion of nuclear power projects, CGNPC has launched the strategy of developing clean energy as its secondary business and established CGNPC Wind Power Co., Ltd. ("CGNPC Wind") in 2007 to undertake wind power projects in the Mainland. CGNPC Wind is currently developing 6 wind power projects of about 600MW and has a strong development pipeline of about 16,000MW potential wind resources.

CGNPC has invited CLP to acquire a 32% shareholding in CGNPC Wind as a strategic partner and to develop it as a major platform for our future expansion in wind power projects in China. We have completed the regulatory procedures as requested by the China Beijing Equity Exchange in November 2008 and final approval from Ministry of Commerce is awaited.

2009

During the year ahead we will:

- seek to obtain higher dispatch for Fangchenggang. Generation from coal-fired plants in Guangxi decreased substantially in 2008 due to the sluggish economy, and high hydropower production (heavy rainfall and commissioning of Longtan hydropower station). We will continue to control our costs, particularly fuel, by pursuing a long-term coal supply contract and securing alternative coal supplies when needed;
- support our joint venture with Shenhua, including integration of the new generating assets into the expanded joint venture and exploring further growth opportunities;
- work closely with our partners in the Shandong joint venture to tackle coal supply issues, including exploring different supply sources so as to control the current high coal prices;
- review the existing arrangement at our Anshun II Power Station, which currently contracts its operations to Anshun I, and explore the possibility of merging Anshun I and II and developing Anshun III;
- investigate and implement efficiency improvement projects at the JV power stations;
- continue to give high priority to safe construction of the Jiangbian Hydro Project;
- continue to pursue expansion of Fangchenggang Phase II; and
- study the feasibility of developing combined-cycle gas-fired power plant in selected regions in line with the Group's climate change strategy. Our initial focus will be on opportunities in Shanghai and Sichuan, which are regions with secure gas supply arrangements and a reasonable tariff regime.

Electricity Business in India

With baseload and peaking shortages expected to continue for many years to come, coupled with the Indian Government's commitment to bridge the gap in a timely manner, it is expected that there will be investment opportunities in generation, transmission and distribution. The necessary legislative framework is in place and there is an increasing awareness of delinking reforms in the electricity sector from political considerations.

Sizeable additions in generation capacity are more likely to come from coal-based projects, while renewable energy will be a focus for the Government. Opportunities in generation both on the conventional and non-conventional side will continue to be available to CLP. While a major part of demand is expected to be met through new coal-based projects, select opportunities for gas-based generation will be pursued, once indigenous gas becomes available. CLP India will pursue more opportunities in renewable energy, in line with its Climate Vision 2050. Hydro generation opportunities are expected to become available with more industry consolidation, owing to the difficult market conditions. CLP India will also pursue openings in the transmission and distribution sectors. Three new transmission projects have already come to the market and more are expected in the near future. Forthcoming opportunities in distribution are likely to come in the form of franchises in selected urban circles.

The competitive landscape in India is dominated by Indian conglomerates. The current macro economic scenario has brought greater rationality into the market and it is expected that the intense competitive landscape will ease. The market will see some fundamental changes in bidding behaviour, given that many projects awarded earlier have not actually moved ahead. While CLP is the largest foreign player, our presence is still a marginal one in terms of the industry as a whole. However, the growth in our investments in gas, coal and renewable energy generation and strengthening relationships with industry stakeholders, mean that CLP's visibility is increasing.

Bidding for generation projects in the short and medium term is expected to be largely coal-based. More and more states are likely to go for solicitation of long-term procurement of power through the bidding option where both fuel and location of the project are unspecified. This means that developers bid on the basis of existing projects being developed by them, rather than those where the State Government develops the project up to a point by arranging for land/fuel/water/environmental approvals and hands over the project vehicle to the lowest bidder on tariff (similar to CLP's Jhajjar's project).

CLP is the largest foreign investor in India's renewable energy sector. We have a large wind portfolio under development. Given the limited number of sites with a good wind resource, it is important to capture good projects well in advance. However, this exposes the projects to subsequent movements in debt markets and regulatory risks. CLP proposes to minimise the debt market exposure by timing the financing efforts appropriately and leveraging on its experience in financing projects across the Asia Pacific. On the regulatory front, CLP will continue to engage in dialogue with policy makers and regulators to protect existing business interests and pave the way for further potential investments.

Our business strategy to grow our presence in the Indian power sector requires us to:

- operate and maintain the GPEC plant at the highest standards;
- develop a portfolio of projects in credit-worthy states, whilst ensuring that growth is consistent with the Group's risk-return appetite and climate strategy;
- maintain a diversified fuel mix within our generating fleet;
- build a substantial "Renewables" portfolio, including graduating from being an essentially financial investor to deploying our own development construction and operating capability;
- bid for the proposed new transmission projects;
- focus on projects which will provide synergy with existing investments, such as GPEC II, further projects in Gujarat, Western, Southern and Northern Grids; and
- examine select distribution/retail businesses upon privatisation of state-owned utilities.

2008

Our activities in 2008 centred on three areas: the successful management of our existing power station at GPEC, the growth of our renewable energy investments and the procurement of the greenfield coal-fired project at Jhajjar.

GPEC

GPEC's offtaker, Gujarat Urja Vikas Nigam Ltd. (GUVNL) has continued to pay all amounts due to GPEC, with the exception of sums falling within a new dispute raised by GUVNL related to incentive payments. The total amount in dispute and withheld by GUVNL amounted to around HK$143 million at end 2008. GPEC is contesting GUVNL's position. A separate and longstanding dispute where GUVNL is claiming repayment of amounts totalling around HK$1,157 million for deemed generation is working through the Indian legal and regulatory system. We have been advised that we have a strong case and GUVNL's claim is therefore treated as a contingent liability. Meanwhile, the GPEC plant operated at a high level of availability.

We continued our efforts to arrange for long-term gas to augment existing long-term supply arrangements. These have continued to decline sharply with about a third of the total requirement being met through long-term contracts and the balance through spot purchases. High international gas prices, coupled with delays in commencement of indigenous gas supplies from the Krishna-Godavari Basin off the east coast of India, have resulted in almost no long-term gas being available to contract in the Indian market. However, it is expected that some long-term gas will be available to GPEC in the first half of 2009. In the last quarter of 2008, owing to a naphtha prices collapsing and falling below those of spot gas, the GPEC plant was asked to operate largely on naphtha rather than on higher-priced gas.

Renewable Energy

Our three projects, at Samana, Saundatti and Andhra Lake, will bring 296.8 equity/MW of wind power into the CLP Group's portfolio.

Completion of Phase I (50.4MW) of our Samana project in Gujarat is expected to be achieved in February 2009, eight months later than scheduled due to delays in land acquisition and turbine supply. Phase II (also 50.4MW) is also expected to be delayed for around four months by land approvals, with completion now targeted for June 2009. Construction of the 82.4MW Saundatti wind farm in Karnataka is going well with development approvals and land acquisition on track with the aim of completion also in June 2009.

In September 2008, CLP contracted for development of a 113.6MW wind project in Maharashtra with Enercon India - the single largest wind project being developed by the CLP Group. The project is scheduled to be completed in two equal phases by March and June 2010 respectively.

