Announcement of Annual Results from 1 January 2012 to 31 December 2012, Dividend Declaration and Closure of Books

Financial Highlights

- Group operating earnings declined 8.8% to HK$9,406 million, whilst total earnings after one-off items decreased by 10.5% to HK$8,312 million.
- Operating earnings from our electricity business in Hong Kong increased by 5.0% to HK$6,654 million.
- Operating earnings from our energy business in Australia decreased by 42.1% to HK$1,685 million.
- Consolidated revenue increased by 14.4% to HK$104,861 million; Hong Kong electricity revenue rose by 6.7% to HK$33,643 million; revenue from Australia increased by 18.7% to HK$66,843 million.
- Fourth interim dividend of HK$0.98 per share; including the first three interim dividends paid, total dividends for 2012 increased to HK$2.57 per share (2011: HK$2.52 per share).

CHAIRMAN'S STATEMENT

My remarks in the 2012 Interim Report noted that, although our business was well-balanced and operating well, the scale, nature and diversity of our portfolio could not safeguard CLP against all of the risks and challenges inherent in our business and the markets in which we operate. CLP's performance over the past year bears this out and illustrates the volatility of the Asia Pacific power sector due to the increasing velocity of economic, social, political, regulatory and technological change.

In a challenging year, the Group's operating earnings were HK$9,406 million, a decline of 8.8% compared with HK$10,312 million in 2011. Group total earnings, which include non-recurring items, were HK$8,312 million, 10.5% lower than that in the previous year.

This has been a difficult year for some of our overseas operations. For that reason, I have asked Andrew Brandler, our Chief Executive Officer, in his Strategic Review to describe the various factors which lie behind the Group's earnings across our diversified portfolio. In this Chairman's Statement I wish to focus on the performance and outlook of our Hong Kong electricity business, which remains at the core of the Group's operations and provides the majority of our earnings. In doing so, I also wish to further develop some of the themes and issues which I canvassed in my remarks in last year's Annual Report and which I also addressed at our Annual General Meeting in May.

I believe it entirely appropriate for me once again to discuss the qualities of Hong Kong's electricity supply in this Chairman's Statement. Over the past 10 years, CLP's shareholders and lenders have invested almost HK$72 billion in ensuring that Hong Kong has the electricity infrastructure it needs. Our capital providers are entitled to expect that this investment is made carefully and that CLP's assets are operated and maintained to the highest standards. Similarly, in the ongoing debate about our industry, our customers are entitled to expect outstanding levels of performance and service in return for the reasonable and carefully monitored tariffs they are asked to pay.

Energy for Life

In the past year, as in previous years, we have maintained excellence in the delivery of electricity to power the social and economic life of our community. CLP has continued to offer outstanding performance in all the respects by which the quality of the supply of electricity should be measured.

- Reliability – once again, the reliability of our electricity supply is amongst the best of any city in the world – more reliable than New York, London and Sydney and greatly superior to that delivered to customers in other major cities of China, such as Beijing, Shanghai or Shenzhen. The strength of our network and the commitment of our staff was tested during the night of 23 July 2012 when typhoon signal No. 10 was hoisted as Severe Typhoon Vicente passed over Hong Kong. Supply to only 36,500 customers was affected. Despite hurricane-force winds and heavy rainfall, by around 10:00 a.m. the following morning supply had been restored to all except 4,000 customers, whose supply was restored during the day. The scale of outages was around one-tenth of that experienced the last time typhoon signal No. 10 had been hoisted, during the passage of Typhoon York in 1999. This demonstrated the reinforcement of our system strength and our increased organisational capability over the past decade. Whilst weather events and supply networks are never identical, I am aware that comparisons have been drawn between the almost inconsequential impact of Severe Typhoon Vicente on electricity supplies in Hong Kong and the major disruption experienced in New York during and after the passage of Hurricane Sandy in November 2012.

- Efficiency – the reliability of our generating assets, transmission network and retail services rests on effective cost management and carefully targeted investment. For example, our reserve margin (the extent to which the maximum potential output of all our available generating capacity exceeds the previous maximum demand for electricity – which reached a new level of 6,769MW on 28 August 2012) now stands at only 31%, well within the reserve margin recommended by the International Energy Agency at 20% to 35%. By comparison, Singapore adopts a reserve margin of 50%.

- Environmental performance – due to the depleted gas reserves in the Yacheng field, which supplies gas for power generation at Black Point, less natural gas was available for use in 2012. Despite this, we were still able to keep emissions within regulated limits. Although experiencing a slight increase compared to 2011, total emissions are down by more than 80% compared to 1990, even though electricity demand actually increased by 81% over the same period.

- Customer service – we benchmark the standard of our customer service against electricity utilities across the world. Whilst we always aim to do better, we believe that the level of service we offer our customers compares favourably with that available to consumers anywhere in the world, including in the most developed economies.

- Tariff – CLP raised tariffs by an average of 5.9% with effect from 1 January 2013. We have done all we can to minimise the scale of this increase. However some increase is unavoidable, given the higher cost of fuel that we must pay to generate electricity to supply our customers. This is especially the case as the price and volume of natural gas we buy increases whilst we implement the Government's drive towards the lower use of coal and the greater use of gas, as part of Hong Kong's transition to cleaner generation. Even after the January tariff increase, CLP's tariffs, on average, remain amongst the most competitive in the world. To take a single example, residential electricity tariffs in Singapore (which has moved towards predominantly gas-fired generation and has competition between different generating companies) are 76% higher than the average tariffs paid by CLP's customers in Hong Kong.

- Affordability – since 1991, Hong Kong's GDP has grown by about 190% and average household incomes by over 100%. Electricity has become more, not less, affordable over the past 20 years. In fact, taking into account inflation, CLP's customers are paying almost 20% less in real terms today than they were in 1990.

Going Forwards

We will continue to build on the existing excellence of our Hong Kong electricity business for the benefit of our shareholders, our customers and the community at large.

<u>Environmental Improvement</u>

On environmental matters, the Government has announced plans to broadly achieve new air quality objectives (known as "AQOs") by 2020. I welcome the new Administration's commitment to pursue improvement in air quality on all fronts through better coordination of relevant policies on environmental protection, energy, transport and planning, as well as cooperation with Guangdong. I also welcome the remarks of the Chief Executive of the Hong Kong SAR in his recent Policy Address to the effect that Government and the community must make choices and take responsibility to make the right decisions, for the well-being of future generations. Such an approach by Government, with clear objectives and a roadmap to achieve cleaner air backed by the community as a whole, will support the efficient and timely long-term planning of CLP's generating capacity and key power supply infrastructure, which is essential to making sure that we can continue to do our part.

The Government completed a public consultation process on Hong Kong's climate change strategy and action agenda at the end of 2010. Its consultation document proposed to change Hong Kong's fuel mix for electricity generation to 50% nuclear, 40% gas, 3 to 4% renewable energy, and no more than 10% coal, by 2020. In 2012, following consideration of the lessons from the Fukushima nuclear accident, Government reactivated the public engagement process. Such engagement is important as I do not yet see any clear community consensus around issues such as the increased import of nuclear energy, or the extent to which energy users are prepared to pay higher tariffs for low carbon generation. As with improvements to our air quality, clear objectives shared by Government and the community, and a timely roadmap, will allow CLP to make its contribution in the most efficient and effective way possible.

Reliability and Customer Service

I see no uncertainty about the overwhelming importance which the community, and those who speak for them, will always place on outstanding levels of reliability. We will maintain the world-class levels of supply reliability which our community demands and expects. This will involve ongoing investment in Hong Kong's electricity infrastructure, including that necessary to power the substantial new developments underway in our supply area, such as at Kai Tak and in West Kowloon. This investment will also support further improvements in customer services. I believe that our role will increasingly become one of helping our customers use their energy wisely and efficiently, as opposed to merely being a supplier of power. The extensive work that we are already doing in researching and testing smart grid technologies is an example of the way in which, through innovation and investment, our relationship with our customers will evolve over the remainder of this decade.

Tariffs

As regards tariffs, our commitment to tight cost control and operational efficiency will remain. Our longstanding record in holding down tariffs speaks clearly to this commitment and our determination to continue to do so in the future. However, Government's decisions (whether those already taken or those in prospect) to move towards cleaner generation and place greater weight on improvements in environmental performance have direct consequences on the cost of power generation and, therefore, tariffs. Like all of us in Hong Kong, I would welcome a significant improvement in local air quality. I also recognise that further changes in local power generation form part of a much wider range of measures which Government needs to take towards this objective. In the power sector, as much as in any other part of our economy, measures to achieve environmental improvement must be paid for.

I have previously suggested that, as a result of gas supply agreements with Mainland suppliers required by the Memorandum of Understanding (MOU) signed between the SAR Government and the Central People's Government in 2008, fuel costs alone will increase by around 250% between 2011 and 2015. This is because CLP will be required to use twice the current volume of natural gas, and the cost of this gas will be three times the price of the gas which was secured 20 years ago. This is the equivalent of a 40% increase in overall cost to consumers and will require regular and, at times, substantial tariff increases over several years.

The tariff increase with effect from 1 January 2013 is an example of this underlying trend. The actual trajectory of tariff increases over the next few years will be determined by factors such as the cost and availability of fuel in the energy markets, the speed, scale and direction of the implementation of Government's energy policies and the future level of energy demand. These factors cannot be predicted with certainty. I cannot, therefore, forecast the precise timing and levels of ongoing increases in electricity costs. I can foresee that these will be significant, in comparison to past trends (which, for example, saw CLP's tariffs frozen between 2000 and 2007). I can promise that CLP will make every effort to minimise the impact of these unavoidable pressures on future tariff levels.

Constructive Engagement and Transparency

I can also promise that CLP will work constructively with the SAR Government in managing and explaining these tariff pressures, as well as on the other important issues on which we must work together over the next five to six years. These include the Development Plan, which will set out the approved programme for CLP's investment in Hong Kong's electricity infrastructure between 2014 and 2018, and the Interim Review in 2013, where changes to the existing Scheme of Control (SoC) agreement can be mutually agreed by Government and CLP. In considering both issues, to ensure that Hong Kong can continue to enjoy an excellent electricity service into the future, Government must move forwards in a structured, balanced and fair manner, setting out its expectations for Hong Kong's electricity supply and how these expectations should best be met. Public attention is overwhelmingly paid to tariffs, which is understandable, whereas the other qualities of CLP's electricity service are taken for granted. In its consideration of the Development Plan it is vital that Government takes into account not only the cost implications of investment, but also the manner in which this will contribute to safeguarding, and where appropriate enhancing, the other critical aspects of a balanced electricity service, including reliability, security of supply, environmental performance and customer service.

Looking further ahead, the current SoC agreement is due to expire in 2018 if Government decides not to exercise the option to extend it for another five years. The duration of arrangements for gas and nuclear supply, as well as the operational life of new generation and transmission facilities, is 20 years or more. In other words, clarity on the post-2018 regulatory framework will be increasingly important if timely investment is to be made to ensure the continuation of Hong Kong's world-class electricity supply and the early and effective implementation of Government policies on environmental improvement.

I recognise that Government, legislators, the media and the community will expect CLP to be even more transparent in explaining the implications and costs of decisions about energy policy, the future direction of the power sector and the efficiency with which CLP conducts its business. We have nothing to fear from a frank and intelligent discussion about our business. On the contrary, an informed and open debate will contribute to informed and open decision-making about the future shape of Hong Kong's power sector.

I am confident that the outstanding quality of our Hong Kong electricity business, our capability to enhance that business in line with our customers' expectations and our willingness to engage in a constructive dialogue with our society about the future shape of this business mean that the supply by CLP of power to Hong Kong will remain central to the development and well-being of our community and to the delivery of value to our shareholders for many years to come.

