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This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement and the listing document attached hereto do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in or into the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)). The securities have not been and will not be registered under the Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States or to U.S. persons (as defined in Regulation S under the Securities Act). No public offer of the securities referred to herein is being or will be made in the United States.

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.***

***Notice to Hong Kong investors:*** The Issuer and Guarantor (each as defined below) confirm that the Notes (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) (as defined below) only and will be listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on that basis. Accordingly, the Issuer and Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

## CLP POWER HONG KONG FINANCING LIMITED

(incorporated with limited liability under the laws of the British Virgin Islands)  
(the “**Issuer**”)

unconditionally and irrevocably guaranteed by

## CLP POWER HONG KONG LIMITED

中華電力有限公司

(incorporated with limited liability under the laws of Hong Kong)  
(the “**Guarantor**”)

## U.S.\$4,500,000,000 MEDIUM TERM NOTE PROGRAMME (the “**Programme**”)

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 26 March 2021 appended hereto in relation to the Programme (the “**Offering Circular**”). The Programme has been listed on the Hong Kong Stock Exchange by way of debt issues to Professional Investors (as defined in Chapter 37 of the Listing

Rules) only during the 12-month period after the date of the Offering Circular. The notes to be issued under the Programme (the “Notes”) are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant dealer. The Issuer may also issue unlisted Notes.

The Offering Circular and this announcement do not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor do they constitute an invitation to the public to make offers to subscribe for or purchase any securities, nor should they be circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular and this announcement must not be regarded as an inducement to subscribe for or purchase any Notes of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular and this announcement.

29 March 2021

*As at the date of this announcement, the Board of Directors of CLP Power Hong Kong Financing Limited comprises Mr. Geert Herman August Peeters and Mr. Chiang Tung Keung, and the Board of Directors of CLP Power Hong Kong Limited comprises Mr. William Elkin Mocatta, Mrs. Yuen So Siu Mai Betty, Mr. Richard Kendall Lancaster, Mr. Chiang Tung Keung, Mr. Tong Chi Leung David (with Mr. James Lindsay Lewis as his alternate), Mr. Geert Herman August Peeters, Mr. Chan Siu Hung, Ms. Chong Wai Yan Quince and Mr. Law Ka Chun.*



*Energy for Brighter Tomorrows*

## **Appendix — Offering Circular dated 26 March 2021**

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OTHER THAN TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS UNDER RULE 144A (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.**

**IMPORTANT: You must read the following before continuing.** The following applies to the offering circular (this “**Offering Circular**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD INTO OR WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED IN WHOLE OR IN PART TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY ADDRESS IN THE UNITED STATES. ANY SUCH DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE APPLICABLE PRICING SUPPLEMENT AND TERMS AND CONDITIONS OF THE NOTES. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE FOLLOWING OFFERING CIRCULAR.

**Confirmation of your Representation:** In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be either (i) Qualified Institutional Buyers (“**QIBs**”) within the meaning of Rule 144A under the Securities Act (“**Rule 144A**”) or (ii) non-U.S. persons purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to The Hongkong and Shanghai Banking Corporation (the “**Arranger**”) and Australia and New Zealand Banking Group Limited, Barclays Bank PLC, Citigroup Global Markets Limited, Cr dit Agricole Corporate and Investment Bank, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities plc, Merrill Lynch (Asia Pacific) Limited, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and UBS AG Hong Kong Branch (the “**Dealers**”), CLP Power Hong Kong Financing Limited (the “**Issuer**”) and CLP Power Hong Kong Limited (the “**Guarantor**”) (1) that you and any customers you represent are either (a) QIBs or (b) non-U.S. persons or acting for the account or benefit of non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic mail address that you have given us and to which this Offering Circular has been delivered is not located in the United States; and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

The materials relating to any offering of securities under the Programme to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the offering circular) in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Issuer, the Guarantor, the Arranger, the Dealers or any of the Agents (each as defined in the attached Offering Circular) nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arranger or Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# OFFERING CIRCULAR



## CLP Power Hong Kong Financing Limited

(incorporated with limited liability under the laws of the British Virgin Islands)  
unconditionally and irrevocably guaranteed by

## CLP Power Hong Kong Limited

中華電力有限公司

(incorporated with limited liability under the laws of Hong Kong)

### U.S.\$4,500,000,000

## Medium Term Note Programme

On 3rd April, 2002, CLP Power Hong Kong Financing Limited (the “**Issuer**”) established a U.S.\$1,500,000,000 Medium Term Note Programme (the “**Programme**”) and issued an offering circular on that date describing the Programme. The size of the Programme was increased on 2nd July, 2009 from U.S.\$1,500,000,000 to U.S.\$2,500,000,000, on 31st May, 2011 from U.S.\$2,500,000,000 to U.S.\$3,500,000,000 and was further increased on 31st May, 2013 from U.S.\$3,500,000,000 to U.S.\$4,500,000,000. This Offering Circular supersedes any previous offering circular and any supplement thereto issued in respect of the Programme prior to the date of this Offering Circular. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular. Under this Programme, the Issuer may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer, the Guarantor (as defined below) and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by CLP Power Hong Kong Limited (the “**Guarantor**”, the “**Company**” or “**CLP Power**”).

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$4,500,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Summary of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Professional Investors**”) only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

**Notice to Hong Kong investors:** The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Guarantor, or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.**

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes.

This Offering Circular is for distribution to Professional Investors only. Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Prospective investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances.

Moody’s Investors Service Inc. (“**Moody’s**”) has assigned (P)A1/PP-1 senior unsecured/short term ratings to the Programme and S&P Global Ratings, a division of S&P Global Inc. (“**S&P**”), has assigned A+/A-1 long term/short term ratings to the Programme. Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes and the Guarantee (as defined under “Terms and Conditions of the Notes”) have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include bearer notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes, delivered, in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended). See “Form of the Notes” for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

The Issuer, the Guarantor and the Trustee (as defined herein) may agree with any Dealer that Notes may be issued in a form not contemplated by the “Terms and Conditions of the Notes” herein, in which event (in the case of Notes intended to be listed on the Hong Kong Stock Exchange) a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

**IMPORTANT — EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT — UK RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II product governance/target market** — The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II, as amended, is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance/target market** — The Pricing Supplement in respect of any Notes will include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**Singapore SFA Product Classification** — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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Arranger  
**HSBC**

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Dealers

ANZ  
BofA Securities  
Crédit Agricole CIB  
Deutsche Bank  
J.P. Morgan  
Morgan Stanley  
OCBC Bank  
UBS

Barclays  
Citigroup  
Credit Suisse  
HSBC  
Mizuho Securities  
MUFG  
Standard Chartered Bank

The date of this Offering Circular is 26th March, 2021.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to each of the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Issuer and Guarantor also confirm that this Offering Circular contains or incorporates all information which is material in the context of the Programme, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

To the fullest extent permitted by law, none of the Dealers, the Trustee or the Arranger accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger, the Trustee or a Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. The Arranger, the Trustee and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither any Dealer nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor, the Arranger, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme nor the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular (if any) when deciding whether or not to purchase any Notes.



This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Arranger, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arranger, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Japan, the EEA, the Netherlands, Hong Kong, Singapore and the British Virgin Islands (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes and the Guarantee have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Issuer, the Guarantor, the Arranger, the Dealers and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Offering Circular is an advertisement and is not a prospectus for the purposes of the Prospectus Regulation and the UK Prospectus Regulation.

## U.S. INFORMATION

This Offering Circular may be submitted on a confidential basis in the United States to a limited number of Qualified Institutional Buyers within the meaning of Rule 144A (“QIBs”) or Institutional Accredited Investors (each as defined under “*Form of the Notes*”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes are being offered and sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act (“Regulation S”). Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“Rule 144A”).

None of the Programme, the Notes or the Guarantee have been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the Programme, the Offering of the Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered directly or indirectly within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and the U.S. Treasury regulations promulgated thereunder.

Purchasers of Definitive IAI Registered Notes (as defined under “*Form of the Notes*”) will be required to execute and deliver an IAI Investment Letter (as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note (as defined under “*Form of the Notes*”) or any Registered Notes in exchange or substitution therefor (together “Legended Notes”) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale and Transfer and Selling Restrictions*”.



## AVAILABLE INFORMATION

The Guarantor has agreed that, for so long as any of the Notes remains outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Guarantor will, during any period in which the Guarantor is neither subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 (the “Exchange Act”), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available upon request to (i) any QIB who is a holder or beneficial owner of such restricted securities, or (ii) any prospective purchaser of restricted securities who is a QIB designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Notes are governed by English law, and the Notes do not provide for the appointment by the Issuer or the Guarantor of an agent for service of process in the United States or for submission by the Issuer or the Guarantor to the jurisdiction of U.S. federal or state courts. As a result, investors may find it difficult in a lawsuit based on the civil liability provisions of the U.S. federal securities laws (i) to effect service within the United States, upon the Issuer, the Guarantor or their directors and executive officers located outside the United States, (ii) to enforce in U.S. courts or outside the U.S. judgments obtained against the Issuer, the Guarantor or such persons in U.S. courts, (iii) to enforce in U.S. courts judgments obtained against the Issuer, the Guarantor or such persons in courts in jurisdictions outside the United States, and (iv) to enforce against the Issuer, the Guarantor or such persons in the British Virgin Islands, England or Hong Kong, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.

The Issuer is a limited liability company organised under the laws of the British Virgin Islands. The majority of the officers and directors of the Issuer named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and such officers and directors are located outside the United States. Unless the Issuer has appointed a process agent in the United States, it may not be possible for investors to effect service of process outside the British Virgin Islands upon the Issuer or such persons.

The Issuer has been advised by its British Virgin Islands legal advisers, Harney Westwood & Riegels LLP, that any final and conclusive monetary judgment for a definite sum obtained against the Issuer in the courts of the United States in respect of the Notes would be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary provided that:

- (i) the courts of the United States had jurisdiction in the matter and the Issuer either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- (ii) the judgment given by the courts of the United States was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Issuer;
- (iii) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the courts of the United States;
- (iv) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

A British Virgin Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

The Guarantor is a corporation organised under the laws of Hong Kong. The majority of the officers and directors of the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of the Guarantor and such officers and directors are or may be located outside the United States. As a result, it may not be possible for investors to effect service of process outside Hong Kong upon the Guarantor or such persons, or to enforce judgments against them obtained in courts outside Hong Kong predicated upon civil liabilities of the Guarantor or such directors and officers under laws other than Hong Kong law, including any judgment predicated upon U.S. federal securities laws. The Guarantor has been advised by its Hong Kong counsel, King & Wood Mallesons, that there is doubt as to whether the courts of Hong Kong would (i) enforce judgments of United States courts obtained against the Guarantor or such persons predicated solely upon civil liability provisions of the securities laws of the United States

or any state within the United States or (ii) entertain original actions brought in Hong Kong courts against the Guarantor or such persons predicated solely upon the securities laws, respectively, of the United States or any state within the United States.

#### **PRESENTATION OF FINANCIAL INFORMATION**

The Guarantor publishes its financial statements in Hong Kong dollars. Unless otherwise specified, where financial information in relation to the Guarantor has been translated into U.S. dollars, it has been so translated, for the convenience of the reader, at an exchange rate of HK\$7.80 = U.S.\$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate.

#### **CURRENCIES AND OTHER REFERENCES**

All references in this document to “U.S. dollars” and “U.S.\$” refer to the currency of the United States of America, to “Hong Kong dollars” and “HK\$” refer to the currency of Hong Kong, to “Sterling” and “£” refer to the currency of the United Kingdom, to “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time, to “JPY” refer to the currency of Japan and to “A\$” refer to the currency of Australia.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “Mainland China” or “PRC” mean the People’s Republic of China, and for geographical references only exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan; and references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China.

In this document, “GWh” is the abbreviation for Gigawatt hour, “KWh” is the abbreviation for kilowatt-hour and “MW” is the abbreviation for megawatt.

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**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

All supplements or amendments to this Offering Circular circulated by the Issuer and the Guarantor from time to time shall be deemed to be incorporated in, and to form part of, this Offering Circular, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer or the Guarantor at their respective offices set out at the end of this Offering Circular. In addition, such documents will be available free of charge, if and for so long as any Notes are listed on the Hong Kong Stock Exchange and the Paying Agent is in Hong Kong, from that Paying Agent's principal office in Hong Kong.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

## GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer, the Guarantor and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for listing Notes issued under the Programme on the Hong Kong Stock Exchange during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$4,500,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as defined under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as defined under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as defined under “*Form of the Notes*”) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.



## SUMMARY OF THE PROGRAMME

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.*

**Issuer:** . . . . . CLP Power Hong Kong Financing Limited (Legal Entity Identifier: 254900SBJOP903YV1271)

**Guarantor:** . . . . . CLP Power Hong Kong Limited 中華電力有限公司

**Description:** . . . . . Medium Term Note Programme

**Arranger:** . . . . . The Hongkong and Shanghai Banking Corporation Limited

**Dealers:** . . . . . Australia and New Zealand Banking Group Limited  
Barclays Bank PLC  
Citigroup Global Markets Limited  
Crédit Agricole Corporate and Investment Bank  
Credit Suisse (Hong Kong) Limited  
Deutsche Bank AG, Hong Kong Branch  
The Hongkong and Shanghai Banking Corporation Limited  
J.P. Morgan Securities plc  
Merrill Lynch (Asia Pacific) Limited  
Mizuho Securities Asia Limited  
Morgan Stanley & Co. International plc  
MUFG Securities EMEA plc  
Oversea-Chinese Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited  
UBS AG Hong Kong Branch

and any other Dealers appointed in accordance with the Programme Agreement (as defined under “*Subscription and Sale and Transfer and Selling Restrictions*”).

**Certain Restrictions:** . . . . . Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale and Transfer and Selling Restrictions*”) including the following restrictions applicable at the date of this Offering Circular.

### **Notes with a maturity of less than one year**

Notes having a maturity of less than one year, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued (a) to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “*Subscription and Sale and Transfer and Selling Restrictions*”) or (b) in other circumstances which do not cause a contravention of such section 19.

**Trustee:** . . . . . DB Trustees (Hong Kong) Limited

<b>Principal Paying Agent:</b> . . . . .	Deutsche Bank AG, London Branch
<b>Paying and Transfer Agent:</b> . . . .	Deutsche Bank Luxembourg S.A.
<b>Registrar:</b> . . . . .	Deutsche Bank Trust Company Americas or, if so specified in the applicable Pricing Supplement, Deutsche Bank Luxembourg S.A.
<b>CMU Lodging Agent:</b> . . . . .	Deutsche Bank AG, Hong Kong Branch
<b>Programme Size:</b> . . . . .	Up to U.S.\$4,500,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) in aggregate nominal amount of Notes outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b> . . . . .	Subject to applicable selling restrictions, the Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b> . . . . .	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, the Guarantor and the relevant Dealer.
<b>Redenomination:</b> . . . . .	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
<b>Maturities:</b> . . . . .	Such maturities as may be agreed between the Issuer, the Guarantor and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer, the Guarantor or the relevant Specified Currency.
<b>Issue Price:</b> . . . . .	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b> . . . . .	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
<b>Fixed Rate Notes:</b> . . . . .	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer.
<b>Floating Rate Notes:</b> . . . . .	<p>Floating Rate Notes will bear interest at a rate determined:</p> <p>(i) on the same basis as the Floating Rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</p>

- (ii) on the basis of a Reference Rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

The margin (if any) relating to such Floating Rate will be agreed between the Issuer, the Guarantor and the relevant Dealer for each Series of Floating Rate Notes.

**Index Linked Notes:** . . . . . Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer, the Guarantor and the relevant Dealer may agree.

**Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:** . . . . . Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

**Dual Currency Notes:** . . . . . Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor and the relevant Dealer may agree.

**Zero Coupon Notes:** . . . . . Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:** . . . . . The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable, (ii) for taxation reasons or (iii) following an Event of Default (as defined in Condition 11)) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution (see “*Certain Restrictions — Notes with a maturity of less than one year*” above).

<b>Denomination of Notes:</b> . . . . .	<p>Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “<i>Certain Restrictions — Notes with a maturity of less than one year</i>” above).</p> <p>Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies.</p>
<b>Taxation:</b> . . . . .	<p>All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 9), subject as provided in Condition 9. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.</p> <p><i>In making an investment decision, each prospective investor is strongly recommended to consult its own professional advisers in respect of the tax implications of holding the Notes (see “Taxation”).</i></p>
<b>Negative Pledge:</b> . . . . .	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
<b>Cross Default:</b> . . . . .	The terms of the Notes will contain a cross default provision as further described in Condition 11.
<b>Status of the Notes:</b> . . . . .	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
<b>Guarantee:</b> . . . . .	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed. The obligations of the Guarantor under its guarantee will be direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Guarantor and will rank (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

<b>Listing:</b> . . . . .	<p>Application has been made to list the Programme on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. Notes issued under the Programme may also be listed on the Hong Kong Stock Exchange or such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer in relation to each Series.</p> <p>Unlisted Notes may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).</p> <p>Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).</p>
<b>Governing Law:</b> . . . . .	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
<b>Clearing System:</b> . . . . .	The CMU Service, Euroclear, Clearstream, DTC (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement (see “ <i>Form of the Notes</i> ”).
<b>Selling Restrictions:</b> . . . . .	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Japan, the European Economic Area, the Netherlands, Hong Kong, Singapore and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”).
<b>United States Selling Restrictions:</b> . . . . .	Regulation S (Category 2). Rule 144A and Section 4(a)(2), TEFRA C or D (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) or TEFRA not applicable, as specified in the applicable Pricing Supplement.

## **RISK FACTORS**

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before deciding to invest in the Notes. The risks and uncertainties described below may not be the only ones that the Issuer or the Guarantor faces. Additional risks and uncertainties that the Issuer and the Guarantor are not aware of or that they currently believe are immaterial may also adversely affect the business, financial condition or results of operations of the Issuer or the Guarantor. If any of the possible events described below occurs, the Issuer's or the Guarantor's business, financial condition or results of operations could be materially and adversely affected. In such case, investors may lose all or part of their investment.

### **The Notes and the Guarantee are unsecured obligations.**

As the Notes and the Guarantee are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

### **The Notes may not be a suitable investment for all investors.**

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement to the Offering Circular or any Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.



**The Issuer is dependent on the business and financial condition of the Guarantor and its subsidiaries to make payments under the Notes.**

The Issuer is a wholly owned subsidiary of the Guarantor formed for the primary purpose of acting as a financing subsidiary of the Guarantor and will on-lend the proceeds from the issue of the Notes to the Guarantor and its subsidiaries. The Issuer's ability to make payments under the Notes depends on timely payments under such on-lent loans and the availability of funds from the Guarantor and its subsidiaries.

**Obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of the Guarantor's subsidiaries.**

In addition to operating itself, the Guarantor is also a holding company that operates through its subsidiaries. As a result, (i) the Guarantor's obligations under the Guarantee will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries and (ii) all claims of creditors of the existing or future subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over the Guarantor's claims and those of its creditors, including the holders of Notes.

**The Trustee may request that Noteholders provide an indemnity to its satisfaction.**

In certain circumstances (including, without limitation, as referred to in Conditions 11(a) and 11(b) of the terms and conditions), the Trustee may request the Noteholders to provide an indemnity to its satisfaction before it takes action on behalf of the Noteholders. The Trustee shall not be obliged to take any such action if not indemnified to its satisfaction. Negotiating and agreeing to any indemnity can be a lengthy process and may impact on when such action can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity to it, in breach of the terms of the Trust Deed or the Terms and Conditions.

**The insolvency laws of the British Virgin Islands, Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders are familiar.**

As the Issuer is incorporated in the British Virgin Islands and the Guarantor is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

**Notes issued under the Programme may not have an active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.**

Notes issued under the Programme may not be widely distributed and there may be no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of the Notes which is already issued and even then an active trading market cannot be assured). In particular, one or more initial investors in the Notes may purchase a significant portion of the aggregate principal amount of the Notes pursuant to an offering. The existence of any such significant holder may reduce the liquidity of Notes in the secondary trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer or the Guarantor. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application may be made for some Notes issued under the Programme to be listed on, and permitted to deal in, the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of the Notes will be so listed or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of the Notes.

**The liquidity and price of the Notes following the offering may be volatile.**

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Issuer's and the Guarantor's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There is no assurance that these developments will not occur in the future.

**The Guarantor's credit rating may decline.**

There is a risk that the Guarantor's credit rating may change as a result of changes in its operating performance or capital structure, or for some other reason. No assurance can be given that a credit rating will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant or if a different methodology is applied to derive such credit ratings. Any lowering or withdrawal of the Guarantor's credit rating could, notwithstanding that it is not a rating of the Notes, adversely impact the market price and the liquidity of the Notes.

**The ratings of the Programme may be lowered or withdrawn.**

The Programme has been assigned a rating of (P)A1/(P)P-1 by Moody's and "A+/A-1" by S&P. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor's to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's or the Guarantor's ability to access the debt capital markets.

**The credit ratings assigned to the Notes may not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period of time or that the ratings will not be revised or withdrawn by the relevant rating agency in the future if in its judgment circumstances so warrant. Neither the Issuer nor the Guarantor has any obligation to inform Noteholders of any such revision or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

**Changes in interest rates may have an adverse effect on the price of the Notes.**

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

**Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected**

The Issuer and the Guarantor will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the

Inventor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**The Issuer and the Guarantor will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.**

The Issuer and the Guarantor will be subject to reporting obligations in respect of the Notes to be listed on the Hong Kong Stock Exchange. The disclosure and corporate governance standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions such as the United States or the United Kingdom. As a result, the level of information that is available may not correspond to the level to which investors in the Notes are accustomed.

**The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Notes linked to or referencing such “benchmarks”.**

Interest rates and indices which are deemed to be or used as “benchmarks”, are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the benchmark.

On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the London interbank offer rate (“LIBOR”) benchmark after 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021; (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023; (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the Intercontinental Exchange Benchmark Administration (the “IBA”) to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after 31 December 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require the IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after 30 June 2023).

It is not possible to predict with certainty whether, and to what extent, LIBOR and/or the Euro Interbank Offered Rate (“EURIBOR”) and/or other benchmark rates will continue to be supported going forward. This may cause LIBOR, EURIBOR and/or other benchmark rates to perform differently than they have done in the past and may have other consequences which cannot be predicted. The elimination of LIBOR, EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other

consequences in respect of any Notes referencing such benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

**Future discontinuation of “benchmark” rates of interest and indices may affect the value of Floating Rate Notes which reference such benchmarks.**

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where the relevant Reference Rate is discontinued, neither the Relevant Screen Page nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”) requires the Principal Paying Agent to request quotations from reference banks (i.e. four major banks in the London inter-bank market (either selected by the Principal Paying Agent or specified in the relevant Pricing Supplement)) so as to determine the Rate of Interest. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of the relevant Reference Rate), the Rate of Interest will be determined by reference to the rates offered by such banks for time deposits as communicated to the Principal Paying Agent. If such rates are not available, the Rate of Interest will ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date.

Uncertainty as to the continuation of the relevant Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the relevant Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

**If the Issuer and the Guarantor are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.**

If the Issuer and the Guarantor are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer’s or the Guarantor’s debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer’s or the Guarantor’s default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer’s or the Guarantor’s other debt agreements. If any of these events occur, the Issuer and the

Guarantor cannot assure Noteholders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

**Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.**

Optional redemption features as contained in the terms and conditions are likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### **Common Reporting Standard**

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (the “**CRS**”) will require certain financial institutions to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed the CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons (“**Coupons**”) attached, or registered form, without Coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S and Registered Notes will be issued both outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to QIBs or to institutional “accredited investors” within the meaning of Rule 501(a) (1), (2), (3) or (7) under the Securities Act (“**Institutional Accredited Investors**”) in reliance on an exemption from the registration requirements of the Securities Act.

Notes to be listed on the Hong Kong Stock Exchange will be accepted for clearance through Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) and may also be accepted for clearance through the CMU Service or DTC (each as defined below).

### **Bearer Notes**

Each Tranche of Bearer Notes will initially be represented by either a temporary bearer global note (a “**Temporary Bearer Global Note**”) or a permanent bearer global note (a “**Permanent Bearer Global Note**”) and, together with a Temporary Bearer Global Note, the “**Bearer Global Notes**”, and each a “**Bearer Global Note**”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depository (the “**Common Depository**”) for Euroclear and Clearstream or (ii) a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the “**CMU Service**”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or Deutsche Bank AG, Hong Kong Branch (the “**CMU Lodging Agent**”), as applicable and (in the case of a Temporary Bearer Global Note delivered to a Common Depository for Euroclear and Clearstream) Euroclear and/or Clearstream has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The CMU Service may require that any such exchange for a Permanent Global Bearer Note is made in whole and not in part and, in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified.

The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.



In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

Payments of principal, interest (if any) or any other amounts on a Bearer Global Note will be calculated in respect of the total aggregate amount of the Notes represented by the Bearer Global Note.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice (a), in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein and/or (b), in the case of Notes held through the CMU Service, from the relevant account holders therein to the CMU Lodging Agent as described therein or (ii) only upon the occurrence of an Exchange Event.

For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to the Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or (b) in the case of Notes held through the CMU Service, the relevant account holders therein or, in either case, the Trustee may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent or, as the case may be, the CMU Lodging Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream or the CMU Service, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form, without receipts or coupons, (a “**Regulation S Global Note**”) which will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depositary Trust Company

(“DTC”) for the accounts of Euroclear and Clearstream, (ii) be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream; or (iii) be deposited with a sub-custodian for, and registered in the name of the Hong Kong Monetary Authority (the “HKMA”) as the operator of the CMU Service. Prior to expiry of the distribution compliance period (as defined in Regulation S) (“**Distribution Compliance Period**”) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to QIBs or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form, without receipts or interest coupons, (a “**Rule 144A Global Note**” and, together with a Regulation S Global Note, the “**Registered Global Notes**”) which will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the DTC for the accounts of Euroclear and Clearstream, (ii) be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream; or (iii) be deposited with a sub-custodian for, and registered in the name of the HKMA as operator of the CMU Service.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“**Definitive IAI Registered Notes**”). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions*”. Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Subscription and Sale and Transfer and Selling Restrictions*”. The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes with calculation made in respect of the total aggregate amount of the Notes represented by the Registered Global Note. None of the Issuer, the Guarantor, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee of DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no successor or alternative clearing system satisfactory to the Trustee is available or DTC

has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream or Notes held through the CMU Service, the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

### **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent or, as the case may be, the CMU Lodging Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a Common Code and ISIN and, where applicable, a CMU instrument number, a CUSIP and CINS number which are different from the Common Code, CMU instrument number, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note held on behalf of Euroclear, Clearstream or the CMU Service, each person (other than Euroclear, Clearstream or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note shall be treated by the Trustee, the Issuer, the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Bearer Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or the CMU Service and/ or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and the Registrar.

No Noteholder, Receipholder or Couponholder (as defined below) shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## FORM OF PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.*

[Date]

### CLP Power Hong Kong Financing Limited

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

CLP Power Hong Kong Limited

中華電力有限公司

under the U.S.\$4,500,000,000

Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated 26th March, 2021. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [original Offering Circular date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated 26th March, 2021, save in respect of the Conditions which are extracted from the Offering Circular dated [original Offering Circular date] and are attached hereto.]

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)) (“**Professional Investors**”) only.

**Notice to Hong Kong investors:** Each of the Issuer and the Guarantor confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Guarantor, or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to each of the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

**[PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS —** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”).



Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[UK PRIIPs REGULATION — PROHIBITION OF SALES TO UK RETAIL INVESTORS —** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the [Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”)] [Insurance Distribution Directive], where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of [Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”)] [the Prospectus Regulation] as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by [Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”)] [the PRIIPs Regulation] as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET —** Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET —** Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital market products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]<sup>(1)</sup>

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

(1) For any Notes to be offered to Singapore investors, the Issuer is to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to launch of the offer.



*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. (i) Issuer: CLP Power Hong Kong Financing Limited
- (ii) Guarantor: CLP Power Hong Kong Limited
2. (i) Series Number: [●]
- (ii) Tranche Number: [●]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: [●]
4. Aggregate Nominal Amount:
  - Series: [●]
  - Tranche: [●]
5. [(i)] Issue Price: [●] per cent. of the Aggregate Nominal Amount  
[plus accrued interest from *[insert date]* *(in the case of fungible issues only, if applicable)*]
- [(ii)] Net proceeds: [●] *(Required only for listed issues)*
6. (i) Specified Denominations: [●]  
*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*  
*(N.B.: Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). Where multiple denominations above €100,000 or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed: “€100,000 and integral multiples of [€1,000] in excess thereof, up to and including [€199,000]. No definitive notes will be issued with a denomination above [€199,000].”)*
- (ii) Calculation Amount: [●]  
*(N.B.: If there is only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor of those Specified Denominations. N.B.: There must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date [and Interest Commencement Date]: [●]
- [(ii)] Interest Commencement Date  
(if different from the Issue Date): [Specify/Not Applicable]  
*(N.B.: An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date: *[Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year] ]<sup>(2)</sup>*
9. Interest Basis: *[[●] per cent. Fixed Rate]  
[[LIBOR/EURIBOR/HIBOR] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)*
10. Redemption/Payment Basis: *[Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis.]*
12. Put/Call Options: *[Investor Put]  
[Issuer Call]  
[(further particulars specified below)]*
13. Listing: *[Hong Kong/specify other/None]  
(If listing in Hong Kong, specify expected listing date)*
14. Method of distribution: *[Syndicated/Non-syndicated]*

#### **Provisions Relating to Interest (If Any) Payable**

15. Fixed Rate Note Provisions: *[Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: *[●] per cent. per annum payable [annually/semi-annually/quarterly/other (specify) in arrear] (If payable other than annually, consider amending Condition 6)*
- (ii) Interest Payment Date(s): *[[●] in each year up to and including the Maturity Date]/[specify other] <sup>(3)</sup>  
(N.B.: This will need to be amended in the case of long or short coupons.)*

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(2) Note that for Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

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(3) Note that for certain Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●].”

(4) For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following wording is appropriate: “Each Fixed Coupon Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the actual number of days in the Accrual Period (as defined in Condition 6(a) (i)) divided by 365 and rounding the resultant figure to the nearest HK\$0.01, HK\$0.005 being rounded upwards.”

- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount <sup>(4)</sup>  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ISDA) or *[specify other]*]
- (vi) Determination Date(s): [●] in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in case of a long or short first or last coupon]*  
*(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration.)*  
*(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA).)*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [●]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/  
*[specify other]*]
- (iii) Additional Business Centre(s): [●]
- (iv) Manner in which the Rates of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination/  
*specify other]*
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (vi) Screen Rate Determination:
- Reference Rate: [●]  
*(Either LIBOR, EURIBOR, HIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement.)*

— Interest Determination Date(s):	[●] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)
— Relevant Screen Page:	[●] (In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)
(vii) ISDA Determination:	
— Floating Rate Option:	[●]
— Designated Maturity:	[●]
— Reset Date:	[●]
(viii) Margin(s):	[+/-] [●] per cent. per annum
(ix) Minimum Rate of Interest:	[●] per cent. per annum
(x) Maximum Rate of Interest:	[●] per cent. per annum
(xi) Day Count Fraction:	[Actual/Actual (ISDA) or Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] (See Condition 6 for alternatives)
(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17. Zero Coupon Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) Accrual Yield:	[●] per cent. per annum
(ii) Reference Price:	[●]
(iii) Any other formula/basis of determining amount payable:	[●] (Consider applicable day count fraction if euro denominated)

- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment if Conditions 8(e) (iii) and (j) do not apply: [Conditions 8(e)(iii) and 8(j) apply/specify other]
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent: [Name and specified office, if not the Principal Paying Agent]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [●]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (v) Specified Period(s)/Specified Interest Payment Dates: [●]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vii) Additional Business Centre(s): [●]
- (viii) Minimum Rate of Interest: [●] per cent. per annum
- (ix) Maximum Rate of Interest: [●] per cent. per annum
- (x) Day Count Fraction: [●]
19. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (ii) Party, if any, responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]

- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

### Provisions Relating to Redemption

20. Issuer Call: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): [●]  
(N.B.: If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee.)
21. Investor Put: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other/see Appendix]
- (iii) Notice period (if other than as set out in the Conditions): [●]  
(N.B.: If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Trustee)
22. Final Redemption Amount(s) of each Note: [[●] per Calculation Amount/specify other/see Appendix]
23. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)): [[●] per Calculation Amount/specify other/see Appendix]

## General Provisions Applicable to the Notes

24. Form of Notes:
- [Bearer Notes:  
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event<sup>(5)</sup>]]  
[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]  
[Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event<sup>(5)</sup>]]
- [Registered Notes:  
Regulation S Global Note (U.S.\$[●] nominal amount)/Rule 144A Global Note (U.S.\$[●] nominal amount)/Definitive IAI Registered Notes (*specify nominal amounts*) [registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream]]]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates:
- [Not Applicable/give details]  
*(Note that this paragraph relates to the place of payment, and not Interest Period end dates, to which sub-paragraphs 15(ii), 16(iii) and 18(vii) relate.)*
26. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):
- [Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes (amount of each payment comprising Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment):
- [Not Applicable/give details]  
*(N.B.: new forms of Global Note may be required for Partly Paid issues.)*
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable:
- Redenomination [not] applicable  
*[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))]*
30. Other terms or special conditions:
- [Not Applicable/give details]

## Distribution

- (5) Ensure that this is consistent with the language in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.



31. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilisation Manager (if any): [Not Applicable/*give name*]
32. If non-syndicated, name of Dealer: [●]
33. U.S. selling restrictions: Regulation S Category 2. [Rule 144A & s.4(a)(2)/TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/*give details*]
35. Private Bank Rebate/Commission: [Applicable/*give details*]/Not Applicable]

### Operational Information

36. Any clearing system(s) other than Euroclear, Clearstream and DTC and the relevant identification number(s): [CMU Service /Not Applicable/*give name(s) and number(s)*]
37. Delivery: Delivery [against/free of] payment
38. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York: [Not Applicable/*specify other*]
39. Additional Paying Agent(s) (if any): [●]
40. [Use of proceeds: [●] (*To be specified if different from the use of proceeds set out in this Offering Circular*)]

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ISIN:	[●]
Common Code:	[●]
Legal Entity Identifier:	254900SBJOP903YV1271

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*[Insert here any other relevant codes such as a CMU instrument number, CUSIP and CINS codes]*

### [Stabilisation

In connection with this issue of Notes, any of the Joint Lead Managers (each, a “**Stabilisation Manager**”) (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

### [Listing Application

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$4,500,000,000 Medium Term Note Programme of the Issuer.]

### [Significant or Material Change

Save as disclosed in the Offering Circular or herein, there has been no significant or material adverse change in the financial or trading position of each of the Issuer and the Guarantor since *[insert date of last audited full year financial statements]*.]

## **Responsibility**

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:  
*Duly authorised*

By:  
*Duly authorised*

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7, 8 (except Condition 8(b)), 12, 13, 14, 15 (insofar as such Notes are not listed or admitted to trading on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Pricing Supplement" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by CLP Power Hong Kong Financing Limited (the "**Issuer**") and constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 3rd April, 2002 made between the Issuer, CLP Power Hong Kong Limited as guarantor (the "**Guarantor**") and DB Trustees (Hong Kong) Limited (the "**Trustee**" which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (iv) definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 3rd April, 2002 and made between the Issuer, the Guarantor, the Trustee, Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent), Deutsche Bank AG, Hong Kong Branch as CMU lodging agent (the "**CMU Lodging Agent**", which expression shall include any successor CMU lodging agent) and the other paying agents named therein (together with the Principal Paying Agent and the CMU Lodging Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Deutsche Bank Trust Company Americas as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and Deutsche Bank Trust Company Americas (or, if so specified in the applicable Pricing Supplement, Deutsche Bank Luxembourg S.A.) as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents). For the purposes of these Terms and Conditions (the "**Conditions**"), all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being, 52nd Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) and at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “**Agents**”). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/ Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee and any Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Bearer Global Note held on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream**”) and/or a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “**CMU Service**”), each person (other than Euroclear, Clearstream or the CMU Service) who is for the time being shown in the records of Euroclear, Clearstream or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as any of the Notes is represented by a Regulation S Global Note, the registered holder of the relevant Regulation S Global Note shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note.

For so long as The Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Rule 144A Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Rule 144A Global Note for all purposes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear, Clearstream and the CMU Service, as the case may be. References to DTC, Euroclear, Clearstream and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

## **2. TRANSFERS OF REGISTERED NOTES**

### **(a) *Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear, Clearstream or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement as Specified Denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear, Clearstream or the CMU Service, as the case may be and in accordance with the terms

and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Rule 144A Global Note shall be limited to transfers of such Rule 144A Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

**(b) *Transfers of Registered Notes in definitive form***

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement as Specified Denominations). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

**(c) *Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 8, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

**(d) *Costs of registration***

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

**(e) *Transfers of interests in Regulation S Global Notes***

Prior to the expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or



any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor,

together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 4 to the Agency Agreement (an “**IAI Investment Letter**”) and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; or

(ii) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

**(f) *Transfers of interests in Legended Notes***

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;

(iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or

(iv) pursuant to an effective registration statement under the Securities Act,



and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend (the “**Legend**”) applicable to Legended Notes, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

**(g) Exchanges and transfers of Registered Notes generally**

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

**(h) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8(c), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

**(i) Definitions**

In this Condition, the following expressions shall have the following meanings:

“**Distribution Compliance Period**” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“**Institutional Accredited Investor**” means institutional “**accredited investors**” (within the meaning of Rule 501(a) (1), (2), (3) or (7) under the Securities Act);

“**Legended Note**” means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“**QIB**” means a “**qualified institutional buyer**” within the meaning of Rule 144A;

“**Regulation S**” means Regulation S under the Securities Act;

“**Regulation S Global Note**” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“**Rule 144A**” means Rule 144A under the Securities Act;

“**Rule 144A Global Note**” means a Registered Global Note representing Notes sold in the United States to QIBs; and

“**Securities Act**” means the United States Securities Act of 1933, as amended.

### 3. STATUS OF THE NOTES AND THE GUARANTEE

#### (a) *Status of the Notes*

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

#### (b) *Status of the Guarantee*

The payment of principal and interest in respect of the Notes and all other amounts payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the “**Guarantee**”). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

### 4. NEGATIVE PLEDGE

#### (a) *Negative Pledge*

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer and the Guarantor will ensure that no Relevant Indebtedness (as defined below) and no guarantee or indemnity of any Relevant Indebtedness will be secured by any mortgage, charge, lien, pledge or other security interest (other than a lien arising by operation of law) (each a “**Security Interest**”) upon the whole or any part of the undertaking, revenues or assets, present or future, of the Issuer or, as the case may be, the Guarantor, unless the Issuer or, as the case may be, the Guarantor shall, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

- (1) all amounts payable by it under the Notes, the Coupons, the Receipts and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case, to the satisfaction of the Trustee; or
- (2) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders,

provided that the Issuer or, as the case may be, the Guarantor may create, assume or have outstanding a Security Interest in respect of any Relevant Indebtedness and/or in respect of any guarantee or indemnity of any Relevant Indebtedness without the obligation to provide a Security Interest, guarantee, indemnity or other arrangement in respect of the Notes and the relative Receipts and Coupons as aforesaid where such Security Interest is issued or created for the purpose of financing or refinancing the purchase of any property or assets provided that (i) such property or assets are the sole subject of the Security Interest, (ii) in connection with any such financing or refinancing, neither the scope of the Security Interest nor the principal amount secured is increased, (iii) the principal amount of the Relevant Indebtedness secured by such Security Interest shall not exceed the purchase cost of such property or assets and (iv) any such Security Interest shall be created or assumed concurrently with or within one year following the purchase of such property or assets.

**(b) Interpretation**

For the purposes of these Conditions:

- (i) “**Indebtedness**” means any present or future indebtedness (including any liability under or in respect of any acceptance or acceptance credit but excluding, for the avoidance of doubt, bills of exchange drawn under or in respect of letters of credit or contracts for the provisions of goods or services for the purpose of effecting payment and not in connection with the raising of money); and
- (ii) “**Relevant Indebtedness**” means any Indebtedness in the form of or represented by any note, bond, debenture, debenture stock, loan stock or other similar security which (with the consent of the issuer of the Indebtedness) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.

**5. REDENOMINATION**

**(a) Redenomination**

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders, on giving 30 days’ prior notice to the Trustee, the Principal Paying Agent, Euroclear, Clearstream and/or as applicable, the CMU Service and at least 30 days’ prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of 0.01 with a nominal amount in euro for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and with the prior written approval of the Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes are for the time being listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of 1,000, 10,000, 100,000 and (but only to the extent of any remaining amounts less than 1,000 or such smaller denominations as the Issuer in conjunction with the Principal Paying Agent may determine) 0.01 and such other denominations as the Issuer in conjunction with the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will

also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to these Conditions as the Issuer may decide, after consultation with the Trustee and the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

## **(b) Definitions**

In these Conditions, the following expressions have the following meanings:

**“Established Rate”** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

**“euro”** and **“€”** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**“Redenomination Date”** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

**“Treaty”** means the Treaty establishing the European Community, as amended by the Treaty on European Union, as amended from time to time.

## **6. INTEREST**

### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(a):

- (i) if “**Actual/Actual (ICMA)**” is specified in the applicable Pricing Supplement:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or

- (ii) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or
- (iii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

“**Determination Period**” means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no express Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

**(A) ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA



Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”), on the Euro-zone inter-bank offered rate (“**EURIBOR**”) or on the Hong Kong inter-bank offered rate (“**HIBOR**”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.



(iii) *Minimum and/or maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, the Guarantor each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, such stock exchange or other relevant authority as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

- (i) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case  $D_2$  will be 30; and

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and  $D_2$  will be 30.

*(v) Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii) (A) or (B) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (iv) above,

the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(f) *Definitions*

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 6(b) (i) (B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

“**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Hong Kong and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively), or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the “**TARGET2 System**”) is open.

## 7. PAYMENTS

### (a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

### (b) *Presentation of definitive Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes not held in CMU will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of Instalment Amounts (if any) in respect of definitive Bearer Notes not held through the CMU Service, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form not held through the CMU Service (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below) ) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form not held through the CMU Service becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

In the case of definitive Bearer Notes held through the CMU Service, payment will be made to the person(s) for whose account(s) interests in the relevant definitive Bearer Note are credited as being held with CMU in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging Agent by the CMU in a relevant CMU Instrument Position Report or any relevant notification by CMU, which notification shall be conclusive evidence of the records of CMU (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer or, as the case may be, the Guarantor in respect of that payment.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

**(c) *Payments in respect of Bearer Global Notes***

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note (i) in the case of a Global Note lodged with CMU, to the person(s) for whose account(s) interests in the relevant Global Note are credited as being held through the CMU Service in accordance with the



CMU Rules, or (ii) in the case of a Global Note not lodged with CMU, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made (in the case of a Global Note not lodged with CMU) on such Global Note by the Paying Agent to which it was presented or (in the case of a Global Note lodged with CMU) on withdrawal of such Global Note by the CMU Lodging Agent, and in each such case such record shall be prima facie evidence that the payment in question has been made.

**(d) *Payments in respect of Registered Notes***

Payments of principal (other than Instalment Amounts prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of Instalment Amounts (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the “**Record Date**”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and Instalment Amounts (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.



All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

**(e) *General provisions applicable to payments***

The holder of a Global Note (if the Global Note is not lodged with CMU) or (if the Global Note is lodged with CMU) the person(s) for whose account(s) interests in such Global Note are credited as being held through the CMU Service in accordance with the CMU Rules as notified to the CMU Lodging Agent by CMU in a relevant CMU Instrument Position Report or any other relevant notification by CMU (which notification, in either case, shall be conclusive evidence of the records of CMU save in the case of manifest error), shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note or such person(s) for whose account(s) interests in such Global Note are credited as being held through the CMU Service (as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, DTC or the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, DTC or the CMU Lodging Agent, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor in respect of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/ or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

**(f) *Payment Day***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 10) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) Hong Kong; and
  - (C) any Additional Financial Centre specified in the applicable Pricing Supplement;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Hong Kong and any Additional Financial Centre, and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

**(g) *Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## 8. REDEMPTION AND PURCHASE

### (a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

### (b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (1) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(c) Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to:
  - (a) the Trustee and the Principal Paying Agent; and
  - (b) in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected in such place as the Trustee may approve and in such manner as it deems fit, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream and/or DTC and/or the CMU Service, (as appropriate) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

**(d) Redemption at the option of the Noteholders (Investor Put)**

**(A) If Investor Put is specified in the applicable Pricing Supplement**

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

**(B) Put Option Exercise Procedures**

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note on any Business Day (as defined in Condition 6) falling within the notice period must deliver such Note at the specified office of any Paying Agent (together with all unmatured Receipts and Coupons and unexchanged Talons in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period,

accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). Registered Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination.

**(e) Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note (other than a Zero Coupon Note, an Instalment Note and a Partly Paid Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price; and

“**AY**” means the Accrual Yield; and

“**y**” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

**(f) Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

**(g) *Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

**(h) *Purchases***

The Issuer, the Guarantor or any Subsidiary (as defined in the Trust Deed) of the Issuer or the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to the Principal Paying Agent and/or the Registrar for cancellation.

**(i) *Cancellation***

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and may not be reissued or resold.

**(j) *Late payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e) (iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee, the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

**9. TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7(f)); or



- (c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim.

As used herein:

- (i) “**Tax Jurisdiction**” means the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer) or Hong Kong or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor); and
- (ii) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

## 11. EVENTS OF DEFAULT AND ENFORCEMENT

### (a) *Events of Default*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (ii) and (iv) to (xi) inclusive, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an “**Event of Default**”) shall occur:

- (i) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within fourteen days of the due date for payment thereof; or
- (ii) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of, or compliance with, any of its other obligations under the Conditions or the Trust Deed which default is incapable of remedy, or if in the opinion of the Trustee capable of remedy, such default remains unremedied in the opinion of the Trustee for 30 days (or such longer period as the Trustee may permit) next following service by the Trustee on the Issuer or, as the case may be, the Guarantor of notice requiring the same to be remedied; or
- (iii) *Cross default of Issuer or Guarantor*: (1) the Issuer or the Guarantor, as the case may be, shall default in the payment of any principal of or interest on any Indebtedness beyond any period of grace provided in respect thereof; or (2) the Issuer or the Guarantor, as the case may be, shall fail to honour when due and called upon any guarantee of any Indebtedness or (3) any Indebtedness of the Issuer or the Guarantor, as

the case may be, shall become due and payable prior to its specified maturity by reason of any default or event of default (howsoever described), in each case in an aggregate principal amount of at least U.S.\$30,000,000 or such other amount as may be specified in the applicable Pricing Supplement or the equivalent thereof in another currency or currencies; or

- (iv) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 60 days; or
- (v) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed or initiates any legal proceedings to enforce any mortgage, charge, pledge, lien or other encumbrance over the whole or a substantial part of the undertaking, assets and revenues of the Issuer or the Guarantor and is not discharged or stayed within 60 days; or
- (vi) *Insolvency etc*: (1) the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (2) an administrator or liquidator of the Issuer or the Guarantor is appointed with respect to the whole or a substantial part of the undertaking, assets and revenues of the Issuer or the Guarantor, (3) the Issuer or the Guarantor makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of its Indebtedness (or any guarantees of any Indebtedness given by it) generally or (4) the Issuer or the Guarantor ceases or threatens to cease to carry on all or a substantial part of its business; or
- (vii) *Winding up etc*: (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantor (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders) and (ii) in any case is not discharged, stayed or the subject of bona fide proceedings within 28 days; or
- (viii) *Illegality*: if, in the opinion of the Trustee, it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed and such illegality is incapable of remedy, or if in the opinion of the Trustee capable of remedy, such illegality remains unremedied in the opinion of the Trustee for 30 days (or such longer period as the Trustee may permit) next following service in writing by the Trustee on the Issuer, or as the case may be, the Guarantor of notice requiring the same to be remedied; or
- (ix) *Ownership*: the Issuer ceases to be wholly-owned and controlled by the Guarantor; or
- (x) *Analogous event*: any event occurs which under the laws of the British Virgin Islands or Hong Kong has an analogous effect to any of the events referred to in paragraphs (iv) to (viii) above; or
- (xi) *Guarantee not in force*: the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

**(b) Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent or the Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar or the Transfer Agent (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Principal Paying Agent and the Registrar (as the case may be) may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **13. AGENTS**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled, after consultation with the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) so long as any of the Registered Global Notes denominated in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances set out therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **14. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

## **15. NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong. It is expected that such publication will be made in the South China Morning Post in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If, in the opinion of the Trustee, publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear and/or Clearstream and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream and/or DTC for communication by them to the holders of the Notes or (ii) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note. Any such notice shall be deemed to have been given to the holders of the Notes on the first day after the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC and/or the persons shown in the relevant CMU Instrument Position Report.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream and/or DTC and/or, in the case of Notes lodged with the CMU Service, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Principal Paying Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream and/or DTC and/or the CMU Service, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 15.

## **16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, inter alia, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such

meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest or proven error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of a subsidiary of the Guarantor, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 15.

## **17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer and/or the Guarantor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **(a) *Governing law***

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

### **(b) *Submission to jurisdiction***

Each of the Issuer and the Guarantor has in the Trust Deed agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons may be brought in such courts.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably agreed in the Trust Deed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

### **(c) *Appointment of Process Agent***

Each of the Issuer and the Guarantor has in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, England as its agent for service of process, and has undertaken that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be on-lent by the Issuer to the Guarantor to be used for general corporate purposes, or as otherwise specified in the applicable Pricing Supplement.

## DESCRIPTION OF THE ISSUER

The Issuer, incorporated in the British Virgin Islands on 25th January, 2002, is a wholly-owned subsidiary of the Guarantor. The Issuer was established to raise financing for the Guarantor.

As at 31st December, 2020, the Issuer had outstanding Notes issued under the Programme amounting to HK\$28,437 million in total.

As at the date hereof the Issuer has no subsidiaries.

The directors of the Issuer as at the date of this Offering Circular are:

<u>Name</u>	<u>Position</u>	<u>Year Appointed</u>
Chiang Tung Keung . . . . .	Director	2017
Geert Herman August Peeters . . . . .	Director	2014

### ***Chiang Tung Keung*** ***Director***

#### *Current position/responsibilities*

Managing Director – CLP Power

Mr. Chiang holds overall responsibility for the operations of CLP's Hong Kong regulated business, which includes a vertically integrated electricity utility serving customers in Kowloon, the New Territories and Lantau Island.

#### *Titles, qualifications and education*

Chartered Engineer

Member of the Institution of Engineering and Technology

Fellow of the Hong Kong Institution of Engineers

Master of Science in Electrical Engineering, the Hong Kong Polytechnic University

Master of Business Administration, the Chinese University of Hong Kong

Bachelor of Science in Electrical & Electronic Engineering, the University of Hong Kong

#### *Past/Other experience*

Mr. Chiang joined CLP Power as a Graduate Trainee in 1988. He has extensive experience in generation, transmission and distribution systems as well as regulatory strategy. He has held various posts in different areas including power system asset management, planning, design, operation and maintenance, power quality, and corporate and regulatory strategy. Mr. Chiang was the Chief Operating Officer – CLP Power before taking up his current position in June 2017. He is also a Director of CLP Power Hong Kong Limited.

#### *Further particulars*

Further particulars of Mr. Chiang, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

***Geert Herman August Peeters***  
***Director***

*Current position/responsibilities*

Executive Director and Chief Financial Officer (“CFO”) of CLP Holdings Limited

Mr. Peeters, in addition to his responsibilities as CFO, has responsibility for Group business development oversight. He will move to a new role of Group Director & Chief Strategy & Transformation Officer of CLP Holdings Limited and will cease to be a Director of the Issuer with effect from 1st April, 2021.

*Titles, qualifications and education*

Knight in the Order of King Leopold

Chartered Engineer (Belgium)

International Certified Professional Accountant

Executive business training, INSEAD Paris, France

Master of Science in electro mechanical engineering (hons. RUG Gent, Belgium)

Postgraduate degree in business and IT administration (HEC Brussels, Belgium)

*Past/Other experience*

Prior to Mr. Peeters’ appointment as an Executive Director and CFO of CLP Holdings Limited in January 2016, he was the Group Director & CFO (since 1st April, 2014). He is also a Director of CLP Power Hong Kong Limited.

Mr. Peeters has over 25 years of experience in the energy industry. Prior to joining CLP, he was the Deputy CFO of GDF SUEZ (now known as ENGIE) Group based in Paris and Executive Director and CFO of International Power plc, a ENGIE subsidiary formerly listed on the London Stock Exchange and part of the FTSE 100. Mr. Peeters was with GDF SUEZ from 1997 to 2013, gaining extensive experience in senior financial and operational roles in Europe, Latin America, the Middle East and North America.

*Further particulars*

Further particulars of Mr. Peeters, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

Subsequent to the date of this Offering Circular, Mr. Nicolas Alain Marie Tissot will succeed Mr. Geert Herman August Peeters as CFO of CLP Holdings Limited on 1st April, 2021 and will be appointed in place of Mr. Peeters as a Director of the Issuer and the Guarantor with effect from the same date.

***Nicolas Alain Marie Tissot***  
***(Director, with effect from 1st April, 2021)***

*Current position/responsibilities*

Deputy CFO of CLP Holdings Limited; will become CFO of CLP Holdings Limited on 1st April, 2021

Mr. Tissot will be responsible for overseeing the Group’s financial control and reporting, treasury, tax, corporate finance and investment, risk management and investor relations.

*Titles, qualifications and education*

Diploma in Business Administration, HEC Paris

Inspecteur des Finances, the École Nationale d’Administration

*Past/Other experience*

Mr. Tissot joined CLP in September 2020 as Deputy CFO. Most of Mr. Tissot’s extensive managerial and financial experience has been in the energy industry. He served as CFO of Alstom, and held multiple senior roles within the GDF Suez Group (now ENGIE), including CFO of Tractebel and subsequently of Electrabel, and Deputy Chief Executive Officer of GDF Suez’s Global Gas & LNG Division.

Prior to joining CLP, Mr. Tissot had been CFO at global testing, inspection, and certification leader Bureau Veritas. In parallel, he has been an independent member of the Board and Audit Committee Chair of Euroclear Settlement of Euronext-zone Securities. He started his career at the French Ministry of Economy, Finance and Industry.

*Further particulars*

Further particulars of Mr. Tissot, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments will be available on the website of CLP Holdings Limited at <https://www.clpgroup.com> from 1st April, 2021.

The registered office of the Issuer is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of each of the Directors of the Issuer for the purposes of his directorship in the Issuer is 8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong.

The Issuer has no employees.

## CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets out the capitalisation and indebtedness of the Issuer as at 31st December, 2020, extracted from the audited financial statements of the Issuer as at 31st December, 2020:

	As at 31st December, 2020
	Actual (HK\$ million)
Short-term debt (including current portion of long-term debt) <sup>(1)</sup> . . . . .	3,327
Long-term debt (net of current portion) <sup>(1)</sup> . . . . .	25,110
Shareholders' funds	
Share capital. . . . .	—
Reserves . . . . .	—
Total shareholders' funds . . . . .	—
Total capitalisation <sup>(2)</sup> . . . . .	25,110
Total short-term debt and capitalisation . . . . .	28,437

As at 31st December, 2020, the Issuer had an authorised ordinary share capital of U.S.\$50,000, divided into 50,000 ordinary shares of U.S.\$1.00 par value each, of which 1 ordinary share had been issued and fully paid.

Save as disclosed herein, there has been no other material change in the capitalisation and indebtedness of the Issuer since 31st December, 2020.

*Notes:*

- (1) As at 31st December, 2020, the outstanding amount of notes issued under the Programme for the period from 3rd April, 2002 up to 31st December, 2020 comprises (i) various tranches of U.S. dollar notes totalling U.S.\$2,200 million with coupon rates ranging from 2.125 per cent. to 4.75 per cent. per annum due between 2021 to 2035; (ii) various tranches of Hong Kong dollar notes totalling HK\$7,705 million with coupon rates ranging from 2.465 per cent. to 4.75 per cent. per annum and due between 2021 to 2041; (iii) various tranches of JPY notes totalling JPY36 billion with coupon rates ranging from 0.38 per cent. to 3.28 per cent. per annum and due between 2021 to 2027; (iv) A\$30 million notes with a coupon rate of 3-month BBSW plus 202 basis points due 2021; and (v) various tranches of Australian dollar notes totalling A\$165 million with coupon rates of 3.77 per cent. to 6.3675 per cent. per annum and due between 2021 and 2030.
- (2) Total capitalisation represents the sum of long-term debt and shareholders' funds.

## CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets out the consolidated capitalisation and indebtedness of the Guarantor as at 31st December, 2020, extracted from the audited consolidated financial statements of the Guarantor as at 31st December, 2020:

	As at 31st December, 2020
	Actual (HK\$ million)
Short-term debt (including current portion of long-term debt) . . . . .	6,253
Long-term debt (net of current portion) . . . . .	37,196
Shareholders' funds	
Share capital . . . . .	20,400
Reserves . . . . .	<u>25,755</u>
	46,155
Perpetual capital securities <sup>(1)</sup> . . . . .	3,887
Other non-controlling interests <sup>(2)</sup> . . . . .	<u>6,429</u>
Equity . . . . .	<u>56,471</u>
Total capitalisation <sup>(3)</sup> . . . . .	93,667
Total short-term debt and capitalisation . . . . .	99,920

As at 31st December, 2020, the Guarantor had issued 2,488.32 million ordinary shares which are fully paid.

On 3rd March, 2021, U.S.\$300 million notes due in 2031 with a coupon rate of 2.125 per cent. were issued by Castle Peak Power Finance Company Limited.

Save as disclosed herein, there has been no material change in the consolidated capitalisation and indebtedness of the Guarantor since 31st December, 2020.

### Notes:

- (1) US\$500 million in aggregate principal amount of perpetual capital securities were issued on 6th November, 2019 by a wholly-owned subsidiary of the Guarantor, CLP Power HK Finance Ltd. The securities are perpetual and non-callable in the first 5.25 years and entitle the holders to receive distributions at a distribution rate of 3.55 per cent. per annum in the first 5.25 years, floating thereafter and with fixed step-up margins at year 10.25 and at year 25.25, payable semi-annually in arrear, cumulative and compounding. The distributions may be deferred at the discretion of the issuer, CLP Power HK Finance Ltd., if the issuer and the Guarantor (also as guarantor of the securities) do not (a) declare or pay dividends or distributions to their shareholders or (b) cancel or reduce their share capital within each distribution payment period. The perpetual capital securities are classified as equity in accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Presentation".
- (2) Other non-controlling interests represents China Southern Power Grid International (HK) Co., Limited's 30 per cent. equity interest, including its share of redeemable shareholder capital, in the Guarantor's subsidiary, Castle Peak Power Company Limited.
- (3) Total capitalisation represents the sum of long-term debt and equity.



## DESCRIPTION OF THE GUARANTOR

### Introduction

CLP Power Hong Kong Limited (the “**Company**”) was established in 1901 in Hong Kong as China Light & Power Company, Limited. The Company changed its name to CLP Power Hong Kong Limited on 5th March, 1999. The Company’s website address is [www.clpgroup.com](http://www.clpgroup.com).

The Company is engaged in the electricity generation, transmission and distribution business in Hong Kong. It is one of the only two electricity providers in Hong Kong. Apart from the standalone renewable system on Town Island, the Company does not generate the electricity it sells, but pursuant to several contracts described below in “— *Power Purchase from CAPCO*” and “— *Non-CAPCO Power Purchases/Storage Facilities*”, the Company purchases electricity from Castle Peak Power Company Limited (“**CAPCO**”), and from Guangdong Daya Bay Nuclear Power Station located in Guangdong Province of Mainland China. The Company supplies electricity to Kowloon and the New Territories, including Lantau, Cheung Chau and several other outlying islands. Its supply area extends to approximately 1,000 square kilometres and covers a population of about 6.2 million people, which translates into approximately 2.7 million customers. The Company supplies approximately 77 per cent. of the electricity consumed in Hong Kong.

The electricity-related operations of the Company and CAPCO, the generating company, have been governed under a regulatory framework with the Government of Hong Kong (the “**Government**”) known as the “Scheme of Control” (“**SoC**”) which was first negotiated in 1964. The SoC regulates the Company’s and CAPCO’s financial affairs for electricity-related operations. The SoC provides that the Company is obliged to meet electricity demand at the lowest reasonable cost. In return, the Government recognises that the Company and CAPCO are entitled to receive a reasonable return on their investments. The current SoC, which came into effect on 1st October, 2018, covers a period of over 15 years to 31st December, 2033. See “— *Scheme of Control*”.

CAPCO was initially jointly owned by the Company (40 per cent.) and ExxonMobil Energy Limited (“**ExxonMobil**”) (60 per cent.). On 12th May, 2014, the Company completed, in collaboration with China Southern Power Grid International (HK) Co., Limited (“**CSG HK**”), a wholly-owned subsidiary of 中国南方电网有限责任公司 (China Southern Power Grid Co., Limited) (“**CSG**”), the acquisition of the 60 per cent. interest in CAPCO held by ExxonMobil. After the acquisition, the Company holds a 70 per cent. interest in CAPCO and CSG HK holds the remaining 30 per cent. interest. The increase in interest in CAPCO enables the Company to exercise a greater degree of control over CAPCO’s generation activities.

In June 2019, CAPCO invested in the Hong Kong offshore liquefied natural gas (“**LNG**”) terminal through the newly incorporated joint-venture company, Hong Kong LNG Terminal Limited (“**HKLT**”), in which CAPCO holds a 70 per cent. equity interest, with the remaining 30 per cent. owned by The Hongkong Electric Company, Limited (“**Hongkong Electric**”).