Jhajjar Project

CLP emerged as the successful bidder for development of a 1,320MW domestic coal-based power plant at Matenhail in Jhajjar District, Haryana. CLP was selected through a tariff-based competitive bidding process initiated by the Haryana Power Generation Corporation Ltd. (HPGCL) on behalf of the Haryana Distribution Companies in line with guidelines issued by the Ministry of Power, Government of India. The site occupies 1,227 acres, all of which has already been acquired. All statutory clearances to develop the project have been obtained. Water has been allocated to the project from the nearby "Jawahar Lal Nehru (JLN) canal", which is approximately 14 km from the project site. A coal linkage for 5.21 million tons per annum has been issued by Ministry of Coal, Government of India; coal will be supplied by Central Coalfields Limited (CCL), a Government of India company, from its North Karanpura mines in the state of Jharkhand. Engineering, plant procurement and construction will be undertaken by SEPCO III , a mainland Chinese contractor and Shandong TIEJUN Electric Power Engineering Co.; SEPCO III will procure similar equipment to that used by CLP for our Fangchenggang project in the Chinese mainland.

Project financing has proved challenging in the current financial climate. While Indian lenders have assessed the Project and have agreed in-principle to syndicate an all Rupee facility, the Company is planning a two step financing, in which part of the Indian Rupee Loans will be replaced with Foreign Currency Loans which are likely to be available in the second half of 2009.

<u>2009</u>

In 2009 our principal objectives will be to:

- continue to operate and maintain GPEC to world-class standards;
- pursue long-term gas sources for GPEC;
- move forward with the construction of the Jhajjar Power Station safely, on time and within budget;
- complete Phase II of the Samana wind project and at Saundatti;
- start construction of the Andhra Lake wind project;

- pursue greenfield and acquisition opportunities in renewable energy, supported by an enhanced in-house project development capability; and
- pre-qualify and bid for new opportunities in transmission projects.

Electricity Business in Southeast Asia and Taiwan

CLP conducts its business in the region primarily through OneEnergy, the joint venture established with Mitsubishi Corporation in 2006. The complementary strengths of CLP's expertise in construction and operation and Mitsubishi's local network and access to Japanese financing can enable us jointly to grow our presence in the independent power producer (IPP) market, especially for greenfield developments. We are working with Mitsubishi Corporation on refining OneEnergy's business model, particularly with respect to how we organise our development efforts, structure investments in a manner optimal for both shareholders, and pursue acquisition opportunities in an increasingly capital-constrained environment.

The global financial crisis has slowed economic growth and electricity consumption in Southeast Asia. However, mid long-term forecasts continue to be favorable. In our incumbent markets, Thailand and Taiwan, the relevant central planning authorities have adjusted downwards their forecasts on demand growth, leading to the postponement of new projects. However, substantial new build is still required for Vietnam and Indonesia, given the demographic trends in these markets, low per-capita electricity consumption and a desire to replace less efficient oil-fired generation.

Vietnam is still pursuing its 6th Power Development Plan approved in 2007. This mandated dramatic growth with substantial private participation. Indonesia is half way through its "Fast Track Programme" to build 10,000MW of new power generation facilities, and has already embarked on the second programme of another 10,000MW in 2009-2011 which will focus on renewable energy, mainly its vast unexploited geothermal resources. Singapore is a mature market with growth in demand highly linked to the economy and industrial output, both of which turned negative in the fourth quarter of 2008. Development of further new greenfield projects in the Philippines will depend on the speed at which the reserve margin narrows, as well as the ability of project owners to secure financing and to manage project revenues in the merchant electricity market.

The past year has seen significant volatility in the fuel markets. Riding upon global economic expansion, commodity prices reached unprecedented highs in the past summer. Australian spot coal prices soared to above USD200 per tonne on a delivered basis. Natural gas prices, which are mostly linked to oil prices, also saw significant increases. However, later in 2008 the financial crisis caused coal and gas prices to fall substantially. We expect that fuel prices will continue to be volatile, albeit at levels much lower than the peaks observed in year 2008. Coal will maintain its status as the fuel of choice for a number of emerging markets, while countries such as Singapore, Thailand and Indonesia will continue to progress LNG import terminal alternatives to improve supply security.

Power plant equipment prices remain high, having almost doubled since 2000. However, project delays and lower commodity prices should gradually bring down price levels and improve delivery schedules. Government stimulus plans focused on infrastructure may provide floor price support on commodities. PRC and Korea-made equipment appears to be the low cost option for coal projects in the region, but financeability and project management and implementation remain a challenge.

Competition for new projects remains strong, but players will be more selective. Some recent aggressive winners who have relied on debt to bridge finance their equity investments will need to pause. Asian players may dominate the market, as evidenced by the recent sale of all three Singapore government-owned generating companies to Asian power players. Project financing is a major challenge, given the financial crisis and debt capacity and appetite of major international banks. Use of local financing, multilateral support and export credit will be critical to the success of projects seeking project financing.

Against this backdrop, CLP will continue to pursue its strategy for the region to:

- through OneEnergy, focus on greenfield power opportunities drawing upon the strengths of its shareholders;
- consider selective strategic acquisitions in target markets;
- enhance existing local partner relationships for established markets, and build new relationships for new markets;
- maintain a balanced portfolio in terms of country risk and fuel mix; and
- contribute to the CLP Group objective of reducing carbon intensity, while recognising each target market's characteristics.

<u>2008</u>

Throughout the year, OneEnergy remained focused on the effective management of existing assets, a disciplined approach to business development and maximising earnings to shareholders.

Management of Existing Assets

All of our operating assets in the region benefit from PPAs with creditworthy off-takers.

The availability of the Ho-Ping power plant during 2008 was affected by an extended outage to replace the low pressure turbine blades of Unit 2, as well as damage of the transmission lines during a strong typhoon in September. The replacement of turbine blades for both units, together with the completion of the rebuilding of two coal storage domes previously damaged during typhoons, will improve the integrity of the plant and enhance availability and performance.

Ho-Ping managed to secure enough coal supplies to ensure continuous operation of the plant, but the high fuel prices impacted annual profits. Under the PPA with Taipower, Ho-Ping will be compensated for the surge in coal prices through adjustments in the energy tariff. However, these adjustments are based on prices paid by Taipower and have a time lag of one year. The tariff adjustment and the recent softening of the coal market will provide a much better environment for Ho-Ping financial performance in 2009.

The second and last block of the Kaeng Khoi 2 combined-cycle gas turbine power plant in Thailand, in which EGCO owns 50% through its investment in Gulf Electric, achieved commercial operation on schedule in March 2008. The Kaeng Khoi 2 plant, the BLCP plant in which CLP sold its 50% ownership to EGCO in 2006, and the other plants in EGCO's portfolio had all operated at high levels of availability and safety. All of these projects have fuel cost pass-through mechanisms in their PPAs. They were, therefore, not affected by the substantial increase in natural gas and coal prices. Construction work continues on the Nam Theun 2 hydro power plant in Laos, of which EGCO owns 25%, with commercial operation expected to be achieved in the fourth quarter of 2009.

Business Development

The IPP solicitation in Taiwan, in which Ho-Ping Power bid for an expansion of the Ho-Ping Power Station, was concluded with no capacity awarded. The government recently announced that, following a review of the supply and demand situation, no new solicitation will be required in the near future. OneEnergy will continue to work with its local partner, Taiwan Cement, to maintain the preparedness of the expansion project for participation in a possible future solicitation.