Although CLP's operating earnings were down in 2012, the Board's confidence in our business and in its prospects for continued growth has been expressed in the decision to increase the dividends for the year by a fourth interim dividend of HK$0.98 per share.

The Hon. Sir Michael Kadoorie

CEO'S STRATEGIC REVIEW

2012

Implicit in CLP's strategy are two judgments. The first is that the slowdown in growth in electricity demand in Hong Kong, coupled with increasing regulatory risk, means that it is prudent and in the long-term interests of shareholders, to diversify CLP's business beyond reliance on a single business in Hong Kong. Secondly, that CLP's core operating, commercial and financial capabilities permit CLP, over time, to invest effectively and profitably in markets in Asia Pacific beyond Hong Kong, even if those markets may be more volatile than our existing Hong Kong electricity business.

CLP's performance in 2012 reflected both these identified risks, namely regulatory pressure in Hong Kong and the unpredictability of earnings elsewhere. For the Hong Kong business, CLP has always recognised the priority to be given to the ongoing management of the interface with the HKSAR Government, both to protect shareholders' interests under the current SoC and to position the business for any changes that might occur if the initial term of the SoC ends in 2018.

The volatility and unpredictability of earnings from our investments outside Hong Kong was also illustrated in 2012. During 2011, our non-Hong Kong businesses contributed 34.3% of Group operating earnings, before unallocated expenses, HK$3,711 million out of HK$10,831 million. This was the highest contribution that those non-Hong Kong businesses have ever contributed to Group operating earnings. In contrast, during 2012, the earnings from CLP's non-Hong Kong businesses were only HK$2,565 million, a decrease of 30.9% compared to the corresponding period in 2011 and constituting only 25.7% of Group operating earnings, before unallocated expenses, for 2012. The decline in operating earnings outside Hong Kong was further exacerbated by the impact on total earnings of both the Yallourn mine flooding, HK$790 million, and the impairment of our investment at Jhajjar and Boxing Biomass of HK$409 million.

2012 has, therefore, proved to be a difficult year for the CLP Group with total operating earnings of HK$9,406 million, 8.8% below those of 2011. The major challenges which CLP has faced in 2012 include:

- a difficult political and regulatory environment in Hong Kong;

- the negative effect on EnergyAustralia of an overall slowdown in electricity demand growth in the National Electricity Market leading to suppressed wholesale energy prices;

- operational and financial problems at Jhajjar, principally the result of insufficient, erratic and poor quality of coal supply from Coal India Limited (CIL);

- notwithstanding improved performance slower than expected delivery of earnings from CLP India's wind portfolio; and

- a delay in the approval of CLP's proposed investment in the Yangjiang nuclear plant, as well as the implications of the Mainland authorities' assessment and implementation of the outcome of the National Nuclear Safety Review, following the Fukushima nuclear accident in March 2011.

Looking Ahead

In the following paragraphs I offer an outline of the key factors which may impact, positively or negatively, the performance of the CLP Group's various business activities over the coming years.

Hong Kong

As noted above, the ongoing management of the interface with our regulator, the HKSAR Government, is a priority for this business. CLP has already reinforced the resources devoted to stakeholder management in Hong Kong. The effectiveness of this work is particularly important for the successful outcome of a number of issues, including:

- Tariff management, including increases to basic tariff and the fuel clause charge. CLP will do everything possible to control costs and enhance business efficiency. However, further tariff increases are inevitable due to rising fuel costs and to avoid further substantial increase in the deficit in the fuel clause account (which arises when customers are billed less than the actual cost of the fuel paid by CLP to generate the electricity they consume).

- The Development Plan 2014-2018 which will set out CLP's approved capital expenditure over the remainder of the current SoC. We expect close scrutiny of planned capital expenditure during the Development Plan period. As remarked in the Chairman's Statement, whilst Government will place significant weight on the tariff implications of additional investment, it is important that due regard is paid to system and operational needs, benefits or consequences.

- Interim Review. The current SoC agreement provides for an Interim Review in 2013. Under this Review, changes to the SoC can be made by mutual agreement between CLP and Government. As with previous interim reviews, CLP will approach any discussions with Government in a constructive and open-minded spirit. We will not be ready to accept amendments which are unfair or one-sided and which run counter to the fundamental character of the SoC agreement as a binding contract between its parties.

- The Government-to-Government MOU on Energy Cooperation signed in 2008 provided the basis on which CLP must enter into long-term commercial agreements and invest in the necessary infrastructure, within both the HKSAR and Guangdong Province, to support Hong Kong's transition to cleaner energy. Those agreements and the associated investments will need approval from the SAR Government.

- Air Quality – Government policy on improving local air quality will impact the emissions control targets set for power generation in Hong Kong, the fuel mix required to meet those targets and the capital expenditure on additional, replacement or improved generating capacity.

Aside from the effective management of the interface with the SAR Government, CLP's "social franchise" in Hong Kong depends on the continued quality of our operations and the recognition by Government and the community of CLP's performance on tariff, reliability, environmental impact and customer service levels. Supported by ongoing, targeted capital and operating expenditure we will improve the quality of our electricity service, wherever possible.

In March 2012, CLP announced that negotiations were taking place with ExxonMobil for the acquisition by CLP, in joint venture with China Southern Grid (CSG), of the entirety of ExxonMobil's 60% shareholding in CAPCO. The negotiations with ExxonMobil have been protracted and there has been a considerable gap between CLP/CSG and ExxonMobil on the valuation and terms of any such acquisition. At present I can add nothing to the announcement previously made nor offer any indication of whether or when an agreement might be reached with ExxonMobil. I would, nonetheless, emphasise that if any agreement did materialise, the terms of this will be openly disclosed to shareholders and must be such that the Board and I are satisfied will deliver future value to them.

<u>Australia</u>

It was an exceptionally challenging business environment, with a number of external market factors influencing the business during 2012. These included the introduction of a carbon tax, reduced wholesale energy prices, consumer concern about rising energy prices, declining energy demand and a significant downward revision of future demand projections, all combined with continuing high retail competition in our key markets and regulatory uncertainty around price setting by New South Wales (NSW) and Queensland. These factors impacted the industry as a whole, providing difficult trading conditions for ourselves and our major competitors alike.

Against this background, we focused on the fundamentals of the business while positioning ourselves to meet the future needs of our customers. We rebranded the business, implemented a new retail billing system, introduced new retail products, defended our market share and optimised the profitability of generation across our portfolio. We also continue to develop and deliver strong advocacy positions particularly around gas market transparency and retail price regulation. We responded with commitment, resourcefulness and ingenuity when faced with the breach of the Morwell River Diversion which temporarily disrupted operations at our Yallourn Power Station.

EnergyAustralia is placing particular emphasis on an ongoing programme of operational improvements, including:

- a comprehensive review of costs and processes and a series of management initiatives intended to improve business performance across the portfolio;

- managing the implications of reducing growth in energy demand leading to suppressed wholesale prices. This requires EnergyAustralia to pursue strategies which optimise the manner in which the availability of its generating capacity and energy trading activities are conducted;

- completion of the long-term remediation works at Yallourn, in a cost-effective and durable manner, following the Morwell River Diversion failure in June 2012;

- reducing delays in customer billing and collections;

- maintaining retail customer accounts in a competitive market while improving efficiency; and

- completion of the integration of the retail customer base acquired in the NSW privatisation with those of the legacy TRUenergy business. This includes the roll-off in early 2014 of the Transition Services Agreement (TSA) (under which Ausgrid, the NSW State-owned entity and previous owner of the retail business, continues to provide customer support) which should lead to significant reductions in the cost to serve the NSW retail customers.

Whilst no decision has been taken regarding the principle, timing or terms of any listing of EnergyAustralia, this was an option to which we gave serious consideration in 2012. We decided not to proceed as we believe that with the operational imperatives and general economic environment described above, the current earnings performance of the business falls short of the level which we believe the company can deliver on a longer term and sustainable basis. This suggested that a listing of the EnergyAustralia business in 2012 was unlikely to deliver full value to CLP's shareholders from their investment in Australia.

In the short term I do not envisage substantial investment in new assets or projects in Australia, with the exception of a limited amount of wind generating capacity and possible participation in the planned privatisation by the NSW Government of its remaining interests in State-owned power generation assets. We have strengthened the senior management resources and organisational capability of EnergyAustralia in the past two years. The organisation has the capability and clarity of focus to deliver improved performance.

Chinese Mainland

CLP's investments in conventional and renewable energy in the Chinese mainland performed well in 2012. This reflects the continuation of CLP's "niche" strategy of selective investments in coal-fired generation and renewable energy in China, accompanied by the divestment of minority stakes in joint ventures (predominantly coal-fired generation) where CLP has no significant measure of control and growth prospects appear limited. The timing of any such divestments is at our option and will be dependent on market conditions, as evidenced by satisfactory prices and terms.

The major investment which I foresee in the Mainland is the commencement and commissioning of an additional 1,320MW generating capacity at Fangchenggang II (in which CLP will hold a 70% interest). Fangchenggang I has proved a successful investment. Whilst the investment case of Fangchenggang II must be judged on its own merits, the performance of Fangchenggang I provides grounds for confidence in this expansion project, even taking into account the possibility of lower utilisation hours than has previously been the case at Fangchenggang I.

We aim for steady growth in CLP's wholly-owned wind energy portfolio. This will be characterised by a broad focus on projects in Southern China. Compared to Inner Mongolia and other northern provinces these are less affected by grid restrictions, even if the wind resource may be inferior. With the exception of a 45% shareholding in a 49.5MW project at Laizhou Phase II, CLP does not envisage additional investment in wind energy projects which are not wholly-owned.

CLP's move towards renewable energy will also include majority-owned solar energy projects, where CLP envisages to exploit the opportunity, which may be temporary, to benefit from the combination of reduced solar panel prices and tariff support that has not yet been adjusted downwards in line with the fall in project costs. Further investment in small to medium size hydro projects in China has been slowed by a tariff regime which is not supportive of such projects, relative to other renewable energy sources. CLP's successful experience at Huaiji and Jiangbian would allow us to pursue such projects if they came forward.

Nuclear

CLP has reached an agreement in principle with China Guangdong Nuclear Power Holding Company, Limited (CGNPC) for the acquisition of a 17% shareholding in the Yangjiang Nuclear Power Station. However, the completion of the six units at Yangjiang was delayed, awaiting the completion of the National Comprehensive Nuclear Safety Review Report following the Fukushima accident. Following the recent approvals by the State Council of the Plans for Nuclear Power Safety and Nuclear Power Development (2011–20), CLP is assessing the overall cost impact of possible design changes for the Yangjiang Project and the technology choice for Units 5 and 6 before proceeding with the regulatory approval process to complete the acquisition of the 17% shareholding in Yangjiang. Although our decision remains open, my current expectation is that CLP's review of project costs, equipment choices and investment returns would confirm our in-principle decision to invest in Yangjiang, subject to the necessary approvals for that investment being forthcoming.

India

The poor operating and financial performance of the newly commissioned Jhajjar Power Station remains the major priority for CLP India. Each link in the project chain presents substantial challenges.

These challenges all result, directly or indirectly, from the problems of coal supply. There is no single step or "silver bullet" which can rapidly and effectively cure the issues faced by this project. However, a series of measures are already underway, including the use of imported coal (initially of an amount representing 15% of plant requirements, with in-principle support obtained on 16 January 2013 and since confirmed in a meeting with the Chief Minister of Haryana, to increase this in the Indian fiscal year 1 April 2013 to 31 March 2014) and improvements to the coal handling equipment.