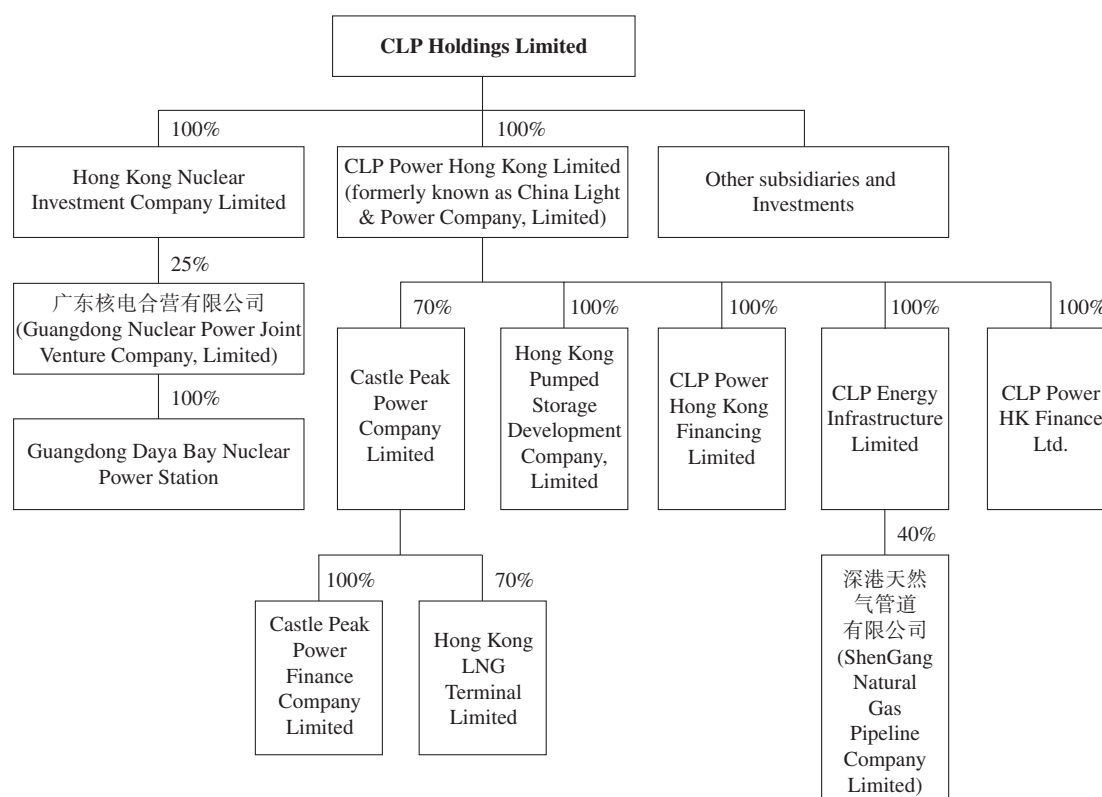
Hong Kong Pumped Storage Development Company, Limited (“**PSDC**”) is a wholly-owned subsidiary of the Company after the Company’s acquisition in 2014 of the remaining 51 per cent. interest previously held by ExxonMobil. The principal activity of PSDC is to provide pumped storage services to the Company to support the operation and security of the Hong Kong electricity supply system. See “— *Non-CAPCO Power Purchases/Storage Facilities*”.

In addition, the Company indirectly holds a 40 per cent. equity interest in 深港天然气管道有限公司 (ShenGang Natural Gas Pipeline Company Limited) (“**SNGPC**”) through its wholly-owned subsidiary, CLP Energy Infrastructure Limited. SNGPC is incorporated in Mainland China. It owns and operates the Second West-East Natural Gas Pipeline (“**WEPII**”) Hong Kong Branch Line which transports natural gas from Shenzhen to Hong Kong.

### Relationship with CLP Holdings Limited

The Company carried out a corporate reorganisation in 1998 to delineate the Company’s regulated electricity generation, transmission and distribution business from the non-regulated businesses. CLP Holdings Limited (“**CLP Holdings**”) was established as the top-tier holding company by way of a

Scheme of Arrangement effective on 6th January, 1998 and listed on the Hong Kong Stock Exchange in place of the Company. The Company was then converted into a private company and became a wholly-owned subsidiary of CLP Holdings and transferred to CLP Holdings the shares of its subsidiary companies undertaking non-regulated businesses. The diagram below sets forth the Company's parent entity and the Company's principal operating subsidiaries and affiliates as at the date of this Offering Circular:



## Business Strategy

The Company aims to continually improve its excellence in supply reliability, tariff levels, customer service and environmental performance while providing a reasonable return to its shareholders in accordance with the SoC. Under the SoC Agreement, a series of green initiatives have been introduced as Hong Kong looks to a smarter, greener future. It enables the Company and CAPCO to plan ahead and make appropriate investments to meet the Government's energy policy objectives. The Company's priorities in 2021 will include:

- engaging with the Government on the long-term decarbonisation and carbon neutrality strategies;
- managing and delivering new initiatives under the SoC Agreement, including the new CLP Eco Building Fund and the CLP Community Energy Saving Fund, the Feed-in Tariff programme and Renewable Energy Certificates;
- prudently managing fuel expenses by maximising the use of cheaper gas from Yacheng gas fields and from other fields in the South China Sea, procuring and using low emission coal, temporarily importing additional nuclear energy from Daya Bay, enhancing the operational performance of generation plants and emission reduction equipment and securing other long-term gas supply options;
- managing operating costs to minimise the impact of tariff increase on customers;
- managing and delivering the Development Plan covering the period from October 2018 to December 2023 ("**2018–2023 Development Plan**") as approved under the SoC Agreement;

- constructing another 550MW class Combined Cycle Gas Turbine (“CCGT”) unit at Black Point Power Station with completion scheduled by the end of 2023;
- progressing with the construction of offshore LNG terminal along with subsea pipeline and gas receiving station;
- working with gas suppliers for long-term gas supply contracts to support the increased gas generation;
- maintaining excellent and innovative services for customers and stepping up customer engagement, education and new product offerings such as smart appliances, digital platforms for remote control and mobile monitoring of energy use, the new smart energy experience centre in order to provide customers with a greater range of online information to keep pace with evolving customer needs, a higher degree of energy management and to offer customers more choices; and
- continuing prudent financial management in all aspects of the Company’s business.

Over the longer term, the Company’s priorities include:

- working closely with the Government in its forward-looking mitigation measures to tackle climate change to help Hong Kong achieve a greener future;
- implementing a cleaner fuel mix, which may involve using more gas, carefully considering the potential import of more zero-carbon energy, reducing reliance on coal, as well as promoting the use of local renewable energy sources to the extent practicable in Hong Kong;
- continuing the implementation of the Memorandum of Understanding between the Government and the PRC government on energy cooperation signed in 2008 (“MOU”) so that new long-term gas supplies are brought to Hong Kong in a timely fashion;
- continuing support for the Government’s green initiatives to promote energy efficiency and conservation, and helping customers manage their energy consumption;
- supporting Hong Kong’s transformation into a smart city as an innovative energy service provider; and
- maintaining excellence in operations at all times, including supply reliability and environmental and safety performance.

## **Relationship with CAPCO**

### ***General***

The Company purchases a significant part of its electricity demand from CAPCO. While the Company holds a 70 per cent. equity interest in CAPCO, the affairs of CAPCO are managed by a six-member board of directors, of which four representatives are nominated by the Company and two representatives are nominated by CSG HK.

The Company also acts as the operator of CAPCO and is responsible for the efficient operation and maintenance of CAPCO’s facilities.

### ***Electricity Purchases***

Under a power purchase agreement with CAPCO, the Company is obliged to purchase the total electricity output of CAPCO at a price sufficient to cover all of CAPCO’s operating expenses under the SoC, including fuel costs, depreciation, interest and taxes, as well as CAPCO’s share of the return permitted under the SoC.

### ***Supply to Mainland China***

The SoC contemplates a special arrangement to cover the Company's purchase of electricity from CAPCO for supply to Mainland China. Only spare generating capacity not used to serve customers in Hong Kong may be used for sales to Mainland China. Pursuant to a separate agreement between the Company, CAPCO and the Government, 80 per cent. of the profit from the Company's sales to Mainland China is credited to a SoC Tariff Stabilisation Fund ("TSF"). The remaining 20 per cent. of the profit from such sales is shared between the Company and CAPCO for the account of their respective shareholders. See "*— Sales to Mainland China*".

### ***CAPCO Financing***

The Company and CSG HK have provided most of their funding to CAPCO in the form of redeemable shareholder capital (see below) and interest-free shareholder advances. As at 31st December, 2020, the Company's 70 per cent. share of CAPCO's paid-in capital was HK\$35.0 million, and the Company's 70 per cent. share of CAPCO's redeemable shareholder capital and shareholders' advances amounted to HK\$11,935.0 million and HK\$2,381.8 million respectively.

Following the Shareholder Capital Agreement executed in 2017, an amount of advances from shareholders was reclassified into the redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31st December, 2032. CAPCO may also, at its sole discretion, redeem the shareholder capital on the occurrence of certain events such as an "Equity Credit Classification Event" (lower equity credit from S&P or other rating agencies of equivalent international standing) or an "Accounting Classification Event" (instrument no longer classified as 'equity' in CAPCO's financial statements). The redeemable shareholder capital is considered equity in nature in accordance with Hong Kong Accounting Standard 32.

Pursuant to the terms of a bank covenant given by CAPCO, shareholders' advances to CAPCO will not be repaid without prior approval of certain lenders if CAPCO's ratio of borrowed moneys to shareholders' funds (representing the sum of the issued share capital, redeemable shareholder capital, deferred taxation, retained profit, proposed dividend, and shareholders' advances (excluding unrealised foreign exchange differences)) exceeds 1.5:1 after repayment of the advances. Borrowed moneys means moneys lent to CAPCO excluding fuel stock loans, obligations arising from swaps and currency exchange transactions, and unrealised foreign exchange differences. As at 31st December, 2020, the borrowed moneys of CAPCO amounted to approximately HK\$13.0 billion, while shareholders' funds totalled approximately HK\$25.1 billion, giving a ratio of 0.52:1, whilst the ratio was 0.35:1 as at 31st December, 2019.

If CAPCO requires additional financing, the Company and CSG HK may, each in its own discretion, provide such financing in proportion to their respective participation and, if either declines, the other has the right, but not the obligation, to provide all or any part of the required financing. CAPCO also has the ability to raise funds through borrowings to finance its activities.

CAPCO's wholly-owned subsidiary, Castle Peak Power Finance Company Limited, was incorporated on 16th May, 2017 to act as the issuer of a medium term note programme to raise financing for CAPCO. Under an inter-company lending arrangement, CAPCO unconditionally and irrevocably guarantees all the obligations of the subsidiary. In return, all proceeds from any issuance of notes under the programme are lent onward to CAPCO at the same interest rates and terms as those under the notes issued by the subsidiary, and CAPCO reimburses all related expenses incurred by the subsidiary.

## **Scheme of Control**

### ***Overview***

The electricity-related operations and financial affairs of the Company and CAPCO have been governed since 1st October, 1963 by a series of SoC Agreements entered into with the Government. The current SoC, which came into effect on 1st October, 2018, covers a period of over 15 years to 31st December, 2033.

The SoC contains provisions covering the obligations of the parties to the SoC, the tariff setting mechanism, calculation of the permitted and net return of the Company and CAPCO and the procedures for Government monitoring. The Company's sales of electricity to Mainland China are governed by a separate contract, the terms of which do not form part of the SoC. See “— *Sales to Mainland China*”.

In accordance with the SoC, the Company and CAPCO (the “**SoC Companies**”) are obliged to contribute to the development of Hong Kong by providing sufficient facilities to meet the demand for electricity in an environmentally responsible way and at the lowest reasonable cost. In return, the SoC Companies are entitled to receive tariff revenue sufficient for a reasonable return on their investments. Costs are forecasted by means of a development plan review process described below and the net tariff is determined by means of a formula established by the SoC. See “— *Tariffs*”.

The SoC provides for Government monitoring of the SoC Companies' financial affairs and operating performance through development plan reviews and auditing reviews as described below.

The Government reviews the SoC Companies' major capital additions and tariff rates. A development plan review is conducted whenever a major system expansion is proposed, the period of the existing review is about to expire, or when adjustments in excess of an agreed percentage of the previously approved tariff rates for that particular year are proposed.

Under the SoC, the development plan, which includes the projected basic tariff rates for a period of at least five years taking into account the SoC Companies' investment plans, will be brought to the Executive Council of Hong Kong (the “**Executive Council**”) for approval. If a development plan is not approved prior to the expiry of the previous approved development plan, the SoC Companies may, after consultation with the Government, increase the basic tariff rates by up to 5 per cent. above the level approved for the last year of the previous approved development plan.

Subsequent to the approval of a development plan under the SoC, the SoC Companies may increase the basic tariff rates by up to 5 per cent. above the level approved in the development plan for a particular year. A further increase of 5 per cent. is permitted with the approval of the Executive Council without a further development plan review. If the SoC Companies have requested an increase in basic tariff rates requiring governmental approval or if the SoC Companies have requested revisions to the current development plan and an agreement has not yet been reached with the Government concerning such increase or revisions, the SoC Companies still have the right to increase the basic tariff rates up to 5 per cent. above the level approved in the development plan for that year on an interim basis. A tariff review is conducted in October of each year to agree on the implementation of tariff adjustments for the next year.

An auditing review is also submitted each year by the SoC Companies for review by the Government. The auditing review provides information to the Government in connection with its monitoring of the SoC Companies' activities under the SoC. The auditing review contains an analysis of the prior-year actual results and current-year projections of sales, capital expenditures, operating expenditures and other financial and operating data.

An interim review is conducted every five years during the term of the current SoC. During an interim review, the Government and the SoC Companies can request modifications to the SoC agreement which are subject to mutual agreement.

### ***Tariffs***

The Company designs the total tariff it charges to cover its and other SoC Companies' operating costs and allowed net return. See “— *Basic Tariff Rate*”. The total tariff consists of two components: (i) the basic tariff rate; and (ii) a fuel clause recovery rebate or charge (“**Fuel Cost Adjustment**”);

#### **(i) *Basic Tariff Rate***

The Company calculates its annual projected basic tariff rates by taking into account the SoC Companies' permitted return and the annual forecasts of (a), (b), (c) and (d) below under the context of the SoC, using the formula “(a+b-c)/d”:

- (a) operating costs, which include, among other things, the standard cost of fuel; generation, transmission, distribution and administration expenses; depreciation; interest expenses; and taxes;
- (b) allowed net return (“**net return**”), which is derived by subtracting from or adjusting the SoC permitted return (“**permitted return**”): (i) interest up to a maximum of 7 per cent. per annum on borrowed capital arranged for financing fixed assets; (ii) a charge of the average one-month Hong Kong Interbank Offered Rate on the average balance of the TSF; (iii) an excess capacity adjustment of 8 per cent. less an allowed interest charge of up to 7 per cent. per annum on the average related excess capacity expenditure; (iv) interest up to 7 per cent. per annum on the increase in average balance of the customers’ deposits in excess of the balance as at 30th September, 1998; and (v) various performance-linked incentives / penalties adjustments under categories as below:

Category	Per cent. incentives (+)/penalties (–)
Operation performance related incentives/ penalties	in the range of –0.05 per cent. to +0.05 per cent. on average net fixed assets
Energy efficiency and renewable performance incentives	<ul style="list-style-type: none"> <li>• a maximum of 0.315 per cent. on average net fixed assets</li> <li>• incentive of 10 per cent. of renewable energy certificates sales revenue</li> <li>• five-year energy saving and renewable energy connections incentives with a maximum of 0.11 per cent. on the average net fixed assets at the final year of the five-year period</li> </ul>
Demand response reduction incentive	a maximum of 0.025 per cent. on average net fixed assets

The permitted return is 8 per cent. of the SoC Companies’ average net fixed assets.

- (c) revenue from sales to Mainland China less 20 per cent. of the incremental profit before tax (the 20 per cent. of incremental profit from the sales to Mainland China is shared between the Company (40 per cent.) and CAPCO (60 per cent.)); and
- (d) local unit sales in terms of kWh as determined by the load forecast.

Under the SoC, all of the Company’s expenses relating to power purchases of the 70 per cent. output from Guangdong Daya Bay Nuclear Power Station and all payments to PSDC are included in the operating costs described in (a) above. See “— *Non-CAPCO Power Purchases/Storage Facilities — Guangdong Daya Bay Nuclear Power Station and Guangzhou Pumped Storage Power Station*”.

**(ii) Fuel Clause Recovery Rebate or Charge (Fuel Cost Adjustment)**

The standard cost of fuel is recovered through the basic tariff rate as an operating cost. The Fuel Cost Adjustment represents the difference between the actual cost of fuel (including natural gas, coal and oil) and the standard cost recovered through the basic tariff rate. The difference is charged or credited to a fuel clause recovery account maintained in the Company’s books. No approval from the Government is required to recover increases in the cost of fuel. Under the current SoC, revisions to the Fuel Cost Adjustment is made on a monthly basis to take into account the movement of actual prices of fuels in a more timely manner with enhanced transparency.



### ***Net and Permitted Returns***

The SoC allows the SoC Companies a permitted return and net return, as described above. The net return is divided between the SoC Companies in accordance with the provisions of the agreements between the SoC Companies. These provisions provide that the SoC Companies will receive that proportion of the net return represented by the net return that each company would receive if it were the only company under the SoC; and the net return is calculated solely on the basis of its own financial statements.

Under the SoC, 65 per cent. of the energy efficiency incentives earned by the SoC Companies are to be contributed to the CLP Community Energy Saving Fund to support programmes for energy efficiency, use of renewable energy, disadvantaged groups and other programmes as agreed with the Government.

### ***Rate-Making Procedures***

The revenue requirements of the SoC Companies, which are theoretically equal to the cost of supply of electricity, are based on load forecasts, projected operating expenses and allowed return under the SoC. The overall cost of electricity supply is allocated to each class of customer based on consumption profiles. The Company uses the cost of service to each class of customer to determine the revenue required and the unit rate. The Company then proposes the average basic tariff rates to the Government for approval in accordance with the provisions of the SoC.

### ***Stranded Costs***

The SoC includes a provision to give the SoC Companies protection for stranded costs, which may arise as a result of future changes to the market structure which adversely impact on the SoC Companies' ability to recover and to earn returns on existing investments made in good faith in accordance with the SoC. These costs will include the cost of investments and fuel and power purchase agreements previously approved by the Government. If stranded costs arise after the SoC Companies have implemented mitigation measures reasonably required by the Government, the SoC Companies are entitled to recover such costs from the market, as is consistent with international practice. Three years before market changes are introduced, the SoC Companies and the Government will agree on the amount of stranded costs and the mechanism for their recovery by the SoC Companies.

### **Power Generation**

As at 31st December, 2020, on top of the standalone renewable system on Town Island with a generating capacity of 192kW, the Company's sources of power supply comprised: (i) CAPCO's power stations located at Castle Peak, Penny's Bay and Black Point, and the 10MW landfill generating units at the West New Territories ("**WENT Landfill**"), with a total installed capacity of 7,593MW; (ii) 70 per cent. (approximately 1,380MW) of the output from the Guangdong Daya Bay Nuclear Power Station under a 40-year contract beginning in 1994 (which was originally a 20-year contract as extended for a further term of 20 years commencing from 2014) and (iii) the Company's right to use 50 per cent. (600MW) of the capacity of Phase I of the Guangzhou Pumped Storage Power Station for a period of 40 years commencing in 1994, providing it with a total installed capacity of 9,573MW. The Company has also purchased, under a separate arrangement, approximately 10 per cent. of additional nuclear electricity output from the Guangdong Daya Bay Nuclear Power Station on a best endeavours basis from October 2014 to the end of 2023.

The Company met all demands for power during the year ended 31st December, 2020. The amount of electricity supplied to the system for the year ended 31st December, 2020 was 35,233GWh, a decrease of 1.18 per cent. over the year ended 31st December, 2019. In 2020, the Company's local reserve margin (the relationship between the total installed capacity available to serve Hong Kong customers and the highest demand for electricity from customers in the past 12 months) was approximately 24 per cent.

The table below sets forth for each of the two years ended 31st December, 2019 and 2020, the amount of electricity as generated by CAPCO and other generating facilities and the amount of power used or lost in connection with transmission and distribution:

	Year ended 31st December, 2019 (GWh)	Year ended 31st December, 2020 (GWh)
CAPCO facilities		
Castle Peak . . . . .	14,346	6,317
Black Point . . . . .	10,602	17,411
West New Territories . . . . .	3	23
Gas Turbines . . . . .	1	1
	24,952	23,752
Auxiliary use <sup>(1)</sup> . . . . .	(1,583)	(1,147)
Net CAPCO production . . . . .	23,369	22,605
Other power purchased		
Nuclear . . . . .	10,833	11,111
Net transfer from		
Others <sup>(2)</sup> . . . . .	1,553	1,595
Feed-in Tariff customers . . . . .	9	45
Total other power purchase and transfer . . . . .	12,395	12,751
Pumped Storage operation		
Energy generated . . . . .	352	411
Energy consumed for pumping . . . . .	(462)	(534)
Net loss in Pumped Storage operation . . . . .	(110)	(123)
Total net generation . . . . .	35,654	35,233
Transmission and distribution losses <sup>(3)</sup> . . . . .	1,370	1,270

*Notes:*

- (1) Auxiliary use represents electricity consumed by generating units in the course of generation.
- (2) Additional transfer from Guangdong Daya Bay Nuclear Power Station, interchange to Guangdong Power Grid Co. Ltd, other landfill gas generation and transfer from Sludge Treatment Facility and Organic Resources Recovery Centre of the Government.
- (3) Losses include non-revenue items such as the Company's office use and staff electricity allowances.

***Power Purchase from CAPCO***

Under the power purchase agreement, the Company has agreed to purchase, and CAPCO has agreed to sell, the total power produced by CAPCO. For the year ended 31st December, 2020, the Company purchased approximately 64.2 per cent. of its power from CAPCO. CAPCO had three commissioned power stations and the 10MW landfill generating units, with a combined installed capacity of 7,593MW as at 31st December, 2020.

To ensure the reliability and security of its power supply, CAPCO's power generation system comprises a mix of different types of generation units, including gas-fired combined cycle units, coal-fired steam generators and gas turbines. The power stations at Black Point and Castle Peak provided almost all of CAPCO's electricity supply to the Company during the year ended 31st December, 2020.

CAPCO leases the properties on which all of its generating facilities are located from the Government. See “— *Property, Plant and Equipment*”. The Company is responsible for the overall management and control of construction at the sites and operation of all of CAPCO’s generating facilities.

#### ***Black Point Power Station***

Black Point Power Station (“**BPPS**”) commenced commercial operation in 1996 (units 1 and 2) and is located at the western tip of the New Territories, approximately four kilometres north of the Castle Peak Power Station. Since the commissioning of unit 8 in 2006, and commencing of operations of a new 550MW CCGT unit in 2020, BPPS has been and remains one of the largest combined cycle power plants in the world with a total installed capacity of 3,175MW.

BPPS is the first natural gas-fired plant in Hong Kong. The use of natural gas, a clean burning fuel which leaves no ash and emits negligible sulphur dioxide (“**SO<sub>2</sub>**”), allows the power station to operate with lower environmental impact and higher thermal efficiency. The current supply of natural gas comes from the fields in the South China Sea and WEPII gas from PetroChina. See “— *Natural Gas*”.

After the upgrade of five of the eight generation units from 2017 to 2020, the remaining three units were planned for upgrade in subsequent years, thereby further increasing total capacity by 75MW (25MW per unit), reducing nitrogen oxide emissions and making a minor improvement in efficiency and fuel cost. The upgrade of the sixth unit commenced in October 2020, to be followed by the seventh and eighth units in January 2021 and September 2021 respectively. The upgrades of the sixth and the seventh units are expected to be completed in 2021, and that of the eighth unit in 2022.

The commissioning of the new 550MW CCGT unit at BPPS has supported the Government in achieving its policy objective of increasing the use of natural gas to around 50 per cent. of the total fuel mix for electricity generation in 2020. To support further adoption of cleaner fuel, another CCGT unit of similar capacity is under development with planned completion by 2023.

#### ***Castle Peak Power Station***

Castle Peak Power Station (“**CPPS**”) commenced operations in 1982 and consists of eight coal-fired generating units with a total current capacity of 4,108MW. CPPS burns coal as its primary energy source, resulting in significantly lower electricity prices than burning oil and gas. The design of CPPS also enables it to burn oil as back-up fuel, should this be required. In 1996, two 677.5MW units were modified to use natural gas as an additional energy source, making these two units unique with tri-fuel firing capacity.

The Emission Control Project at Castle Peak “B” Power Station is the largest single capital investment made in the Hong Kong electricity business. This HK\$9 billion project involved the installation of flue gas desulphurisation equipment, nitrogen oxide reduction plant and other facilities on all four units at the station. The project was completed in 2010 and enables over 90 per cent. of SO<sub>2</sub> emissions and over 50 per cent. of nitrogen oxide (“**NO<sub>x</sub>**”) emissions from Castle Peak “B” Power Station to be removed and further reduces emissions of respirable suspended particulates (“**RSP**”).

#### ***Penny’s Bay Power Station***

The three 100MW gas turbines at Penny’s Bay Power Station are utilised for peak lopping and emergency generation purposes. Total output by such units during the year ended 31st December, 2020 was minimal.

#### **Fuel**

For the majority of the 1980’s, coal was the Company’s primary energy source. After the commissioning of the natural gas-fired generating units at BPPS and the purchases from Guangdong Daya Bay Nuclear Power Station, the Company now operates with a diversified fuel mix of gas, coal and nuclear. Oil has been phased out as a fuel for base and intermediate power generation and is now used only for peak lopping and standby generation. A diversification of energy sources will provide greater long-term security for customers and is beneficial to Hong Kong’s environment.

For the year ended 31st December, 2020, the fuel mix consisted of the following: natural gas (48 per cent.), coal (15 per cent.) and nuclear (36 per cent.) and others (1 per cent.). The Company's fuel costs are recovered through the basic tariff rates and the Fuel Cost Adjustment. See “— *Scheme of Control — Tariffs*”.

**(i) Natural Gas**

CAPCO purchases gas for BPPS on a take-or-pay basis by a number of contracts, one of which is the contract with BP China Exploration and Production Company (“**BP China**”) (formerly known as Arco China Inc.), 中国海洋石油总公司 (China National Offshore Oil Corporation) (which transferred its interest to 中海石油(中国)有限公司 (CNOOC China Limited) (“**CNOOC China**”) (formerly known as Offshore Oil Limited) in 1999) and KUFPEC (China) Inc. which commenced supply in January 1996. Subsequently, BP China sold all its interest to the other two partners in December 2013. The base price under the contract was established when the contract was signed in December 1992 and was subsequently amended in January 2009 and September 2011. Changes in the contract price are determined by reference to certain market and economic indices.

A bridging contract was signed with CNOOC China for supply of natural gas from the Wenchang gas field for a 4-year plateau supply period which commenced in September 2018, with contract price also determined by reference to certain market and economic indices. This bridging contract is subsumed into a long-term gas supply contract signed in 2018 with CNOOC China and CNOOC Deepwater Development Limited, with gas to be supplied from gas fields in the South China Sea from 2020 to 2033.

With the implementation of the MOU to bring new supplies of natural gas to Hong Kong from Mainland China, a take-or-pay contract was signed with 中国石油国际事业有限公司 (PetroChina International Company Limited) to import gas from WEPII commencing from March 2013. The WEPII transports gas from Central Asia (Turkmenistan) to different parts of Mainland China and to Hong Kong, with facilities in Shenzhen and at BPPS built to receive the gas via a 20-kilometre subsea pipeline connecting the two locations. This supply contract expires at the end of 2032.

In 2019, CAPCO and Hongkong Electric entered into an agreement with Shell Eastern Trading (Pte) Ltd. for the long-term supply of LNG to the Hong Kong offshore LNG terminal up to the end of 2033. Construction of the Hong Kong offshore LNG terminal commenced in 2020, and expected to complete by 2022 for LNG supply. The LNG supply will diversify BPPS's current supply and further improve energy security by providing direct access to the international LNG market.

**(ii) Coal**

For the year ended 31st December, 2020, total coal consumption for the eight generating units of CPPS was approximately 3.0 million tonnes, a decrease from 6.7 million tonnes in the previous year. CAPCO's coal requirements are imported under term and spot contracts with the majority coming from Indonesia and the rest mainly from other countries such as Australia. Prices are generally negotiated in line with international market levels. Following the Government's policy of increasing the share of natural gas in the fuel mix to around 50 per cent. from 2020 onwards, the decrease in coal consumption is expected to continue.

**(iii) Nuclear**

See “— *Non-CAPCO Power Purchases/Storage Facilities — Guangdong Daya Bay Nuclear Power Station*”.

**Non-CAPCO Power Purchases/Storage Facilities**

***Guangdong Daya Bay Nuclear Power Station***

In addition to purchasing power from CAPCO, for the year ended 31st December, 2020, the Company purchased approximately 12,699GWh of power from the Guangdong Daya Bay Nuclear Power Station located in Guangdong Province of Mainland China. The Company's affiliate, Hong Kong Nuclear Investment Company Limited (“**HKNIC**”), owns a 25 per cent. equity interest in 广东核电合营有限公

司 (Guangdong Nuclear Power Joint Venture Company, Limited) (“**GNPJVC**”) which owns Guangdong Daya Bay Nuclear Power Station. The other 75 per cent. equity interest is owned by 广东核电投资有限公司 (Guangdong Nuclear Investment Company, Limited) (“**GNIC**”), an enterprise in Mainland China. Guangdong Daya Bay Nuclear Power Station is one of the largest joint venture power projects in Mainland China. The power purchase agreements covering 70 per cent. of the output of Guangdong Daya Bay Nuclear Power Station and joint venture agreements, originally expiring in 2014, were extended for 20 years to 2034 following approvals from Mainland China authorities and the Government.

The Company is obliged to purchase 70 per cent. of the output of Guangdong Daya Bay Nuclear Power Station from HKNIC. An agreement has been reached to increase the proportion of supply to Hong Kong to slightly above 70 per cent. in late 2014 and to about 80 per cent. from 2015 to 2018. In December 2018, the agreement was renewed for the purchase of the approximately 10 per cent. additional supply to Hong Kong from 2019 to 2023. The price paid by the Company for electricity generated by Guangdong Daya Bay Nuclear Power Station is determined by a formula based on Guangdong Daya Bay Nuclear Power Station’s operating costs and a profit calculated with reference to the capacity factors during the second phase of the joint venture from 7th May, 2014 until 6th May, 2034. The Company is allowed to treat the payments for 70 per cent. of nuclear electricity generated by Guangdong Daya Bay Nuclear Power Station as part of its operating expenses permitted under the SoC with the additional portion as part of fuel. See “— *Scheme of Control*”.

The design, construction, operation and maintenance of nuclear power stations involve significant safety measures because of the hazardous nature of radioactive materials. The use and disposal of nuclear fuels have the potential to create substantial risks of liability arising from exposure to or release of radioactive materials. The Company believes that Guangdong Daya Bay Nuclear Power Station complies in all material respects with national and international safety standards. The Company also considers that HKNIC’s minority ownership interest and minor participation in Guangdong Daya Bay Nuclear Power Station limits its exposure to nuclear-related liabilities to the amount of HKNIC’s initial U.S.\$100 million investment and its share of undistributed retained profits in GNPJVC.