The global financial crisis and the ensuing economic downturn have affected the electricity demand growth in Thailand. The country’s Power Development Plan is currently being revised and it is likely that a new IPP solicitation will not be needed for a number of years. EGCO’s growth strategy rests on overseas opportunities, including cross-border projects selling their output to Thailand, renewable projects and preparation for possible repowering of the CCGT power plants at Rayong and Khanom, for which the PPAs will expire in the medium term future. In November, EGCO completed the acquisition of a 23.4% interest in the 503MW Quezon Power coal-fired power plant in the Philippines. This acquisition, together with EGCO’s existing investment in a couple of small power projects in Mindanao, provides a platform for EGCO to seek further growth in the Philippine electricity market.

OneEnergy has been developing the Vung Ang 2 coal-fired project in Vietnam since 2007, in conjunction with local partners Lilama Corp. and REE Corp. Development work for the project progressed in 2008 with the establishment of the joint stock company with its own management and staff, and completion of the technical feasibility study. In October 2008, OneEnergy signed a MOU with Vietnam Electricity (EVN), the state-owned electricity company, for the development and ownership of Phases 3.1 and 3.2 of the Vinh Tan Complex in Binh Thuan Province, Vietnam. OneEnergy will have a majority interest in this project with a planned capacity of over 2,000MW. OneEnergy is also reviewing the opportunity related to the Vietnam government’s tender for the 1,200MW Nghi Son 2 BOT project.

In Indonesia, development work of the 700MW Asahimas project had slowed down due to difficulties in getting approval from PLN, the state-owned electricity company. In the meantime, the government had started the process for the 2,000MW Jawa Tengah project tender, with International Finance Corporation as its advisor to ensure a transparent and competitive process. OneEnergy is reviewing the opportunity together with a local partner, Astratel.

The Singapore government had successfully sold its three generation companies, Tuas Power, Senoko Power and PowerSeraya, to overseas private investors. OneEnergy participated, without success, in the bidding process for two of these companies. There will be limited business opportunities in Singapore in the near future. A number of previously government-owned or private power plants in the Philippines were sold during 2006-2007, a process which slowed in 2008. There have yet to be any significant new private generation projects under construction. Any such projects would have to compete in the merchant electricity market rather than enjoying PPAs with the government or other private distribution companies. OneEnergy continues to explore its entry strategy into the Philippine market.

Despite the slowdown in electricity demand growth in the region, the renewable energy sector still presents a lot of potential. Thailand is expected to raise its target of alternative energy to 20% by 2020, and has implemented one of the most favourable renewable energy tariffs among the regional countries. Indonesia has the largest un-exploited geothermal energy potential. Its government has liberalised private participation in new geothermal projects, and aims to add substantial renewable energy IPPs, principally geothermal. OneEnergy is stepping up its development efforts in this sector, drawing upon CLP's expertise and experience, especially in wind and solar energy projects.

2009

In 2009, we shall aim at achieving the following in the region:

- Advance development and PPA negotiations for Vung Ang 2 and Vinh Tan projects in Vietnam;
- Prepare for IPP tenders in Indonesia and Vietnam;
- Effectively manage the Ho-Ping power plant and fuel supply to achieve higher availability and profitability;
- Position for Ho Ping 2 re-bidding in Taiwan;
- Accelerate development activities for renewable projects, particularly in Thailand and possibly in Indonesia and Taiwan; and
- Continue to support EGCO in its growth strategy.

Safety

Our objective is to provide a safe environment for our employees, our contractors and all others working with us on our sites. We want everybody to go home safely to their families when they finish a day's work. However, our safety performance in 2008 did not meet the standards we have set ourselves. There were fatalities to a contractor diver at Fangchenggang in April and to two maintenance subcontractor workers at Ho Ping Power Station in December 2008. We have completed investigations and put in place measures to strengthen contractor safety and risk management.

When people are injured at work we must determine what went wrong, learn from mistakes and share good ideas that will reduce risk and improve our performance. We believe that all injuries are avoidable.

We established a number of working groups in 2007 in a major initiative to improve safety. They have reviewed best safety practices from both inside and outside the CLP Group and developed a renewed set of group-wide safety policies and principles, supplemented by a series of critical standards and guidelines. This enables us to apply our many years of combined experience to our sites. We hope this will provide a means to achieve better performance consistently across the Group.

Notwithstanding the serious incidents last year, some divisions achieved outstanding safety performance. CLP Power Hong Kong and Tallawarra performed well, compared to their respective local industries, while Black Point Power Station achieved over 11 years without a disabling injury. GPEC and Iona celebrated 10 years and 9 years respectively without a lost time injury (LTI) to their employees. We continue to make extensive efforts to establish an effective safety culture at the Jiangbian hydro project. We have successfully avoided disabling injuries in all activities under our control, amid the high geological risk and adverse conditions due to mudslides and flooding, underground rockburst and earthquakes.

Human Resources

On 31 December 2008, the Group employed 5,717 staff (2007: 5,695), of whom 3,995 were employed in the Hong Kong electricity and related business, 1,451 by our businesses in Australia, India, Chinese mainland, Southeast Asia and Taiwan, as well as 271 by CLP Holdings. Total remuneration for the year ended 31 December 2008 was HK$3,100 million (2007: HK$3,217 million), including retirement benefits costs of HK$235 million (2007: HK$249 million).

Environment

In 2008, CLP worked hard in maintaining and refurbishing our facilities across our portfolio so as to optimise our plant efficiency and reduce emissions. In Hong Kong, the retrofit of equipment to reduce emissions of sulphur dioxide (SO_2) and nitrogen oxides (NO_X) is underway. Relocation of existing facilities is in its last stage and parts of the new emissions reduction equipment are beginning to arrive on the site. Meanwhile, measures such as using more natural gas, less coal, and progressing the refurbishment of our low NO_X burners at Castle Peak Power Station, helped to reduce emissions. Negotiations with the NDRC and relevant Chinese mainland energy suppliers to secure more natural gas commenced in order to ensure we have the volumes of natural gas necessary to help meet the 2010 emission reduction targets and beyond.

We made good progress on our Climate Vision 2050 commitments in 2008. As well as our efforts to secure more natural gas supply and nuclear energy, we continued to expand our renewable energy portfolio. We commenced development on our fourth wind farm in India, and two hydro and three wind power projects in the Chinese mainland. As of December 2008, renewable energy sources represented over 8% of our total generating capacity on an equity MW basis. In terms of technology development, we are exploring the possibilities of high performance concentrated solar photovoltaic, geothermal and tidal current technologies.

In 2008, CLP continued working with other electric utility businesses through the World Business Council for Sustainable Development to articulate to policy makers, including those involved with the United Nation Framework Convention on Climate Change (UNFCCC), the types of policies and measures needed to limit global warming to an adaptable range. CLP was involved in presenting the latest electric utility sector publication “Power to Change” at the UNFCCC Conference of Parties 14 (COP14) in Poznan in December 2008.

We believe further progress in the climate change arena will be difficult unless sound policies and regulations on both an international and local level are in place in the near future. Such policies and regulations are urgently needed and are critical for further advancement towards a low carbon future – without them not only will CLP find it hard to reach its voluntary reduction targets, but more importantly, the world as a whole will not be able to mitigate the emissions it needs to by 2050.