The technical performance of the plant has improved tremendously, despite a commissioning period which was badly disrupted by coal shortage. Technical plant availability in January 2013 was 96.7% – if coal is delivered, we will generate electricity reliably and to the full capacity of the power station. Through intensive effort, CLP expects an improvement in the financial and operating performance of Jhajjar over the next 6 to 18 months, largely attributable to slow but steady increases to the level of coal supplied to Jhajjar from both domestic and international sources. It may, however, take two to three years before Jhajjar reaches a point where its operations might be regarded as stable and predictable and on track to deliver returns close to the investment case. In all the circumstances we have considered it appropriate to make a provision for Jhajjar in this year's financial statements in the amount of HK$350 million (HK$315 million after tax).

CLP's longstanding investment in the 655MW gas-fired power station at Paguthan continues to perform satisfactorily. Under the current Power Purchase Agreement (PPA), a substantial measure of protection is afforded against difficulties in both the volume and pricing of gas supplies. Efforts have been underway for some years to obtain secure, stable and competitively-priced gas for Paguthan, failing which the economic performance of the plant risks to be adversely affected upon the conclusion of the existing PPA in 2018.

Against this background, I do not contemplate further investment by CLP India in thermal power generation for the time being. Our focus is on improving the performance of Jhajjar and securing the longer-term economic prospects of Paguthan.

The financial performance of the Indian wind portfolio has been improving as a result of:-

- improved wind resource measurement of new projects;
- higher output as a result of a series of improvements we have made in our oversight and active management of the operations and maintenance of the wind turbines by the suppliers; and
- wind resources which have indicated some movement back to forecast levels.

New investment in India will centre on continued growth of CLP's wind energy portfolio. Some solar and hydro investments may be contemplated, having regard to the quality of the relevant projects, in the interests of a balanced renewable energy portfolio.

Southeast Asia & Taiwan

We do not contemplate additional investment in these markets, other than the possibility of one or both of the greenfield coal-fired power station development projects in Vietnam coming to fruition. Over the next 12 to 18 months, these projects, which have been under development for a number of years, may advance to a point where CLP will have to decide whether to proceed or to monetise the value of the development work which has been completed.

CLP's remaining 20% stake in the Ho-Ping Power Station in Taiwan might be regarded as a legacy investment, in the sense of being a minority shareholding with little expansion potential. However, Ho-Ping has provided a regular and stable contribution to Group earnings, whilst making few demands on management time and resources.

Funding

Over the past five years, CLP has invested substantially in the implementation of its strategy. Whilst our balance sheet remained healthy, we needed to consider options to support the financing requirements of our business in light of:

- investment opportunities across our various business streams in line with strategy;
- the maintenance of a strong and stable dividend;
- safeguarding our good investment credit rating; and
- presenting a prudent capital position.

This led to a decision to proceed with a placement in December 2012 of new shares representing an additional 5% of CLP's existing issued share capital. The net proceeds from the placement of HK$7.56 billion will be used for expected investment needs across CLP's business, notably ongoing investment in the Hong Kong electricity business, such as in infrastructure related to gas supply from the Mainland and additional generating capacity in those markets where CLP is already present, such as the expansion of Fangchenggang and development of renewable energy projects.

FINANCIAL PERFORMANCE

Whilst earnings from our Hong Kong electricity business grew moderately, the volatility of the Australia business significantly affected our operating earnings. The operating loss from India was largely attributable to the severe coal shortages experienced at Jhajjar. Taking into account the costs of the Yallourn mine flooding (HK$790 million), impairment provisions for Jhajjar and Boxing Biomass (HK$409 million) and other one-off items, total earnings declined 10.5% to HK$8,312 million.

	2012		2011		**Increase/ (Decrease)**
	HK$M	**HK$M**	HK$M	HK$M	**HK$M**
Electricity business in Hong Kong (HK)		**6,654**		6,339	315
Energy business in Australia		**1,685**		2,911	(1,226)
PSDC and sales to Guangdong from HK	**108**		116		
Nuclear power business	**592**		595		
Other power projects in Chinese mainland	**819**		560		
Electricity business in India	**(182)**		154		
Power projects in Southeast Asia and Taiwan	**243**		86		
Other earnings	**51**		70		
Earnings from other investments/operations		**1,631**		1,581	50
Unallocated net finance costs		**(74)**		(48)	
Unallocated Group expenses		**(490)**		(471)	
Operating earnings		**9,406**		10,312	(906)
Yallourn mine flooding		**(790)**		-	
Impairment provisions for Jhajjar and Boxing Biomass/Yallourn		**(409)**		(1,933)	
Tax consolidation benefit from Australia		**105**		-	
Gain on sale of EGCO		**-**		876	
Valuation gain on Hok Un redevelopment		**-**		225	
Stamp duty for NSW Acquisition		**-**		(640)	
Gain on reorganisation of Roaring 40s		**-**		300	
Gain on sale of 3.8% interest in ESG		**-**		148	
Total earnings		**8,312**		9,288	(976)

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

BUSINESS PERFORMANCE

Electricity Business in Hong Kong

Financial Performance

In 2012, the earnings from our Hong Kong electricity business were HK$6,654 million, a 5% increase from HK$6,339 million in 2011. This increase was due to the permitted return from a higher level of average net fixed assets over the year, partially offset by the higher interest costs on increased borrowings for the financing of fixed assets.

Operational Performance

Meeting Demand

As we have long said, the most important aspect of our performance remains our ability to meet the demand for electricity in Hong Kong, every day of every year. We achieved this again in 2012.

Local sales of electricity were 31,995GWh, representing an increase of 2.7% from 2011. This growth was mainly attributable to higher humidity in the first quarter and hotter weather in the second quarter of 2012. Strong growth was recorded for sales to the residential, infrastructure and public services sectors, whereas sales to the commercial sector showed only moderate growth. There was slight sales growth for the manufacturing sector.

Local Sales	Increase		As Percentage of Total Local Sales
	GWh	%	
Residential	306	3.6	28%
Commercial	247	1.9	40%
Infrastructure & Public Services	270	3.4	26%
Manufacturing	4	0.2	6%

Sales to the Chinese mainland decreased by 37.8% to 1,838GWh in 2012. Total electricity sales in 2012, which included both local sales and sales to the Chinese mainland, decreased by 0.9% to 33,833GWh.

Capital Investment

In 2012 we invested HK$8.6 billion in generation, transmission and distribution networks, as well as in customer services and supporting facilities. These investments enhance the reliability, stability and efficiency of our supply network and quality of our customer service. They also ensure the timely provision of electricity supplies for residential property developments and ongoing infrastructure projects in our supply territory, such as the Express Railway Link, Shatin to Central Link, Hong Kong-Zhuhai-Macau Bridge and the development of West Kowloon and Kai Tak. In addition, the construction of a new gas receiving station and modifications for equipment at the Black Point Power Station continued through 2012 to enable the plant to migrate from the gas received from the existing Yacheng field to the future gas supplies arriving from the Chinese mainland.

Gas Supply

In 1996, we secured a supply of natural gas at Yacheng with a 20-year contract. This helped us to supply Hong Kong with abundant, reliable power as well as supporting significantly enhanced environmental performance and a stable tariff regime. The Yacheng supply of natural gas is now depleting. The MOU signed between the HKSAR Government and the Central People's Government in 2008 provided for the long-term gas supply to Hong Kong from three new sources in the Mainland. Of these, the Second West-East Gas Pipeline (WEPII) is the earliest available source.

The approval of a Gas Supply Agreement (GSA) with PetroChina in December 2012 for the import of natural gas from PetroChina's WEPII was a major step forward in the implementation of the MOU. Natural gas to be supplied through this 9,000 km long pipeline arrived in Hong Kong before the year-end. This new gas resource is delivered through a newly constructed launching station at Dachan Island in Shenzhen, a subsea gas pipeline and the end-station at Black Point. These new facilities, collectively referred to as "The Hong Kong Branch Line" (HKBL), are jointly owned by PetroChina (60%) and CLP (40%). The new gas receiving station at Black Point is now complete. Modifications to the eight gas-fired generation units are scheduled for completion by mid-2013.

Under the approved GSA, the gas price will be set using a clear and transparent mechanism, based on a formula reflecting the cost of the commodity and the transportation elements, as well as being in accordance with PRC regulatory guidelines.

The HKBL project is an important step in the integration of Hong Kong with Guangdong's energy infrastructure and brings access to a vast gas supply resource from Central Asia. The total investment cost of the HKBL is around RMB4 billion, of which CLP will bear 40% in line with its shareholding. CLP's investment in the HKBL will not be included as an asset under the SoC. The investment return level is in line with the PRC's regulatory guidelines, and constitutes a reasonable and stable return which will be recovered through a transportation charge payable by CAPCO under the GSA starting from 2013.

Subject to the further development of the Hong Kong Government's energy, environmental and climate change policies, we expect the use of natural gas to increase. If so, gas supplies beyond the volume provided under the recent agreement with PetroChina are likely to be required in the second half of this decade. We are exploring new supply options, as contemplated under the MOU. These include PetroChina's proposed Shenzhen liquefied natural gas terminal, targeted for approval by the National Energy Administration in 2013, as well as gas from new fields in the South China Sea. Discussions on various long-term supply arrangements are on-going.

Reliability

CLP delivers one of the most reliable electricity services in the world. Since 2000, supply reliability has improved by nearly 80%. In the last three years, a typical CLP customer would have experienced an average of only 2.6 minutes of unplanned power interruptions per year, as compared to 19-40 minutes in New York, Sydney and London (between 2009 and 2011 – the latest available data).

Tariff

Supply reliability, power quality, excellent customer service and environmental improvement come at a price, which must be reflected in the tariff paid by our customers for their electricity. We do everything possible to maintain tariffs at reasonable levels. Even so, a tariff increase for 2013 was unavoidable. CLP was able to keep its average 2013 basic tariff unchanged due to continued stringent cost management of capital and operating expenditures and the effect of higher than expected electricity sales due to warmer weather in 2012. However, because of the increase in fuel costs and an adjustment to the rent and rates special rebate, the Average Net Tariff increase in 2013 was 5.9%. Of this, 4.7% was due to the increase in the fuel clause charge as new natural gas supplies arrive through the WEPII. Whilst this gas is priced at the prevailing international market level, it will be around three times the price of that from the existing Yacheng field, which was contracted 20 years ago when energy prices were significantly lower.

CLP will also provide a rent and rates special rebate at 2.1 cents per unit to all customers in 2013. We expect that, by the end of 2013, this rebate will complete the return to CLP's customers of all the rent and rates payments overcharged by Government and subsequently refunded to CLP.

CLP introduced a new Energy Saving Rebate Scheme with effect from 1 January 2013. This scheme will assist low consumption customers and encourage energy efficiency. 35% of domestic customers and 44% of small business customers will bear no increase, or even enjoy a small reduction in their electricity bills depending on their consumption levels. To promote energy saving, the tariff structure for residential users has been adjusted in order to encourage high electricity consumption customers to consider energy saving (this will affect around 1% of domestic customers). At the other end of the scale, CLP introduced a one-off community care subsidy of HK$300 per eligible household as a way to alleviate tariff pressure for lower income households. This is expected to help over ten thousand low-income families across CLP's service area in 2013.

Even with the tariff adjustment in 2013, CLP's tariff is still highly competitive when compared with other major metropolitan cities. This is particularly striking since many of these cities do not benefit from the same level of supply reliability, power quality and customer service provided by CLP.

Energy Business in Australia

Financial Performance

EnergyAustralia's operating earnings in 2012 were HK$1,685 million, compared to HK$2,911 million the previous year. This 42.1% decrease in earnings was caused by a combination of factors including reduced customer demand, suppressed wholesale electricity prices, higher operating costs and higher fair value loss on energy contracts. Operating costs increased by HK$1,450 million or 35.7% year-on-year. Factors contributing to this included higher employee and contractor costs, increased marketing expenditure, bad and doubtful debts, and increased costs associated with the TSA and Delta Western GenTrader contracts.