In the vicinity of Guangdong Daya Bay Nuclear Power Station, Ling Ao Nuclear Power Station phase I was fully commissioned in 2003, and phase II was fully commissioned in 2011, both being similar in design to Guangdong Daya Bay Nuclear Power Station. GNIC, together with its parent company, owns phase I of Ling Ao Nuclear Power Station through 岭澳核电有限公司 (Ling Ao Nuclear Power Company, Limited) (“**LANPC**”), and further with its majority-owned joint venture owns phase II through 岭东核电有限公司 (Ling Dong Nuclear Power Company, Limited) (“**LDNPC**”). The Company has no direct or indirect interest in Ling Ao Nuclear Power Station. In 2004, GNPJVC and LANPC, as the direct owners of the Guangdong Daya Bay Nuclear Power Station and phase I of the Ling Ao Nuclear Power Station respectively, established a management company, Daya Bay Nuclear Power Operations & Management Company, Limited (“**DNMC**”). DNMC was owned on a 50/50 basis (effective equity shareholding by HKNIC was 12.5 per cent.) and was responsible for the operation and maintenance of the two nuclear power stations. The benefits of establishing DNMC include pooling of resources, sharing of expertise and economies of scale. In September 2009, CLP Nuclear Power Operations & Management (China) Limited, a wholly owned subsidiary of CLP Holdings, and GNIC respectively acquired 12.5 per cent. and 87.5 per cent. shareholdings of DNMC from GNPJVC and LANPC. DNMC’s role and responsibility remain unchanged after the transfer of the shareholdings.

### ***Guangzhou Pumped Storage Power Station***

Guangzhou Pumped Storage Power Station has a total capacity of 2,400MW and was developed in two stages. PSDC has contractual rights to use the equivalent of half of the first stage of this project (a capacity of 600MW) for 40 years from 1994.

A pumped storage plant uses hydro technology to store energy generated by other power stations. Storage is achieved by pumping water from a lower to an upper reservoir. The stored energy can then be recovered by running the hydro units in reverse as generators. The pumped storage plant plays the important role of storing surplus energy generated when system demand is low at night and releasing the stored electricity when system demand is high during the day. It also serves as backup electricity capacity if other units shut down unexpectedly. The pumped storage function also enables a nuclear



plant to remain at full base load operation despite fluctuations in system demand from day to night. Energy generated at the Guangdong Daya Bay Nuclear Power Station can, for example, be used to pump water to the upper reservoir overnight when system demand is low.

The Company uses PSDC's contracted pumped storage capacity to support the operation and security of the Hong Kong electricity supply system, and is allowed to treat all payments to PSDC for the pumped storage services provided as part of its operating expenses under the SoC. See "*— Scheme of Control*".

### ***Interconnection with Hongkong Electric and Guangdong Grid***

The interconnection of the Company's system with those of Hongkong Electric (the only other electricity supplier in Hong Kong) to the south and Guangdong Province to the north allows the Company to access other generating capacities to further enhance the reliability of its own supply system. See "*— Power Systems — Security and Reliability*". The interconnection with Guangdong Province also allows the Company to sell its excess capacity to customers in Mainland China. See "*— Sales to Mainland China*". The Company has an interconnection agreement with Hongkong Electric under which the two companies transfer electricity between each other to meet marginal demand when doing so is more economical than utilising other sources. For the year ended 31st December, 2020, there were no sales or purchases of electricity to or from Hongkong Electric. Furthermore, the Company has an energy economy interchange agreement with Guangdong Power Grid Co., Ltd. (广东电网有限责任公司) ("**GPG**") for transfer of electricity between each other in case of emergency incidents resulting in interruption of normal electricity supply to customers. For the year ended 31st December 2020, the Company transferred electricity to GPG and received an equivalent quantity of electricity back from GPG under this agreement.

## **Power Systems**

### ***The Network***

The Company transmits electricity to load centres through an advanced transmission network owned and operated by it. As at 31st December, 2020, its transmission and distribution network comprised 235 primary substations, 15,028 secondary substations and over 16,000 kilometres of high voltage circuits.

Electricity generated from the steam turbine units at CPPS, the combined cycle units at BPPS, the nuclear units at Guangdong Daya Bay Nuclear Power Station and the pumped storage units at Guangzhou Pumped Storage Power Station is transmitted to the load centres via the Company's highly secure 400kV and 132kV transmission network.

The Company continues to expand its distribution network to supply new customers, and to reinforce and upgrade the supply network to its existing customers. The Company is making additional investments to expand and reinforce its transmission network in order to maintain its high reliability standards as well as to accommodate the increasing demand for electricity created by infrastructure development projects. The development plan covering the period from October 2018 to December 2023 was approved by the Government in July 2018. The Company expects to invest about HK\$26.5 billion in its transmission and distribution network during this development plan period.

### ***Security and Reliability***

The Company maintains a world-class supply reliability of over 99.999 per cent. Between 2018 and 2020, a customer experienced 9.8 minutes of unplanned power interruptions per year on average, out of which 8.9 minutes were due to Super Typhoon Mangkhut in September 2018. If not for Mangkhut, the Company could have achieved a three-year average of 0.9 minutes, compared to 15-19 minutes in New York (between 2016 and 2018), Sydney (between 2017 and 2019) and London (between 2017 and 2019).

The Company has undertaken multiple measures to strengthen the defence against extreme weather events that are becoming more frequent. Over the years, the Company has been reinforcing pylons of 400kV overhead lines so that these structures can better withstand super typhoons. The Company has also installed flood damage mitigation and alarm systems at low lying substations to guard against storm surges. In addition, post-typhoon reviews and regular drills were conducted to ensure a smooth

execution of contingency plans when needed. Although power interruptions may be unavoidable during extreme weather events, the Company continues to enhance its power system to alleviate the impact to its customers.

## Customers and Sales

As at 31st December, 2020, the Company was supplying electricity to approximately 2.7 million customers. For the year ended 31st December, 2020, total sales decreased by 0.9 per cent. to 33,963GWh as compared to last year. The modest fall in electricity sales in 2020 was a result of the more subdued economic activities caused by the COVID-19 pandemic which was largely balanced by increased residential consumption as more people worked from home and the hotter summer months.

The table below sets forth the Company's sales categorised by end-user sector:

<b><u>End-user</u></b>	<b>Number of Customers as at 31st December, 2020</b>	<b>Year ended 31st December, 2019</b>	<b>Year ended 31st December, 2020</b>	<b>Percentage of total electricity sales for 2020</b>	<b>Average Annual Sales Change over 2016–2020</b>
	<b>(thousands)</b>	<b>(GWh)</b>	<b>(GWh)</b>	<b>(per cent.)</b>	<b>(per cent.)</b>
Residential . . . . .	2,334	9,451	10,298	30.3	2.2
Commercial . . . . .	208	13,584	12,878	37.9	(0.5)
Infrastructure and Public Services	112	9,586	9,171	27.0	0.8
Manufacturing. . . . .	18	1,663	1,616	4.8	(2.0)
Total local sales . . . . .	2,672	34,284	33,963	100.0	0.6
Export sales . . . . .	—	—	—	—	(100.0)
Total Sales . . . . .	2,672	34,284	33,963	100.0	(0.2)

## Hong Kong Customer Base

Electricity demand varies from time to time for a variety of reasons. As a result of extensive use of air conditioners, electricity demand is higher during the summer than other seasons. Variations in weather conditions may also cause significant variations in electricity demand.

### *Residential*

As at 31st December, 2020, the Company serviced approximately 2.3 million residential customers in its supply area. For 2020, residential customers accounted for approximately 30 per cent. of the Company's total sales. The Government has forecasted that the population of Hong Kong will grow to 7.8 million by 2025 and adopted a total housing supply target of 430,000 units for the next decade. The majority of these new flats are expected to be built in the Company's supply area resulting in an increase in the demand for electricity in this customer sector.

### *Commercial*

Commercial customers accounted for approximately 38 per cent. of the Company's total sales in 2020. The Company anticipates that sales growth in this sector will be moderate in the short term due to a slowdown in the Hong Kong economy resulting from the global spread of COVID-19. However, in the medium term, data centre development, Kowloon East Core Business District development and other commercial projects are expected to support growth.

### *Infrastructure and Public Services*

This category of Hong Kong customers include government accounts and utilities, such as the Hong Kong Housing Authority, the Water Supplies Department, the Mass Transit Railway ("MTR") Corporation, Hong Kong's telecommunications companies and container terminals. Customers in this sector accounted for approximately 27 per cent. of the Company's total sales in 2020.



## ***Manufacturing***

Sales to the manufacturing sector represented approximately 5 per cent. of the Company's total sales in 2020.

### **Sales to Mainland China**

The Company has a non-committal sale agreement with GPG. There were no sales to Mainland China during 2019 and 2020.

### **Customer Service**

Electricity has a critical role to play in Hong Kong's efforts to transform itself into a smart city. It accounts for more than half of all the energy Hong Kong citizens use in homes and businesses and in the infrastructure and transport networks. The Company is making use of new technology to transform conventional transmission and distribution networks into a smart grid. At the same time, the Company wants to make smart technology directly available to more of its customers.

To support smart living and provide a new level of mobile convenience, a new mobile application of the Company was launched to provide customers with an end-to-end digital experience, from move-in services and eBill applications, to mobile payments and a Smart Shopping platform. It allows customers to manage their account smartly and embrace greener lifestyles. Downloads and usage of the app saw a nearly 50 per cent. increase compared with the previous year as growing numbers of customers opted for online services.

To demonstrate the immense range of new possibilities, a customer services centre was renovated and upgraded in 2020 to feature multi-function self-service kiosks deploying the latest digital technology to give customers a convenient and flexible account service and shopping experience. The Company also introduced robotic process automation to enhance its operational efficiency in a number of areas, including customer application processing and marketing consent checking.

Free energy audits are offered to business customers to help improve their energy efficiency performance and identify saving opportunities.

Through the CLP Eco Building Fund, subsidies are provided to building owners to enhance the energy efficiency of the communal areas of their buildings. These include residential buildings, eligible commercial buildings, industrial buildings and composite buildings and their nearby ancillary facilities.

## Tariff Rates

The Company normally implements changes to its basic tariff rate and the fuel cost adjustment on 1st January of each year. The table below sets out the Company's average total tariffs:

<u>Local sales, HK¢ per kWh average</u>	<u>1st October, 2018 to 31st December, 2019</u>	<u>1st January to 30th December, 2020</u>	<u>Effective 1st January, 2021</u>
Basic Tariff . . . . .	91.0	92.2	93.7
Fuel Cost Adjustment <sup>(1)</sup> . . . . .	27.8	30.8	28.1
Rent and Rates Special Rebate . . . . .	—	(1.2)	—
Net Tariff. . . . .	118.8	121.8	121.8

*Note:*

- (1) The Fuel Cost Adjustment is made on a monthly basis to take into account the movement of actual prices of fuels in a more timely manner with enhanced transparency.

The Company is mindful of the impact of tariff increases on people's livelihood and business, and has maintained a relatively stable Basic Tariff over the past decade. With effect from 1st January, 2021, the Company managed to keep its average net tariff unchanged at HK\$1.218 per unit of electricity, despite a substantially increased proportion of gas-fired generation. With a fall in international fuel prices over the course of 2020, the Fuel Cost Adjustment will be reduced to the benefit of customers.

In view of the social unrest in Hong Kong in the second half of 2019 and the resulting impact on the economy, the Company has launched an over HK\$200 million relief programme to help ease the burden on small businesses and underprivileged people. Measures include a subsidy to offset the upward adjustment in average net tariff for 320,000 small and medium-sized enterprises for the first six months of 2020, in addition to the Rent and Rates Special Rebate.

In addition, a series of community support programmes with more than HK\$160 million funded by the CLP Community Energy Saving Fund are being launched in 2021 to encourage consumer spending and help the Hong Kong economy regain momentum. Meanwhile, the Company continues to provide the Energy Saving Rebate Scheme to assist low consumption customers and encourage energy conservation.

## Competition

The Company and Hongkong Electric are currently Hong Kong's only suppliers of electricity. The supply areas of the Company and Hongkong Electric do not overlap; the Company supplies Kowloon and the New Territories, including Lantau, Cheung Chau and several other outlying islands, and Hongkong Electric supplies Hong Kong Island, Lamma Island and Ap Lei Chau Island. The number of customers for each of the Company and Hongkong Electric is approximately 2.7 million and 0.6 million respectively as at 31st December, 2020. The Company and Hongkong Electric both sell electricity to the MTR Corporation which operates in both companies' supply areas. Hongkong Electric's electricity-related operations are governed by a scheme of control similar to that by which the Company is governed. The two schemes of control are similar and neither the Company nor Hongkong Electric has the exclusive right to supply electricity in its respective supply areas.

The SoC has been serving Hong Kong well for over half a century and has ensured the delivery of a highly reliable and environmentally friendly electricity supply at reasonable cost for Hong Kong. Since the electricity industry is capital intensive, involving advanced technologies and very long lead times, the SoC provides a clear, fair and stable regulatory environment to ensure that the significant capital investments can be delivered and a fair return is provided in order for a commercial company to continue its investment to ensure a sustainable electricity industry.

At present, the Company faces competition from other fuels, such as town gas, liquefied petroleum gas and diesel which can be used in end-use applications in homes, businesses and other facilities.

In promoting the market share of electricity amongst all end-use energy consumption in Hong Kong, the Company has been able to help many of its customers better meet their needs with new applications, saving them money and giving them better environmental performance.

### **Environmental Matters**

The operations of the Company and CAPCO are subject to a number of laws and regulations relating to environmental protection and safety. For 2020, the Company and CAPCO maintained full compliance with environmental licence requirements in all material aspects.

Since 1990, the Company and CAPCO have focused their efforts on reducing emissions and, despite an over 80 per cent. increase in electricity demand, the Company and CAPCO have managed to reduce emissions of SO<sub>2</sub>, NO<sub>x</sub> and RSP by more than 90 per cent.

The emissions caps of CAPCO's power plants have been progressively tightened over time. The emissions caps applicable for 2020 were lower than that of 2019, which were tightened by 9 per cent. to 12 per cent. from the already very tight base of 2019.

In 2020, CAPCO complied with all the emissions caps set by the Government. The emissions caps for SO<sub>2</sub>, NO<sub>x</sub>, and RSP were substantially reduced by 71 per cent., 44 per cent., and 44 per cent. respectively compared with the base of 2010 levels, when the Government introduced the emission allowances under the first Technical Memorandum under the Air Pollution Control Ordinance (Cap. 311) of Hong Kong. CAPCO and the Company have been able to achieve the targets while maintaining supply reliability and a reasonable tariff level by optimising the diversified fuel mix, and maintaining the effectiveness of the emissions control facilities.

### **Capital Investment Programme**

The 2018–2023 Development Plan was approved by the Government in July 2018. The plan projects a capital expenditure of HK\$52.9 billion supporting the continuation of the Company's world-class electricity supply reliability, contributing to a lower-carbon economy consistent with the Government's Climate Action Plan and advancing Hong Kong towards a smarter city with customers more in control of their energy use. Some of the key projects under the 2018–2023 Development Plan include the construction of additional gas-fired generation units, an offshore LNG terminal along with a subsea pipeline and gas receiving station, increase in transmission capacity of the existing cross-border transmission overhead line circuits connecting Hong Kong and Mainland China, as well as the upgrade to smart meters for residential and small and medium business customers.

For the year ended 31st December, 2020, the Company invested HK\$4,528 million in its owned fixed assets and leasehold land, compared with HK\$4,584 million invested for the year ended 31st December, 2019. Capital expenditure by the Company's subsidiaries incorporated in Hong Kong, principally CAPCO, was HK\$3,830 million for the year ended 31st December, 2020, compared with HK\$4,420 million for the year ended 31st December, 2019. Together with CAPCO's 70 per cent. share of HKLTL's capital expenditure, which was HK\$535 million as compared with HK\$115 million for the year ended 31st December, 2019, a total of HK\$8,893 million capital expenditure was made by the Company and its subsidiaries in 2020. This total capital expenditure mainly included the upgrade of existing generation units, construction of new facilities including the new CCGT units, LNG terminal, commissioning of new substations to support new development areas and the expansion of Hong Kong's railway networks, and the commissioning of new circuits to reinforce the transmission and distribution networks.

### **Insurance**

The Company maintains insurance against risks of its business to the extent it considers appropriate and assesses prudent levels of risk retention in consultation with professional external insurance consultants. Appropriate insurance coverage for risk above the Company's retention level is obtained from the market.

## **Property, Plant and Equipment**

The Company's owned property consists mainly of power transmission and distribution equipment and facilities in Hong Kong. As at 31st December, 2020, the net book value of its owned property was HK\$82,425 million, of which HK\$69,668 million represented plant, machinery and equipment and HK\$12,757 million represented leasehold land and buildings. The generating plant facilities in Hong Kong are owned by the Company's subsidiary, CAPCO.

As at 31st December, 2020, the net book value of buildings, plant and equipment of the Company and subsidiaries, principally comprising the Company's and CAPCO's assets, amounted to HK\$115,465 million, of which HK\$97,531 million was plant, machinery and equipment, and HK\$17,934 million was buildings. Most of the Company's and CAPCO's land leases are medium to long-term. As at 31st December, 2020, the aggregate net book value of the Company and CAPCO's leased land held in Hong Kong was HK\$5,273 million. In addition, the right-of-use assets as at 31st December, 2020 was HK\$25 million which were mainly leases for properties.

## **Employees**

As at 31st December, 2020, the Company had a total workforce of 3,861. Of the total number of employees as at 31st December, 2020, approximately 30 per cent. were professionals and administrative personnel, 38 per cent. were engineers and technical personnel and 32 per cent. were technical operations personnel. The Company maintains satisfactory employee relations through regular communication with employees at all levels.

## **Share Ownership**

The Company is wholly-owned by CLP Holdings Limited, a company incorporated in Hong Kong with limited liability and listed on the Hong Kong Stock Exchange. As at 31st December, 2020, there were no options outstanding to purchase shares from the Company.

## **Information on legal or arbitration proceedings**

The Company is not aware of any of the Company, its directors, any member of the Company's senior management or any of its affiliates being a party to any current or pending legal or arbitration proceedings the outcome of which is expected to have a material adverse effect on the Company.

## **Recent Developments and Prospects**

### ***Air Quality Improvement and Decarbonisation***

As part of the measures intended to improve local air quality in Hong Kong, the Government has been steadily tightening the levels of emissions allowed from power stations in Hong Kong. With the conclusion of the Eighth Technical Memorandum for Allocation of Emission Allowances under the Air Pollution Control Ordinance (Cap. 311) of Hong Kong, permitted emissions allowances for power stations for 2024, SO<sub>2</sub>, NO<sub>x</sub>, and RSP emissions will be reduced by 90 per cent., 66 per cent. and 65 per cent. respectively from the permitted level in 2010. The Government is now reviewing the emission caps requirements for 2026 and onwards with a conclusion expected by the end of 2021.

The Government's current Air Quality Objectives ("AQOs") took effect in January 2014. According to "A Clean Air Plan for Hong Kong" announced by the Government in March 2013, the roadmap for improving the air quality in Hong Kong will include a host of green initiatives with priorities set for reducing roadside air pollution and reducing marine emissions. Following the review of the AQOs which commenced in 2016, the Government plans to make a final recommendation for legislation of the new AQOs in 2021. Furthermore, the Government is preparing to update "A Clean Air Plan for Hong Kong", with a view to continue reducing emissions of air pollutants from various sources.

In January 2017, the Government released its Climate Action Plan 2030+, whereby it committed to a tightened target of reducing Hong Kong's carbon intensity by 65–70 per cent. by 2030. According to the Climate Action Plan 2030+, the Government envisaged to phase down Hong Kong's remaining coal plants as they reach their normal retirement life and replace them with natural gas and non-fossil fuel sources so as to further reduce the role of coal in Hong Kong's fuel mix for electricity generation by 2030.

The Government is developing a long-term decarbonisation strategy. As announced in the Chief Executive's 2020 Policy Address, Hong Kong will strive to achieve carbon neutrality by 2050. The new target will have major implications not just for the electricity industry but also for Hong Kong as a whole. The Company is already well into decarbonisation and will work closely with the Government and the community to support the formulation of a practical roadmap to reduce carbon emissions and contribute strongly towards that goal.

### ***Projects to Support the Government's Policy on Energy Transition and Decarbonisation***

Although COVID-19 hampered economic activity in general, the Company and CAPCO were able to manage the resulting challenges and move forward with a number of strategic projects aimed at increasing the use of natural gas in power generation and enhancing Hong Kong's energy security and the sustainability of gas supply.

With the commissioning of a new 550MW CCGT unit at Black Point Power Station in 2020, the Company and CAPCO substantially increased the proportion of gas-fired generation to around 50 per cent. This represents a reduction of around 20 per cent. in the carbon intensity of the electricity supply. Statutory approvals were also obtained for a second CCGT unit at Black Point and early civil works got under way while engineering, procurement, and construction contracts were awarded. These new CCGT units will contribute to the gradual phase-out of the oldest coal-fired units at Castle Peak Power Station which are expected to reach the end of their operating life in the mid-2020s.

Another important project necessary to support the increase in gas within the fuel mix is the construction of an offshore LNG terminal along with a subsea pipeline from the offshore terminal to a gas receiving station at the BPPS, which will allow CAPCO to purchase competitively-priced LNG directly from more diversified global sources. The engineering, procurement and construction contract was awarded in January 2020, with construction to be completed by 2022. Once completed, this facility will diversify CAPCO's fuel supply, enhance supply security and provide flexibility to access competitively-priced gas from around the world.

The Company and CAPCO will continue to bring more lower-carbon gas-fired power generation to Hong Kong as part of the energy transition, while focusing on the completion of construction of the offshore LNG terminal and the second CCGT unit at Black Point Power Station, which are expected to go into service in 2022 and 2023 respectively.

### ***Development of Renewable Energy and Electrification***

To support Hong Kong in achieving the 2050 target on carbon neutrality, the Company will continue to promote the development of renewable energy, help customers improve their energy efficiency, and closely monitor the latest technological developments in new zero-carbon energy. CAPCO's first landfill gas generation project in Hong Kong, capable of producing 10MW of electricity, went into commercial operation in March 2020 and provided a platform for CAPCO to use landfill gas as a renewable energy source. Meanwhile, over 1,800 solar panels were installed on the rooftops of some buildings in CAPCO's and the Company's generation plants and substations. With a combined capacity of around 0.7MW, the solar panel system is capable of generating the annual electricity used by around 170 households.

In view of the recent advances in the technology of wind turbine generators and an increasingly mature supply chain in the region, the Company and CAPCO are considering the feasibility of constructing an offshore wind farm in the south-eastern waters of Hong Kong. The Company is reviewing the data for an offshore wind farm and conducting a detailed development study to determine whether this large-scale renewable energy project is viable.

Electrification is another key driver of lower carbon emissions. To promote low-carbon transport to make Hong Kong a greener smarter city, the Company launched an advanced service called Eco Charge 2.0 in support of a Government scheme that subsidises the installation of electric vehicle ("EV") charging facilities at residential premises. Eco Charge 2.0 provides one-stop technical support and customer service to applicants interested in applying for funding for EV charging-enabled infrastructure under the Government's scheme. In the meantime, the Company extended its free EV charging service until the end of 2021, providing EV drivers with a convenient, territory-wide network through 54 semi-quick and quick EV charging stations with a total of 161 chargers across its supply area.

### *Support to Hong Kong's Transition to Low Carbon Economy under the SoC*

The SoC Agreement contains important elements designed to support Hong Kong's transition to a low carbon economy. It includes important initiatives to promote local renewable energy development, energy efficiency, and conservation. The Company continued to equip its customers with the most up-to-date technologies and products to help them adopt greener lifestyles in 2020.

There has been a significant increase in customer interest in the Feed-in Tariff scheme. By the end of 2020, more than 13,000 applications had been received, nearly twice as many as the 6,900 applications received in 2019. Around 87 per cent. of the projects have already been approved or connected to the grid. They represent a combined capacity of 175MW, equivalent to the annual electricity consumption of around 42,800 households.

For those customers who want to support the development of renewable energy but do not have the opportunity to build their own system, Renewable Energy Certificates which represent the environmental attributes from locally generated renewable energy have been available for purchase. Sales of Renewable Energy Certificates grew about 70 per cent. in 2020 compared with last year. Some customers expressed interest in larger purchases of certificates, either for a greater amount or for a longer period, demonstrating their commitment to a greener, lower-carbon Hong Kong.

In 2020, the CLP Eco Building Fund provided subsidies for over 700 residential and commercial buildings to install energy-efficient equipment, saving a total of more than 48GWh of electricity.

### *Utility of the Future*

Innovation and technology are the driving forces behind Hong Kong's transformation into a smart city. The Company has been implementing a range of significant initiatives to support this vision.

One of the most broad-reaching programmes is the introduction of smart meters across the Company's supply area to replace 2.3 million conventional meters in phases from 2018 to 2025. Smart meters provide customers with a range of digitalised services and solutions to encourage energy saving. They also give the Company greater end-to-end visibility of conditions in the power system, enabling improved fault detection, reduced repair times during critical events, and faster power restoration. The introduction of smart meters will enhance overall supply reliability and power safety for customers.

By the end of 2020, over 840,000 smart meters were connected across the Company's supply area, giving customers rapid access to electricity usage data to allow them to better manage their consumption. Another feature of smart meters is that they can help detect supply failures quickly and reduce repair times. Given the severe damage caused by Super Typhoon Mangkhut in 2018 to power supplies to remote villages, the Company prioritised the connection of smart meters in areas served by overhead lines, which are more prone to typhoon disruption. This work was completed in 2020.

As part of the Company's innovation journey, it has optimised its asset management performance and enhanced its technical and operational capability by making use of the best available technology. These include using robots to inspect boilers to enhance safety and operational efficiency, and adopting the airborne Light Detection and Ranging scanning technology for overhead line and tower maintenance. Analytics models on operational data such as emission analysis and meter irregularity detection have also been developed to improve asset performance.

Digitalisation will be a major priority of the Company. Operational and business transformation will accelerate momentum towards automation and digitalisation, while the adoption of digital channels to engage customers will become increasingly mainstream. Looking ahead, smart operations enabled by digital technologies, big data analytics, and innovation will drive the Company's digital capabilities forward, and help the Company achieve its constant objective of meeting and exceeding customer expectations.



## DIRECTORS AND SENIOR MANAGEMENT

The following table shows information regarding all of the Directors and executive officers of the Guarantor as at the date of this Offering Circular.

<u>Name</u>	<u>Position</u>	<u>Year Appointed to Current Position</u>	<u>Year Appointed as Director</u>
<b><i>Directors</i></b>			
William Elkin Mocatta	Chairman	1999	1993
Yuen So Siu Mai Betty	Vice Chairman	2010	1998
Chiang Tung Keung	Managing Director	2017	2016
Richard Kendall Lancaster	Director	2005	2005
Tong Chi Leung David	Director	2004	2004
Chan Siu Hung	Director	2012	2012
Chong Wai Yan Quince	Director	2012	2012
Law Ka Chun <sup>1</sup>	Director	2021	2021
Geert Herman August Peeters <sup>2</sup>	Director	2014	2014
<b><i>Alternate Directors</i></b>			
James Lindsay Lewis, Alternate to Tong Chi Leung David	Alternate Director	2007	2007
Chiang Tung Keung, Alternate to Richard Kendall Lancaster and Yuen So Siu Mai Betty	Alternate Director	2017	2016
<b><i>Executive Officers</i></b>			
Yuen So Siu Mai Betty	Vice Chairman	2010	1998
Chiang Tung Keung	Managing Director	2017	2016
Law Ka Chun <sup>1</sup>	Chief Operating Officer	2021	2021
Chong Wai Yan Quince	Chief Corporate Development Officer	2012	2012
Chan Kin Ming	Senior Director — Financial Control (Hong Kong)	2017	—
Cheung Po Chung	Senior Director — Power Systems	2018	—
Lena Low	Senior Director — Customer & Business Development	2018	—
Paul David Tomlinson	Senior Director — Generation	2020	—

*Notes:*

1. Mr. Law Ka Chun was appointed in place of Mr. James Richarde Truscott as a Director and Chief Operating Officer of the Company with effect from 1st January, 2021.
2. Subsequent to the date of this Offering Circular, Mr. Nicolas Alain Marie Tissot will be appointed in place of Mr. Geert Herman August Peeters as a Director of the Company with effect from 1st April, 2021.

All the Directors (including the Chairman) are subject to retirement by rotation. At the Annual General Meeting each year, two Directors for the time being (who have been longest in office since their last election or appointment) shall retire and are eligible for re-election in accordance with the Company's Articles of Association.

In accordance with Article 104 of the Company's Articles of Association, Mr. Tong Chi Leung David and Mr. Chan Siu Hung retired by rotation and were re-elected Directors of the Company by way of written resolutions of shareholders in lieu of the Annual General Meeting dated 1st March, 2021.

In accordance with Article 110 of the Company's Articles of Association, Mr. Law Ka Chun retired and was elected Director of the Company by way of written resolutions of shareholders in lieu of the Annual General Meeting dated 1st March, 2021.



## **Biographical Details of Directors, Alternate Directors and Executive Officers**

### **Directors**

#### ***William Elkin Mocatta***

##### *Current position/responsibilities*

Chairman of CLP Power

Vice Chairman and Non-Executive Director of CLP Holdings Limited

##### *Titles, qualifications and education*

Fellow of The Institute of Chartered Accountants in England and Wales

##### *Past/Other experience*

Mr. Mocatta is Executive Director of Sir Elly Kadoorie & Sons Limited. He is also the Chairman of Castle Peak Power Company Limited, Hong Kong Pumped Storage Development Company, Limited, CLP Properties Limited and CLP Property Investment Limited; a Non-executive Director of The Hongkong and Shanghai Hotels, Limited; an Alternate Director of CK Hutchison Holdings Limited and a Director of other companies in Hong Kong.

##### *Further particulars*

Further particulars of Mr. Mocatta, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

#### ***Yuen So Siu Mai Betty***

##### *Current position/responsibilities*

Vice Chairman — CLP Power

Mrs. Yuen has a primary focus on the strategic direction of the CLP Group's electricity business in Hong Kong and China; is also responsible for CLP's investments in Guangdong Daya Bay and Yangjiang nuclear projects as well as further development of CLP's nuclear business on the Mainland.

##### *Titles, qualifications and education*

Justice of the Peace

Chartered Professional Accountant

Bachelor of Commerce, the University of Toronto

##### *Past/Other experience*

A qualified accountant by training, Mrs. Yuen began her career in public accounting in Canada and worked for ExxonMobil for 13 years before joining CLP in 1999. She was the Managing Director of CLP Power between 2002 and 2009, with overall responsibility for the operations of the Hong Kong business. She is also the Vice Chairman of Castle Peak Power Company Limited. She assumed her current position in 2010.

##### *Further particulars*

Further particulars of Mrs. Yuen, including her directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

#### ***Chiang Tung Keung***

##### *Current position/responsibilities*

Managing Director — CLP Power

Mr. Chiang holds overall responsibility for the operations of CLP's Hong Kong regulated business, which includes a vertically integrated electricity utility serving customers in Kowloon, the New Territories and Lantau Island.

*Titles, qualifications and education*

Chartered Engineer

Member of the Institution of Engineering and Technology

Fellow of the Hong Kong Institution of Engineers

Master of Science in Electrical Engineering, the Hong Kong Polytechnic University

Master of Business Administration, the Chinese University of Hong Kong

Bachelor of Science in Electrical & Electronic Engineering, the University of Hong Kong

*Past/Other experience*

Mr. Chiang joined CLP Power as a Graduate Trainee in 1988. He has extensive experience in generation, transmission and distribution systems as well as regulatory strategy. He has held various posts in different areas including power system asset management, planning, design, operation and maintenance, power quality, and corporate and regulatory strategy. Mr. Chiang was the Chief Operating Officer — CLP Power before taking up his current position in June 2017. He is also a Director of CLP Power Hong Kong Financing Limited.