FINANCIAL PERFORMANCE

Operating earnings before one-off items increased by HK$433 million to HK$9,747 million, while earnings attributable to shareholders slightly decreased by HK$185 million to HK$10,423 million. One-off items include gains arising from the disposal of SEAGas in Australia and the deemed disposal on the restructuring of CSEC Guohua (formerly "CLP Guohua") joint venture in 2008, and the Ho-Ping transfer and sale of Torrens Island Power Station (TIPS) in 2007.

	2008		2007		Increase/ (decrease)
	HK$M	**HK$M**	HK$M	HK$M	HK$M
Electricity business in Hong Kong		**7,549**		7,589	(40)
Electricity sales to Chinese mainland from Hong Kong	**80**		102		
Generating facilities in Chinese mainland serving Hong Kong	**931**		712		
Other power projects in Chinese mainland	**5**		241		
Energy business in Australia	**604**		227		
Electricity business in India	**320**		409		
Power projects in Southeast Asia and Taiwan	**116**		409		
Other earnings	**508**		20		
Earnings from other investments/operations		**2,564**		2,120	444
Unallocated net finance costs		**(21)**		(90)	
Unallocated Group expenses		**(345)**		(305)	
Operating earnings		**9,747**		9,314	433
Other income		**657**		1,797	
Deferred tax write back for TIPS		**-**		379	
TIPS related contracts – MTM amortisation		**(108)**		(299)	
Yallourn coal mine subsidence insurance recovery/(costs)		**127**		(126)	
Costs of TRUenergy's outsourcing		**-**		(457)	
Earnings attributable to shareholders		**10,423**		10,608	(185)

As expected, there was a slight fall in the SoC earnings owing to the reduction in the permitted return from 13.5% – 15% to 9.99% under the current SoC effective 1 October 2008. This fall was mitigated by the continuing investment in our transmission and distribution network to provide reliable supply to our local customers.

The rise in earnings from our investments in Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) and Hong Kong Pumped Storage Development Company, Limited (PSDC), whose generating facilities serve Hong Kong, is mainly the result of higher generation output and lower expenses at Daya Bay Nuclear Power Station.

Our earnings from the Chinese mainland have continued to suffer from the upsurge in coal prices while fuel-linked tariff adjustments were not adequate to compensate for the increase in cost. This was worsened by a reduction in electricity demand in the Chinese mainland as economic growth slowed down.

Increased operating earnings in Australia were attributed to higher gross margin on account of higher rates and volumes for both electricity and gas retail sales, as well as on portfolio management as a result of better hedge contract positions. Improved performance of the Yallourn power station also contributed to the increase.

Higher profit for India in 2007 mainly arose from the release of dividend distribution tax provision no longer required. GPEC's power station continued to operate at a high level of availability.

Earnings from Southeast Asia and Taiwan dropped, mainly because of higher coal prices at Ho-Ping with delays in the compensating tariff increase, and lower share of profit from EGCO.

Other earnings in 2008 included the write-back of HK$389 million deferred tax resulting from a reduction in the Hong Kong profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09.

Other income comprised the gain of HK$502 million (after tax HK$432 million) on the sale of SEAGas in Australia and also the deemed disposal gain of HK$225 million (after tax HK$225 million) arising from the restructuring of CSEC Guohua in the Chinese mainland.

Mark-to-market (MTM) amortisation is related to electricity contracts transferred from AGL as part of the consideration on the asset swap of TIPS in July 2007. The forward electricity price at that time was at an exceptionally high level, resulting in high valuation of the contracts. The MTM gain, booked as part of the gain on the sale of TIPS, is amortised over the life of the contracts.

The financial information set out in this announcement below does not constitute the Group's statutory accounts for the year ended 31 December 2008, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee and agreed by the Group's external auditors, PricewaterhouseCoopers.

Consolidated Income Statement

for the year ended 31 December 2008

	Note	**2008 HK$M**	2007 HK$M
Revenue	*5*	**54,297**	50,789
Expenses			
Purchases of electricity, gas and distribution services		**(18,235)**	(17,973)
Operating lease and lease service payments		**(9,102)**	(7,372)
Staff expenses		**(1,755)**	(1,900)
Fuel and other operating expenses		**(8,570)**	(7,712)
Depreciation and amortisation		**(4,055)**	(4,650)
		(41,717)	(39,607)
Other income	*6*	**727**	2,122
Operating profit	*7*	**13,307**	13,304
Finance costs	*8*	**(4,245)**	(5,041)
Finance income	*8*	**124**	160
Share of results, net of income tax			
jointly controlled entities		**2,624**	3,024
associated companies		**(27)**	1
Profit before income tax		**11,783**	11,448
Income tax expense	*9*	**(1,349)**	(837)
Profit for the year		**10,434**	10,611
Profit attributable to minority interests		**(11)**	(3)
Earnings attributable to shareholders		**10,423**	10,608
Dividends	*10*		
Interim dividends paid		**3,757**	3,757
Final dividend proposed		**2,214**	2,216
		5,971	5,973
Earnings per share, basic and diluted	*11*	**HK$4.33**	HK$4.40

Consolidated Balance Sheet
as at 31 December 2008

	Note	2008 HK$M	2007 HK$M
Non-current assets			
Fixed assets	*12(A)*	**86,873**	86,413
Leasehold land and land use rights	*12(B)*	**2,250**	2,196
Goodwill and other intangible assets		**6,324**	8,135
Interests in jointly controlled entities		**17,791**	17,684
Interests in associated companies		**242**	299
Finance lease receivables		**2,387**	3,130
Deferred tax assets		**2,992**	3,915
Fuel clause account		**800**	-
Derivative financial instruments		**1,421**	675
Other non-current assets		**482**	552
		121,562	122,999
Current assets			
Inventories – stores and fuel		**662**	667
Trade and other receivables	*13*	**8,239**	7,121
Finance lease receivables		**128**	152
Fuel clause account		**-**	132
Derivative financial instruments		**1,458**	2,427
Bank balances, cash and other liquid funds		**782**	2,779
		11,269	13,278
Current liabilities			
Customers' deposits		**(3,722)**	(3,589)
Trade and other payables	*14*	**(5,919)**	(6,023)
Income tax payable		**(366)**	(237)
Bank loans and other borrowings	*15*	**(3,313)**	(2,868)
Obligations under finance leases		**(1,403)**	(1,431)
Derivative financial instruments		**(1,221)**	(1,689)
Scheme of Control (SoC) reserve accounts	*16*	**-**	(2,300)
		(15,944)	(18,137)
Net current liabilities		**(4,675)**	(4,859)
Total assets less current liabilities		**116,887**	118,140
Financed by:			
Equity			
Share capital	*17*	**12,031**	12,041
Share premium		**1,164**	1,164
Reserves	*18*		
Proposed dividends		**2,214**	2,216
Others		**47,608**	48,480
Shareholders' funds		**63,017**	63,901
Minority interests		**105**	95
		63,122	63,996
Non-current liabilities			
Bank loans and other borrowings	*15*	**23,383**	25,492
Obligations under finance leases		**20,362**	20,785
Deferred tax liabilities		**6,435**	6,344
Derivative financial instruments		**814**	559
SoC reserve accounts	*16*	**1,826**	-
Other non-current liabilities		**945**	964
		53,765	54,144
Equity and non-current liabilities		**116,887**	118,140

Notes:

1. General Information

The Company, CLP Holdings Limited, and its subsidiaries are collectively referred to as the Group in the consolidated financial statements. The Company is a limited liability company incorporated and listed in 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 SoC Agreement which took effect from 1 October 1993 expired on 30 September 2008 (1993 SoC). A new SoC Agreement immediately became effective 1 October 2008 (2008 SoC).