Operational Performance

Corporate

CLP's wholly-owned subsidiary in Australia previously operated as "TRUenergy". As TRUenergy we acquired the retail customer base of EnergyAustralia and the Delta Western GenTrader contracts from the NSW Government in March 2011. That acquisition more than doubled our customers and increased our generation capacity, and significantly expanded our presence in Australia's largest energy market, NSW. As a consequence, in October 2012 TRUenergy was rebranded — merging the best of the legacy brands in Victoria and NSW into a single, new and revitalised EnergyAustralia brand.

Retail

EnergyAustralia is one of Australia's three largest energy retailers. We supply gas and electricity to households and businesses across four states and one territory: Victoria, NSW, Queensland, South Australia and the Australian Capital Territory with a total of 2.8 million customer accounts. In NSW and Victoria we hold market shares in excess of 25%, approximately 12% in South Australia and less than 5% in Queensland.

In September we launched our new Customer Care and Billing platform. This is easier and more efficient to use than its predecessor and materially improves the quality of retail data used in the business, positioning EnergyAustralia to offer a level of service to our customers which is far superior to that possible under the previous legacy system.

Retail electricity prices for both mass market and industrial customers in all States were increased on 1 July 2012 as a result of the introduction of a cost of carbon by the Australian Government. Prices in NSW, Queensland and South Australia were also increased at the same time in line with the annual price review process. The corresponding annual process for Victoria results in an increase in retail prices in the State with effect from 1 January each year.

When combined with the highly competitive retail energy market in Australia, such increases reinforce the need for EnergyAustralia to enhance customer service, whilst controlling cost, in order to retain existing customers and to attract new ones. EnergyAustralia defended its market position well in 2012. Our churn out rate, which measures customers switching from one energy retailer to another, was below the industry average in Victoria and only marginally above market in NSW despite the aggressive push for market share in the electricity market by non-incumbent retailers.

During 2012 we witnessed a decline of electricity usage across our customer base. For instance, in our legacy, predominantly Victorian customer base (previously serviced by the TRUenergy brand), we saw a decline of around 10% in average mass market electricity consumption from 6.5MWhs in 2011 to 5.8MWhs in 2012.

A number of factors contributed to the reduction in customer electricity consumption including the underlying demand changes of a more cost aware consumer, energy efficiency, weather and the impact of increased residential solar photovoltaic penetration.

Wholesale

EnergyAustralia’s operated gas-fired power stations, at Tallawarra and Hallett, performed safely and reliably during the year. The energy produced by the Tallawarra Power Station was more cost competitive after the introduction of the carbon price and a decrease in the cost of gas which resulted in the power station performing well over the second half of the year. The Iona Gas Plant also performed well with high commercial availability.

On 6 June 2012 water from the Morwell River Diversion entered the Yallourn mine, following the collapse of a coal conveyor tunnel that runs beneath the diversion. This flood impacted coaling operations and reduced the output from Yallourn Power Station. No one was injured in the incident and work swiftly commenced to stem the flood and remove the water from the mine. Whilst this was a serious and costly event, the response from EnergyAustralia’s staff, and those of the partner companies that work alongside them, was outstanding. Coal transport via conveyor was re-established from 11 July, allowing generation to increase from one to three units. All four units were available from early August. On 8 October the second coal conveyor was returned to service. An additional liner system and drainage in the river diversion is being installed to help prevent future breaches.

While the Yallourn Power Station was able to run all four generation units from August onwards, EnergyAustralia decided to scale back generation to only three units. Factors influencing this decision included the introduction of a carbon price on 1 July, combined with falling electricity demand and a suppressed wholesale electricity price environment. Planned maintenance operations were brought forwards for some units during this time. We returned to a four unit operating strategy in early January 2013 due to increased summer demand.

EnergyAustralia has a 20% equity stake in the Narrabri coal seam gas (CSG) project, located in the Gunnedah Basin, Northern NSW. This interest secures 500 PJ of 3P reserves and provides an alternative source of gas supply, further diversifying the forward gas supply portfolio. The project is operated by Santos, an experienced CSG developer and operator. In 2012, the project was delayed due to government review of regulations and community concerns. The regulatory framework is now issued and the key licences for the project have been renewed. Santos has implemented a broad programme to resolve legacy issues with integrity of equipment and water treatment facilities and raised safety, health and environment standards to its corporate standard. The key programmes in 2013 will progress the project towards development with further exploration and appraisal drilling and gas production to expand and confirm reserves, engineering design and implementation, community engagement and preparation of an Environmental Impact Statement. EnergyAustralia has established a joint venture management team and we are developing our knowledge of the critical CSG sector.

Electricity Business in the Chinese Mainland

Financial Performance

Earnings from the Chinese mainland totalled HK$1,411 million in 2012, an increase from HK$1,155 million in 2011.

This includes earnings from our 25% stake in the Daya Bay Nuclear Power Station, 70% of whose output serves our Hong Kong electricity business. Those earnings decreased slightly, mainly because of lower average shareholders' funds, offset by a dividend income of HK$55 million from DNMC (the management company of Daya Bay Nuclear Power Station – in which CLP has a 12.5% interest).

Earnings from CLP's coal-fired projects increased by 56.5% as a result of higher tariff and lower coal prices. Fangchenggang continues to make a significant contribution to earnings. Significant improvements to earnings were also seen from our investments in the Guohua International and Shandong joint ventures due to the combination of an increased on-grid tariff and the drop in domestic coal prices in 2012.

Earnings from renewable projects were also higher due to the commissioning of new wind projects, but partly offset by lower earnings contribution from hydro projects due to less rainfall and lower demand.

Operational Performance

Coal-fired Power Stations

Fangchenggang is one of the most reliable power stations in Guangxi and has a competitive advantage through its use of imported coal. During 2012 we successfully completed trials with a wider range of coal types than originally assumed in the boiler design, thereby giving more choices in coal supply and scope for reducing fuel costs further. The National Energy Administration has given in-principle approval for the Fangchenggang II expansion, which would add two further 660MW units on the same site. Preparatory work is well underway and full-scale construction will start as soon as final approval has been issued by the National Development and Reform Commission. We hope this will be received in the first half of 2013.

Renewables – Wind Energy

20 out of our 22 minority-owned wind projects were in commercial operation in 2012 without significant operational issues. Of the remaining two, the 48MW Chongming project in Shanghai was delayed by the construction of the related transmission infrastructure, and the 49.5MW Haifang project in Shandong was delayed by local land permitting issues. In line with CLP's focus on wholly-owned projects, we expect that further expansion of minority-owned projects will be limited to a second phase at Laizhou in Shandong Province.

We have previously explained that CLP and our partner, CGNPC have different views about the speed and scale of the expansion of the CGN Wind joint venture. CGNPC wishes to expand the business more quickly than originally expected, whereas CLP has been concerned that such growth might result in the development of projects that do not match our own investment criteria. In these circumstances, we agreed to a restructuring of the CGN Wind joint venture that reduces CLP's equity stake from 32% to 15.75%. Approval for this was granted by the Mainland authorities in January 2013.

CLP's second wholly-owned wind project, Penglai Phase I (48MW) in Shandong was commissioned in February 2012. Final approval was received for the wholly-owned Laiwu Phase I (49.5MW) project. Construction is expected to commence in early 2013 and commissioning targeted for early 2014.

Renewables – Hydro, Biomass and Solar

Lower than average rainfall, particularly during the first half of the year, reduced output from Jiangbian and Dali Yang_er hydro stations. However, rainfall at Huaiji, in Guangdong Province, was above average and resulted in an increase in generation of around 50%, as compared to the previous year.

We continue our efforts to improve the performance of our biomass plant at Boxing in Shandong Province by optimising both operating procedures and the availability of biomass feedstock. However, operating losses were still recorded due to the high cost and low quality of the fuel. These issues are worsened by a regulatory framework that does not provide adequate tariff support and does not control the development of additional biomass generating capacity where feedstock supply is limited. In the circumstances we have recognised an impairment of HK$94 million in respect of the Boxing Biomass plant. Without substantial improvement in the business model for biomass projects in China, we do not envisage any further investment in this type of generation.

With the growing maturity of solar photovoltaic technology, the significant reduction in solar panel prices and China's feed-in tariff for solar power stabilising at a relatively attractive level, we have explored investment opportunities in solar projects with a focus on regions with good solar energy resources and strong local power demand.

On this basis, following a framework agreement in November 2012, CLP has now acquired a 51% equity interest in the Jinchang Solar Project (100MW) in Gansu Province. This is our first solar project in China and the country's largest tracking system solar farm to date. The final approval of the project was granted by Gansu Provincial Development and Reform Commission in December 2012 and the business registration of the joint venture was completed in January 2013. Construction is underway and targeted to complete in the second quarter of 2013.

Nuclear

The Daya Bay Nuclear Power Station achieved a utilisation rate of 92% in 2012, compared to 93% in 2011. The nuclear power station has continued to maintain smooth operation and its radiological releases into the environment are well within regulatory limits, without any adverse effect to nearby residents or the environment.

The PRC Government issued its findings and improvement measures in June 2012, following a comprehensive safety review of the nuclear installations in the Mainland after the Fukushima accident. This review concluded that operating nuclear power units in the Mainland have fully adopted the national nuclear safety standards and the latest International Atomic Energy Agency safety standards. Daya Bay Nuclear Power Station has been confirmed to have adequate guidelines in place to manage severe accidents, including the impact of a potential regional tsunami. Even so, a number of enhancements have been implemented at Daya Bay to reinforce the continuation of its longstanding, excellent safety record.

In January 2011, an enhanced public notification mechanism was introduced for non-emergency Licensing Operating Events (LOE) for Daya Bay Nuclear Power Station. There was a Level "0" LOE incident in April 2012. In line with this notification mechanism, the incident was reported within two working days, even though it had no nuclear safety significance nor any impact on external environment and public safety.

CLP continues to work with CGNPC, our longstanding partner in Daya Bay, to pursue regulatory approval for the acquisition of a 17% equity share in the Yangjiang Nuclear Power Station project (6 x 1,080MW) in Guangdong. The project is to be commissioned in phases, with the commissioning of Unit 1 expected in 2013 for supplying power to Guangdong.

Electricity Business in India

Financial Performance

The financial performance in 2012 of CLP's investments in India was disappointing with an operating loss of HK$182 million, compared to earnings of HK$154 million in 2011. Jhajjar reported an operating loss due to low availability. This was a result of coal shortages and technical problems caused by the poor quality of coal which has been supplied by CIL since the commissioning of Units 1 and 2 in March and July 2012, respectively. We have taken an impairment of Rs.2,470 million (HK$350 million) to the book value of our investment in Jhajjar. The post-tax impairment loss is Rs.2,227 million, or HK$315 million.

Operating earnings from Paguthan were slightly lower than in 2011. This was mainly due to heat rate loss and higher provision for doubtful debts. The wind energy portfolio delivered earnings of HK$47 million, due to the commissioning of new projects at Andhra Lake and Sipla and the higher wind resources experienced during the year.

Operational Performance

As a result of the coal supply problems, plant commercial availability over the period from August 2012 to January 2013 has only been 33%, compared to our forecast of about 86%. This severely impacts revenues under the PPA, including Jhajjar's ability to recover the full capacity charge. The difficulties in commissioning the plant during a period of inadequate coal supply, combined with unreliable and reduced electricity output have contributed to a number of issues with the off-takers. These cover matters such as the commencement date for payment of capacity charges, the treatment of coal handling agent charges and payment for coal losses in transit. Jhajjar is taking these issues to the Haryana Electricity Regulatory Commission for adjudication. The sums presently in issue amount to approximately HK$56 million. We intend to pursue these matters vigorously and in accordance with the terms of the PPA.

Recent months have seen some improvements in the operating performance at Jhajjar, notably as a result of the arrival of the imported coal and interim improvements to coal handling processes. We have also mastered the technical problems which arise on the commissioning of any new plant and which were exacerbated by a disjointed and disrupted commissioning process caused by inadequate and poor quality coal. Plant technical availability which was only 45% in August averaged 96% over the four month period to the end of January.