*Further particulars*

Further particulars of Mr. Chiang, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

***Richard Kendall Lancaster***

*Current position/responsibilities*

Executive Director and Chief Executive Officer (“CEO”) of CLP Holdings Limited

Mr. Lancaster is responsible for overall group performance of CLP.

*Titles, qualifications and education*

Bachelor of Engineering in electrical engineering, the University of New South Wales

*Past/Other experience*

Prior to assuming his role of CEO in September 2013, Mr. Lancaster was the Managing Director of CLP Power for three years, responsible for its electricity generation, transmission and distribution business and service to its customers in Hong Kong. He began his career with the Electricity Commission of New South Wales in Australia and has more than 30 years of experience in the power industry and in other industrial operations in Australia, the United Kingdom and Hong Kong. Mr. Lancaster joined CLP in 1992 and has held a variety of managerial positions in CLP. His experience covers project management, power plant operations, commercial, finance, legal and corporate functions. Earlier in his career, he worked in the electricity supply industry in his home country Australia and later in an international brewing company in the United Kingdom. Mr. Lancaster is the Chairman of Business Environment Council Limited and a founding Member of the Advisory Council of The Australian Chamber of Commerce Hong Kong & Macau. He is also a Fellow of the Hong Kong Management Association and a Council Member of the World Business Council for Sustainable Development and a member of its Climate and Energy Cluster Board. He is also Chairman of the Hong Kong Member Committee of the World Energy Council, a Board Member of UNSW Hong Kong Foundation and a Member of Operations Review Committee of the Independent Commission Against Corruption.

*Further particulars*

Further particulars of Mr. Lancaster, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

***Tong Chi Leung David***

*Current position/responsibilities*

Director of CLP Power

*Titles, qualifications and education*

Bachelor of Engineering, Imperial College, University of London

Associateship of the City and Guilds of London Institute

Chartered Engineer

Member of The Institution of Mechanical Engineers

Fellow of The Hong Kong Institution of Engineers

*Past/Other experience*

Mr. Tong is a Chartered Engineer with working and management experience in Hong Kong, Scotland and Texas. Mr. Tong is a Director of Sir Elly Kadoorie & Sons Limited and Hong Kong Nuclear Investment Company Limited as well as an Alternate Director of Castle Peak Power Company Limited and Hong Kong Pumped Storage Development Company, Limited. He also serves on several other corporate boards in Hong Kong.

***Chan Siu Hung***

*Current position/responsibilities*

Managing Director — China of CLP Holdings Limited

Mr. Chan is responsible for running CLP's China business with projects encompassing a wide range of energy technologies from nuclear, coal-fired, hydro, wind and solar power as well as smart energy, incremental distribution network and retail business.

*Titles, qualifications and education*

Justice of the Peace

Chartered Engineer

Honorary Fellow of the Energy Institute in the United Kingdom

Member of the Institution of Engineering and Technology

Member of the Hong Kong Institution of Engineers

Outstanding Alumnus of the Hong Kong Polytechnic University

Master of Science in Electricity Industry Management and Technology, the University of Strathclyde

Bachelor of Science in Electrical Engineering, the University of Hong Kong

*Past/Other experience*

Mr. Chan joined CLP Power in 1981, and has held management positions in various functional areas in the power supply industry. Mr. Chan is currently a member of the Election Committee for the Chief Executive of the Hong Kong Special Administrative Region, a member of the Hong Kong Advisory Council on AIDS. In the Mainland, he is appointed as a member of the 11th and 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference.

*Further particulars*

Further particulars of Mr. Chan including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

***Chong Wai Yan Quince***

*Current position/responsibilities*

Chief Corporate Development Officer — CLP Power

Ms. Chong leads the functions of customer and business development, public affairs and community relations. Her role helps drive customer service excellence and strengthen ties with customers and the community as a whole. She is also responsible for all public affairs and sustainability development matters of the CLP Group.

*Titles, qualifications and education*

Justice of the Peace

Bachelor of Social Science, the Chinese University of Hong Kong

*Past/Other experience*

Ms. Chong has over 30 years of experience in corporate communications and customer services after having held various senior management positions in the tourism, hotel and aviation industries. Before joining CLP, Ms. Chong was Director Corporate Affairs of Cathay Pacific Airways Limited and has worked at the Hong Kong Tourism Board (formerly the Hong Kong Tourist Association). She assumed her current position in September 2012. She is currently the Board member of the Vocational Training Council. She is also a member of the 12th Hunan Provincial Committee of the Chinese People's Political Consultative Conference.

*Further particulars*

Further particulars of Ms. Chong, including her directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

### ***Law Ka Chun***

#### *Current position/responsibilities*

Chief Operating Officer — CLP Power

#### *Titles, qualifications and education*

Master of Business Administration (Finance), University of British Columbia  
Bachelor of Commerce (Accounting), University of British Columbia  
Certified Public Accountant  
Chartered Financial Analyst

#### *Past/Other experience*

Mr. Law worked in banking before joining CLP in 2001. His experience in the energy industry ranges from finance, renewable energy development, fuel procurement, strategic planning to commercial development. He assumed his current position in January 2021. He currently serves as a Director of Hong Kong Pumped Storage Development Company, Limited and as an Alternate Director of Castle Peak Power Company Limited.

### ***Geert Herman August Peeters***

#### *Current position/responsibilities*

Executive Director and Chief Financial Officer (“CFO”) of CLP Holdings Limited

Mr. Peeters, in addition to his responsibilities as CFO, has responsibility for Group business development oversight. He will move to a new role of Group Director & Chief Strategy & Transformation Officer of CLP Holdings Limited and will cease to be a Director of the Company with effect from 1st April, 2021.

#### *Titles, qualifications and education*

Knight in the Order of King Leopold  
Chartered Engineer (Belgium)  
International Certified Professional Accountant  
Executive business training, INSEAD Paris, France  
Master of Science in electro mechanical engineering (hons. RUG Gent, Belgium)  
Postgraduate degree in business and IT administration (HEC Brussels, Belgium)

#### *Past/Other experience*

Prior to Mr. Peeters’ appointment as an Executive Director and CFO of CLP Holdings Limited in January 2016, he was the Group Director & CFO (since 1st April, 2014). He is also a Director of CLP Power Hong Kong Financing Limited.

Mr. Peeters has over 25 years of experience in the energy industry. Prior to joining CLP, he was the Deputy CFO of GDF SUEZ (now known as ENGIE) Group based in Paris and Executive Director and CFO of International Power plc, a ENGIE subsidiary formerly listed on the London Stock Exchange and part of the FTSE 100. Mr. Peeters was with GDF SUEZ from 1997 to 2013, gaining extensive experience in senior financial and operational roles in Europe, Latin America, the Middle East and North America.

#### *Further particulars*

Further particulars of Mr. Peeters, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments are available on the website of CLP Holdings Limited at <https://www.clpgroup.com>.

### ***Nicolas Alain Marie Tissot***

#### *Current position/responsibilities*

Deputy CFO of CLP Holdings Limited; will become CFO of CLP Holdings Limited on 1st April, 2021 (see Note 2 on page 94)

Mr. Tissot will be responsible for overseeing the Group’s financial control and reporting, treasury, tax, corporate finance and investment, risk management and investor relations.

#### *Titles, qualifications and education*

Diploma in Business Administration, HEC Paris  
Inspecteur des Finances, the École Nationale d’Administration

*Past/Other experience*

Mr. Tissot joined CLP in September 2020 as Deputy CFO. Most of Mr. Tissot's extensive managerial and financial experience has been in the energy industry. He served as CFO of Alstom, and held multiple senior roles within the GDF Suez Group (now ENGIE), including CFO of Tractebel and subsequently of Electrabel, and Deputy Chief Executive Officer of GDF Suez's Global Gas & LNG Division.

Prior to joining CLP, Mr. Tissot had been CFO at global testing, inspection, and certification leader Bureau Veritas. In parallel, he has been an independent member of the Board and Audit Committee Chair of Euroclear Settlement of Euronext-zone Securities. He started his career at the French Ministry of Economy, Finance and Industry.

*Further particulars*

Further particulars of Mr. Tissot, including his directorships in the subsidiary and/or affiliated companies of the CLP Group and other major appointments will be available on the website of CLP Holdings Limited at <https://www.clpgroup.com> from 1st April, 2021.

**Alternate Director**

***James Lindsay Lewis***

*Current position/responsibilities*

Alternate Director of CLP Power (Alternate to Mr. David Tong)

*Titles, qualifications and education*

Kellogg-HKUST Executive Master of Business Administration program  
Master of Aviation Management, The University of Newcastle, Australia  
Certification of Hospitality Management, Cornell University, U.S.A.  
Member of The Society of Trust and Estate Practitioners

*Past/Other experience*

Mr. Lewis is a Director of Sir Elly Kadoorie & Sons Limited, involved in a number of Kadoorie family interests in Hong Kong and overseas and, as such, is associated with the major shareholders of the Company. He is also a Non-executive Director of The Hongkong and Shanghai Hotels, Limited. He has experience in private equity, hotel, charity and aviation operations, and currently serves on the boards of private companies in the United Kingdom and Hong Kong.

**Executive Officers**

***Chan Kin Ming***

*Current position/responsibilities*

Senior Director — Financial Control (Hong Kong), CLP Power

Mr. Chan is responsible for the financial control within the Scheme of Control business.

*Titles, qualifications and education*

Chartered Financial Analyst  
Certified Public Accountant  
Master of Business Administration, Cambridge Judge Business School, University of Cambridge  
Bachelor of Business Administration, The Hong Kong University of Science and Technology

*Past/Other experience*

Mr. Chan had held various management roles in Gas Supply Development, Corporate Strategy, Commercial Development, Planning & Business Development of CLP Power before he was appointed to his present position in January 2017. He is also a Director of Hong Kong LNG Terminal Limited, Hong Kong Nuclear Investment Company Limited, CLP Nuclear Business Liaison Limited, CLP Energy Services (Holding) Limited and a number of other subsidiary companies of the CLP Group.

## ***Cheung Po Chung***

### *Current position/responsibilities*

Senior Director — Power Systems, CLP Power

Mr. Cheung manages the transmission and distribution systems serving Hong Kong.

### *Titles, qualifications and education*

Member of Hong Kong Institution of Engineers

Chartered Engineer

Member of the Institution of Engineering and Technology

Bachelor of Engineering in Electrical Engineering, the Hong Kong Polytechnic University

Master of Technology Management, the Hong Kong University of Science and Technology

### *Past/Other experience*

Mr. Cheung has over 30 years of experience in the power industry. Before taking up the current role, he has held various senior management positions in Asset Management, Technical Services, Power Grid Operations and Retail Business. He was the Senior Director — Customer & Business Development of CLP Power before assuming his current role in March 2018. Mr. Cheung is a Director of CLP Energy Services (Holding) Limited and a number of other subsidiary and affiliated companies of the CLP Group. In serving the community, he is a Director at the Board of the Hong Kong Green Building Council, and the Vice Chairman of the Energy and Power Group of the Federation of Hong Kong Industries.

## ***Lena Low***

### *Current position/responsibilities*

Senior Director — Customer & Business Development, CLP Power

Ms. Low is responsible for business development, customer operations and marketing functions of CLP Power.

### *Titles, qualifications and education*

Master of Business Administration, University of Adelaide

Bachelor of Arts & Social Sciences — Statistics, National University of Singapore

### *Past/Other experience*

Ms. Low has over 21 years of experience in leading large scale business and operations across various industries including IT, banking and telecommunications. Before joining CLP, Ms. Low held senior positions in Microsoft, United Overseas Bank Ltd and Development Bank of Singapore (DBS) where she was Managing Director, Regional Customer Centre. She assumed her current position in March 2018.

## ***Paul David Tomlinson***

### *Current position/responsibilities*

Senior Director — Generation, CLP Power

### *Titles, qualifications and education*

Bachelor of Engineering with Honors in Manufacturing Systems Engineering, Leeds Metropolitan University

Master of Business Administration, Leeds University Business School

### *Past/Other experience*

Mr. Tomlinson specializes in manufacturing, operations and engineering and has over 31 years of hands-on experience in leading large scales operations across industries including utilities, Advanced Wound Care products manufacturing and food processing. Before joining CLP, Mr. Tomlinson was the Chief Operating Officer for Sembcorp Utilities in the United Kingdom. Previously he was also the Chief Operating Officer of Eggborough Power Ltd (a 2000MW Coal Fired Power Plant) and Managing Director of Lynemouth Power Ltd (a 420MW Biomass Fired Power Plant). Mr. Tomlinson is also the Chairman of Hong Kong LNG Terminal Limited, a Director of 深港天然气管道有限公司 (ShenGang Natural Gas Pipeline Company Limited) (an affiliated company of the CLP Group) as well as an Alternate Director of Hong Kong Pumped Storage Development Company, Limited. He assumed his current position in January 2020.



## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear, Clearstream or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, the Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer, the Guarantor, the Trustee nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

### Book-entry Systems

#### **DTC**

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants, as the term is used herein, includes securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest(s) in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no



knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### ***Euroclear and Clearstream***

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

All payments in respect of Registered Global Notes held with Euroclear and Clearstream will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25th December and 1st January.

### *CMU Service*

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of capital markets instruments (“**CMU Instruments**”) which are specified in the CMU Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, “authorised institutions” under the Banking Ordinance (Cap. 155) of Hong Kong and other financial institutions subject to the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer will apply to DTC in order to have each Tranche of Notes represented by Registered Global Notes accepted in its book-entry settlement system. Upon the issue of any Registered Global Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Registered Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note registered in the name of DTC’s nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC’s nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Notes in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants’ account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream and/or the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (“**Custodian**”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC Participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC Participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Euroclear and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among Participants of DTC, the accountholders of Clearstream and Euroclear and the CMU Accountholders. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Trustee, the Agents and the Dealers will be responsible for any performance by DTC, Clearstream, Euroclear or the CMU Service or their respective Direct or Indirect Participants or accountholders (as appropriate) of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.*

### **Hong Kong**

#### ***Withholding Tax***

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

#### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

## ***Stamp Duty***

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the “SDO”)).

If stamp duty is payable, it is payable by the Issuer on issue of the Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

## **British Virgin Islands**

*The following is a general description of certain British Virgin Islands tax considerations relating to any Notes. It does not purport to be a complete analysis of all tax considerations relating to any Notes. Prospective purchasers of any Note should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the British Virgin Islands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under any Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

As the Issuer is registered under the BVI Business Companies Act, 2004 of the British Virgin Islands, payment of principal and interest in respect of the Notes are not subject to taxation in the British Virgin Islands and no withholding tax is required to be deducted by the Issuer on such payments made to any holder of a Note. Pursuant to the requirements of the Directive, as defined and detailed below, in the event that the Issuer makes interest payments to EU resident individuals who are the ultimate beneficial owners of the Notes, the Issuer will be required to report certain information to British Virgin Islands Inland Revenue on an annual basis who would then report this information onwards to the relevant tax authorities in the EU.

In addition, the Notes will not be liable to any stamp duty in the British Virgin Islands. Gains derived from the sale or exchange of Notes by persons who are not otherwise liable to British Virgin Islands income tax will not be subject to British Virgin Islands income tax. The British Virgin Islands currently has no relevant capital gains tax, estate duty, inheritance tax or gift tax.

Holders of Notes who are not resident in the British Virgin Islands, and who do not engage in trade or business through a permanent establishment in the British Virgin Islands, will not be subject to the British Virgin Islands taxes or duties on gains realised on the sale or redemption of such Notes. No holder of a Note will be deemed to be resident or domiciled in the British Virgin Islands simply by virtue of holding a Note.

### *Foreign Account Tax Compliance Act*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under “Terms and Conditions — Further Issues”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.



## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement dated 3rd April, 2002 as amended and/or supplemented from time to time (the “**Programme Agreement**”), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes or, in the case of Definitive IAI Registered Notes, procure purchasers of, Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilisation or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

### Transfer Restrictions

*As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.*

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either:
  - (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A;
  - (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or
  - (c) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;



- (iii) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States who is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (e) to an institutional “accredited investor” within the meaning of sub-paragraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act that is acquiring the Notes for its own account or for the account of such an institutional “accredited investor” for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or (f) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above, the transferor shall deliver (i) an IAI Investment Letter to the Registrar, which shall provide, among other things, that the transferee is an institutional “accredited investor” within the meaning of sub-paragraph (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act, and that it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another specified currency (as defined in the Agency Agreement)); and (ii) such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;
- (iv) it will, and will require each subsequent Noteholder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITY REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “**INSTITUTIONAL ACCREDITED INVESTOR**”); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2)

INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, UNDER THE SECURITIES ACT, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (5) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF SUB-PARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL “ACCREDITED INVESTOR” FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF IN VIOLATION OF THE SECURITIES ACT, OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; IF ANY RESALE OR OTHER TRANSFER OF THE NOTES IS PROPOSED TO BE MADE PURSUANT TO CLAUSE (5) ABOVE, THE TRANSFEROR SHALL DELIVER A LETTER SUBSTANTIALLY IN THE FORM SET OUT IN SCHEDULE 4 TO THE AGENCY AGREEMENT TO THE REGISTRAR, WHICH SHALL PROVIDE, AMONG OTHER THINGS, THAT THE TRANSFEREE IS AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF SUB-PARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT, THAT IT IS ACQUIRING SUCH NOTES FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, AND THAT IT WILL ACQUIRE NOTES HAVING A MINIMUM PURCHASE PRICE OF AT LEAST U.S.\$500,000 (OR THE APPROXIMATE EQUIVALENT IN ANOTHER SPECIFIED CURRENCY (AS SPECIFIED IN THE APPLICABLE PRICING SUPPLEMENT)) AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR REALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the Distribution Compliance Period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act; (ii) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 3 to the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made: (a) to

a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (b) to a person who is an Institutional Accredited Investor, together with, in the case of (b), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 4 to the Agency Agreement and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; (iii) to the Issuer or any affiliate thereof; or (if available) (iv) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITY REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT EXCEPT IN ACCORDANCE WITH THE TRUST DEED AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”; and

- (viii) that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see “*Form of the Notes*”.

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

- (iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

Each purchaser of Bearer Notes will be required to acknowledge, represent and agree:

- (i) that it is a non-U.S. person and it is located outside the United States (within the meaning of Regulation S);
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered, sold, pledged or otherwise transferred except as set forth below;
- (iii) that if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date that is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof or (b) outside the United States to a non-U.S. person in compliance with Rule 903 or Rule 904 under the Securities Act;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable; and
- (v) that the Issuer and others will rely upon the trust and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer, and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) nominal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) nominal amount and no Legended Note will be issued in connection with such a sale in a smaller nominal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) nominal amount of Registered Notes.

## Selling Restrictions

### *United States*

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.
- (ii) The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (“**TEFRA D**”), unless (i) the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (“**TEFRA C**”) or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable. Terms used in this paragraph have the meanings given to them by the Code, and regulations thereunder.
- (iii) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“**Regulation S Notes**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.
- (iv) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.
- (v) Notwithstanding anything above to the contrary, dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate nominal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the Guarantor is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Guarantor has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).



- (vi) Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold pursuant to a private placement in the United States to Institutional Accredited Investors, and in connection therewith each Dealer represents and agrees that:
  - (a) offers, sales, resales and other transfers of Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;
  - (b) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to a limited number of Institutional Accredited Investors;
  - (c) the Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States; and
  - (d) no sale of Notes in the United States to any one Institutional Accredited Investor will be for less than U.S.\$500,000 principal amount and if such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$500,000 principal amount of the Notes.
- (vii) Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.
- (viii) In addition (in relation to Notes in bearer form with a maturity of more than one year except where TEFRA “C” is specified in the applicable Pricing Supplement):
  - (a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**D Rules**”), each Dealer has:
    - (i) represented and covenanted that it has not offered or sold, and agreed that during the restricted period it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and
    - (ii) represented and covenanted that it has not delivered and agrees and covenants that it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
  - (b) each Dealer has represented and covenanted that it has and agreed and covenanted that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
  - (c) if it is a United States person, each Dealer has represented and covenanted that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and
  - (d) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, each Dealer has either:



- (i) repeated and confirmed the representations, covenants and agreements contained in sub-paragraphs (a), (b) and (c) on its behalf; or
- (ii) agreed and covenanted that it will obtain from such affiliate for the benefit of the Issuer and the Guarantor the representations, covenants and agreements contained in sub-paragraphs (a), (b) and (c).

No obligations will be delivered in definitive form unless the TEFRA “D” certification requirements have been complied with. Terms used in sub-paragraphs (a), (b), (c) and (d) have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the offer and sale of the Registered Notes in the United States as described in (vi) above, and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than (A) any accredited investor within the meaning of Rule 501(A)(1), (2), (3) or (7) under the Securities Act to whom an offer has been made as described in (vi) above or (B) any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer or institutional accredited investor referred to in (vi) above in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer or institutional accredited investor referred to in (vi) above and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer or institutional accredited investor with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer or institutional accredited investor referred to in (vi) above and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer or institutional accredited investor, is prohibited.

#### ***European Economic Area — Prohibition of Sales to EEA Retail Investors***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (i) the expression “retail investor” means a person who is one (or more) of the following:
  - A. a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - B. a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - C. not a qualified investor as defined in the Prospectus Regulation; and
- (ii) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

#### ***The Netherlands***

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member firm of Euronext (Amsterdam) admitted in a function on one or more of the markets or systems operated by Euronext Amsterdam N.V., in full compliance with the Dutch Savings Certificates Act (“**Wet inzake Spaarbewijzen**”) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required in respect of: (i) the transfer and acceptance of rights representing an interest

in a Zero Coupon Note in global form; (ii) the initial issue of Zero Coupon Notes in definitive form to the first holders thereof; or (iii) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession; or (iv) the transfer and acceptance of such Zero Coupon Notes within, from or into the Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series are issued outside the Netherlands and are not distributed within the Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with.

For purposes of the paragraph above, “Zero Coupon Notes” are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

### ***United Kingdom***

#### ***Prohibition of Sales to UK Retail Investors***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (i) the expression “retail investor” means a person who is one (or more) of the following:
  - A. a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - B. a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - C. not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and
- (ii) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

#### ***Other regulatory restrictions***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

### ***Hong Kong***

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMPO)**”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***Singapore***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification — In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

### ***British Virgin Islands***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with respect to offers and sales of any Notes, that it has not and will not make any invitation to the public in the British Virgin Islands to purchase the Notes and the Notes offered through this Offering Circular may not be offered or sold, directly or indirectly, in the British Virgin Islands or to any resident of the British Virgin Islands, except for (i) companies incorporated under the BVI Business Companies Act, 2004 and (ii) as otherwise permitted by British Virgin Islands law.

### ***For Residents of the British Virgin Islands only***

This Offering Circular is not an offer to the public in the British Virgin Islands. No action has been taken to permit an offer of the Notes in the British Virgin Islands and this Offering Circular is not a registered prospectus within the meaning of section 25 of the Securities and Investment Business Act, 2010 (“SIBA”).

Subscriptions for the securities contained in this Offering Circular will not be accepted from any person in the British Virgin Islands and no Notes will be issued to any person in the British Virgin Islands unless: (a) that person is a Qualified Investor as defined in Schedule 4 of SIBA and, to the extent that person is a professional investor for the purposes of Schedule 4 of SIBA, it declares that (i) its ordinary business involves, whether for its own account or the account of others, the acquisition or disposal of property of the same kind as the property constituting the Notes, or a substantial part of the property; or (ii) it has net worth in excess of U.S.\$1,000,000 or its equivalent in any other currency and that it consents to being treated as a professional investor within the meaning of section 40 of SIBA; or (b) that person is a BVI business company and neither this Offering Circular nor any other document

relating to this offer has been received by that person at an address in the British Virgin Islands other than its registered office in the British Virgin Islands; or (c) that person has a close connection (within the meaning of section 2(3) of SIBA) with the Issuer; or (d) that person is the Government of the British Virgin Islands.

### ***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 11th March, 2002 and the giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 1st March, 2002. The increase in aggregate nominal amount of the Programme from U.S.\$1,500,000,000 to U.S.\$2,500,000,000 has been duly authorised by a resolution of the Board of Directors of the Issuer dated 21st November, 2008 and a resolution of the Finance & General Committee of the Guarantor dated 12th November, 2008. The increase in aggregate nominal amount of the Programme from U.S.\$2,500,000,000 to U.S.\$3,500,000,000 has been duly authorised by a resolution of the Board of Directors of the Issuer dated 16th November, 2010 and a resolution of the Finance & General Committee of the Guarantor dated 22nd October, 2010. The increase in aggregate nominal amount of the Programme from U.S.\$3,500,000,000 to U.S.\$4,500,000,000 has been duly authorised by a resolution of the Board of Directors of the Issuer dated 22nd February, 2013 and a resolution of the Finance & General Committee of the Guarantor dated 6th February, 2013.

### Listing

Application has been made to list the Programme on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. The issue price of Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

### Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will be available from the registered office of the Issuer and the Guarantor:

- (i) the Memorandum and Articles of Association of the Issuer and the Articles of Association of the Guarantor;
- (ii) the audited financial statements of the Issuer in respect of the financial years ended 31st December, 2019 and 2020 respectively;
- (iii) the audited consolidated annual financial statements of the Guarantor in respect of the financial years ended 31st December, 2019 and 2020 respectively, and the most recently issued consolidated annual financial statements of the Guarantor;
- (iv) the Trust Deed, the Agency Agreement, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (v) a copy of this Offering Circular;
- (vi) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).



## **Clearing Systems**

The Legal Entity Identifier of the Issuer is 254900SBJOP903YV1271.

The Notes have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Registered Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

## **Significant or Material Change**

Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of each of the Issuer and the Guarantor since 31st December, 2020.

## **Litigation**

Save as disclosed in this Offering Circular, neither the Issuer nor the Guarantor is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Guarantor.

## **Auditor**

The Issuer has not published and does not propose to publish any financial statements. The independent auditor of the Guarantor is PricewaterhouseCoopers, Certified Public Accountants, who has audited the Guarantor's consolidated financial statements, without qualification, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants for the financial year ended 31st December, 2020. Solely in respect of the listing of the Programme on the Hong Kong Stock Exchange, PricewaterhouseCoopers has given and not withdrawn its written consent to the inclusion of its audit report in relation to the Guarantor included in this Offering Circular in the form and context in which it appears.

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## **SUMMARY OF FINANCIAL STATEMENTS**

The information on pages F-3 to F-8 has been extracted from the audited consolidated financial statements of the Guarantor and the information on page F-9 has been extracted from the Scheme of Control (SoC) Statement of the Guarantor. For the convenience of the reader, the U.S. dollar amounts for 2020 have been added. The U.S. dollar balances have been calculated using a rate of HK\$7.8 to U.S.\$1.00. These translations should not be construed as representations that the Hong Kong dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

The Summary of financial Statements contained in this Offering Circular does not constitute the Guarantor's statutory annual consolidated financial statements for the financial year ended 31st December, 2020 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Guarantor is a private company, the Guarantor is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the financial statements for the year ended 31st December, 2020. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

**CLP POWER HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Year ended 31st December,		
	2019	2020	2020
	HK\$M	HK\$M	US\$M
Revenue	40,025	41,325	5,298
Expenses			
Fuel	(13,152)	(13,792)	(1,768)
Purchases of nuclear electricity	(5,643)	(5,582)	(716)
Staff expenses	(1,566)	(1,645)	(211)
Net other operating expenses	(3,333)	(3,278)	(420)
Depreciation and amortisation	(5,090)	(5,348)	(686)
	(28,784)	(29,645)	(3,801)
Operating profit	11,241	11,680	1,497
Finance costs	(1,018)	(1,014)	(130)
Finance income	19	27	4
Share of results of joint ventures, net of income tax	160	174	22
Profit before income tax	10,402	10,867	1,393
Income tax expenses	(1,821)	(1,897)	(243)
Profit for the year	8,581	8,970	1,150
Earnings attributable to:			
Shareholders	7,659	8,088	1,037
Perpetual capital securities holders	212	138	18
Non-controlling interests	710	744	95
	8,581	8,970	1,150

**CLP POWER HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Year ended 31st December,		
	2019	2020	2020
	HK\$M	HK\$M	US\$M
Profit for the year	8,581	8,970	1,150
Other comprehensive income			
Items that can be reclassified to profit or loss			
Cash flow hedges	54	(685)	(88)
Costs of hedging	6	159	20
Exchange differences on translation	(16)	61	8
Other comprehensive income for the year, net of tax	44	(465)	(60)
Total comprehensive income for the year	8,625	8,505	1,090
Total comprehensive income attributable to:			
Shareholders	7,685	7,660	982
Perpetual capital securities holders	212	138	18
Non-controlling interests	728	707	90
	8,625	8,505	1,090

**CLP POWER HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 31st December,		
	2019	2020	2020
	HK\$M	HK\$M	US\$M
<b>Non-current assets</b>			
Fixed assets	112,494	115,465	14,803
Right-of-use assets	5,495	5,298	679
Goodwill and intangible assets	9,711	9,446	1,211
Interests in and loan to a joint venture	1,183	1,713	220
Derivative financial instruments	213	351	45
	<u>129,096</u>	<u>132,273</u>	<u>16,958</u>
<b>Current assets</b>			
Inventory-stores and fuel	1,233	1,133	145
Trade and other receivables	2,553	2,656	341
Derivative financial instruments	36	263	34
Current account with ultimate holding company	58	63	8
Current accounts with fellow subsidiaries	32	43	6
Current accounts with a joint venture	2	2	-
Deposits, bank balances and cash	730	2,706	347
	<u>4,644</u>	<u>6,866</u>	<u>881</u>
<b>Current liabilities</b>			
Bank loans and other borrowings	(11,586)	(6,253)	(802)
Customers' deposits	(5,677)	(5,895)	(756)
Derivative financial instruments	(159)	(451)	(58)
Fuel clause account	(1,131)	(346)	(44)
Current accounts with fellow subsidiaries	(1,536)	(1,633)	(209)
Advances from other non-controlling interests	(1,344)	(1,021)	(131)
Trade payables and other liabilities	(4,574)	(4,948)	(634)
Dividend payable	(1,950)	(2,500)	(321)
Income tax payable	(1,487)	(1,569)	(201)
	<u>(29,444)</u>	<u>(24,616)</u>	<u>(3,156)</u>
Net current liabilities	<u>(24,800)</u>	<u>(17,750)</u>	<u>(2,275)</u>
<b>Total assets less current liabilities</b>	<u>104,296</u>	<u>114,523</u>	<u>14,683</u>



**CLP POWER HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

	As at 31st December,		
	2019	2020	2020
	HK\$M	HK\$M	US\$M
<b>Financed by:</b>			
<b>Equity</b>			
Share capital			
2,488.32 million shares issued and fully paid	20,400	20,400	2,615
Reserves	24,296	25,755	3,302
Shareholders' funds	44,696	46,155	5,917
Perpetual capital securities	3,887	3,887	498
Other non-controlling interests	6,577	6,429	825
	<u>55,160</u>	<u>56,471</u>	<u>7,240</u>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	29,792	37,196	4,769
Deferred tax liabilities	14,536	14,772	1,894
Derivative financial instruments	867	1,004	129
Scheme of Control (SoC) reserve accounts	1,500	2,374	304
Asset decommissioning liabilities	1,179	1,320	169
Other non-current liabilities	1,262	1,386	178
	<u>49,136</u>	<u>58,052</u>	<u>7,443</u>
<b>Equity and non-current liabilities</b>	<u>104,296</u>	<u>114,523</u>	<u>14,683</u>