The financial statements have been approved for issue by the Board of Directors on 26 February 2009.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, 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 and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. Basis of Preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) which are stated at fair value.

3. Critical Accounting Estimates and Judgements

In preparing the consolidated financial statements, management is required to exercise significant judgements in the selection and application of accounting principles, as well as in making estimates and assumptions. In addition to those critical accounting estimates and judgements presented last year, namely asset impairment, deferred tax, SoC-related accounts, lease accounting and fair value estimation of derivative financial instruments, the following discusses another more significant accounting policy that is impacted by judgements and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

3. Critical Accounting Estimates and Judgements (continued)

Australia Carbon Pollution Reduction Scheme

Recent developments in climate change policy in Australia pose potentially significant financial risks to the Group's business in Australia.

The Garnaut Climate Change Review was commissioned by the Australian Federal Government to examine the impact of climate change on the Australian economy and to recommend medium to long-term policies and policy frameworks. The Garnaut Climate Change Review presented its Final Report (the "Garnaut Report" [1]) to the Prime Minister of Australia and the eight states and territories on 30 September 2008. The terms of reference for the Garnaut Report are publicly available[1]. However, the Garnaut Report does not represent policy decisions of the Government although it did advocate an emissions trading scheme ("ETS") as a mechanism to address the approach to carbon reduction.

In July 2008 the Australian Government initiated its consultation on its proposed climate change policy with the release of a Green Paper on the Carbon Pollution Reduction Scheme ("CPRS"). The aim of this Green Paper was to allow people both inside and outside Parliament to debate the subject and give feedback on its suggestions.

Following a review of the public submissions on the Green Paper, the Government released its White Paper (the "White Paper" [2]) on the CPRS on 15 December 2008. This White Paper forms the basis for a Bill to be put before Parliament and allows the Government an opportunity to gather feedback on its final proposed policies before it formally presents them as a Bill.

The White Paper advocates the introduction of a CPRS with an effective start date of 1 July 2010. The CPRS is proposed to be a cap and trade scheme, where aggregate emissions are capped at a level that is consistent with the environmental objective. The level of the Scheme cap determines the environmental contribution of the Scheme: the lower the cap, the more abatement (reduction in emissions) required. The number of tradable carbon pollution permits ("permits") is the Scheme cap – if the cap were to limit emissions to 100 million tonnes of carbon dioxide equivalent (CO_2-e) in a particular year, 100 million emissions permits would be issued for that year. Entities responsible for emissions sources covered by the CPRS will be obliged to surrender a permit for each tonne of CO_2-e that they have emitted during the compliance period.

The White Paper recognises that some coal-fired electricity generators are unlikely to be able to pass on their full carbon costs, because they are constrained by competing generators with lower emissions intensity. As a result, the introduction of a CPRS may have a significant impact on TRUenergy's business, in particular on the Yallourn brown coal-fired generation business. It may result in a significant impairment of the business, due to either a reduction in the useful life of the asset or a reduction in the earnings due to a combination of reduced output and increased costs not fully offset by higher electricity prices.

In recognition of this impact on the most emissions intensive electricity generators, the White Paper proposes to provide a once-and-for-all allocation of permits to such generators under the Electricity Sector Adjustment Scheme ("ESAS"). Assistance is to be targeted at the most emissions intensive generators as they are unlikely to be able to pass on the full costs of the permits they must buy.

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1 Refer to web site: http://www.garnautreview.org.au/domino/Web_Notes/Garnaut/garnautweb.nsf
2 Refer to Australian Government web site: http://www.climatechange.gov.au/whitepaper/

3. Critical Accounting Estimates and Judgements (continued)

In the White Paper, the Government estimated the total value of the permits allocated in the ESAS as A$3.5 billion[3] (HK$19 billion). This was based on an assumed carbon price starting at A$25 per tonne, consistent with its modelled scenario of a 5% cut on 2000 emission levels by 2020. However there remains significant uncertainty over the expected carbon price path with the first CPRS emissions caps not being finalised until 2010 and ongoing international negotiations, the outcome of which are likely to dictate Australian carbon prices. Assuming legislation is passed in line with the terms and conditions of the White Paper, these permits will be distributed to eligible companies over the first five years of the scheme (mid 2010 through mid 2015). The amount of assistance applicable to companies and assets will be determined prior to the start date of the CPRS. The Australian Government will allocate assistance through ESAS to coal-fired electricity generators according to a methodology that weighs assistance by the historical energy output of each generator and the extent by which the ESAS regulator's estimate of the emissions intensity of each generator exceeds the Government's threshold level of emissions intensity. However, to ensure that assistance does not lead to windfall gains, a review will be held in 2013 to determine whether generators in receipt of ESAS assistance are likely to earn windfall profits, taking into account actual and forecast net revenues, compared to those predicted when assistance was originally estimated.

As at 31 December 2008, the CPRS remained in White Paper form (legislation had not been passed). Draft legislation is expected to be released in March 2009 and legislation is expected to be passed into law in the latter part of 2009. The final legislation may be significantly different to the guidance included in the White Paper. When legislation is passed, the final terms and conditions of the CPRS will become binding law.

There remains significant uncertainty regarding the timing and structure of the CPRS. As such, the introduction of the CPRS presents an unquantifiable but potentially material market risk to the Group. At 31 December 2008, no impact of the CPRS has been reflected in the Group's financial statements (including impairment model cash flows, and assumptions on discount rate, asset useful lives, outage rates and capital expenditure) on the basis that there is currently significant uncertainty in relation to the likely structure, timing and impact of the CPRS.

The carrying amount of the Yallourn power station assets, which comprise a single cash generating unit, was A$1,682 million or HK$9,036 million (2007: A$1,734 million or HK$11,906 million). Other parts of the Group may also be impacted adversely or favourably.

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3 In 2008/09 Australian dollars

4. Segment Information

The Group operates, through its subsidiaries, jointly controlled entities and associated companies, in five major geographical regions – Hong Kong, Australia, the Chinese mainland, India, and Southeast Asia & Taiwan. As substantially all the principal activities of the Group are for the generation and supply of electricity and these businesses are managed and operated on an integrated basis in each region, neither a business analysis nor a separate disclosure on the generation and supply businesses is presented.