Our gas-fired power station at Paguthan in Gujarat performed well and continued to be our primary source of earnings in India. Plant availability remained in excess of 91%, reflecting the high standards of operation and maintenance which have long been in place at Paguthan. The station also continued achieving first-rate safety, health and environment standards. The long-term availability of reasonably-priced gas remains a challenge for Paguthan.

Wind Energy

Our Indian wind energy portfolio demonstrated significantly improved performance this year. The commissioning of an additional 77.6MW of wind energy capacity at Andhra Lake and Sipla, bringing the total capacity of our wind farms to 521MW, reinforced CLP India's position as the largest wind energy producer in India. In addition, we have a further 451MW of wind energy under development at Yermala in Maharashtra, Mahidad in Gujarat, Sipla, Bhakrani and Tejuva in Rajasthan, all of which we expect to commission by March 2014.

The increased earnings from our wind energy investment in India reflects not only the continued growth in this portfolio, but also our increased experience in assessing wind resources when deciding which projects to pursue. In broad terms, our early projects, such as Samana in Gujarat, have not met forecast wind resources, whereas our later projects have performed more closely to expectations. We have also made a series of detailed improvements to our operating and maintenance regimes which have contributed to higher output and availability. Whilst the operation and maintenance of our wind farms is contracted out on a long-term basis to the equipment suppliers, we have become a much more active, engaged and informed supervisor of the contractors.

Electricity Business in Southeast Asia and Taiwan

Financial Performance

The operating earnings from the Group's investments in Southeast Asia and Taiwan in 2012 were HK$243 million, a substantial increase from HK$86 million in 2011. This increase was mainly due to an adjustment to the Ho-Ping tariff, which reflects the higher coal price paid by Taipower in the previous year, and higher generation due to a major overhaul in 2011. Coal market prices have subsequently fallen, which further improves Ho-Ping's earnings. In addition, the Lopburi solar project in Thailand, in which CLP holds a one-third stake, contributed earnings of HK$38 million.

Operational Performance

Ho-Ping continued to provide a reliable and economic power supply to the Taiwan grid, and has been dispatched at high levels of utilisation.

The 55MW Lopburi solar project in Thailand, in which CLP's 33% shareholding is held through Natural Energy Development Co., Ltd. (NED), achieved full operation in March 2012. This is the first industry-scale solar project in the CLP portfolio and was completed within budget and on schedule. Construction of an 8MW expansion at an adjacent site has commenced, with commercial operation scheduled for early 2013. CLP has provided management leadership and technical support for the development, construction and operation phases of this project.

CLP and Mitsubishi Corporation have been co-developing two coal-fired projects in Vietnam, both based on imported coal and to be developed on a build, operate and transfer basis. The 1,320MW Vung Ang II project has secured sufficiently firm pricing of capital and operating costs to enable tariff negotiations to be carried out with the Vietnam Government. The 1,980MW Vinh Tan III project is now the subject of negotiations with the Vietnam Government on key project documents. The results of both such negotiations should enable CLP to determine the viability of these projects.

Safety

Safety is an absolute priority – year in, year out, day in, day out. No fatal accident was reported at any of our operationally-controlled or majority-owned assets. In 2012 we worked on a Group Health, Safety, Security and Environmental Management standard to promote a more integrated approach to the management of these issues, based on widely recognised international standards. This is expected to be fully available in 2013. In addition, the Group Safety Information System is being rolled out across the Group. This allows the reporting of incidents more quickly, and in a pre-determined and standardised way, to a single IT platform.

Disabling Injury Incidence Rate (DIIR)

DIIR is the number of reportable disabling injuries per 200,000 man-hours exposure which is roughly equal to the number of disabling injuries for every 100 full-time employees in one calendar year. Our combined DIIR for employees and contractors (working at facilities under our operational control and at facilities under construction) increased slightly to 0.26 in 2012 (0.23 in 2011) although the rate for employees improved from 0.14 to 0.11.

Human Resources

On 31 December 2012, the Group employed 6,581 staff (2011: 6,316), of whom 4,124 were employed in the Hong Kong electricity and related business, 2,192 by our businesses in Australia, Chinese mainland, India, and Southeast Asia and Taiwan, as well as 265 by CLP Holdings. Total remuneration for the year ended 31 December 2012 was HK$4,345 million (2011: HK$3,983 million), including retirement benefits costs of HK$318 million (2011: HK$295 million).

Environment

There were no environmental-related non-compliances resulting in fines or prosecutions in 2012 at facilities under our operational control. However legal or regulatory compliance is only a floor to the standards we set ourselves. In 2012, we continued our efforts to improve our environmental performance throughout the Group.

The carbon emission intensity of our generation portfolio (equity based) was lower at 0.77 kg CO_2/kWh compared to 0.8 kgCO_2/kWh in 2011. Our total non-carbon emitting generation capacity and renewable energy generation capacity increased to 23.8% and 20.2% respectively as of the end of 2012. CLP's goal is to reduce our carbon intensity in the long term. However, we may experience some fluctuations in the years to come due to our continued business expansion in the Asia-Pacific region, where coal is still the most affordable and available fuel of choice. However, we are confident that we are on the right track to meet our next reduction targets in 2020.

Our carbon emissions intensity is one example of an area where we monitor environmental performance against a Group level target and long-term outcome. However, across the Group we closely monitor our environmental performance at plant and asset level. In doing so, we monitor a wide range of impacts, including air quality (typically emissions of sulphur dioxide, nitrogen oxide and particulates), water used, waste production and management and the effects of our operations on biodiversity and local eco systems.

In all these respects, our environmental performance needs to be measured, reported and explained in considerable detail in order for the quality or otherwise of our environmental performance, or any improving or declining trends in that performance, to be properly and objectively assessed.

For that reason, our online Sustainability Report, which will be published on 11 March 2013 will contain an extensive array of data and information, far exceeding that which could usefully be summarised in this announcement.

FINANCIAL INFORMATION

The financial information set out in this announcement below does not constitute the Group's statutory accounts for the year ended 31 December 2012, but represents an extract from those accounts. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, PricewaterhouseCoopers.

Consolidated Income Statement

for the year ended 31 December 2012

	Note	**2012 HK$M**	2011 HK$M
Revenue	*3*	**104,861**	91,634
Expenses			
Purchases of electricity, gas and distribution services		**(50,760)**	(43,029)
Operating lease and lease service payments		**(13,362)**	(12,169)
Staff expenses		**(2,935)**	(2,623)
Fuel and other operating expenses		**(17,682)**	(12,287)
Depreciation and amortisation		**(7,021)**	(6,353)
		(91,760)	(76,461)
Other income		**-**	776
Other charge		**-**	(2,761)
Operating profit	*5*	**13,101**	13,188
Finance costs	*6*	**(6,423)**	(6,005)
Finance income	*6*	**322**	146
Share of results, net of income tax			
Jointly controlled entities		**2,405**	2,929
Associated companies		**579**	681
Profit before income tax		**9,984**	10,939
Income tax expense	*7*	**(1,692)**	(1,650)
Profit for the year		**8,292**	9,289
Earnings attributable to:			
Shareholders		**8,312**	9,288
Non-controlling interests		**(20)**	1
		8,292	9,289
Dividends	*8*		
First to third interim dividends paid		**3,825**	3,753
Fourth interim dividend declared		**2,476**	2,310
		6,301	6,063
Earnings per share, basic and diluted	*9*	**HK$3.45**	HK$3.86

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	2012	2011
	HK$M	HK$M
Profit for the year	**8,292**	9,289
Other comprehensive income		
Exchange differences on translation	**626**	(971)
Cash flow hedges	**(501)**	325
Net fair value gains on available-for-sale investments	**4**	27
Share of other comprehensive income of jointly controlled entities	**7**	(498)
Reclassification adjustments		
Sales of available-for-sale investments	**-**	(281)
Sale of a jointly controlled entity	**-**	(320)
Other comprehensive income for the year, net of tax	**136**	(1,718)
Total comprehensive income for the year	**8,428**	7,571
Total comprehensive income attributable to:		
Shareholders	**8,447**	7,565
Non-controlling interests	**(19)**	6
	8,428	7,571

Consolidated Statement of Financial Position
as at 31 December 2012

	Note	**2012 HK$M**	2011 HK$M
Non-current assets			
Fixed assets	*10(A)*	**132,463**	128,571
Leasehold land and land use rights under operating leases	*10(B)*	**1,866**	1,811
Goodwill and other intangible assets		**28,479**	27,369
Interests in jointly controlled entities		**19,197**	18,226
Interest in an associated company		**1,856**	1,465
Finance lease receivables		**1,665**	1,847
Deferred tax assets		**1,025**	1,276
Fuel clause account		**337**	212
Derivative financial instruments		**3,285**	5,027
Available-for-sale investments		**1,289**	1,288
Other non-current assets		**141**	141
		191,603	187,233
Current assets			
Inventories – stores and fuel		**1,667**	1,470
Renewable energy certificates		**1,991**	2,316
Trade and other receivables	*11*	**18,552**	17,103
Finance lease receivables		**158**	142
Derivative financial instruments		**1,759**	2,158
Bank balances, cash and other liquid funds		**13,026**	3,866
		37,153	27,055
Current liabilities			
Customers' deposits		**(4,420)**	(4,297)
Trade and other payables	*12*	**(21,732)**	(16,990)
Income tax payable		**(233)**	(143)
Bank loans and other borrowings	*13*	**(6,895)**	(12,596)
Obligations under finance leases		**(2,406)**	(2,200)
Derivative financial instruments		**(1,762)**	(2,212)
		(37,448)	(38,438)
Net current liabilities		**(295)**	(11,383)
Total assets less current liabilities		**191,308**	175,850
Financed by:			
Equity			
Share capital	*15*	**12,632**	12,031
Share premium		**8,119**	1,164
Reserves	*16*		
Declared dividends		**2,476**	2,310
Others		**67,900**	65,754
Shareholders' funds		**91,127**	81,259
Non-controlling interests		**74**	93
		91,201	81,352
Non-current liabilities			
Bank loans and other borrowings	*13*	**59,303**	52,925
Obligations under finance leases		**24,649**	25,196
Deferred tax liabilities		**8,370**	7,979
Derivative financial instruments		**4,084**	5,082
Scheme of Control (SoC) reserve accounts	*14*	**1,245**	643
Other non-current liabilities		**2,456**	2,673
		100,107	94,498
Equity and non-current liabilities		**191,308**	175,850

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	Attributable to Shareholders					
	Share Capital HK$M	**Share Premium HK$M**	**Reserves HK$M**	**Total HK$M**	**Non-controlling Interests HK$M**	**Total Equity HK$M**
Balance at 1 January 2011	12,031	1,164	66,466	79,661	97	79,758
Profit for the year	-	-	9,288	9,288	1	9,289
Other comprehensive income for the year	-	-	(1,723)	(1,723)	5	(1,718)
Dividends paid						
2010 fourth interim	-	-	(2,214)	(2,214)	-	(2,214)
2011 first to third interim	-	-	(3,753)	(3,753)	-	(3,753)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	(10)	(10)
Balance at 31 December 2011	12,031	1,164	68,064	81,259	93	81,352
Balance at 1 January 2012	12,031	1,164	68,064	81,259	93	81,352
Profit for the year	-	-	8,312	8,312	(20)	8,292
Other comprehensive income for the year	-	-	135	135	1	136
Issue of shares (Note 15)	601	6,955	-	7,556	-	7,556
Dividends paid						
2011 fourth interim	-	-	(2,310)	(2,310)	-	(2,310)
2012 first to third interim	-	-	(3,825)	(3,825)	-	(3,825)
Balance at 31 December 2012	**12,632**	**8,119**	**70,376**	**91,127**	**74**	**91,201**

Notes:

1. General Information

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

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. Effect of New/Revised HKFRS and Comparative Information

The Group has adopted the following amendments to Hong Kong Financial Reporting Standards (HKFRS) for the first time for the financial year beginning 1 January 2012:

- Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"
- Amendments to HKFRS 7 "Disclosures – Transfers of Financial Assets"

The adoption of these amendments to HKFRS has had no significant impact on the reported results and the financial position of the Group.