**CLP POWER HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<u>Attributable to Shareholders</u>			<b>Perpetual</b>	<b>Non-</b>	<b>Total</b>	<b>Total</b>
	<b>Share</b>	<b>Reserves</b>	<b>Total</b>	<b>Capital</b>	<b>controlling</b>	<b>Equity</b>	<b>Equity</b>
	<b>Capital</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>Securities</b>	<b>Interests</b>	<b>HK\$M</b>	<b>US\$M</b>
	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>US\$M</b>
Balance at 1st January 2019	20,400	22,840	43,240	5,791	6,634	55,665	7,137
Profit for the year	-	7,659	7,659	212	710	8,581	1,100
Other comprehensive income for the year	-	26	26	-	18	44	6
Transfer to fixed assets	-	1	1	-	-	1	-
Dividends paid/provided							
2018 final	-	(2,500)	(2,500)	-	-	(2,500)	(320)
2019 interim	-	(3,640)	(3,640)	-	-	(3,640)	(467)
Distributions to perpetual capital securities holders	-	-	-	(212)	-	(212)	(27)
Dividends paid to other non-controlling interests of a subsidiary	-	-	-	-	(785)	(785)	(101)
Reclassification to other borrowings	-	(90)	(90)	(5,791)	-	(5,881)	(754)
Issue of perpetual capital securities	-	-	-	3,887	-	3,887	498
Balance at 31st December 2019	<u>20,400</u>	<u>24,296</u>	<u>44,696</u>	<u>3,887</u>	<u>6,577</u>	<u>55,160</u>	<u>7,072</u>
Balance at 1st January 2020	20,400	24,296	44,696	3,887	6,577	55,160	7,072
Profit for the year	-	8,088	8,088	138	744	8,970	1,150
Other comprehensive income for the year	-	(428)	(428)	-	(37)	(465)	(60)
Transfer to fixed assets	-	(1)	(1)	-	-	(1)	-
Dividends paid							
2019 final	-	(2,400)	(2,400)	-	-	(2,400)	(307)
2020 interim	-	(3,800)	(3,800)	-	-	(3,800)	(487)
Distributions to perpetual capital securities holders	-	-	-	(138)	-	(138)	(18)
Dividends paid to other non-controlling interests of a subsidiary	-	-	-	-	(855)	(855)	(110)
Balance at 31st December 2020	<u>20,400</u>	<u>25,755</u>	<u>46,155</u>	<u>3,887</u>	<u>6,429</u>	<u>56,471</u>	<u>7,240</u>

**CLP POWER HONG KONG LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year ended 31st December,		
	2019 HK\$M	2020 HK\$M	2020 US\$M
<b>Operating activities</b>			
Net cash inflow from operations	18,436	18,513	2,373
Income tax paid	(439)	(1,476)	(189)
Net cash inflow from operating activities	<u>17,997</u>	<u>17,037</u>	<u>2,184</u>
<b>Investing activities</b>			
Capital expenditure	(8,750)	(8,158)	(1,046)
Addition of other intangible assets	(22)	(11)	(1)
Proceeds from disposal of fixed assets and leasehold land	39	91	12
Capitalised interest paid	(295)	(295)	(38)
Dividends received from a joint venture	80	77	10
Repayment of loan from a joint venture	122	122	16
Increase in loans to a joint venture	(98)	(537)	(69)
Decrease in deposits with maturities of more than three months	<u>2,237</u>	<u>-</u>	<u>-</u>
Net cash outflow from investing activities	<u>(6,687)</u>	<u>(8,711)</u>	<u>(1,116)</u>
Net cash inflow before financing activities	<u>11,310</u>	<u>8,326</u>	<u>1,068</u>
<b>Financing activities</b>			
Decrease in short-term loans	(241)	(1,035)	(133)
Proceeds from long-term borrowings	4,997	12,930	1,658
Repayment of long-term borrowings	(2,502)	(10,332)	(1,325)
Payment of principal portion of lease liabilities	(22)	(24)	(3)
Interest paid	(948)	(971)	(125)
Interest received	19	13	2
Decrease in advances from other non-controlling interests	(169)	(323)	(42)
Redemption of perpetual capital securities	(5,837)	-	-
Issue of perpetual capital securities	3,887	-	-
Distributions paid to perpetual capital securities holders	(250)	(103)	(13)
Dividends paid to shareholders	(8,890)	(5,650)	(724)
Dividends paid to other non-controlling interests of a subsidiary	<u>(785)</u>	<u>(855)</u>	<u>(110)</u>
Net cash outflow from financing activities	<u>(10,741)</u>	<u>(6,350)</u>	<u>(815)</u>
Net increase in cash and cash equivalents	569	1,976	253
Cash and cash equivalents at beginning of year	<u>161</u>	<u>730</u>	<u>94</u>
<b>Cash and cash equivalents at end of year</b>	<u>730</u>	<u>2,706</u>	<u>347</u>
Analysis of cash and cash equivalents			
Deposits, bank balances and cash	<u>730</u>	<u>2,706</u>	<u>347</u>
	<u>730</u>	<u>2,706</u>	<u>347</u>

**SCHEME OF CONTROL STATEMENT (Continued)**  
**(CLP Power Hong Kong Limited and Castle Peak Power Company Limited)**

	Year ended 31st December,		
	2019 HK\$M	2020 HK\$M	2020 US\$M
<b>Scheme of Control Revenue</b>	40,633	41,905	5,372
<b>Expenses</b>			
Operating costs	5,036	5,170	663
Fuel	13,150	13,790	1,768
Purchases of nuclear electricity	5,643	5,582	716
Provision for asset decommissioning	188	141	18
Depreciation	4,753	5,011	642
Operating interest	978	976	125
Taxation	1,853	1,904	244
	31,601	32,574	4,176
<b>Profit after taxation</b>	9,032	9,331	1,196
Interest on increase in customers' deposits	4	-	-
Interest on borrowed capital	1,100	1,111	142
Adjustment for performance incentives	(392)	(416)	(53)
<b>Profit for Scheme of Control</b>	9,744	10,026	1,285
Transfer to Tariff Stabilisation Fund	(526)	(519)	(66)
<b>Permitted Return</b>	9,218	9,507	1,219
<b>Deduct Interest on / Adjustment for</b>			
Increase in customers' deposits as above	4	-	-
Borrowed capital as above	1,100	1,111	142
Performance incentives as above	(392)	(416)	(53)
Tariff Stabilisation Fund to Rate Reduction Reserve	22	18	2
	734	713	91
<b>Net Return</b>	8,484	8,794	1,128
CESF Contribution	(195)	(201)	(26)
<b>Net Return after CESF Contribution</b>	8,289	8,593	1,102
Divisible as follows:			
CLP Power	5,582	5,769	740
CAPCO	2,707	2,824	362
	8,289	8,593	1,102
CLP Power's share of net return after CESF Contribution			
CLP Power	5,582	5,769	740
Interest in CAPCO	1,895	1,977	253
	7,477	7,746	993

## **EXHIBIT A**

### **AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SCHEME OF CONTROL STATEMENT OF CLP POWER HONG KONG LIMITED FOR THE YEAR ENDED 31ST DECEMBER, 2020**

The information in this Exhibit A has been extracted from the audited consolidated financial statements and Scheme of Control Statement of the Guarantor for the year ended 31st December, 2020. References to page numbers in this Exhibit A are to pages of such documents.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CLP POWER HONG KONG LIMITED**  
中華電力有限公司  
(Incorporated in Hong Kong with limited liability)

**Opinion**

*What we have audited*

The consolidated financial statements of CLP Power Hong Kong Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 9 to 64, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

*Our opinion*

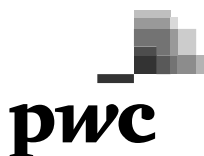
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CLP POWER HONG KONG LIMITED (CONTINUED)**  
中華電力有限公司  
(Incorporated in Hong Kong with limited liability)

*Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Other Information**

The directors of the Company are responsible for the other information. The other information comprises the information included in the directors' report and the Scheme of Control Statement, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CLP POWER HONG KONG LIMITED (CONTINUED)**  
中華電力有限公司  
(Incorporated in Hong Kong with limited liability)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CLP POWER HONG KONG LIMITED (CONTINUED)**  
中華電力有限公司  
(Incorporated in Hong Kong with limited liability)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 4 February 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 HK\$M	2019 HK\$M
Revenue	5	<u>41,325</u>	<u>40,025</u>
Expenses			
Fuel	23	(13,792)	(13,152)
Purchases of nuclear electricity	23	(5,582)	(5,643)
Staff expenses		(1,645)	(1,566)
Net other operating expenses		(3,278)	(3,333)
Depreciation and amortisation	10,11	<u>(5,348)</u>	<u>(5,090)</u>
		<u>(29,645)</u>	<u>(28,784)</u>
Operating profit	6	11,680	11,241
Finance costs	7	(1,014)	(1,018)
Finance income	7	27	19
Share of results of joint ventures, net of income tax	13	<u>174</u>	<u>160</u>
Profit before income tax		10,867	10,402
Income tax expense	8	<u>(1,897)</u>	<u>(1,821)</u>
Profit for the year		<u>8,970</u>	<u>8,581</u>
Earnings attributable to:			
Shareholders		8,088	7,659
Perpetual capital securities holders		138	212
Non-controlling interests		<u>744</u>	<u>710</u>
		<u>8,970</u>	<u>8,581</u>

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 HK\$M	2019 HK\$M
Profit for the year	<u>8,970</u>	<u>8,581</u>
Other comprehensive income		
Items that can be reclassified to profit or loss		
Cash flow hedges	(685)	54
Costs of hedging	159	6
Exchange differences on translation	<u>61</u>	<u>(16)</u>
Other comprehensive income for the year, net of tax	<u>(465)</u>	<u>44</u>
Total comprehensive income for the year	<u>8,505</u>	<u>8,625</u>
Total comprehensive income attributable to:		
Shareholders	7,660	7,685
Perpetual capital securities holders	138	212
Non-controlling interests	<u>707</u>	<u>728</u>
	<u>8,505</u>	<u>8,625</u>

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<i>Note</i>	2020 HK\$M	2019 HK\$M
<b>Non-current assets</b>			
Fixed assets	10	115,465	112,494
Right-of-use assets	10	5,298	5,495
Goodwill and other intangible assets	11	9,446	9,711
Interests in and loans to joint ventures	13	1,713	1,183
Derivative financial instruments	14	351	213
		<u>132,273</u>	<u>129,096</u>
<b>Current assets</b>			
Inventory-stores and fuel		1,133	1,233
Trade and other receivables		2,656	2,553
Derivative financial instruments	14	263	36
Current account with ultimate holding company		63	58
Current accounts with fellow subsidiaries		43	32
Current account with a joint venture		2	2
Deposits, bank balances and cash		2,706	730
		<u>6,866</u>	<u>4,644</u>
<b>Current liabilities</b>			
Bank loans and other borrowings	18	(6,253)	(11,586)
Customers' deposits		(5,895)	(5,677)
Derivative financial instruments	14	(451)	(159)
Fuel clause account		(346)	(1,131)
Current accounts with fellow subsidiaries		(1,633)	(1,536)
Advances from other non-controlling interests	15	(1,021)	(1,344)
Trade payables and other liabilities		(4,948)	(4,574)
Dividend payable		(2,500)	(1,950)
Income tax payable		(1,569)	(1,487)
		<u>(24,616)</u>	<u>(29,444)</u>
Net current liabilities		<u>(17,750)</u>	<u>(24,800)</u>
<b>Total assets less current liabilities</b>		<u>114,523</u>	<u>104,296</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2020**

	<i>Note</i>	2020 HK\$M	2019 HK\$M
<b>Financed by:</b>			
<b>Equity</b>			
Share capital			
2,488.32 million shares issued and fully paid		20,400	20,400
Reserves	16	25,755	24,296
Shareholders' funds		46,155	44,696
Perpetual capital securities	17	3,887	3,887
Other non-controlling interests	17	6,429	6,577
		<u>56,471</u>	<u>55,160</u>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	18	37,196	29,792
Deferred tax liabilities	20	14,772	14,536
Derivative financial instruments	14	1,004	867
Scheme of Control (SoC) reserve accounts	19	2,374	1,500
Asset decommissioning liabilities	19	1,320	1,179
Other non-current liabilities		1,386	1,262
		<u>58,052</u>	<u>49,136</u>
<b>Equity and non-current liabilities</b>		<u>114,523</u>	<u>104,296</u>

William Mocatta  
Chairman

Chiang Tung Keung  
Managing Director

4 February 2021

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Attributable to Shareholders</b>			<b>Perpetual Capital Securities</b>	<b>Other Non- controlling Interests</b>	<b>Total Equity</b>
	<b>Share Capital HK\$M</b>	<b>Reserves HK\$M</b>	<b>Total HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>	<b>HK\$M</b>
Balance at 1 January 2019	20,400	22,840	43,240	5,791	6,634	55,665
Profit for the year	-	7,659	7,659	212	710	8,581
Other comprehensive income for the year	-	26	26	-	18	44
Transfer to fixed assets	-	1	1	-	-	1
Dividends paid/provided						
2018 final	-	(2,500)	(2,500)	-	-	(2,500)
2019 interim	-	(3,640)	(3,640)	-	-	(3,640)
Distributions to perpetual capital securities holders	-	-	-	(212)	-	(212)
Dividends paid to other non-controlling interests of a subsidiary	-	-	-	-	(785)	(785)
Reclassification to other borrowings	-	(90)	(90)	(5,791)	-	(5,881)
Issue of perpetual capital securities	-	-	-	3,887	-	3,887
Balance at 31 December 2019	<u>20,400</u>	<u>24,296</u>	<u>44,696</u>	<u>3,887</u>	<u>6,577</u>	<u>55,160</u>
Balance at 1 January 2020	20,400	24,296	44,696	3,887	6,577	55,160
Profit for the year	-	8,088	8,088	138	744	8,970
Other comprehensive income for the year	-	(428)	(428)	-	(37)	(465)
Transfer to fixed assets	-	(1)	(1)	-	-	(1)
Dividends paid/provided						
2019 final	-	(2,400)	(2,400)	-	-	(2,400)
2020 interim	-	(3,800)	(3,800)	-	-	(3,800)
Distributions to perpetual capital securities holders	-	-	-	(138)	-	(138)
Dividends paid to other non-controlling interests of a subsidiary	-	-	-	-	(855)	(855)
Balance at 31 December 2020	<u>20,400</u>	<u>25,755</u>	<u>46,155</u>	<u>3,887</u>	<u>6,429</u>	<u>56,471</u>

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020 HK\$M	2019 HK\$M
<b>Operating activities</b>			
Net cash inflow from operations	21(A)	18,513	18,436
Income tax paid		(1,476)	(439)
Net cash inflow from operating activities		<u>17,037</u>	<u>17,997</u>
<b>Investing activities</b>			
Capital expenditure		(8,158)	(8,750)
Addition of other intangible assets		(11)	(22)
Proceeds from disposal of fixed assets		91	39
Capitalised interest paid		(295)	(295)
Dividends received from a joint venture		77	80
Repayment of loan from a joint venture		122	122
Increase in loans to a joint venture		(537)	(98)
Decrease in deposits with maturities of more than three months		-	2,237
Net cash outflow from investing activities		<u>(8,711)</u>	<u>(6,687)</u>
Net cash inflow before financing activities		<u>8,326</u>	<u>11,310</u>
<b>Financing activities</b>	21(B)		
Decrease in short-term borrowings		(1,035)	(241)
Proceeds from long-term borrowings		12,930	4,997
Repayment of long-term borrowings		(10,332)	(2,502)
Payment of principal portion of lease liabilities		(24)	(22)
Interest paid		(971)	(948)
Interest received		13	19
Decrease in advances from other non-controlling interests		(323)	(169)
Redemption of perpetual capital securities		-	(5,837)
Issue of perpetual capital securities		-	3,887
Distributions paid to perpetual capital securities holders		(103)	(250)
Dividends paid to shareholders		(5,650)	(8,890)
Dividends paid to other non-controlling interests of a subsidiary		(855)	(785)
Net cash outflow from financing activities		<u>(6,350)</u>	<u>(10,741)</u>
Net increase in cash and cash equivalents		1,976	569
Cash and cash equivalents at beginning of year		730	161
<b>Cash and cash equivalents at end of year</b>		<u>2,706</u>	<u>730</u>
Analysis of cash and cash equivalents			
Deposits, bank balances and cash		<u>2,706</u>	<u>730</u>

The notes on pages 15 to 64 are an integral part of these consolidated financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General information**

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 8 Laguna Verde Avenue, Hung Hom, Kowloon, Hong Kong.

The principal activity of the Company continues to be the generation and supply of electricity. Particulars of the Company's subsidiaries are set out in Note 12. The Company and its subsidiaries are collectively referred to as the "Group" in the financial statements.

The financial operations of CLP Power Hong Kong Limited (CLP Power) and its major subsidiary, Castle Peak Power Company Limited, (collectively the SoC Companies) are governed by the Scheme of Control (SoC) Agreement entered with the Hong Kong Government. The main features of the SoC Agreement are summarised on pages 65 to 66, which are unaudited by PricewaterhouseCoopers.

These financial statements have been approved by the Board of Directors on 4 February 2021.

### **2. Significant accounting policies**

The significant accounting policies applied in the preparation of these financial statements are set out below:

#### **(a) Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and requirements of the Hong Kong companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### **(i) Amendments to HKFRS effective 1 January 2020**

There have been a number of amendments to standards effective from 1 January 2020. Amendments which are applicable to the Group include:

- The Conceptual Framework for Financial Reporting 2018
- Amendments to HKAS 1 and HKAS 8 Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform – Phase 1 (the Reform – Phase 1)

In addition, the Group has elected to early adopt the amendments to HKFRS 16 Leases on COVID-19 Related Rent Concessions on 1 January 2020. The amendments to HKFRS 16 provide the Group as a lessee with practical relief during the COVID-19 pandemic and are effective for annual reporting periods beginning on or after 1 June 2020.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies (continued)**

#### **(a) Basis of preparation (continued)**

##### **(i) Amendments to HKFRS effective 1 January 2020 (continued)**

The impact of these amendments to the Group is immaterial. There are no changes to accounting policies or retrospective adjustments made as a result of adopting these amendments.

Details on the Reform – Phase 1 can be found in paragraph (iii) below.

##### **(ii) Amendments to HKFRS effective after 2020 and have not yet been adopted**

The following amendments to standards, which may be applicable to the Group, have been issued and are effective after 2020. The Group has not elected to early adopt these amendments in 2020.

- Amendments to HKFRS 9 Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to HKAS 1 Classification of Liabilities as Current or Non-current
- Amendments to HKAS 16 Proceeds before Intended Use
- Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The adoption of these amendments to standards is not expected to have any significant impact on the results and the financial position of the Group.

##### **(iii) Interest Rate Benchmark Reform**

A number of concerns were raised regarding the integrity and reliability of major financial market benchmarks, particularly interest rate benchmarks that are considered to play the most fundamental role in the global financial system. In 2014, the Financial Stability Board published a report setting out recommendations to reform some major benchmarks. The global reform of interest rate benchmarks, which includes the replacement of some Interbank offered rates (IBOR) with alternative benchmark rates, is referred to as the interest rate benchmark reform. The Reform aims to have these new rates based on liquid underlying market transactions, and not be dependent on submissions based on expert judgement

Phase 1 – The first phase of amendments to HKFRS 9, HKAS 39 and HKFRS 7, issued in November 2019, focuses on hedge accounting in the period before the Reform. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the Reform. The reliefs have the effect that the Reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by the Reform.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Significant accounting policies (continued)**

(a) Basis of preparation (continued)

(iii) Interest Rate Benchmark Reform (continued)

Phase 2 – The second phase of amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, issued in October 2020, focuses on the financial reporting issues that may arise once an existing IBOR is replaced with an alternative interest rate. These amendments adjust specific accounting requirements relating to modifications of financial instruments and lease liabilities, other reliefs for hedging accounting and disclosures. The amendments are effective from 1 January 2021 with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

As a result of an ongoing reform of the interest rate reference benchmark and its replacement with a risk-free alternative interest rate, the CLP Group's central treasury department (Group Treasury) has established a project to manage the transition for any of its contracts that could be affected.

At 31 December 2020, the Group's assessment of primary exposure impacted by the Reform is related to the fair value hedges of the debts with cross currency interest rate swaps based on hedged risk of US dollar LIBOR. There remain many uncertainties associated with the Reform. It is not known when the hedge designation for the hedged items and hedging instruments will be amended to risk-free alternative interest rates, which cast uncertainty on the prospective assessment of the effectiveness of hedge accounting. Therefore, in assessing whether the hedges are expected to be highly effective on a forward-looking basis, the Group has assumed that US dollar LIBOR interest rates are not altered by the Reform and has not discontinued the hedges. The Group will continue to apply the first phase of amendments dealt with pre-replacement issues until the uncertainty arising from the Reform with respect to the fair value that the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's hedge documentations that reference IBORs are amended to specify the date on which it will be replaced and the relevant spread adjustment.

The outstanding cross currency interest rate swaps of an aggregate notional amount of HK\$4,651 million equivalent with maturity after 2021 are impacted by the Reform when US dollar LIBOR might be discontinued.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies (continued)**

#### **(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December and include the Group's interests in joint ventures on the basis as set out in Notes 2(c) below.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

A subsidiary company is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

Inter-company transactions and balances within the Group are eliminated on consolidation.

#### **(c) Joint ventures**

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of post-acquisition profit or loss and other comprehensive income, until the date on which joint control ceases. Distributions received from the joint ventures reduce the carrying amounts of the investments.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the fixed assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For any asset replacement, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss in the period in which they are incurred.

Depreciation of fixed assets is based on the rates which reflect the pattern in which the assets' economic benefits are consumed.

- (i) In respect of the fixed assets, the net book values as at 31 December 2013 are being written off uniformly over the remainder of their useful lives as set out in (iii) below.
- (ii) Fixed assets commissioned on or after 1 January 2014 are depreciated on a straight-line basis over the useful lives as set out in (iii) below commencing from the date of commissioning.

#### (iii) Useful lives of fixed assets

Cable tunnels	100 years
Buildings and civil structures at power stations	35 years
Ash lagoon	35 years
Other buildings and civil structures	60 years
Generating plants	25 – 45 years*
Overhead lines (33 kV and above)	60 years
Overhead lines (below 33 kV)	45 years
Cables	60 years
Switchgear and transformers	50 years
Substation miscellaneous	25 years
Meters	15 years
System control equipment, furniture, tools, communication and office equipment	10 years
Computers and office automation equipment other than those forming part of the generating plant	5 years
Motor vehicles and marine craft	5 years
Refurbished or improved assets	Remaining original life plus any life extension

\* Useful lives of certain generating plants have been extended by 10 – 20 years after mid-life refurbishments.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies (continued)**

#### **(d) Fixed assets (continued)**

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### **(e) Right-of-use assets**

The Group as a lessee recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets.

#### **(f) Leases**

The Group assesses at contract inception whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

For the Group as a lessor, leases in which the Group does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset to the customer, are classified as operating lease arrangements. The respective lease assets are included in the financial statements according to their nature. Operating lease payments which vary with operation parameters are recognised as other revenue in the period in which they are earned.

For the Group as a lessee, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which are recognised as expenses on a straight-line basis over the lease terms. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies (continued)**

#### **(g) Impairment of non-financial assets**

Non-financial assets that have indefinite useful lives are not subject to amortisation. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and, in any case, at least annually. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset or a cash generating unit less costs of disposal and its value in use.

An impairment loss recognised in prior years for an asset other than goodwill is reversed when there is a favourable change in the estimates used to determine the recoverable amount of an asset. A reversal of the impairment loss is limited to the asset's carrying amount (net of accumulated amortisation or depreciation) that would have been determined had no impairment loss been recognised in prior years.

#### **(h) Goodwill and other intangible assets**

##### **(i) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGU), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken at least annually or if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### **(ii) Other intangible assets**

Intangible assets other than goodwill are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortised on a straight-line basis over its useful life and carried at cost less accumulated amortisation and accumulated impairment losses.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies (continued)**

#### **(i) Derivative financial instruments and hedging activities**

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised financial assets or financial liabilities or firm commitment (fair value hedges) or hedges of the cash flows of recognised financial assets or financial liabilities or highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements.

#### **(i) Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, which offset any changes in the fair value recognised in profit or loss of the corresponding hedged asset or liability that are attributable to the hedged risk and achieve the overall hedging result.

#### **(ii) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit and loss. However, when the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the measurement of the initial cost of the asset at the time of acquisition.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remains in equity at that time is accounted for according to the nature of the underlying transactions (as discussed above) once the hedged cash flow occurs. When a forecast transaction is no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss that has been deferred in equity is reclassified to profit or loss immediately.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies (continued)**

(i) Derivative financial instruments and hedging activities (continued)

(iii) Derivatives not qualifying for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of these derivative financial instruments are recognised immediately in profit or loss.

(iv) Costs of hedging

Foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. In such case, the Group treats the excluded elements as costs of hedging. The fair value changes of these elements are recognised in a separate component of equity to the extent that the contract terms are aligned with the attributes of the hedged exposure. For time-period related hedged items, these elements at the date of designation (to the extent that it relates to the hedged item) are amortised on a systematic and rational basis to profit or loss over the period. For transaction related hedged items, the cumulative change of these elements is included in the initial carrying amount of any non-financial asset recognised when the hedged transaction occurs or is recognised in profit or loss if the hedged transaction affects profit or loss.

(j) Trade and other receivables

Trade and other receivables are recognised initially at transaction price and subsequently stated at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Significant accounting policies (continued)**

(j) Trade and other receivables (continued)

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(k) Inventory

Inventory comprises stores and fuel and is valued at the lower of cost and net realisable value. Cost for inventory is determined using the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Fuel Clause Account

The cost of fuel consumed is passed on to the customers. Any variations between the actual cost of fuel and the fuel cost billed to customers are captured in the Fuel Clause Account. The balance on the account (inclusive of interest) represents amounts over-recovered or under-recovered and is treated as an amount due to or from customers. CLP Power may adjust fuel related tariff from time to time, including on a monthly basis in accordance with the SoC, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible to cash, subjected to insignificant risk of change in value and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(n) Trade payables and other liabilities

(i) Trade and other liabilities

Trade and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Significant accounting policies (continued)**

(n) Trade payables and other liabilities (continued)

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease measured at the present value of lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted using the interest rate implicit in the lease, if this cannot be readily determined, an incremental borrowing rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, over a similar term and with a similar security. Lease liabilities are subsequently measured by increasing the carrying amounts to reflect interest on the lease liabilities (using the effective interest rate method) and by reducing the carrying amounts to reflect the lease payments made. Lease liabilities are remeasured (with a corresponding adjustment made to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options under certain conditions

(o) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in joint ventures, except where the timing of the reversal of temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Significant accounting policies (continued)**

(p) Borrowings, finance costs and interest income

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is amortised to profit or loss or capitalised as cost of the qualifying assets over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent that they are capitalised when they are directly attributable to the acquisition, construction or production of an asset which necessarily take a substantial period of time to get ready for their intended use.

Interest income is recognised on a time proportion basis using the effective interest method.

(q) Employee benefits

(i) Retirement benefits

The Company operates and participates in a number of defined contribution plans. The assets of these plans are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the participating companies, and provide benefits linked to contributions and investment returns on the plans. The Company has no further legal or constructive payment obligations if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods, once the contributions have been paid.

Forfeited contributions (by employers on behalf of employees who leave the plan prior to vesting fully in such contributions) are not used to offset existing contributions but are credited to a reserve account of that pension plan, and are available for distribution at the discretion of the employers.

Contributions to the defined contribution plans are recognised as an expense in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as part of the cost of qualifying assets.

(ii) Incentive bonus and employee leave entitlement

Provisions are made for the estimated liability for incentive bonus and employee leave entitlement as a result of services rendered by employees up to the end of the reporting period, where there is a contractual obligation or past practice has created a constructive obligation.



**NOTES TO THE FINANCIAL STATEMENTS**

**2. Significant accounting policies (continued)**

(r) Revenue

Revenue from contracts with customers primarily represents sales of electricity. Sales of electricity are based on actual and accrued consumption during the year.

Other revenue is recognised when the related income is earned or receivable.

(s) Foreign currency

Items included in the financial statements of each of the Group entities are measured in Hong Kong dollars, which is the currency of the primary economic environment in which each group entity operates (functional currency). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency.

Foreign currency transactions are translated into Hong Kong dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies by using the exchange rates at the end of the reporting period are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges.

For the purpose of consolidation, net assets of joint ventures that have a functional currency different from the Group's presentation currency are translated using the closing rate at the end of the reporting period; and the share of results of joint ventures are translated at the average exchange rate for the reporting period. All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

(t) Related parties

Related parties are individuals and companies, including subsidiaries, fellow subsidiaries, joint ventures, associated companies and key management personnel, where the individual or company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. A close family member of any such individual is considered to be a related party.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Financial risk management

#### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate and interest rate fluctuations on the Group's electricity tariff and financial performance. The Group uses different derivative financial instruments to manage its exposure in these areas. All derivative financial instruments are employed solely for hedging purposes.

Risk management for the Group is carried out by the CLP Group's central treasury department (Group Treasury) under policies approved by the Board of Directors or the Finance & General Committee of those companies. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

#### (i) Foreign exchange risk

The Group's potential foreign currency exposures primarily arise from the Group's significant foreign currency obligations relating to its debts denominated in foreign currency, nuclear power purchase off-take commitments, other fuel-related payments and major capital projects payments.

Under the SoC, the SoC Companies are allowed to pass-through foreign exchange gains and losses arising from future non-capital projects related commercial transactions and recognised liabilities which are denominated in a currency other than Hong Kong dollar, thus retaining no significant foreign exchange risk of such payments over the long term. The Group uses forward contracts and currency swaps to hedge all its debt repayment obligations denominated in foreign currencies for the full tenor, and a significant portion of its U.S. dollar obligations on fuel and nuclear power purchases, provided that for U.S. dollar the hedging can be accomplished at rates below the Hong Kong Government's historical target peg rate of HK\$7.8 : US\$1. The objective is to reduce the potential impact of foreign exchange movement on electricity tariffs. The Group also uses forward contracts to manage the foreign exchange risks arising from non-Hong Kong dollar payment obligations for major capital projects, for which the exchange gains and losses are capitalised.

At the end of the reporting period, the fair value movement of the derivative financial instruments in a cash flow hedge relationship is recorded in equity. The extent of the impact to the cash flow hedge reserve under equity due to exchange rate movements, with all other variables held constant, is as follows:

	2020 HK\$M	2019 HK\$M
Increase/(decrease) in cash flow hedge reserve		
Hong Kong dollar against U.S. dollar		
If weakened by 0.6% (2019: 0.6 %)	92	98
If strengthened by 0.6% (2019: 0.6 %)	(92)	(98)

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(a) Financial risk factors (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The risks are managed by monitoring an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swaps. The Group has determined a preferred fixed/floating interest rate mix appropriate for its business profile which is subject to annual review. As at 31 December 2020, 71% (2019: 59%) of the Group's borrowings were at fixed rates.