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 2008							
Revenue	30,471	19,432	169	4,197	24	4	**54,297**
Segment results	10,839	2,022	282	528	(13)	(351)	**13,307**
Share of results, net of income tax							
jointly controlled entities	1,581	21	889 [(a)]	-	133	-	**2,624**
associated companies	-	(27)	-	-	-	-	**(27)**
Profit/(loss) before net finance costs and income tax	12,420	2,016	1,171	528	120	(351)	**15,904**
Finance costs							**(4,245)**
Finance income							**124**
Profit before income tax							**11,783**
Income tax expense							**(1,349)**
Profit for the year							**10,434**
Profit attributable to minority interests							**(11)**
Earnings attributable to shareholders							**10,423**
Capital additions	5,465	1,757	258	424	-	24	**7,928**
Depreciation and amortisation	2,944	1,047	51	9	-	4	**4,055**
Impairment charge/(reversal)	2	122	(55)	62	-	-	**131**
As at 31 December 2008							
Segment assets							
Owned and leased fixed assets	71,869	13,001	1,588	373	-	42	**86,873**
Other segment assets	6,892	11,476	652	5,746	121	46	**24,933**
Interests in							
jointly controlled entities	7,014	864	7,540	-	2,373	-	**17,791**
associated companies	-	242	-	-	-	-	**242**
Deferred tax assets	-	2,925	67	-	-	-	**2,992**
Consolidated total assets	85,775	28,508	9,847	6,119	2,494	88	**132,831**
Segment liabilities							
Obligations under finance leases	21,752	13	-	-	-	-	**21,765**
Other segment liabilities	9,594	3,917	62	678	14	182	**14,447**
Bank loans and other borrowings	14,848	9,087	824	1,271	-	666	**26,696**
Current and deferred tax liabilities	6,210	10	57	524	-	-	**6,801**
Consolidated total liabilities	52,404	13,027	943	2,473	14	848	**69,709**

4. 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 2007							
Revenue	29,909	18,018	124	2,687	50	1	50,789
Segment results	11,444	811	(87)	352	1,062	(278)	13,304
Share of results, net of income tax							
jointly controlled entities	1,492	27	1,112 [a]	-	393	-	3,024
associated companies	-	1	-	-	-	-	1
Profit/(loss) before net finance costs and income tax	12,936	839	1,025	352	1,455	(278)	16,329
Finance costs							(5,041)
Finance income							160
Profit before income tax							11,448
Income tax expense							(837)
Profit for the year							10,611
Profit attributable to minority interests							(3)
Earnings attributable to shareholders							10,608
Capital additions	5,342	2,878	189	1	-	16	8,426
Depreciation and amortisation	3,637	969	39	1	-	4	4,650
Impairment charge	1	288	1	63	-	-	353
As at 31 December 2007							
Segment assets							
Owned and leased fixed assets	69,697	15,833	858	2	-	23	86,413
Other segment assets	5,299	15,656	452	5,734	31	794	27,966
Interests in							
jointly controlled entities	6,757	1,423	7,042	-	2,462	-	17,684
associated companies	-	299	-	-	-	-	299
Deferred tax assets	-	3,845	70	-	-	-	3,915
Consolidated total assets	81,753	37,056	8,422	5,736	2,493	817	136,277
Segment liabilities							
Obligations under finance leases	22,116	100	-	-	-	-	22,216
Other segment liabilities	9,322	4,972	47	617	4	162	15,124
Bank loans and other borrowings	13,613	13,375	404	968	-	-	28,360
Current and deferred tax liabilities	5,959	-	136	485	1	-	6,581
Consolidated total liabilities	51,010	18,447	587	2,070	5	162	72,281

Note (a): Out of the HK$889 million (2007: HK$1,112 million), a major portion was attributed to investments in Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) and Hong Kong Pumped Storage Development Company, Limited (PSDC), whose generating facilities serve Hong Kong.

5. Revenue

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

	2008	2007
	HK$M	HK$M
Sales of electricity	**44,249**	42,860
Lease service income	**3,754**	2,212
Finance lease income	**428**	475
Sales of gas	**5,093**	4,288
Other revenue	**966**	601
	54,490	50,436
Transfer for SoC (note)	**(193)**	353
	54,297	50,789

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 2008 SoC – previously the Development Fund under 1993 SoC. In any period, the amount of deduction from or addition to these funds is recognised as revenue adjustment to the extent that the return and charges under the SoC are recognised in the income statement.

6. Other Income

	2008	2007
	HK$M	HK$M
Gain on sale of SEAGas [(a)]	**502**	-
Gain on deemed disposal from CSEC Guohua restructuring [(b)]	**225**	-
Gain on transfer of Ho-Ping to OneEnergy	-	1,030
Gain on asset swap with AGL	-	1,092
	727	2,122

Notes:

(a) In June 2008, TRUenergy sold its entire 33 1/3% interest in SEAGas, a jointly controlled entity in Australia, which owns and operates a gas pipeline between Victoria and South Australia, for a total consideration of A$119 million (HK$895 million), thereby realising a gain of HK$502 million (after tax gain of HK$432 million).

(b) During 2008, CSEC Guohua International Power Company Limited (formerly known as "CLP Guohua Power Company Limited") (CSEC Guohua) underwent a restructuring with CLP's effective interest in CSEC Guohua reduced from 49% to 24.7%, and a gain on deemed disposal amounting to HK$225 million was recognised. Subsequent capital injection by CLP raised CLP's interest in CSEC Guohua to 27% at the balance sheet date.

7. Operating Profit

Operating profit is stated after charging the following:

	2008 HK$M	2007 HK$M
Auditors' remuneration		
Audit	**25**	28
Permissible non-audit services	**13**	21
Net loss on disposal of fixed assets	**140**	211

8. Finance Costs and Income

	2008 HK$M	2007 HK$M
Finance costs:		
Interest expenses on		
bank loans and overdrafts	**831**	919
other borrowings		
- wholly repayable within five years	**120**	121
- not wholly repayable within five years	**527**	539
finance charges under finance leases	**2,930**	3,422
Tariff Stabilisation Fund/Development Fund (note)	**132**	202
customers' deposits, fuel clause over-recovery and others	**10**	89
Other finance charges	**100**	46
Fair value loss/(gain) on derivative financial instruments		
cash flow hedges, transfer from equity	**5**	(11)
fair value hedges	**(151)**	(70)
Loss on hedged items in fair value hedges	**121**	87
Other net exchange gain	**-**	(1)
	4,625	5,343
Less: amount capitalised	**(380)**	(302)
	4,245	5,041
Finance income:		
Interest income on short-term investments, bank deposits and fuel clause under-recovery	**124**	160

Note: CLP Power Hong Kong is required to credit, to a Rate Reduction Reserve in its financial statements, a charge at one-month Hong Kong interbank offered rate on the average balance of the Tariff Stabilisation Fund under the current SoC effective 1 October 2008, and a charge at 8% per annum on the average balance of the Development Fund under the previous SoC up to 30 September 2008 (Note 16).

9. Income Tax Expense

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

	2008 **HK$M**	2007 HK$M
Current income tax		
Hong Kong	**817**	790
Outside Hong Kong	**127**	64
	944	854
Deferred tax		
Hong Kong (note)	**68**	304
Outside Hong Kong	**337**	(321)
	405	(17)
	1,349	837

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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: Including a write-back of deferred tax liabilities of HK$327 million (2007: nil) as the Hong Kong profits tax rate has been reduced from 17.5% to 16.5% for the fiscal year 2008/09.

10. Dividends

	2008		2007	
	HK$ per share	**HK$M**	HK$ per share	HK$M
Interim dividends paid	**1.56**	**3,757**	1.56	3,757
Final dividend proposed	**0.92**	**2,214**	0.92	2,216
	2.48	**5,971**	2.48	5,973

At the Board meeting held on 26 February 2009, the Directors recommended a final dividend of HK$0.92 per share (2007: HK$0.92 per share). Such dividends are to be proposed at the Annual General Meeting on 28 April 2009 and are not reflected as dividends payable in the financial statements, but as a separate component of the shareholders' funds at 31 December 2008.