Certain comparative amounts have been presented in more detail to conform with current year's presentation. In particular, "Renewable energy certificates" of HK$2,316 million, which was previously included in "Trade and other receivables" on the consolidated statement of financial position at 31 December 2011, is separately presented.

3. Revenue

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

	2012	2011
	HK$M	HK$M
Sales of electricity	**91,351**	79,922
Sales of gas	**9,256**	7,836
Lease service income under Power Purchase Agreements (PPA)	**1,454**	2,007
Finance lease income under PPA	**287**	347
Operating lease income under PPA	**742**	-
Other revenue [(a)]	**2,075**	936
	105,165	91,048
Transfer for SoC (from)/to revenue [(b)]	**(304)**	586
	104,861	91,634

Notes:

(a) Including cash assistance of HK$1,035 million (A$129 million) (2011: nil) received by EnergyAustralia Holdings Limited (EnergyAustralia) (formerly known as TRUenergy Holdings Pty Ltd) under the Energy Security Fund (ESF) with respect to Yallourn Power Station (Note 12(b)). The cash assistance received is being recognised as revenue over the relevant period from 1 July 2012 to 30 June 2013 on a systematic basis.

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

4. Segment Information

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

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

	Hong Kong HK$M	Australia HK$M	Chinese Mainland HK$M	India HK$M	Southeast Asia & Taiwan HK$M	Unallocated Items HK$M	Total HK$M
For year ended 31 December 2012							
Revenue	33,873	66,843	943	3,178	19	5	**104,861**
Operating profit/(loss)	10,154	2,941	220	300	(24)	(490)	**13,101**
Finance costs	(3,565)	(1,843)	(213)	(709)	-	(93)	**(6,423)**
Finance income	8	208	5	77	5	19	**322**
Share of results, net of income tax							
Jointly controlled entities	1,253	(8)	898 [a]	-	262	-	**2,405**
Associated companies	-	-	579 [a]	-	-	-	**579**
Profit/(loss) before income tax	7,850	1,298	1,489	(332)	243	(564)	**9,984**
Income tax expense	(1,117)	(298)	(112)	(165)	-	-	**(1,692)**
Profit/(loss) for the year	6,733	1,000	1,377	(497)	243	(564)	**8,292**
Loss attributable to non-controlling interests	-	-	20	-	-	-	**20**
Earnings/(loss) attributable to shareholders	6,733	1,000 [b]	1,397	(497)	243	(564)	**8,312**
Capital additions	7,571	2,582	100	1,935	-	93	**12,281**
Depreciation and amortisation	4,068	2,357	209	355	-	32	**7,021**
Impairment provisions for fixed assets, receivables and others	-	869	119	441	-	-	**1,429**
At 31 December 2012							
Fixed assets	89,393	25,659	5,001	12,239	-	171	**132,463**
Goodwill and other intangible assets	-	28,408	39	32	-	-	**28,479**
Interests in							
Jointly controlled entities	9,294	99	8,049	-	1,755	-	**19,197**
Associated companies	-	-	1,856	-	-	-	**1,856**
Deferred tax assets	-	964	61	-	-	-	**1,025**
Other assets	12,847	18,781	2,861	7,148	77	4,022	**45,736**
Total assets	111,534	73,911	17,867	19,419	1,832	4,193	**228,756**
Bank loans and other borrowings	33,435	16,618	3,367	9,878	-	2,900	**66,198**
Current and deferred tax liabilities	7,852	-	176	575	-	-	**8,603**
Obligations under finance leases	26,987	68	-	-	-	-	**27,055**
Other liabilities	12,204	21,297	300	1,663	4	231	**35,699**
Total liabilities	80,478	37,983	3,843	12,116	4	3,131	**137,555**

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

Notes:

(a) Out of the total amount of HK$1,477 million (2011: HK$1,284 million), HK$659 million (2011: HK$715 million) was attributed to investments in Guangdong Nuclear Power Joint Venture Company, Limited and Hong Kong Pumped Storage Development Company, Limited, whose generating facilities serve Hong Kong.

(b) Excluding the costs of Yallourn mine flooding of HK$790 million (2011: impairment provision for Yallourn of HK$1,933 million) and other one-off items, the operating earnings of Australia were HK$1,685 million (2011: HK$2,911 million).

5. Operating Profit

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

	2012 HK$M	2011 HK$M
Charging		
Staff costs		
Salaries and other costs	**2,725**	2,431
Retirement benefits costs	**210**	192
Auditors' remuneration		
Audit	**39**	42
Permissible non-audit services	**20**	6
Operating lease expenditure on the agreement with Ecogen	**331**	328
Net loss on disposal of fixed assets	**151**	122
Yallourn mine flooding [(a)]	**1,129**	-
Impairment of fixed assets [(b)]	**558**	2,761
Impairment of other intangible assets	**41**	-
Impairment of inventories	**27**	-
Net fair value (gain)/loss on derivative financial instruments		
Cash flow hedges, reclassified from equity to		
Purchases of electricity, gas and distribution services	**(402)**	(116)
Fuel and other operating expenses	**(99)**	(606)
Transactions not qualifying as hedges	**570**	141
Ineffectiveness of cash flow hedges	**(74)**	100
Net exchange loss/(gain)	**50**	(40)
Crediting		
Net rental income from properties	**(13)**	(18)

Notes:

(a) In June 2012, following heavy rain across Gippsland in Victoria, Australia and a subsequent breach in the Morwell River Diversion, the coal mine of Yallourn was flooded and the conveyors to supply coal from the mine to Yallourn Power Station were damaged, resulting in reduced operation of the Yallourn Power Station. Remediation work has been undertaken in order to allow Yallourn Power Station to resume safe and sustainable operations. Total costs of the incident charged to profit or loss, including a provision for river diversions, levees and dewatering and an impairment of fixed assets of HK$38 million (A$5 million) (2011: nil), amounted to HK$1,129 million (after tax: HK$790 million) (A$144 million (after tax: A$101 million)) (2011: nil).

(b) Including an impairment provision for the fixed assets of Jhajjar Power Limited (Jhajjar) of HK$350 million (2011: nil) and CLP Huanyu (Shandong) Biomass Heat and Power Company Limited (Boxing Biomass) of HK$119 million (2011: nil).

Jhajjar power plant declared commissioning for its first unit on 29 March 2012 and second unit on 19 July 2012. However, due to the low availability of the plant as a result of coal shortages and technical problems caused by the poor quality of coal supplied by Coal India Limited, Jhajjar reported an operating loss for the year. The impairment test for the Jhajjar power plant has resulted in an impairment provision for fixed assets of HK$350 million (after tax: HK$315 million) (Rs.2,470 million (after tax: Rs.2,227 million)) for the year ended 31 December 2012 (2011: nil). The recoverable amount tested for impairment has been determined based on value in use calculations. An estimated pre-tax discount rate of 11.61% has been utilised in estimating the value in use.

An impairment provision of HK$119 million (2011: nil) against the fixed assets of Boxing Biomass was made owing to sustained high fuel prices and low heat demand.

In 2011, an impairment provision for Yallourn's fixed assets of HK$2,761 million (after tax: HK$1,933 million) (A$350 million (after tax: A$245 million)) was recognised following the passing of the Australian Government's Clean Energy legislative package which imposed a cost on the emission of carbon dioxide (CO_2) equivalent, resulted in increased production costs and reduced generation over the longer term at Yallourn.

6. Finance Costs and Income

	2012	2011
	HK$M	HK$M
Finance costs		
Interest expenses on		
Bank loans and overdrafts	**1,874**	1,849
Other borrowings		
Wholly repayable within five years	**578**	628
Not wholly repayable within five years	**909**	642
Tariff Stabilisation Fund (note)	**2**	2
Customers' deposits, fuel clause over-recovery and others	**1**	-
Finance charges under finance leases	**2,735**	2,735
Other finance charges	**451**	548
Fair value loss/(gain) on derivative financial instruments		
Cash flow hedges, reclassified from equity	**478**	(351)
Fair value hedges	**(33)**	(153)
Ineffectiveness of cash flow hedges	**5**	(65)
Loss on hedged items in fair value hedges	**28**	151
Other net exchange (gain)/loss on financing activities	**(221)**	718
	6,807	6,704
Less: amount capitalised	**(384)**	(699)
	6,423	6,005
Finance income		
Interest income on short-term investments, bank deposits and fuel clause under-recovery	**322**	146

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

7. Income Tax Expense

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

	2012 **HK$M**	2011 HK$M
Current income tax		
Hong Kong	**654**	489
Outside Hong Kong	**228**	126
	882	615
Deferred tax		
Hong Kong	**463**	385
Outside Hong Kong (note)	**347**	650
	810	1,035
	1,692	1,650

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Income tax on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.

Note: The amount included tax consolidation benefit of HK$105 million (A$14 million) (2011: nil) of EnergyAustralia. On 25 November 2011, the Australian Federal Government announced plans to amend the tax consolidation rules that were enacted in 2010 and the legislation was passed by the Senate on 27 June 2012. The change in legislation required a recalculation of the tax cost bases of certain assets of EnergyAustralia which resulted in a tax credit in current year.

8. Dividends

	2012 **HK$ per share**	**2012** **HK$M**	2011 HK$ per share	2011 HK$M
First to third interim dividends paid	**1.59**	**3,825**	1.56	3,753
Fourth interim dividend declared	**0.98**	**2,476**	0.96	2,310
	2.57	**6,301**	2.52	6,063

At the Board meeting held on 25 February 2013, the Directors declared the fourth interim dividend of HK$0.98 per share (2011: HK$0.96 per share). The fourth interim dividend is not reflected as dividends payable in the financial statements, but as a separate component of the shareholders' funds at 31 December 2012.

9. Earnings per Share

The earnings per share are computed as follows:

	2012	2011
Earnings attributable to shareholders (HK$M)	**8,312**	9,288
Weighted average number of shares in issue (thousand shares) (note)	**2,410,088**	2,406,143
Earnings per share (HK$)	**3.45**	3.86

Note: The change in weighted average number of shares in issue is due to the share placement during the year (Note 15).

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 2012 (2011: nil).

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

Fixed assets and leasehold land and land use rights under operating leases totalled HK$134,329 million (2011: HK$130,382 million). Included in fixed assets is plant under construction with book value of HK$7,937 million (2011: HK$15,375 million). Movements in the accounts are as follows:

(A) Fixed Assets

	Land		**Buildings**		**Plant, Machinery and Equipment**		
	Freehold HK$M	**Leased HK$M**	**Owned HK$M**	**Leased [(a)] HK$M**	**Owned HK$M**	**Leased [(a)] HK$M**	**Total HK$M**
Net book value at 1 January 2012	880	572	12,066	5,716	81,611	27,726	128,571
Acquisition of a subsidiary	1	-	-	-	38	-	39
Additions	8	-	1,631	246	7,496	1,748	11,129
Transfers and disposals	-	(19)	(64)	(7)	(219)	(149)	(458)
Depreciation	-	(15)	(308)	(338)	(3,759)	(1,996)	(6,416)
Impairment charge	(18)	-	(89)	-	(451)	-	(558)
Exchange differences	(6)	-	6	-	44	112	156
Net book value at 31 December 2012	**865**	**538**	**13,242**	**5,617**	**84,760**	**27,441**	**132,463**
Cost	883	623	16,913	11,875	131,452	51,976	213,722
Accumulated depreciation and impairment	(18)	(85)	(3,671)	(6,258)	(46,692)	(24,535)	(81,259)
Net book value at 31 December 2012	**865**	**538**	**13,242**	**5,617**	**84,760**	**27,441**	**132,463**

Note (a): These leased assets include mainly CAPCO's operational generating plant and associated fixed assets of net book value of HK$26,987 million (2011: HK$27,328 million), which are deployed for the generation of electricity supplied to CLP Power Hong Kong under the Electricity Supply Contract between the two parties; and Delta Electricity's power station at Mount Piper of net book value of HK$5,804 million (2011: HK$5,838 million) under the Delta Western GenTrader contracts. These arrangements have been accounted for as finance leases in accordance with HK(IFRIC)-Int 4 and HKAS 17.