The sensitivity analysis below presents the effects on the post-tax profit for the year (as a result of change in interest expense on floating rate borrowings) and equity (as a result of change in the fair value of derivative instruments which qualify as cash flow hedges). Such amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss, and offset one another in the profit or loss.

The analysis has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the end of the reporting period. For floating rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity to interest rates used is considered reasonable given the market forecasts available at the end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

	2020 HK\$M	2019 HK\$M
Hong Kong dollar		
If interest rates were 0.1% (2019: 0.7 %) higher		
Post-tax profit for the year	(10)	(98)
Equity – cash flow hedge reserve	5	30
If interest rates were 0.1% (2019: 0.7 %) lower		
Post-tax profit for the year	10	98
Equity – cash flow hedge reserve	<u>(5)</u>	<u>(30)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(a) Financial risk factors (continued)

(iii) Credit risk

The Group has no significant concentrations of credit risk with respect to the sales of electricity as the customer base is widely dispersed in different sectors and industries. The Group has established a credit policy to allow electricity sale customers to settle their bills within two weeks after bill issuance. To limit the credit risk exposure, the Group has a policy to require cash deposits or bank guarantees from customers for an amount determined from time to time by reference to the usage of the customers, and in the normal course of events will not exceed the highest expected charge for 60 days. For all the deposits held, customers are paid a floating market interest rate equivalent to the HSBC bank saving rate. The customers' deposits are treated on the statement of financial position as current liabilities on the basis that they are repayable on demand. At 31 December 2020, such cash deposits amounted to HK\$5,895 million (2019: HK\$5,677 million) and the bank guarantees stood at HK\$854 million (2019: HK\$834 million).

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. The Group classifies its trade receivables by nature of customer accounts. These include active accounts and terminated accounts. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The table below summaries the expected credit losses on the trade receivables of the Group.

	Lifetime Expected Credit Loss Rate	Gross Carrying Amount HK\$M	Lifetime Expected Credit Loss HK\$M	Net Carrying Amount HK\$M
As at 31 December 2020				
Active accounts				
Provision on individual basis	100% *	7	(5)	2
Provision on collective basis	0%	1,960	(8)	1,952
Terminated accounts				
Provision on individual basis	100%	6	(6)	-
Provision on collective basis	25%	5	(1)	4
		<u>1,978</u>	<u>(20)</u>	<u>1,958</u>
As at 31 December 2019				
Active accounts				
Provision on individual basis	100% *	4	(3)	1
Provision on collective basis	0%	2,056	-	2,056
Terminated accounts				
Provision on individual basis	100%	7	(7)	-
Provision on collective basis	26%	4	(1)	3
		<u>2,071</u>	<u>(11)</u>	<u>2,060</u>

\* Expected credit loss is close to zero as these trade receivables are mostly secured by cash deposits or bank guarantees from customers and have no recent history of default.

The impaired trade receivables were provided under the allowance account which balance at 31 December 2020 amounted to HK\$20 million (2019: HK\$11 million).

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(a) Financial risk factors (continued)

(iii) Credit risk (continued)

On the treasury side, all finance-related hedging transactions and bank deposits of the Group entities are made with counterparties with good credit quality in conformance to the Group treasury policies to minimise credit exposure. Good credit ratings from reputable credit rating agencies is an important criterion in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction. The Group further assigns mark-to-market limits to its financial counterparties to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty; and regularly monitors potential exposures to all counterparties utilising value-at-risk methodology.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities with staggered maturities to reduce refinancing risk in any year and to fund working capital, debt servicing, dividend payments and capital investments. The Group will fund its committed contractual maturities through cash flows earned under the terms of the SoC and financing available under its credit lines and MTN programme. Management also monitors rolling forecasts of the Group's undrawn borrowing facilities and cash and cash equivalents on the expected cash flows.

The table below analyses the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, derivative financial liabilities (both net settled and gross settled) and derivative financial assets (gross settled) based on the contractual undiscounted cash flows:

	Within 1 year HK\$M	Between 1 and 2 years HK\$M	Between 2 to 5 years HK\$M	Over 5 years HK\$M	Total HK\$M
As at 31 December 2020					
Non-derivative financial liabilities					
Bank loans	2,979	3,169	1,229	685	8,062
Other borrowings	4,398	2,210	9,404	26,465	42,477
Customers' deposits	5,895	-	-	-	5,895
Fuel clause account	346	-	-	-	346
SoC reserve accounts	-	-	-	2,374	2,374
Asset decommissioning liabilities	-	-	-	1,320	1,320
Current accounts with fellow subsidiaries	1,633	-	-	-	1,633
Advances from non-controlling interests	1,021	-	-	-	1,021
Trade payables and other liabilities	4,948	2	-	-	4,950
Dividend payable	2,500	-	-	-	2,500
	<u>23,720</u>	<u>5,381</u>	<u>10,633</u>	<u>30,844</u>	<u>70,578</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(a) Financial risk factors (continued)

(iv) Liquidity risk (continued)

	Within 1 year HK\$M	Between 1 and 2 years HK\$M	Between 2 to 5 years HK\$M	Over 5 years HK\$M	Total HK\$M
As at 31 December 2020					
Derivatives financial liabilities - net settled					
Interest rate swaps	54	36	39	21	150
	<u>54</u>	<u>36</u>	<u>39</u>	<u>21</u>	<u>150</u>
Derivatives financial liabilities - gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	16,750	2	3,934	-	20,686
Cross currency interest rate swaps	1,345	930	2,573	12,568	17,416
	<u>18,095</u>	<u>932</u>	<u>6,507</u>	<u>12,568</u>	<u>38,102</u>
Gross contractual amounts receivable					
Forward foreign exchange contracts	(16,699)	(2)	(3,876)	-	(20,577)
Cross currency interest rate swaps	(1,025)	(738)	(2,290)	(12,310)	(16,363)
	<u>(17,724)</u>	<u>(740)</u>	<u>(6,166)</u>	<u>(12,310)</u>	<u>(36,940)</u>
Net payable	<u>371</u>	<u>192</u>	<u>341</u>	<u>258</u>	<u>1,162</u>
Derivatives financial assets - gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	575	87	-	-	662
Cross currency interest rate swaps	2,683	287	5,409	7,320	15,699
	<u>3,258</u>	<u>374</u>	<u>5,409</u>	<u>7,320</u>	<u>16,361</u>
Gross contractual amounts receivable					
Forward foreign exchange contracts	(607)	(88)	-	-	(695)
Cross currency interest rate swaps	(2,802)	(366)	(5,545)	(7,418)	(16,131)
	<u>(3,409)</u>	<u>(454)</u>	<u>(5,545)</u>	<u>(7,418)</u>	<u>(16,826)</u>
Net receivable	<u>(151)</u>	<u>(80)</u>	<u>(136)</u>	<u>(98)</u>	<u>(465)</u>
Total payable	<u>220</u>	<u>112</u>	<u>205</u>	<u>160</u>	<u>697</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(a) Financial risk factors (continued)

(iv) Liquidity risk (continued)

	Within 1 year HK\$M	Between 1 and 2 years HK\$M	Between 2 to 5 years HK\$M	Over 5 years HK\$M	Total HK\$M
As at 31 December 2019					
Non-derivative financial liabilities					
Bank loans	7,992	3,339	1,180	788	13,299
Other borrowings	4,827	4,154	7,394	18,091	34,466
Customers' deposits	5,677	-	-	-	5,677
Fuel clause account	1,131	-	-	-	1,131
SoC reserve accounts	-	-	-	1,500	1,500
Asset decommissioning liabilities	-	-	-	1,179	1,179
Current accounts with fellow subsidiaries	1,536	-	-	-	1,536
Advances from non-controlling interests	1,344	-	-	-	1,344
Trade payables and other liabilities	4,574	21	2	-	4,597
Dividend payable	1,950	-	-	-	1,950
	<u>29,031</u>	<u>7,514</u>	<u>8,576</u>	<u>21,558</u>	<u>66,679</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(a) Financial risk factors (continued)

(iv) Liquidity risk (continued)

	Within 1 year HK\$M	Between 1 and 2 years HK\$M	Between 2 to 5 years HK\$M	Over 5 years HK\$M	Total HK\$M
As at 31 December 2019					
Derivatives financial liabilities - net settled					
Forward foreign exchange contracts	1	-	-	-	1
Interest rate swaps	17	14	19	16	66
	<u>18</u>	<u>14</u>	<u>19</u>	<u>16</u>	<u>67</u>
Derivatives financial liabilities - gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	12,531	16	-	3,933	16,480
Cross currency interest rate swaps	327	1,263	5,168	3,558	10,316
	<u>12,858</u>	<u>1,279</u>	<u>5,168</u>	<u>7,491</u>	<u>26,796</u>
Gross contractual amounts receivable					
Forward foreign exchange contracts	(12,505)	(15)	-	(3,894)	(16,414)
Cross currency interest rate swaps	(246)	(922)	(4,814)	(3,423)	(9,405)
	<u>(12,751)</u>	<u>(937)</u>	<u>(4,814)</u>	<u>(7,317)</u>	<u>(25,819)</u>
Net payable	<u>107</u>	<u>342</u>	<u>354</u>	<u>174</u>	<u>977</u>
Derivatives financial assets - gross settled					
Gross contractual amounts payable					
Forward foreign exchange contracts	7,281	-	-	-	7,281
Cross currency interest rate swaps	4,211	2,600	604	7,087	14,502
	<u>11,492</u>	<u>2,600</u>	<u>604</u>	<u>7,087</u>	<u>21,783</u>
Gross contractual amounts receivable					
Forward foreign exchange contracts	(7,323)	-	-	-	(7,323)
Cross currency interest rate swaps	(4,306)	(2,661)	(623)	(7,214)	(14,804)
	<u>(11,629)</u>	<u>(2,661)</u>	<u>(623)</u>	<u>(7,214)</u>	<u>(22,127)</u>
Net receivable	<u>(137)</u>	<u>(61)</u>	<u>(19)</u>	<u>(127)</u>	<u>(344)</u>
Total payable/(receivable)	<u>(30)</u>	<u>281</u>	<u>335</u>	<u>47</u>	<u>633</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **3. Financial risk management (continued)**

#### **(b) Hedge accounting**

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing the critical terms. As a result, the Group concludes that the risk being hedged for the hedged items and risk inherent in the hedging instruments are sufficiently aligned. There is no inherent mismatch in the hedging relationship. Certain ineffectiveness can arise during the hedging process. The main source of hedge ineffectiveness is considered to be the effects of re-designation of the hedging relationships and the counterparty credit risks on the hedging instruments.

For hedges on debt related transactions, the Group applies cross currency interest rate swaps and interest rate swaps to mitigate exposures arising from the fluctuations in foreign currencies and/or interest rates of debt. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

For hedges on non-debt related transactions, the Group uses forward contracts to manage its foreign exchange risk arising from fuel and nuclear purchases obligations, and payments for major capital projects. The Group hedges a high portion of committed and highly probable forecast transactions.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(b) Hedge accounting (continued)

The tables below summarise the effect of the hedge accounting on financial position and performance of the Group:

**Cash flow hedges**

			Favourable / (Unfavourable)				Amount reclassified from cash flow hedge reserve and credited/(charged) to profit or loss	
	Notional amount of hedging instruments HK\$M	Carrying amount of hedging instruments assets/ (liabilities) HK\$M	changes in fair value used for measuring ineffectiveness		Hedging losses/(gains) recognised in cash flow hedge reserve HK\$M	Hedge ineffectiveness recognised in profit or loss HK\$M	Hedged items affected profit or loss HK\$M	Hedged future cash flows no longer expected to occur HK\$M
			Hedging instruments HK\$M	Hedged items HK\$M				
As at 31 December 2020								
Debt related transactions								
Interest rate risk <sup>(ii)</sup>	25,843	(1,031)	(562)	568	560	2	235	-
Non-debt related transactions								
Foreign currency risk	16,312	(35)	(102)	102	102	-	(78)	-
As at 31 December 2019								
Debt related transactions								
Interest rate risk <sup>(ii)</sup>	21,024	(560)	43	(43)	(43)	-	(67)	-
Non-debt related transactions								
Foreign currency risk	19,264	(12)	65	(65)	(65)	-	110	-

**Fair value hedges**

	Notional amount of hedging Instruments HK\$M	Carrying amount of hedged items HK\$M	Accumulated fair value hedge adjustments included in carrying amount of hedged items HK\$M	Favourable / (Unfavourable) changes in fair value used for measuring ineffectiveness		Hedge ineffectiveness charged to finance costs HK\$M
				Hedging instruments HK\$M	Hedged items HK\$M	
As at 31 December 2020						
Debt related transactions						
Interest rate risk <sup>(ii)</sup>	5,481	(5,804)	(340)	302	(303)	1
As at 31 December 2019						
Debt related transactions						
Interest rate risk <sup>(ii)</sup>	5,502	(5,497)	(37)	333	(336)	3

Note:

- (i) Hedge ineffectiveness and amounts reclassified from cash flow hedge reserve on non-debt and debt related transactions were recognised in fuel and purchase of nuclear electricity and finance costs respectively.  
(ii) Also includes foreign exchange risk in case of foreign currency debts.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(b) Hedge accounting (continued)

The reconciliation of the components in equity that arise in connection with hedge accounting and an analysis of other comprehensive income by risk category are as follows:

	Interest <sup>(i)</sup> rate risk HK\$M	Foreign exchange risk HK\$M	Total HK\$M
<u>Cash Flow Hedge Reserve</u>			
Balance at 1 January 2019	174	47	221
Hedging gains	43	65	108
Reclassification to profit or loss			
Hedged items affect profit or loss	67	(110)	(43)
Transfer to hedged assets	-	2	2
Related deferred tax	(19)	8	(11)
Balance at 31 December 2019	<u>265</u>	<u>12</u>	<u>277</u>
Balance at 1 January 2020	265	12	277
Hedging losses	(560)	(102)	(662)
Reclassification to profit or loss			
Hedged items affect profit or loss	(235)	78	(157)
Transfer to hedged assets	-	1	1
Related deferred tax	131	3	134
Balance at 31 December 2020	<u>(399)</u>	<u>(8)</u>	<u>(407)</u>
			HK\$M
<u>Costs of Hedging Reserve - Foreign currency basis spread</u>			
Balance at 1 January 2019			(69)
Changes due to transaction related hedged items:			
Fair value losses			(25)
Reclassification to profit or loss			42
Transfer to hedged assets			(1)
Changes due to time-period related hedged items:			
Fair value losses			(24)
Amortisation to profit or loss			13
Related deferred tax			-
Balance at 31 December 2019			<u>(64)</u>
Balance at 1 January 2020			(64)
Changes due to transaction related hedged items:			
Fair value losses			(25)
Reclassification to profit or loss			27
Transfer to hedged assets			(2)
Changes due to time-period related hedged items:			
Fair value gains			203
Amortisation to profit or loss			(16)
Related deferred tax			(30)
Balance at 31 December 2020			<u>93</u>

Note:

(i) Also includes foreign exchange risk in case of foreign currency debts.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **3. Financial risk management (continued)**

#### **(c) Fair value estimation and hierarchy of financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period.

For the Group's financial instruments that are not measured at fair value, their carrying values approximate their fair values.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(c) Fair value estimation and hierarchy of financial instruments (continued)

The following table presents the fair value hierarchy for those financial instruments carried at fair value in the statement of financial position at 31 December.

	Level 1 HK\$M	Level 2 HK\$M	Level 3 HK\$M	Total HK\$M
As at 31 December 2020				
Financial assets				
Forward foreign exchange contracts	-	37	-	37
Cross currency interest rate swaps	-	508	-	508
Interest rate swaps	-	69	-	69
	<u>-</u>	<u>614</u>	<u>-</u>	<u>614</u>
Financial liabilities				
Forward foreign exchange contracts	-	108	-	108
Cross currency interest rate swaps	-	1,203	-	1,203
Interest rate swaps	-	144	-	144
	<u>-</u>	<u>1,455</u>	<u>-</u>	<u>1,455</u>
As at 31 December 2019				
Financial assets				
Forward foreign exchange contracts	-	11	-	11
Cross currency interest rate swaps	-	206	-	206
Interest rate swaps	-	32	-	32
	<u>-</u>	<u>249</u>	<u>-</u>	<u>249</u>
Financial liabilities				
Forward foreign exchange contracts	-	61	-	61
Cross currency interest rate swaps	-	891	-	891
Interest rate swaps	-	74	-	74
	<u>-</u>	<u>1,026</u>	<u>-</u>	<u>1,026</u>

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During 2020 and 2019, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

The valuation technique and inputs used in the fair value measurements within Level 2 are as follows:

<u>Financial Instruments</u>	<u>Valuation technique</u>	<u>Significant inputs</u>
Forward foreign exchange contracts	Discounted cash flow	Observable exchange rates
Cross currency interest rate swaps	Discounted cash flow	Observable exchange rates and swap rates of respective currency
Interest rate swaps	Discounted cash flow	Observable swap rates of respective currency

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(d) Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Effect of offsetting in the consolidation statement of financial position			Related amounts not offset in the consolidated statement of financial position <sup>(i)</sup>		
	Gross amounts recognised HK\$M	Gross amounts offset HK\$M	Net amounts included in the respective line HK\$M	Financial instruments HK\$M	Financial collateral received/pledged HK\$M	Net Amount <sup>(i)</sup> HK\$M
At 31 December 2020						
Financial assets						
Trade and other receivables	1,790	-	1,790	-	(1,790)	-
Derivative financial instruments	460	-	460	(441) <sup>(ii)</sup>	-	19
	<u>2,250</u>	<u>-</u>	<u>2,250</u>	<u>(441)</u>	<u>(1,790)</u>	<u>19</u>
Financial liabilities						
Customers' deposits	5,895	-	5,895	(1,790) <sup>(ii)</sup>	-	4,105
Derivative financial instruments	1,302	-	1,302	(441)	-	861
	<u>7,197</u>	<u>-</u>	<u>7,197</u>	<u>(2,231)</u>	<u>-</u>	<u>4,966</u>
At 31 December 2019						
Financial assets						
Trade and other receivables	2,015	-	2,015	- <sup>(ii)</sup>	(2,015)	-
Derivative financial instruments	207	-	207	(167)	-	40
	<u>2,222</u>	<u>-</u>	<u>2,222</u>	<u>(167)</u>	<u>(2,015)</u>	<u>40</u>
Financial liabilities						
Customers' deposits	5,677	-	5,677	(2,015)	-	3,662
Derivative financial instruments	985	-	985	(167) <sup>(ii)</sup>	-	818
	<u>6,662</u>	<u>-</u>	<u>6,662</u>	<u>(2,182)</u>	<u>-</u>	<u>4,480</u>

Notes:

- (i) Under HKFRS, amounts cannot be offset if the rights of set-off are conditional on a future event e.g. default of payment. "Net amount" column represents the net impact that would be shown on the consolidated statement of financial position if all set-off rights (e.g. master netting arrangements, collateral arrangements etc.) were exercised.
- (ii) For derivative financial instruments, the Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements in which there is a set-off provision. Under certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, a termination value is then assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position since the Group does not have any currently legally enforceable right to offset recognised amounts. The right to offset is enforceable only on the occurrence of future events such as a default on the bank transactions or other credit events.

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Financial risk management (continued)**

(e) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support its business and to enhance shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholder or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during 2020 and 2019.

The Group monitors capital using "total debt to total capital" ratio. This ratio at 31 December 2020 and 2019 were as follows:

	2020 HK\$M	2019 HK\$M
Total debt <sup>(i)</sup>	43,449	41,378
Total equity <sup>(ii)</sup>	57,492	56,504
Total capital <sup>(iii)</sup>	100,941	97,882
Total debt to total capital ratio	43.0%	42.3%

Notes:

- (i) Total debt equals bank loans and other borrowings
- (ii) Total equity equals equity plus the advances from non-controlling interests
- (iii) Total capital equals total debt plus total equity



## **NOTES TO THE FINANCIAL STATEMENTS**

### **4. Critical accounting estimates and judgements**

#### **(a) SoC-related accounts**

As stipulated in the SoC, the balances in the Tariff Stabilisation Fund and the Rate Reduction Reserve shall represent liabilities in the financial statements of CLP Power and shall not accrue to the benefit of its shareholders save as provided for by the SoC. CLP Power also has the obligation to maintain the Fuel Clause Account, which represents the difference between an agreed standard cost of fuel and the actual fuel costs.

The Group considers that CLP Power is required under the SoC to discharge its obligations arising from the SoC upon the expiry of the SoC Agreement such that these account balances meet the definition of a liability.

#### **(b) Asset impairment**

The Group conducts impairment reviews of material non-financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Group also tests annually whether goodwill has suffered any impairment in accordance with the relevant accounting standards.

Determining whether an asset or a cash generating unit is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flows, a growth rate and a pre-tax discount rate in order to calculate the present value. Where the expected cash flows are less than the asset's carrying amount, an impairment loss may arise. During 2020, after reviewing the business environment as well as the Group's strategies and performances of the material non-financial assets, management concluded that there was no material impairment for goodwill and other long-lived assets (2019: no impairment for goodwill and other long-lived assets). The latest annual impairment models for goodwill indicated that sufficient headroom (meaning the excess of the recoverable amount over carrying value) existed. It is considered that any reasonably possible changes in the assumptions used in the models would not affect the impairment assessment result at 2020 year end.

**NOTES TO THE FINANCIAL STATEMENTS**

**4. Critical accounting estimates and judgements (continued)**

(c) Asset retirement obligations

CLP Power has been investing in the transmission and distribution network to supply electricity to the customers in its supply area in Hong Kong. As CLP Power expects that the land sites being used for the transmission and distribution network will continue to be used for the distribution of electricity supply to its customers, it is currently considered remote that the network would be removed from the existing land sites. Therefore in accordance with applicable accounting standards, asset retirement obligations for these assets have not been recognised by CLP Power.

As part of the new development plan agreed with the Hong Kong Government in 2018, Castle Peak Power Company Limited (CAPCO) will retire the coal-fired generation units at Castle Peak “A” Station (CPA) between 2022 to 2025. Following this retirement, the removal of CPA’s coal-fired generation units has become probable. It is also envisaged that with the Government’s continued commitment to reduce carbon intensity, the removal of CAPCO’s other fossil-fuel generation units from the existing land sites may be possible at some point of time in the future. Under the SoC, CAPCO makes a periodic charge to accrue in the statement of financial position a liability balance to be utilised in discharging asset decommissioning costs if and when incurred. CAPCO considers that the dismantling obligation for the CPA units is covered under the asset decommissioning liability accrued under the SoC as at 31 December 2020. While no provision for asset retirement obligations for the other generation units of CAPCO has been recognised, it is expected that if such an obligation be incurred, it will be met by the liability accrued and the cost recovery mechanism under the SoC.

(d) Revenue recognition

CLP Power records revenue for the sale of electricity under the accrual accounting method. Electricity sale revenue is recognised when electricity is supplied to and consumed by the customers. The revenue is measured on the basis of periodic cycle meter readings and include an estimated accrual for the value of the electricity consumed from the meter reading date to the end of the reporting period (unbilled revenue). The unbilled revenue is calculated using estimates including consumption quantity based on electricity sent-out adjusted by loss factors, pattern of residential and non-residential consumption, weather and certain other factors. Unbilled revenue of the Group (included in trade and other receivables) totalled HK\$752 million at 31 December 2020 (2019: HK\$773 million).

**NOTES TO THE FINANCIAL STATEMENTS**

**5. Revenue**

The Group's revenue primarily represents sales of electricity, which is recognised over time, and is disaggregated as follows:

	2020 HK\$M	2019 HK\$M
Revenue from contracts with customers		
Sales of electricity – Local	41,798	40,473
Transfer for SoC from revenue (Note 19)	(660)	(714)
Others	101	172
	<u>41,239</u>	<u>39,931</u>
Other revenue	86	94
	<u>41,325</u>	<u>40,025</u>

**6. Operating profit**

	2020 HK\$M	2019 HK\$M
Operating profit is stated after charging/(crediting):		
Staff costs		
Salaries and other costs	1,451	1,375
Retirement benefits costs	194	191
Auditor's remuneration		
Audit	9	10
Permissible non-audit services	3	2
Net loss on disposal of fixed assets	374	405
Net fair value loss/(gain) on derivative financial instruments		
- Reclassified from cash flow hedge reserve and costs of hedging reserve to purchase of nuclear electricity and fuel	105	(68)
- Transactions not qualifying as hedges	(20)	6
Net exchange gain	(29)	(2)
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**

**7. Finance costs and income**

	2020 HK\$M	2019 HK\$M
Finance costs:		
Interest expenses on		
Bank loans and overdrafts	208	195
Other borrowings	995	1,013
Tariff Stabilisation Fund <sup>(a)</sup>	18	22
Customers' deposits and others	32	49
Lease liabilities	1	2
Finance charges	90	34
Net fair value (gain)/loss on derivative financial instruments		
Reclassified from cash flow hedge reserve and costs of hedging reserve	(251)	80
Fair value hedges	(303)	(262)
Transactions not qualifying as hedges	28	2
Ineffectiveness of cash flow hedges	2	-
Ineffectiveness of fair value hedges	1	3
Loss on hedged items in fair value hedges	303	262
Other net exchange loss/(gain)	189	(69)
	<u>1,313</u>	<u>1,331</u>
Less: amount capitalised <sup>(b)</sup>	<u>(299)</u>	<u>(313)</u>
	<u>1,014</u>	<u>1,018</u>
 Finance income	 <u>27</u>	 <u>19</u>

Note:

- (a) In accordance with the provisions of the SoC Agreements, CLP Power 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 (Note 19).
- (b) Finance costs have been capitalised at average interest rate of 2.92% (2019: 3.44%) per annum.

**8. Income tax expense**

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

	2020 HK\$M	2019 HK\$M
Current income tax	1,558	1,424
Deferred tax	339	397
	<u>1,897</u>	<u>1,821</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**8. Income tax expenses (continued)**

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Income tax on profits assessable outside Hong Kong has been provided at rates prevailing in the respective jurisdictions.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2020 HK\$M	2019 HK\$M
Profit before income tax (excluding share of results of joint ventures)	10,693	10,242
Calculated at an income tax rate of 16.5% (2019: 16.5%)	1,764	1,690
Income not subject to tax	(26)	(33)
Expenses not deductible for tax purposes	34	33
Effect of direct tax rates in other jurisdictions	16	13
Revenue adjustment for SoC not subject to tax (Note 19)	109	118
Income tax expense	<u>1,897</u>	<u>1,821</u>

**9. Dividends**

	2020		2019	
	HK\$ Per share	HK\$M	HK\$ Per share	HK\$M
Interim dividends provided for / paid	1.53	3,800	1.46	3,640
Final dividend proposed	0.92	2,300	0.96	2,400
	<u>2.45</u>	<u>6,100</u>	<u>2.42</u>	<u>6,040</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**10. Fixed assets and right-of-use assets**

(A) Fixed assets

	<b>Buildings HK\$M</b>	<b>Plant, Machinery and Equipment HK\$M</b>	<b>Total HK\$M</b>
Net book value at 1 January 2019	16,412	92,337	108,749
Additions	1,445	7,398	8,843
Transfers and disposals	(53)	(428)	(481)
Depreciation	(544)	(4,073)	(4,617)
Net book value at 31 December 2019	<u>17,260</u>	<u>95,234</u>	<u>112,494</u>
Cost	29,181	166,837	196,018
Accumulated depreciation	<u>(11,921)</u>	<u>(71,603)</u>	<u>(83,524)</u>
Net book value at 31 December 2019	<u>17,260</u>	<u>95,234</u>	<u>112,494</u>
Net book value at 1 January 2020	17,260	95,234	112,494
Additions	1,310	7,033	8,343
Transfers and disposals	(43)	(462)	(505)
Depreciation	(593)	(4,274)	(4,867)
Net book value at 31 December 2020	<u>17,934</u>	<u>97,531</u>	<u>115,465</u>
Cost	30,347	172,327	202,674
Accumulated depreciation	<u>(12,413)</u>	<u>(74,796)</u>	<u>(87,209)</u>
Net book value at 31 December 2020	<u>17,934</u>	<u>97,531</u>	<u>115,465</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**10. Fixed assets and right-of-use assets (continued)**

(B) Right-of-use assets

	<b>Prepaid Leasehold Land HK\$M</b> <sup>(a)</sup>	<b>Land and Buildings<sup>(b)</sup> HK\$M</b>	<b>Machinery and Equipment<sup>(b)</sup> HK\$M</b>	<b>Total HK\$M</b>
Net book value at 1 January 2019	5,490	57	4	5,551
Additions	139	2	-	141
Depreciation	(177)	(19)	(1)	(197)
Net book value at 31 December 2019	<u>5,452</u>	<u>40</u>	<u>3</u>	<u>5,495</u>
Net book value at 1 January 2020	5,452	40	3	5,495
Additions	4	6	-	10
Transfers and disposals	-	(2)	-	(2)
Depreciation	(183)	(20)	(2)	(205)
Net book value at 31 December 2020	<u>5,273</u>	<u>24</u>	<u>1</u>	<u>5,298</u>

Notes:

- (a) Prepaid leasehold land represents upfront lease payments, including land premium, on lease of land with the tenure of 35 to 75 years.
- (b) The Group has lease contracts for land and buildings and various items of machinery and equipment used in its operations. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Tenures of the leases range from 2 to 10 years.

**11. Goodwill and other intangible assets**

	<b>Goodwill<sup>(a)</sup> HK\$M</b>	<b>Capacity right<sup>(b)</sup> HK\$M</b>	<b>Total HK\$M</b>
Net carrying value at 1 January 2019	5,545	4,420	9,965
Additions	-	22	22
Amortisation	-	(276)	(276)
Net carrying value at 31 December 2019	<u>5,545</u>	<u>4,166</u>	<u>9,711</u>
Cost	5,545	5,716	11,261
Accumulated amortisation	-	(1,550)	(1,550)
Net carrying value at 31 December 2019	<u>5,545</u>	<u>4,166</u>	<u>9,711</u>
Net carrying value at 1 January 2020	5,545	4,166	9,711
Additions	-	11	11
Amortisation	-	(276)	(276)
Net carrying value at 31 December 2020	<u>5,545</u>	<u>3,901</u>	<u>9,446</u>
Cost	5,545	5,727	11,272
Accumulated amortisation	-	(1,826)	(1,826)
Net carrying value at 31 December 2020	<u>5,545</u>	<u>3,901</u>	<u>9,446</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **11. Goodwill and intangible assets (continued)**

Notes:

- (a) In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill arising from CAPCO acquisition for the corresponding cash generating units and determined that such goodwill has not been impaired. The recoverable amount of the cash generating units tested for impairment has been determined based on value in use calculations. The value in use calculations use cash flow projections as at 31 December 2020 based on an approved Business Plan which has a forecast covering a period of ten years and necessary updates. Projections for a period of greater than five years have been used on the basis that a longer projection period represents the long dated nature of our electricity supply assets and a more appropriate reflection of future cash flows from anticipated legislative, regulatory and structural changes in the industry.