11. Earnings per Share

The earnings per share is computed as follows:

	2008	2007
Earnings attributable to shareholders (HK$M)	**10,423**	10,608
Weighted average number of shares in issue (thousand shares)	**2,407,873**	2,408,246
Earnings per share (HK$)	**4.33**	4.40

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 2008 (2007: nil).

12. Fixed Assets, Leasehold Land and Land Use Rights

Fixed assets, leasehold land and land use rights totalled HK$89,123 million (2007: HK$88,609 million). Movements in the accounts are as follows:

(A) Fixed Assets

	Freehold Land and Buildings		Plant, Machinery and Equipment		
	Owned HK$M	**Leased [(a)] HK$M**	**Owned HK$M**	**Leased [(a)] HK$M**	**Total HK$M**
Net book value, as at 1 January 2008	7,442	4,823	56,827	17,321	86,413
Acquisition of subsidiaries	453	-	94	-	547
Additions	656	73	5,870	1,045	7,644
Transfers and disposals	(60)	(16)	(172)	(126)	(374)
Depreciation	(160)	(265)	(2,288)	(1,066)	(3,779)
Exchange differences	(39)	-	(3,531)	(8)	(3,578)
Net book value, as at 31 December 2008	**8,292**	**4,615**	**56,800**	**17,166**	**86,873**
Cost	10,891	9,692	86,989	36,692	144,264
Accumulated depreciation and impairment	(2,599)	(5,077)	(30,189)	(19,526)	(57,391)
Net book value, as at 31 December 2008	**8,292**	**4,615**	**56,800**	**17,166**	**86,873**

Note (a): CAPCO's operational plant and associated fixed assets, which are deployed for the generation of electricity supplied to CLP Power Hong Kong under the Electricity Supply Contract between the two parties. This arrangement has been accounted for as a finance lease in accordance with HKFRS-Int 4.

(B) Leasehold Land and Land Use Rights

	HK$M
Net book value, as at 1 January 2008	2,196
Acquisition of a subsidiary	6
Additions	116
Transfers and disposals	(19)
Amortisation	(54)
Exchange differences	5
Net book value, as at 31 December 2008	**2,250**
Cost	2,521
Accumulated amortisation	(271)
Net book value, as at 31 December 2008	**2,250**

13. Trade and Other Receivables

	2008 HK$M	2007 HK$M
Trade receivables	**5,655**	5,473
Deposits and prepayments	**2,085**	1,598
Dividend receivables from jointly controlled entities	**452**	5
Current accounts with jointly controlled entities	**47**	45
	8,239	7,121

The Group has established credit policies for customers in each of its core 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 30 to 60 days.

The ageing analysis of the trade receivables as at 31 December is as follows:

	2008				2007			
	Not impaired HK$M	**Impaired HK$M**	**Provision for impairment HK$M**	**Total HK$M**	Not impaired HK$M	Impaired HK$M	Provision for impairment HK$M	Total HK$M
Not yet due	**5,173**	**28**	**(3)**	**5,198**	4,876	36	(17)	4,895
Overdue								
1 – 30 days	**285**	**23**	**(23)**	**285**	278	25	(14)	289
31 – 90 days	**58**	**75**	**(36)**	**97**	118	44	(28)	134
Over 90 days	**2**	**268**	**(195)**	**75**	20	355	(220)	155
	5,518	**394**	**(257)**	**5,655**	5,292	460	(279)	5,473

14. Trade and Other Payables

	2008 HK$M	2007 HK$M
Trade payables	**2,113**	2,772
Other payables and accruals	**2,376**	2,503
Current accounts with jointly controlled entities	**1,430**	748
	5,919	6,023

The ageing analysis of the trade payables as at 31 December is as follows:

	2008 HK$M	2007 HK$M
Below 30 days (including amount not yet due)	**2,099**	2,762
31 – 90 days	**9**	3
Over 90 days	**5**	7
	2,113	2,772

15. Bank Loans and Other Borrowings

	2008	2007
	HK$M	HK$M
Current		
Short-term bank loans	**2,600**	606
Long-term bank loans	**713**	2,262
	3,313	2,868
Non-current		
Long-term bank loans	**11,323**	13,260
Other long-term borrowings		
MTN programme (USD) due 2012	**2,578**	2,455
MTN programme (HKD) due 2013 to 2015	**3,340**	3,000
MTN programme (HKD) due 2016	**1,000**	1,000
MTN programme (HKD) due 2017	**1,000**	1,000
MTN programme (HKD) due 2023	**400**	-
Electronic Promissory Notes (EPN) and MTN programme (AUD) due 2012	**3,474**	4,435
EPN and MTN programme (AUD) due 2015	**268**	342
	23,383	25,492
Total borrowings	**26,696**	28,360

16. SoC Reserve Accounts

The Tariff Stabilisation Fund under the 2008 SoC, Development Fund under the 1993 SoC 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:

	2008	2007
	HK$M	HK$M
Development Fund	**-**	2,117
Tariff Stabilisation Fund	**1,756**	-
Rate Reduction Reserve	**70**	183
	1,826	2,300

The Tariff Stabilisation Fund is to replace the Development Fund and operates in the same manner as the Development Fund.

17. Share Capital

	Number of Shares of HK$5 Each	Amount HK$M
Authorised:		
At 31 December 2008 and 2007	**3,000,000,000**	**15,000**
Issued and fully-paid:		
At 1 January 2008	2,408,245,900	12,041
Repurchase of shares (note)	(2,102,500)	(10)
At 31 December 2008	**2,406,143,400**	**12,031**

Note: The Company acquired 2,102,500 of its own shares through purchases on the Hong Kong Stock Exchange in October 2008. The total amount paid to acquire the shares was HK$101,974,750. All the shares repurchased were subsequently cancelled. An amount equal to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve (Note 18).

There was no movement in the share capital of the Company during 2007.

18. Reserves

	Capital Redemption Reserve[(a)] HK$M	Translation & Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance as at 1 January 2008	2,482	3,807	1,122	43,285	50,696
Net exchange losses not recognised in income statement	-	(4,533)	-	-	(4,533)
Cash flow hedges, net of tax	-	114	-	-	114
Revaluation reserve realised upon depreciation	-	-	(3)	3	-
Appropriation of reserves of jointly controlled entities	-	-	12	(12)	-
Earnings attributable to shareholders	-	-	-	10,423	10,423
Dividends paid	-	-	-	(5,973)	(5,973)
Repurchase of shares	10	-	-	(101)	(91)
Disposal of jointly controlled entities	-	(319)	(74)	74	(319)
Share of movements in reserves of jointly controlled entities	-	-	(495)	-	(495)
Balance as at 31 December 2008	**2,492**	**(931)**	**562**	**47,699** [(b)]	**49,822**

Notes:

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

(b) After the proposed final dividends of HK$2,214 million (2007: HK$2,216 million), the balance of retained profits at 31 December 2008 was HK$45,485 million (2007: HK$41,069 million).

19. Contingent Liabilities

Under the original power purchase agreement between Gujarat Paguthan Energy Corporation Private Limited (GPEC) and its off-taker Gujarat Urja Vikas Nigam Ltd. (GUVNL), GUVNL was required to make a “deemed generation incentive” payment to GPEC 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 period when the plant was declared with its availability 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 amounts to about HK$1,157 million.