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

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

	2012
	HK$M
Net book value at 1 January	1,811
Additions	101
Amortisation	(46)
Net book value at 31 December	**1,866**
Cost	2,250
Accumulated amortisation	(384)
Net book value at 31 December	**1,866**

11. Trade and Other Receivables

	2012	2011
	HK$M	HK$M
Trade receivables	**15,536**	12,702
Deposits, prepayments and other receivables	**2,768**	3,951
Dividend receivables from		
Jointly controlled entities	**124**	36
An associated company	**10**	349
An available-for-sale investment	**43**	-
Current accounts with jointly controlled entities	**71**	65
	18,552	17,103

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

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

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

	2012	2011
	HK$M	HK$M
30 days or below	**13,226**	10,951
31 – 90 days	**949**	644
Over 90 days	**1,361**	1,107
	15,536	12,702

12. Trade and Other Payables

	2012	2011
	HK$M	HK$M
Trade payables [(a)]	**9,704**	8,824
Other payables and accruals	**9,253**	6,373
Current accounts with		
Jointly controlled entities	**1,447**	1,656
An associated company	**103**	137
Deferred revenue [(b)]	**1,225**	-
	21,732	16,990

Notes:

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

	2012	2011
	HK$M	HK$M
30 days or below	**9,439**	8,239
31 – 90 days	**137**	247
Over 90 days	**128**	338
	9,704	8,824

(b) The balance primarily represented cash assistance received by EnergyAustralia under the ESF with respect to Yallourn Power Station. The ESF was established under the Australian Government's Clean Energy Legislation, effected 1 July 2012, which provides transitional assistance over five years to promote the transformation of the electricity generation sector from high to low emissions generation, while addressing risks to energy security that may arise from the introduction of the carbon price. Under the ESF, the compensation is provided as cash compensation for the first year (paid in June 2012) and as permits available annually for four years. The cash assistance received is being amortised to profit or loss over the relevant period from 1 July 2012 to 30 June 2013 and HK$1,035 million (A$129 million) was recognised as revenue for the year (Note 3(a)).

13. Bank Loans and Other Borrowings

	2012 HK$M	2011 HK$M
Current		
Short-term bank loans	**835**	2,802
Long-term bank loans	**4,760**	1,301
Other long-term borrowings		
MTN programme (USD) due 2012	**-**	2,371
MTN programme (HKD) due 2013/2012	**1,300**	1,000
Electronic Promissory Notes (EPN) and MTN programme (AUD) due 2012	**-**	5,122
	6,895	12,596
Non-current		
Long-term bank loans	**26,988**	30,298
Other long-term borrowings		
MTN programme (USD) due 2020 to 2027	**11,020**	6,376
MTN programme (HKD) due 2014 to 2041	**10,440**	9,095
MTN programme (JPY) due 2021 to 2026	**2,789**	2,502
MTN programme (AUD) due 2021 to 2022	**725**	434
EPN and MTN programme (AUD) due 2015	**402**	394
U.S. private placement notes (USD) due 2017 to 2027	**6,939**	3,826
	59,303	52,925
Total borrowings	**66,198**	65,521

14. SoC Reserve Accounts

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Interim Refunds 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:

	2012 HK$M	2011 HK$M
Tariff Stabilisation Fund	**712**	637
Rate Reduction Reserve	**8**	6
Rent and Rates Interim Refunds (note)	**525**	-
	1,245	643

Note: CLP Power Hong Kong is challenging the amount of Government rent and rates levied dating back to the year of assessment 1999/2000 and is awaiting the decision of the Lands Tribunal. CLP Power Hong Kong has committed to pass on to customers any refunds of rent and rates awarded through these appeals. During the year, interim refunds of HK$1,601 million were made by the Hong Kong Government without prejudice to the final outcome of the appeals which means that these amounts will be adjusted by reference to the decision of the Lands Tribunal and subsequent appeals.

On the basis of legal advice obtained, CLP Power Hong Kong considers that it has a strong case and that the final outcome of these appeals should see CLP Power Hong Kong recover no less than interim refunds received to date. Therefore, the interim refunds have been classified within the SoC reserve accounts.

14. SoC Reserve Accounts (continued)

While the final resolution of the appeals is pending, in 2012 CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate on the assumption of a favourable outcome of its appeals. In 2012, CLP Power Hong Kong provided customers with a Rent and Rates Special Rebate totalling HK$1,076 million and has announced the continuation of a Rent and Rates Special rebate in 2013. Management estimates that all of the interim refunds received to date will be returned to customers through this special rebate by the end of 2013.

In the 2012 accounts, the amount of the Government Rent and Rates Special Rebates made to customers has been offset against the interim refunds received:

	2012
	HK$M
Rent and Rates Interim Refunds	
Interim Refunds Received	**1,601**
Rent and Rates Special Rebate	**(1,076)**
	525

In the event that the final amount recovered on conclusion of these appeals is less than the total amount rebated to customers, CLP Power Hong Kong will seek to recover any shortfall in the amounts of Rent and Rates Special Rebate already paid to customers. Similarly, consistent with the commitment to pass on to customers any refunds of rent and rates awarded through these appeals, if the final amount recovered exceeds the special rebates paid out, these additional amounts will be rebated to customers.

15. Share Capital

	2012		2011	
	Number of Ordinary Shares of HK$5 Each	**Amount HK$M**	Number of Ordinary Shares of HK$5 Each	Amount HK$M
Authorised, at 31 December	**3,000,000,000**	**15,000**	3,000,000,000	15,000
Issued and fully-paid				
At 1 January	**2,406,143,400**	**12,031**	2,406,143,400	12,031
Issue of shares (note)	**120,307,170**	**601**	-	-
At 31 December	**2,526,450,570**	**12,632**	2,406,143,400	12,031

Note: On 20 December 2012, the Company completed the placement of 120,307,170 shares in accordance with the terms and conditions of the Placing Agreement dated 13 December 2012 at the price of HK$63.25 per share. The net proceeds from the placement, after deduction of all related costs, fees, expenses and commissions, amounted to HK$7,556 million. The Company intends to utilise the net proceeds to meet expected investment needs across the business including, but not limited to, ongoing investment in the Hong Kong electricity business, such as in infrastructure related to gas supply from the mainland, and in additional generating capacity in those markets where the Group is already present, such as the expansion of Fangchenggang and the development of renewable energy projects.

16. Reserves

	Capital Redemption Reserve[(a)] HK$M	Translation Reserves HK$M	Hedging Reserves HK$M	Other Reserves HK$M	Retained Profits HK$M	Total HK$M
Balance at 1 January 2012	2,492	6,016	1,533	458	57,565	68,064
Earnings attributable to shareholders	-	-	-	-	8,312	8,312
Other comprehensive income						
Exchange differences on translation of						
Subsidiaries	-	517	-	-	-	517
Jointly controlled entities	-	111	-	-	-	111
An associated company	-	(3)	-	-	-	(3)
Cash flow hedges						
Net fair value losses	-	-	(598)	-	-	(598)
Reclassification adjustment for amount included in profit or loss	-	-	(23)	-	-	(23)
Tax on the above items	-	-	120	-	-	120
Available-for-sale investments						
Fair value gains	-	-	-	4	-	4
Share of other comprehensive income of jointly controlled entities	-	-	6	1	-	7
Total comprehensive income attributable to shareholders	-	625	(495)	5	8,312	8,447
Revaluation reserve realised due to depreciation of fixed assets	-	-	-	(2)	2	-
Appropriation of reserves						
Subsidiaries	-	-	-	4	(4)	-
Jointly controlled entities	-	-	-	20	(20)	-
Dividends paid						
2011 fourth interim	-	-	-	-	(2,310)	(2,310)
2012 first to third interim	-	-	-	-	(3,825)	(3,825)
Balance at 31 December 2012	**2,492**	**6,641**	**1,038**	**485**	**59,720** [(b)]	**70,376**

Notes:

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

(b) The fourth interim dividend declared for the year ended 31 December 2012 was HK$2,476 million (2011: HK$2,310 million). The balance of retained profits after the fourth interim dividend of the Group was HK$57,244 million (2011: HK$55,255 million).

17. Contingent Liabilities

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

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

In September 2005, GUVNL filed a petition before the Gujarat Electricity Regulatory Commission (GERC) claiming that the "deemed generation incentive" payment should not be paid for the periods when Paguthan is declared with availability to generate on "naphtha" as fuel rather than on "gas". GUVNL's contention is based on a 1995 Government of India notification which disallowed "deemed generation incentive" for naphtha-based power plants. The total amount of the claim plus interest calculated up to June 2005 amounts to about Rs.7,260 million (HK$1,029 million). CLP India's position, amongst other arguments, is that Paguthan is not naphtha-based and therefore the Government of India notification does not apply to disallow the payments of the "deemed generation incentive".

GUVNL also claimed that CLP India has wrongly received interest on "deemed loans" under the existing power purchase agreement. GUVNL's claim rests on two main grounds: (i) CLP India had agreed that interest paid by GUVNL for the period from December 1997 to 1 July 2003 was to be refunded; and (ii) interest was to be calculated on a reducing balance rather than on the basis of a bullet repayment on expiry of the loan term. The total amount of the claim plus interest for the "deemed loans" amounts to a further Rs.830 million (HK$118 million) (2011: Rs.830 million (HK$121 million)).

On 18 February 2009, the GERC made an adjudication on GUVNL's claims. On the issue related to the payment to CLP India of "deemed generation incentive", the GERC decided that the "deemed generation incentive" was not payable when Paguthan was declared with availability to generate on naphtha. However, the GERC also decided that GUVNL's claim against CLP India in respect of deemed generation incentive up to 14 September 2002 was time-barred under the Limitations Act of India. Hence, the total amount of the claim allowed by the GERC was reduced to Rs.2,896 million (HK$410 million). The GERC also dismissed GUVNL's claim to recover interest on the "deemed loans".

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

Following the issue of the ATE's judgment, GUVNL deducted Rs.3,731 million (HK$529 million) from January to March 2010 invoices after adjustment for a previous deposit of Rs.500 million (HK$71 million), which included tax on incentive relating to deemed generation on naphtha, and delayed payment charges on associated incentive calculated up to March 2010.

17. Contingent Liabilities (continued)

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

Subsequent to the above deduction, CLP India represented to GUVNL that during April 2004 to March 2006, gas was available for generation and therefore should not be considered as availability (deemed generation) on naphtha. GUVNL accepted the representation and refunded the base amount of Rs.292 million (HK$41 million) and interest of Rs.150 million (HK$21 million) in March 2011. However, during the first and last quarter of 2011, with the spot gas availability being constrained, Paguthan was forced to declare availability on naphtha for certain periods, which resulted in deduction of incentive revenue by GUVNL under deemed generation of Rs.17 million (HK$2 million). At 31 December 2012, the total amount of the claim plus interest and tax with respect to the "deemed generation incentive" amounted to Rs.8,543 million (HK$1,211 million) (2011: Rs.8,543 million (HK$1,245 million)).