On 18 February 2009 the GERC made an adjudication on GUVNL’s claim. On the substantive issue, the GERC decided that the “deemed generation incentive” was not payable when GPEC’s plant was declared with its availability on naphtha. However, the GERC also decided that GUVNL’s claim in respect of deemed generation 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 HK$414 million.

GPEC intends to appeal the decision of the GERC and to seek a stay order against enforcement of the decision pending the outcome of that appeal. On the basis of legal advice obtained, the Directors are of the opinion that GPEC has a strong case. In consequence, no provision has been made in the financial statements at this stage in respect of this matter.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in 2008 to support the expansion of our electricity business in Hong Kong. During the year, CLP Power Hong Kong issued 7-year and 15-year fixed rate bonds totalling HK$740 million with coupon rates at 4.20% and 4.75% respectively under the MTN Programme and arranged HK$3.0 billion new bank loan facilities. In January 2009, CLP Power Hong Kong issued 3-year fixed rate bonds totalling HK$900 million with coupon rates ranging from 2.25% to 2.34%.

As at 31 December 2008, financing facilities totalling HK$41.2 billion were available to the Group, including HK$14.3 billion for TRUenergy and GPEC. Of the facilities available, HK$26.7 billion had been drawn down, of which HK$10.3 billion relates to TRUenergy and GPEC. Facilities totalling HK$50 billion were available to the Group and CAPCO, of which HK$34.5 billion had been drawn down.

The Group's total debt to total capital ratio was 29.7% as at 31 December 2008 (2007: 30.7%), and was 29.1% (2007: 28.6%) after netting off bank balances, cash and other liquid funds at 31 December 2008. The interest cover was 9 times (2007: 8 times).

On credit ratings, Moody's lowered CLP Holdings' long-term rating from A1 to A2 in April 2008. S&P lowered CLP Holdings' long-term rating from A to A- and the short-term rating from A-1 to A-2 respectively in June 2008. The outlooks on long-term ratings are stable.

At the same time, Moody's lowered CLP Power Hong Kong's long-term rating from Aa3 to A1, and S&P lowered the long-term rating from A+ to A and reaffirmed the A-1 short-term rating. The outlooks on long-term ratings are stable.

According to the credit rating agencies, the new ratings of CLP Holdings and CLP Power Hong Kong reflected the weakening credit profile of CLP Power Hong Kong arising from the new SoC returns and the increase in debt gearing, weak performance of CLP Holdings' overseas investment and the resultant increase in return volatility. On the other hand, CLP Holdings would continue to benefit from the strong cash flow of CLP Power Hong Kong, an increase in geographic and operational diversity, investment discipline as well as risk management practices.

In April 2008, S&P lowered the long-term rating of TRUenergy Holdings from BBB+ to BBB with negative outlook. S&P cited in its report that this lower rating reflected TRUenergy Holdings' weaker than expected operational performance. The rating outlook was negative, reflecting concerns on its ability to deliver its operational plan over the medium term. Should TRUenergy Holdings not deliver improved operational performance and stronger credit metrics over the next year, the rating would be lowered. The outlook could return to stable, pending enhancement of operational stability and improvement of credit metrics over the next 12-18 months.

The Group's investments and operations have resulted in exposures to foreign currency risks, interest rate risks, credit risks and price risks associated with the sales and purchases of electricity in Australia. We actively manage such risks by using different derivative instruments with an objective to minimise the impact of exchange rate, interest rate and electricity price fluctuations on earnings, reserves and tariff charges to customers. Other than limited energy trading activities engaged by TRUenergy Holdings, all derivative instruments are employed solely for hedging purposes.

The fair value of the Group's outstanding derivative instruments as at 31 December 2008 was at a surplus of HK$844 million, which represents the net amount we would receive if these contracts were closed out at 31 December 2008.

As at 31 December 2008, the Group had gross outstanding derivative instruments amounting to HK$95.5 billion.

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 remains as a deviation of the CLP Code and our actual practices from the Stock Exchange Code. The reason is a judgment that, as a matter of principle and practice, quarterly reporting does not bring significant benefits to shareholders. 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, interim dividends and progress in major business activities.

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 2008 are set out in the Corporate Governance Report.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2008. 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 and Professor Judy Tsui having appropriate professional qualifications and experience in financial matters.

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors (CLP Securities Code), which is largely based on the Model Code set out in Appendix 10 of the Listing Rules. The CLP Securities Code also applies to Senior Management (comprising the three Executive Directors and eight other members, whose biographies are set out in the Annual Report and CLP's website), and other "Specified Individuals" such as senior managers in the CLP Group. The CLP Securities Code has been updated from time to time to reflect new regulatory requirements as well as CLP Holdings' strengthened regime of disclosure of interests in its securities.

The current CLP Securities 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 they have complied with the required standard set out in the Model Code and CLP Securities Code throughout the period from 1 January to 31 December 2008.

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

During the year, the Company repurchased a total of 2,102,500 shares of HK$5.00 each of the Company on The Stock Exchange of Hong Kong Limited at an aggregate price of HK$102 million. All of the shares repurchased up to 31 December 2008 have been cancelled. The repurchases were effected by the Directors for the enhancement of long-term shareholder value. Details of the repurchases are set out below:

MONTH/ YEAR	NUMBER OF SHARES REPURCHASED	PURCHASE PRICE PER SHARE		AGGREGATE PURCHASE PRICE
		HIGHEST (HK$)	LOWEST (HK$)	(HK$)
October 2008	2,102,500	50.00	46.80	101,974,750

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.

FINAL DIVIDENDS

The final dividend of HK$0.92 per share (2007: HK$0.92 per share) will be payable on all shares of HK$5.00 each in issue as at the close of business on 17 April 2009 after deducting any shares repurchased and cancelled up to the close of business on 17 April 2009. As at 31 December 2008, 2,406,143,400 shares of HK$5.00 each were in issue. If approved, the final dividend of HK$0.92 per share will be payable on 29 April 2009 to shareholders registered as at 28 April 2009.

The Register of Shareholders will be closed from 20 April 2009 to 28 April 2009, both days inclusive. To rank for the final 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 Friday, 17 April 2009.

ANNUAL GENERAL MEETING

The eleventh Annual General Meeting (AGM) will be held at Jockey Club Auditorium, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong on Tuesday, 28 April 2009, 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 26 March 2009.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 26 February 2009

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2008 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 2009. The Annual Report, the CLP Group Sustainability Report and the Notice of Annual General Meeting will be despatched to shareholders on or about 26 March 2009. All of these will be made available on the Company's website.

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 002)

Non-executive Directors: The Hon. Sir Michael Kadoorie, Mr. W. E. Mocatta, Mr. R. J. McAulay, Mr. J. A. H. Leigh, Mr. R. Bischof, Mr. I. D. Boyce, Mr. Jason Whittle, Dr. Y. B. Lee and Mr. Paul A. Theys (Mr. Neo Kim Teck as his alternate)

Independent Non-executive Directors: The Hon. Sir S. Y. Chung, Mr. V. F. Moore, Mr. Hansen C. H. Loh, Mr. Paul M. L. Kan, Professor Judy Tsui, Sir Rod Eddington and Mr. Peter T. C. Lee

Executive Directors: Mr. Andrew Brandler, Mr. Peter P. W. Tse and Mr. Peter W. Greenwood