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

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

CLP Wind Farms (India) Private Limited, CLP India and its subsidiaries (CLP India group) have invested (or are committed to invest) in around 730MW of wind power projects to be developed with Wind World India Limited (formerly known as Enercon India Limited) (WWIL). WWIL's major shareholder, Enercon GmbH, has commenced litigation against WWIL claiming infringement of intellectual property rights. CLP India group, as a customer of WWIL, has been named as a defendant. Enercon GmbH is also seeking an injunction restraining CLP India group's use of certain rotor blades acquired from WWIL. As at 31 December 2012, the Group considered that CLP India group has good prospects of defending these claims and the legal proceedings are unlikely to result in any material outflow of economic benefits from the Group.

(C) Land Premium of a Property in Hong Kong

The Group has received a demand note from the relevant authorities in the Hong Kong Government in an amount of HK$237 million as land premium relating to the Group's new office at Laguna Verde at Hung Hom. The Group considers, including on the basis of legal and other professional advice, that no payment is due. Exchanges are continuing regarding both the principle and quantum of any such premium.

(D) Redbank Power Purchase Hedge Agreement

A dispute exists between Redbank Project Pty Ltd (Redbank) and Ausgrid in connection with an existing Power Purchase Hedge Agreement (PPHA). The dispute relates to the entitlement of Redbank Project to pass through under the PPHA carbon costs incurred under the Australian Federal Government's Clean Energy Act, 2011 to Ausgrid. If Ausgrid is found to be liable to Redbank, under an On Sale Agreement between Ausgrid and EnergyAustralia as a result of the NSW acquisition in 2011, EnergyAustralia may be liable to Ausgrid.

At 31 December 2012, the parties had undertaken arbitration and are awaiting the outcome of the proceedings.

18. Reclassification of Assets Held for Sale

In July 2012, the Group classified the related assets and liabilities of Waterloo Wind Farm, in South Australia, as "held for sale" following completion of stage 1 of the sale process and the subsequent short listing of bidders.

Following negotiations with the short-listed bidders, as at 31 December 2012 no suitable outcome has been reached. At this date, the Group are not actively marketing Waterloo Wind Farm and there is no longer a process with a view to sale. As a result, Waterloo Wind Farm is no longer classified as held for sale.

There has been no impact in the financial statements in current year or any prior year as a result of this change in classification.

SUPPLEMENTARY INFORMATION ON TREASURY ACTIVITIES

The Group engaged in new financing activities in 2012 in support of its electricity business. In December 2012, CLP Holdings raised HK$7.56 billion through a 5% share placement to enhance firepower and reinforce our strong balance sheet. In addition, CLP Holdings obtained a total of HK$1.95 billion short to medium term bank facilities to maintain ample liquidity for contingencies. CLP Power Hong Kong successfully arranged a total of HK$9.95 billion of new financing at attractive interest rates. This comprised US$600 million (HK$4.65 billion) 10.5 and 15-year bonds, JPY6 billion (HK$587 million) 10 and 11-year bonds, A$35 million (HK$282 million) 10-year bond and HK$2.63 billion 5, 7, 10 and 15-year bonds under the Medium Term Note Programme (MTN Programme) as well as HK$1.8 billion 3 and 5-year bank loan facilities at favourable interest rates and terms. All foreign currency proceeds were swapped back to Hong Kong dollars to mitigate foreign exchange rate risk. CLP Power Hong Kong's MTN Programme was set up by its wholly-owned subsidiary CLP Power Hong Kong Financing Limited in 2002. Under the MTN Programme, bonds in an aggregate amount of up to US$3.5 billion may be issued and will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong. As at 31 December 2012, notes with an aggregate nominal value of about HK$26.1 billion have been issued under the MTN Programme.

In Australia, EnergyAustralia successfully issued US$400 million (HK$3.1 billion) 5 to 15 years bonds through a U.S. private placement in March 2012. All U.S. dollar proceeds were swapped back to Australian dollars. EnergyAustralia also arranged A$750 million (HK$6 billion) 4 and 5-year bank loan facilities with a consortium of 15 international and regional banks at competitive terms in December 2012. In India, Jhajjar arranged US$62 million (HK$467 million) and Rs.1 billion (HK$142 million) 11-year non-recourse project level loan in July 2012 to refinance Rs.4.3 billion (HK$609 million) Rupee loans at a lower funding cost and completed Rs.4 billion (HK$567 million) working capital facilities at competitive terms. CLP India Wind Farms procured US$78 million (HK$605 million) 12.5-year project level loans to fund the construction of the Bhakrani wind project in Rajasthan. U.S. dollar proceeds were swapped back to Indian Rupees.

As at 31 December 2012, financing facilities totalling HK$99.3 billion were available to the Group, including HK$40.2 billion for EnergyAustralia and subsidiaries in India. Of the facilities available, HK$66.2 billion had been drawn down, of which HK$26.5 billion relates to EnergyAustralia and subsidiaries in India. Facilities totalling HK$7.1 billion were available to CAPCO, of which HK$6.2 billion had been drawn down. The Group's total debt to total capital ratio as at 31 December 2012 was 42.1%, decreasing to 36.8% after netting off bank balances, cash and other liquid funds. Interest cover for the year ended 31 December 2012 was four times.

CLP's commitment to prudent financial and risk management along with disciplined investment strategy have enabled the Group to maintain good investment grade credit ratings throughout the previous decades. CLP's ability to maintain a good credit standing and access the financial markets on cost-effective terms is crucial to meeting our business needs and objectives.

Moody's re-affirmed the A2 credit rating of CLP Holdings and A1 credit rating of CLP Power Hong Kong with stable outlooks in March 2012. They considered that CLP Power Hong Kong (the wholly-owned subsidiary of CLP Holdings) has strong and highly predictable cash flows generated from the SoC business in Hong Kong; a sound liquidity profile supported by the good track record in accessing the domestic and international bank and capital markets; a well managed debt maturity profile; availability of sizeable committed bank facilities; and management's prudent and gradual approach in pursuing overseas expansion. Moody's cautioned that CLP Holdings' rating reflected a weakened (though still appropriate) financial profile due to its expansion into riskier, non-regulated merchant energy and retail businesses in the region which was mainly funded by debt borrowings. Moody's considered the NSW acquisition put pressure on the Group's financials with a temporary weakening in 2011, but expected to improve in 2012 and then onwards as a result of increased earnings from NSW business and Jhajjar project in India.

Standard & Poor's (S&P) re-affirmed the A- credit rating of CLP Holdings and A credit rating of CLP Power Hong Kong with stable outlooks in March and September 2012. The ratings reflect the adequate liquidity position supported by strong operating cash flow of the SoC business in Hong Kong and its strong financial flexibility, and good liability management practices with diversified funding sources and debt tenors. S&P considered that CLP's higher leverage resulting from expansion into unregulated power generation assets in the Asia-Pacific could weaken the Group's financial health and strong business profile, and put pressure on its modest financial risk profile. Notwithstanding this, S&P expected CLP Holdings' financial strength to improve meaningfully from 2013 due to higher return from Hong Kong operations from tariff increase, further capital expenditure and stable electricity demand; higher earnings from Australia operations with Yallourn power station expected to revert to full capacity and after integration of the NSW assets in 2013; fuel supply problems at the Jhajjar project to be resolved; and growing earnings from renewable energy investments. S&P also warned that new generation facilities under construction in Australia, India and China carry higher operating risks and are potentially subject to increasing supervision and costs relating to carbon emission and environmental issues.

S&P re-affirmed the BBB credit rating of EnergyAustralia Holdings with stable outlook in May and November 2012. According to S&P, the rating reflected the benefit from a higher rated owner, CLP Holdings; strong liquidity profile and continued prudent risk management practices; vertically integrated electricity generation and retailing components of the business; operational flexibility derived from the plant portfolio by fuel and dispatch merit order; and expectation of managing the integration process of NSW assets and associated costs without significant impact on the business risk profile. S&P reminded EnergyAustralia about the risks of integrating the retail business and Delta Western GenTrader assets; challenges to manage potential portfolio changes to mitigate its exposure to the government's carbon abatement scheme; exposure to the competitive wholesale and retail market; and risks associated with the introduction of the new billing system.

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

As at 31 December 2012, the Group had gross outstanding derivative financial instruments amounting to HK$174.4 billion. The fair value of these derivative instruments was a net deficit of HK$802 million, representing the net amount payable if these contracts were closed out on 31 December 2012.

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 Hong Kong Stock Exchange's Corporate Governance Code and Corporate Governance Report (the Stock Exchange Code), Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, save for the single exception regarding quarterly financial results which is specified and explained in our Corporate Governance Report, as part of our Annual Report. CLP has also applied all of the principles in the Stock Exchange Code. The manner in which this has been done is set out in the CLP Code and the Corporate Governance Report.

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

The CLP Code was most recently updated in February 2012 to reflect new requirements effective on 1 April 2012 under the Stock Exchange Code.

Throughout the year, the Company met the Code Provisions as set out in the Stock Exchange Code. Details of the continuing evolution of our corporate governance practices in 2012 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 2012. It has also reviewed the findings and opinion of Group Internal Audit and Management on the effectiveness of the Company's system of internal control. All of the Audit Committee members are appointed from the Independent Non-executive Directors, with the Chairman, Professor Judy Tsui and Mr. Nicholas C. Allen having appropriate professional qualifications and experience in financial matters and all members having relevant experience.

Since 1989, the Company has adopted its own Code for Securities Transactions by Directors, largely based on the Model Code set out in Appendix 10 of the Listing Rules. Our Code is periodically updated to reflect new regulatory requirements, as well as our strengthened regime of disclosure of interests in our securities. The Code has recently been updated to reflect the inside information provisions under the Securities and Futures Ordinance and the Listing Rules. This Code is on terms no less exacting than the required standard set out in the Model Code. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2012 they complied with the required standard set out in the Model Code and our own Code for Securities Transactions.

We have voluntarily extended the ambit of the CLP Code for Securities Transactions to cover all Senior Management (comprising two Executive Directors and six other managers, whose biographies are set out in the Annual Report and on CLP's website) and other "Specified Individuals" such as senior managers in the CLP Group. Members of the Senior Management have all confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2012 they complied with the required standard set out in the Model Code and CLP Securities Code.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the year ended 31 December 2012. In December 2012 the Company placed 5% of its issued share capital pursuant to the general mandate to issue shares obtained from shareholders at the 2012 Annual General Meeting.

FOURTH INTERIM DIVIDEND

Today, the Board of the Company declared the fourth interim dividend for 2012 at HK$0.98 per share (2011: HK$0.96 per share). This fourth interim dividend will be payable on all shares of HK$5.00 each in issue as at the close of business on 11 March 2013 after deducting any shares repurchased and cancelled up to the close of business on 11 March 2013. As at 31 December 2012, 2,526,450,570 shares of HK$5.00 each were in issue. The fourth interim dividend of HK$0.98 per share will be payable on 21 March 2013 to shareholders registered as at 12 March 2013.

The Register of Shareholders will be closed on 12 March 2013. To rank for the fourth interim dividend, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 March 2013.

ANNUAL GENERAL MEETING

The fifteenth Annual General Meeting (AGM) will be held at the Jockey Club Auditorium, The Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong on Tuesday, 30 April 2013, 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 2013.

To facilitate the processing of proxy voting, the Register of Shareholders will be closed from 29 April 2013 to 30 April 2013, both days inclusive, during which period the registration of transfers of shares will be suspended. To be entitled to attend and vote at the AGM, all transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26 April 2013.

By Order of the Board
April Chan
Company Secretary

Hong Kong, 25 February 2013

The Company's Annual Report containing the Directors' Report and Financial Statements for the year ended 31 December 2012 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 11 March 2013. The Annual Report and the Notice of Annual General Meeting will be despatched to shareholders on or about 26 March 2013. All of these will be made available on the Company's website.

CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

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