The key assumptions used in the value in use calculations are as follows:

- Goodwill arising from CAPCO acquisition has been allocated to CLP Power and CAPCO as a combined cash generating unit as the acquisition is considered beneficial to the whole Scheme of Control business.
  - The electricity tariff for the supply of electricity in meeting the demand of customers in Hong Kong over the forecast periods is determined with reference to the rate-setting mechanism under the Scheme of Control.
  - The forecast for electricity demand is based on the load forecast to support local infrastructure development and meeting customer load requirements, maintaining safety and supply reliability, and meeting environmental requirements.
  - Expenditures for the supply of electricity in meeting the forecast demand are based on committed purchase contracts where applicable, and inputs on costs trend as specific to the electricity business in Hong Kong. Such forecast aligns with the projection in the Business Plan for our Hong Kong electricity business, with capital expenditures for the periods to year 2023 aligned with those forecasted in the approved development plan.
  - Terminal value of the cash-generating unit is adopted to estimate the cash flows to be generated for the periods beyond ten years. This is expressed as a multiple of net asset values which corresponds to our return model based on fixed assets investment. The terminal value is a multiple of 1.2 times of the net asset values forecasted as at the end of 2030.
  - The cash flow projections are discounted using a pre-tax discount rate of 9.80% (2019: 9.79%), or a post-tax return of 8.00% (2019: 8.00%) which reflects the Scheme of Control return rate applicable to the electricity business in Hong Kong.
- (b) Capacity right represents the right to use 50% of the pumped storage capacity of Phase 1 of the Guangzhou Pumped Storage Power Station in Conghua, Guangzhou and the corresponding right to use the associated transmission facilities until 2034.



**NOTES TO THE FINANCIAL STATEMENTS**

**12. Subsidiaries**

The table below lists the subsidiaries of the Group at 31 December 2020:

Name	% of Ownership Interest at 31 December 2019 and 2020	Place of Incorporation / Business
Castle Peak Power Company Limited	70%	Hong Kong
Castle Peak Power Finance Company Limited*	70%	British Virgin Islands
Hong Kong Pumped Storage Development Company, Limited	100%	Hong Kong
CLP Power Hong Kong Financing Limited	100%	British Virgin Islands
CLP Power HK Finance Ltd.	100%	British Virgin Islands
CLP Energy Infrastructure Limited	100%	Hong Kong

\* Indirectly held through CAPCO

Summarised financial information of CAPCO which has material non-controlling interests is set out below:

	2020 HK\$M	2019 HK\$M
Results for the year		
Revenue	17,674	16,814
Profit for the year	2,859	2,745
Other comprehensive income for the year	(121)	57
Total comprehensive income for the year	2,738	2,802
Dividends paid to non-controlling interests	855	785
Net assets		
Non-current assets	35,461	34,151
Current assets	7,051	5,580
Current liabilities	(8,666)	(11,785)
Non-current liabilities	(15,967)	(9,953)
	17,879	17,993
Cash flows		
Net cash inflow from operating activities	3,127	3,843
Net cash (outflow)/inflow from investing activities	(1,769)	50
Net cash outflow from financing activities	(656)	(3,373)
Net increase in cash and cash equivalents	702	520

**NOTES TO THE FINANCIAL STATEMENTS**

**13. Interests in and loans to joint ventures**

(A) ShenGang Natural Gas Pipeline Company Limited

	2020 HK\$M	2019 HK\$M
Interests in joint venture - share of net assets	999	904
Loan	65	181
	<u>1,064</u>	<u>1,085</u>

ShenGang Natural Gas Pipeline Company Limited (SNGPC) was incorporated in Mainland China and is 40% owned by the Company's wholly owned subsidiary, CLP Energy Infrastructure Limited. SNGPC owns and operates the Second West-East Natural Gas Pipeline Hong Kong Branch Line which transports natural gas from Shenzhen to Hong Kong.

The loan to SNGPC is unsecured, carries interest at 90% (2019: 90%) of the People's Bank of China's over five years Renminbi benchmark lending rate and with final maturity in June 2022. The current portion of the loan of HK\$129 million (2019: HK\$121 million) was included in other receivables in the statement of financial position. There was no impairment recognised on the loan at 31 December 2020 and 2019.

Summarised financial information and the Group's share of the net assets and capital commitments in SNGPC as at 31 December and its share of the profits for the year then ended are as follows:

	2020 HK\$M	2019 HK\$M
Revenue	949	957
Depreciation and amortisation	(179)	(180)
Interest expenses	(29)	(42)
Other expenses	(161)	(201)
Profit before income tax	<u>580</u>	<u>534</u>
Income tax expense	(145)	(135)
Profit and total comprehensive income for the year	<u>435</u>	<u>399</u>
Group's share		
Profit and total comprehensive income for the year	<u>174</u>	<u>160</u>
Dividends from SNGPC	<u>140</u>	<u>83</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**13. Interests in and loans to joint ventures (continued)**

(A) ShenGang Natural Gas Pipeline Company Limited (continued)

	2020 HK\$M	2019 HK\$M
Non-current assets	3,796	3,711
Cash and cash equivalents	143	122
Other current assets	32	61
Current financial liabilities (excluding trade and other payables)	(323)	(302)
Other current liabilities	(254)	(160)
Non-current financial liabilities (excluding trade and other payables)	(161)	(453)
Other non-current liabilities	(734)	(719)
Net assets	<u>2,499</u>	<u>2,260</u>
Group's share of net assets	<u>999</u>	<u>904</u>
Group's share of capital commitments	<u>14</u>	<u>-</u>

(B) Hong Kong LNG Terminal Limited

	2020 HK\$M	2019 HK\$M
Interests in joint venture - share of net assets	-	-
Loans	<u>649</u>	<u>98</u>
	<u>649</u>	<u>98</u>

Hong Kong LNG Terminal Limited (HKLTL) is incorporated in Hong Kong and is 70% owned by CAPCO. The principal activity of HKLTL is to develop, construct, operate, maintain and own an LNG terminal in Hong Kong and to provide related services.

Pursuant to agreement between shareholders of HKLTL, shareholders' loan facilities are provided to HKLTL by the shareholders pro-rata to their shareholdings to finance the construction of the LNG terminal. The loans to HKLTL are unsecured, carry interest at rates which are benchmarked to market interest rates. Instalment repayment of the loans will commence after the commissioning of the LNG terminal with final maturity at the end of the related asset lives of the LNG terminal. As at 31 December 2020, outstanding committed shareholder's loan facilities by the Group as 70% shareholder of HKLTL amounted to HK\$982 million (2019: HK\$1,533 million).

**NOTES TO THE FINANCIAL STATEMENTS**

**13. Interests in and loans to joint ventures (continued)**

(B) Hong Kong LNG Terminal Limited (continued)

The major activity of HKLTL during the year continued to be the construction of LNG terminal. Summarised financial information and the Group's share of the net assets and commitments in HKLTL as at 31 December are as follows:

	2020 HK\$M	2019 HK\$M
Non-current assets	699	165
Cash and cash equivalents	-	4
Other current assets	231	1
Current liabilities	(3)	(29)
Non-current financial liabilities	(927)	(141)
Net assets	<u>-</u>	<u>-</u>
Group's share of net assets	<u>-</u>	<u>-</u>
Group's share of capital commitments	<u>802</u>	<u>68</u>
Group's share of lease and other commitments in relation to the use and operation of a floating storage and regasification unit	<u>2,713</u>	<u>2,725</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**14. Derivative financial instruments**

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	HK\$M	HK\$M	HK\$M	HK\$M
Cash flow hedges				
Forward foreign exchange contracts	14	49	5	17
Cross currency interest rate swaps	230	1,136	206	749
Interest rate swaps	-	125	12	29
Fair value hedges				
Cross currency interest rate swaps	278	67	-	142
Interest rate swaps	55	17	-	44
Not qualifying as hedges				
Forward foreign exchange contracts	23	59	6	44
Interest rate swaps	14	2	20	1
	<u>614</u>	<u>1,455</u>	<u>249</u>	<u>1,026</u>
Analysed as:				
Current	263	451	36	159
Non-current	<u>351</u>	<u>1,004</u>	<u>213</u>	<u>867</u>
	<u>614</u>	<u>1,455</u>	<u>249</u>	<u>1,026</u>

As at 31 December 2020, the contractual maturity profile of the hedging instruments from the end of the reporting period is summarised below:

Forward foreign exchange contracts	Up to 5 years
Cross currency interest rate swaps	Up to 15 years
Interest rate swaps	Up to 12 years

**NOTES TO THE FINANCIAL STATEMENTS**

**15. Advances from other non-controlling interests**

The advances from non-controlling interests represented the advances from China Southern Power Grid International (HK) Co., Limited (CSG HK) to CAPCO. Pursuant to the agreement between the shareholders of CAPCO, both CLP Power and CSG HK are required to provide shareholders' advances pro rata to their shareholdings in CAPCO. The advances are unsecured, interest free and repayable on demand. The advances are denominated in Hong Kong dollar.

**16. Reserves**

	<b>Translation Reserve HK\$M</b>	<b>Cash Flow Hedge Reserve HK\$M</b>	<b>Costs of Hedging Reserve HK\$M</b>	<b>Retained Profits HK\$M</b>	<b>Total HK\$M</b>
Balance at 1 January 2019	(63)	208	(46)	22,741	22,840
Earnings attributable to shareholders	-	-	-	7,659	7,659
Other comprehensive income					
Exchange differences on translation of a joint venture	(16)	-	-	-	(16)
Cash flow hedges					
Net fair value gains	-	74	-	-	74
Reclassification to profit or loss	-	(27)	-	-	(27)
Tax on the above items	-	(8)	-	-	(8)
Costs of hedging					
Net fair value losses	-	-	(46)	-	(46)
Amortisation/reclassification to profit or loss	-	-	49	-	49
Tax on the above items	-	-	-	-	-
Total comprehensive income attributable to shareholders	(16)	39	3	7,659	7,685
Transfer to fixed assets	-	2	(1)	-	1
Reclassification of perpetual capital securities to other borrowings				(90)	(90)
Dividends paid/provided					
2018 final	-	-	-	(2,500)	(2,500)
2019 interim	-	-	-	(3,640)	(3,640)
Balance at 31 December 2019	(79)	249	(44)	24,170	24,296
Balance at 1 January 2020	(79)	249	(44)	24,170	24,296
Earnings attributable to shareholders	-	-	-	8,088	8,088
Other comprehensive income					
Exchange differences on translation of a joint venture	61	-	-	-	61
Cash flow hedges					
Net fair value losses	-	(571)	-	-	(571)
Reclassification to profit or loss	-	(182)	-	-	(182)
Tax on the above items	-	123	-	-	123
Costs of hedging					
Net fair value gains	-	-	158	-	158
Amortisation/reclassification to profit or loss	-	-	10	-	10
Tax on the above items	-	-	(27)	-	(27)
Total comprehensive income attributable to shareholders	61	(630)	141	8,088	7,660
Transfer to fixed assets	-	1	(2)	-	(1)
Dividends paid/provided					
2019 final	-	-	-	(2,400)	(2,400)
2020 interim	-	-	-	(3,800)	(3,800)
Balance at 31 December 2020	(18)	(380)	95	26,058	25,755

**NOTES TO THE FINANCIAL STATEMENTS**

**17. Perpetual capital securities and Other non-controlling interests**

(A) Perpetual capital securities

A total of US\$500 million perpetual capital securities was issued by the wholly owned subsidiary, CLP Power HK Finance Ltd. (CLPPHKFL) on 6 November 2019. The securities are perpetual, non-callable in the first 5.25 years (with issuer call option at par at any time in the 3 months before 5 February 2025) and entitle the holders to receive distributions at a distribution rate of 3.55% per annum in the first 5.25 years, floating thereafter and with fixed step up margins at year 10.25 and at year 25.25, payable semi-annually in arrears, cumulative and compounding. The distributions are at the Group's discretion, as long as the issuer and CLP Power, as guarantor of the securities, do not (a) declare or pay dividends to their shareholders or (b) cancel or reduce their share capitals within each distribution payment period.

(B) Other non-controlling interests

Other non-controlling interests included CSGHK's pro-rata share of HK\$5,115 million (2019: HK\$5,115 million) of redeemable shareholder capital of CAPCO. The redeemable shareholder capital is subordinated, unsecured, interest free and has no fixed terms of repayment. CAPCO can, at its sole discretion, redeem all or part of the redeemable shareholder capital at any time after 31 December 2032.

As both the perpetual capital securities and redeemable shareholder capital do not contain any contractual obligation to pay cash or other financial assets, in accordance with HKAS 32, they are classified as equity and regarded as part of non-controlling interests for accounting purpose.

**18. Bank loans and other borrowings**

	2020 HK\$M	2019 HK\$M
Current		
Short-term bank loans	2,818	3,853
Current portion of		
- Long-term bank loans	96	3,845
- Notes under MTN programme	3,339	3,888
	<u>6,253</u>	<u>11,586</u>
Non-current		
- Long-term bank loans	4,948	5,003
- Notes under MTN programme	32,248	24,789
	<u>37,196</u>	<u>29,792</u>
Total bank loans and other borrowings	<u>43,449</u>	<u>41,378</u>

During the year, CLP Power Hong Kong Financing Limited issued senior unsecured notes of US\$1,000 million (net proceeds of HK\$7,611 million after deducting issuance costs) under its Medium Term Note (MTN) programme for general corporate purposes of CLP Power. In addition, senior unsecured notes of US\$350 million (net proceeds of HK\$2,677 million after deducting issuance costs) was issued by Castle Peak Power Finance Company under its MTN programme for financing the construction of an offshore LNG terminal and related facilities of CAPCO.

As at 31 December 2020 and 2019, all of the Group's borrowings are either denominated in or hedged into Hong Kong dollar.

**NOTES TO THE FINANCIAL STATEMENTS**

**19. Scheme of Control (SoC) reserve accounts**

The Tariff Stabilisation Fund, Rate Reduction Reserve and Rent and Rates Refunds of CLP Power are collectively referred to as SoC reserve accounts. The respective balances at the end of the year are:

	2020 HK\$M	2019 HK\$M
SoC reserve accounts		
Tariff Stabilisation Fund (A)	2,019	1,478
Rate Reduction Reserve (B)	18	22
Rent and Rates Refunds (C)	337	-
	<u>2,374</u>	<u>1,500</u>

The movements in SoC reserve accounts during the year are shown as follows:

(A) Tariff Stabilisation Fund

	2020 HK\$M	2019 HK\$M
As at 1 January	1,478	941
Transfer from Rate Reduction Reserve	22	11
Transfer under the SoC (i)		
- transfer for SoC from revenue (Note 5)	660	714
- charge for asset decommissioning (ii)	(141)	(188)
As at 31 December	<u>2,019</u>	<u>1,478</u>

- (i) Under the SoC Agreement, if the gross tariff revenue 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. In any period, the amount of deduction from or addition to the Tariff Stabilisation Fund is recognised as a revenue adjustment to the extent that the return and charges under the SoC are recognised in the profit or loss (Note 5).
- (ii) Under the SoC, a periodic charge to accrue for asset decommissioning is made with corresponding deferred liabilities recognised in the statement of financial position of the SoC Companies. The balance of the asset decommissioning liabilities account of HK\$1,320 million (2019: HK\$1,179 million) recognised under the SoC represents a liability of the Group.

(B) Rate Reduction Reserve

	2020 HK\$M	2019 HK\$M
As at 1 January	22	11
Transfer to Tariff Stabilisation Fund	(22)	(11)
Interest expense charged to profit or loss (Note 7)	18	22
As at 31 December	<u>18</u>	<u>22</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**19. Scheme of Control (SoC) reserve accounts (continued)**

**(C) Rent and Rates Refunds**

CLP Power has been challenging the amount of Government rent and rates levied dating back to the year of assessment 2001/02. Following the settlement of appeals up to 2007/08 in 2018, CLP Power reached settlement with the Hong Kong Government in 2020 in respect of the appeals for rating years from 2008/09 to 2017/18, with final resolution for the remaining appeals from 2018/19 onwards still to be completed.

In addition to the interim refund of HK\$300 million received earlier in 2020 for the appeal years 2008/09 to 2017/18, a further refund of HK\$437 million was received from the Hong Kong Government in full and final settlement for those years. These additional refunds bring the total amount of refunds received for all appeal years up to 2017/18 to HK\$2,791 million. Using these refunds, CLP Power has provided customers with the Rent and Rates Special Rebate. Including the rebate of HK\$400 million paid during the year, the Rent and Rates Special Rebate made by CLP Power has reached an aggregate of HK\$2,454 million.

The refunds are classified within the SoC reserve accounts. The Rent and Rates Special Rebate paid to customers was offset against the refunds received.

**NOTES TO THE FINANCIAL STATEMENTS**

**20. Deferred tax liabilities**

The movement on the deferred tax liabilities account is as follows:

	Tax Depreciation on Fixed Assets		Deferred Revenue		Pumped Storage Capacity		Derivatives		Total	
	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M	2020 HK\$M	2019 HK\$M
At 1 January	13,886	13,462	(133)	(145)	782	835	1	(24)	14,536	14,128
Charged/(credited) to profit or loss	369	424	6	12	(53)	(53)	17	14	339	397
Credited to other comprehensive income	-	-	-	-	-	-	(104)	11	(104)	11
Exchange differences	-	-	1	-	-	-	-	-	1	-
At 31 December	14,255	13,886	(126)	(133)	729	782	(86)	1	14,772	14,536

**21. Notes to the Consolidated Statement of Cash Flows**

(A) Reconciliation of profit before income tax to net cash inflow from operations

	2020 HK\$M	2019 HK\$M
Profit before income tax	10,867	10,402
Adjustments for:		
Transfer for SoC	660	714
Net finance costs	937	997
Depreciation and amortisation	5,348	5,090
Net loss on disposal of fixed assets	374	405
Share of profits of joint ventures	(174)	(160)
Net fair value changes in financial instruments and exchange difference	(39)	3
Increase in customers' deposits	218	203
(Decrease)/increase in fuel clause account	(817)	186
Net increase/(decrease) in rent and rates refunds	337	(46)
Decrease in inventory	100	503
(Increase)/decrease in trade and other receivables	(29)	82
Increase in trade payable and other liabilities	650	171
(Increase)/decrease in current account with ultimate holding company	(5)	1
Increase/(decrease) in current accounts with fellow subsidiaries	86	(115)
Net cash inflow from operations	18,513	18,436

**NOTES TO THE FINANCIAL STATEMENTS**

**21. Notes to the Consolidated Statement of Cash Flows (continued)**

**(B) Reconciliation of liabilities arising from financing activities**

	Bank Loans and Other Borrowings HK\$M	Interest Payables HK\$M	Lease Liabilities HK\$M	Derivative Financial Instruments HK\$M	Advances from Non-controlling Interests HK\$M	Total HK\$M
Balance at 1 January 2019	38,847	184	61	1,110	1,513	41,715
Change from financing cash flows						
Proceeds from long-term borrowings	4,997	-	-	-	-	4,997
Repayment of long-term borrowings	(2,428)	-	-	(74)	-	(2,502)
Redemption of perpetual capital securities	(5,874)	-	-	37	-	(5,837)
Decrease in short-term borrowings	(241)	-	-	-	-	(241)
Payment of principal portion of lease liabilities	-	-	(22)	-	-	(22)
Interest paid	-	(1,248)*	-	-	-	(1,248)
Decrease in advances from other non-controlling interests	-	-	-	-	(169)	(169)
Settlement of derivative financial instruments	-	-	-	5	-	5
Total changes from financing cash flows	35,301	(1,064)	39	1,078	1,344	36,698
Non-cash changes						
Fair value gains of derivative financial instruments to equity	-	-	-	(56)	-	(56)
Additions of leases	-	-	2	-	-	2
Net exchange and translation difference	193	-	-	(262)	-	(69)
Interest charged	(1)	1,260*	2	(33)	-	1,228
Reclassification from perpetual capital securities	5,881	-	-	-	-	5,881
Finance charge amortisation	4	-	-	-	-	4
Balance at 31 December 2019	41,378	196	43	727	1,344	43,688
Balance at 1 January 2020	41,378	196	43	727	1,344	43,688
Change from financing cash flows						
Proceeds from long-term borrowings	12,930	-	-	-	-	12,930
Repayment of long-term borrowings	(10,335)	-	-	3	-	(10,332)
Decrease in short-term borrowings	(1,035)	-	-	-	-	(1,035)
Payment of principal portion of lease liabilities	-	-	(24)	-	-	(24)
Interest paid	-	(1,272)*	-	-	-	(1,272)
Decrease in advances from other non-controlling interests	-	-	-	-	(323)	(323)
Settlement of derivative financial instruments	-	-	-	6	-	6
Total changes from financing cash flows	42,938	(1,076)	19	736	1,021	43,638
Non-cash changes						
Fair value loss of derivative financial instruments to equity	-	-	-	357	-	357
Additions of leases	-	-	6	-	-	6
Net exchange and translation difference	492	-	-	(303)	-	189
Interest charged	11	1,232*	1	(20)	-	1,224
Finance charge amortisation	8	-	-	-	-	8
Balance at 31 December 2020	43,449	156	26	770	1,021	45,422

\* Including capitalised interest

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Commitments

Capital expenditure on fixed assets and leasehold land contracted but not recorded in the statement of financial position amounted to HK\$5,401 million (2019: HK\$4,119 million).

### 23. Related party transactions

(A) The following is a summary of significant transactions between the Group and related parties, which were carried out in the normal course of business during the year ended 31 December:

	2020 HK\$M	2019 HK\$M
Purchase of electricity from a fellow subsidiary (i)	6,714	6,787
Engineering works rendered by a fellow subsidiary (ii)	354	352

- (i) CLP Power is obliged to purchase from the fellow subsidiary, Hong Kong Nuclear Investment Company Limited (HKNIC), 70% of the output of Guangdong Daya Bay Nuclear Power Station (GNPS). The price paid by CLP Power for electricity generated by GNPS throughout the terms of the power purchase arrangement is determined by a formula based on GNPS's operating costs and a calculation of profits with reference to the capacity factors. The purchase of nuclear electricity under the arrangement was HK\$5,582 million (2019: HK\$5,643 million).

Under a separate purchase arrangement with HKNIC, CLP Power would purchase approximately 10% of additional nuclear electricity from GNPS on a best endeavour basis from October 2014 to end of 2023, at the same unit price as that under the above purchase arrangement, together with a fee associated with the additional purchase. As such additional purchase is mainly to replace the use of more expensive gas fuel, the related amount paid is included in fuel cost and amounted to HK\$1,132 million for 2020 (2019: HK\$1,144 million).

- (ii) The Group has entered into a number of engineering work contracts with a fellow subsidiary, CLPe Solutions Limited, to develop, construct and maintain the Group's electricity supply facilities. The prices of the contracts are determined with reference to the prevailing market prices.

**NOTES TO THE FINANCIAL STATEMENTS**

**23. Related party transactions (continued)**

- (B) Total remuneration of the Company's directors, who are the key management personnel of the Group, is as follows:

	2020 HK\$M	2019 HK\$M
Fees	-	-
Salaries, allowances and benefits in kind (Note)	46	48
Provident fund contributions and gratuity payment	5	5
	<u>51</u>	<u>53</u>

Note: The nature of these benefits in kind includes electricity allowance, the availability of a company vehicle for personal use, life insurance and medical benefits.

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2019: None).

During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party (2019: None).

**24. Ultimate and immediate holding company**

The ultimate holding company and the immediate holding company of the Group is CLP Holdings Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong.

**NOTES TO THE FINANCIAL STATEMENTS**

**25. Statement of financial position of the Company**

	2020 HK\$M	2019 HK\$M
<b>Non-current assets</b>		
Fixed assets	80,398	78,697
Right-of-use assets	36,934	31,460
Interests in subsidiaries	21,682	22,573
Derivative financial instruments	291	132
	<u>139,305</u>	<u>132,862</u>
<b>Current assets</b>		
Inventory	43	30
Trade and other receivables	2,194	2,260
Derivative financial instruments	244	27
Current account with ultimate holding company	63	57
Current accounts with subsidiaries and fellow subsidiaries	48	34
Deposits, bank balances and cash	<u>1,362</u>	<u>96</u>
	3,954	2,504
<b>Current liabilities</b>		
Bank loans and other borrowings	(3,339)	(6,420)
Lease liabilities	(2,824)	(2,434)
Customers' deposits	(5,895)	(5,677)
Derivative financial instruments	(369)	(114)
Fuel clause account	(346)	(1,131)
Current accounts with subsidiaries and fellow subsidiaries	(3,358)	(2,870)
Trade payables and other liabilities	(3,042)	(2,716)
Dividend payables	(2,500)	(1,950)
Income tax payable	<u>(983)</u>	<u>(969)</u>
	(22,656)	(24,281)
Net current liabilities	<u>(18,702)</u>	<u>(21,777)</u>
<b>Total assets less current liabilities</b>	<u>120,603</u>	<u>111,085</u>
<b>Financed by:</b>		
<b>Equity</b>		
Share capital		
2,488.32 million shares issued and fully paid	20,400	20,400
Reserves (Note)	<u>23,532</u>	<u>22,104</u>
Shareholders' funds	<u>43,932</u>	<u>42,504</u>
<b>Non-current liabilities</b>		
Bank loans and other borrowings	30,199	28,567
Lease liabilities	32,129	26,966
Deferred tax liabilities	10,337	10,109
Derivative financial instruments	874	844
Scheme of Control (SoC) reserve accounts	2,374	1,500
Other non-current liabilities	<u>758</u>	<u>595</u>
	<u>76,671</u>	<u>68,581</u>
<b>Equity and non-current liabilities</b>	<u>120,603</u>	<u>111,085</u>

William Mocatta  
Chairman

Chiang Tung Keung  
Managing Director

4 February 2021

**NOTES TO THE FINANCIAL STATEMENTS**

**25. Statement of financial position of the Company (continued)**

Note:

	<b>Cash Flow Hedge Reserve HK\$M</b>	<b>Costs of Hedging Reserve HK\$M</b>	<b>Retained Profits HK\$M</b>	<b>Total HK\$M</b>
Balance at 1 January 2019	178	7	20,506	20,691
Total comprehensive income for the year	7	(5)	7,551	7,553
Dividends paid/provided				
2018 final	-	-	(2,500)	(2,500)
2019 interim	-	-	(3,640)	(3,640)
Balance at 31 December 2019	<u>185</u>	<u>2</u>	<u>21,917</u>	<u>22,104</u>
Balance at 1 January 2020	185	2	21,917	22,104
Total comprehensive income for the year	(504)	99	8,033	7,628
Dividends paid/provided				
2019 final	-	-	(2,400)	(2,400)
2020 interim	-	-	(3,800)	(3,800)
Balance at 31 December 2020	<u>(319)</u>	<u>101</u>	<u>23,750</u>	<u>23,532</u>

**SCHEME OF CONTROL STATEMENT**  
**(CLP Power Hong Kong Limited and Castle Peak Power Company Limited)**

**Overview**

In Hong Kong, CLP Power Hong Kong Limited (CLP Power) operates a vertically integrated electricity generation, transmission and distribution business. The generating plants in Hong Kong are owned by Castle Peak Power Company Limited (CAPCO), in which CLP Power owned 70%. CLP Power builds and operates CAPCO's power stations under contract and is the sole customer for CAPCO's electricity which CLP Power transmits and distributes to its customers in Kowloon and the New Territories. CLP Power owns the transmission and distribution network.

Since financial year 1964, the electricity-related operations of CLP Power and CAPCO (the SoC Companies) have been governed by a Scheme of Control (SoC) Agreement with the Hong Kong Government. The SoC specifies the SoC Companies' obligations to supply adequate and reliable electricity supplies to customers at the lowest reasonable cost and the mechanism for the Hong Kong Government to monitor their financial affairs and operating performance. In return, CLP Power is allowed to charge tariffs designed to recover the operating costs (including tax) and allowed net return of the SoC Companies.

The current SoC took effect from 1 October 2018 and covers a term of over 15 years ending on 31 December 2033. The SoC contains a provision to give the SoC Companies protection for stranded costs, which may arise as a result of future changes to the market structure which adversely impact on the SoC Companies' ability to recover and to earn returns on existing investments made in good faith in accordance with the SoC. These costs will include the costs of investments, fuel and power purchase agreements previously approved by the Hong Kong Government. If stranded costs arise after the SoC Companies have implemented mitigation measures reasonably required by the Hong Kong Government, the SoC Companies are entitled to recover them from the market, consistent with international practice. Three years before market changes are introduced, the SoC Companies and the Hong Kong Government will agree on the amount of stranded costs and the mechanism for their recovery by the SoC Companies.

**Tariff Setting Mechanism**

For each year, CLP Power designs the net tariff it charges to cover the SoC Companies' operating costs and allowed net return. The net tariff consists of the following components:

- (i) basic tariff rate which is derived by taking into account the annual forecast of (a), (b) and (c) below, using the formula " $(a-b)/c$ ":
  - (a) the allowed net return and operating costs including the standard cost of fuel; generation, transmission, distribution and administration expenses; depreciation; interest expenses; and taxes;
  - (b) 80% of the profit on electricity sales to Mainland China; and
  - (c) local unit sales as determined by the load forecast.
- (ii) fuel clause charge or rebate (Fuel Cost Adjustment) which represents the difference between the costs of fuel (including natural gas, coal and oil) and the standard cost recovered through the basic tariff rate. The Fuel Cost Adjustment may be adjusted from time to time, including on a monthly basis, to reflect changes in the cost of fuels consumed by the SoC Companies for the generation of electricity.

Any difference between the actual profit for SoC operations and the permitted return for the year is transferred to or from a Tariff Stabilisation Fund. The Tariff Stabilisation Fund does not form part of distributable shareholders' funds and represents a liability in the accounts of CLP Power. A charge on the average balance of the Tariff Stabilisation Fund is credited to the Rate Reduction Reserve in the accounts of CLP Power, which balance as at the end of each year is to be transferred to the Tariff Stabilisation Fund in the following year.



**SCHEME OF CONTROL STATEMENT (CONTINUED)**  
**(CLP Power Hong Kong Limited and Castle Peak Power Company Limited)**

**Permitted and Net Return**

The permitted and net return that the SoC Companies are allowed under the SoC are calculated as follows:

- The annual permitted return under the SoC is 8% of the SoC Companies' average net fixed assets.
- The net return under the SoC is the permitted return after the deduction or adjustment of the following items:
  - (a) interest up to a maximum of 7% per annum on borrowed capital arranged for financing fixed assets;
  - (b) a charge of the average one-month Hong Kong Interbank Offered Rate on the average balance of the Tariff Stabilisation Fund under the SoC, which is credited to the Rate Reduction Reserve;
  - (c) an excess capacity adjustment of 8% less an allowed interest charge up to 7% per annum on the average related excess capacity expenditure;
  - (d) interest up to 7% per annum on the increase in average balance of the customers' deposits in excess of the balance as at 30 September 1998; and
  - (e) performance-linked incentives / penalties adjustments

Category	% incentives (+) / penalties (-)
Operation performance related incentives / penalties	in the range of -0.05% to +0.05% on average net fixed assets
Energy efficiency and renewable performance incentives	<ul style="list-style-type: none"> <li>• a maximum of 0.315% on average net fixed assets</li> <li>• incentive of 10% of renewable energy certificates sales revenue</li> <li>• five-year energy saving and renewable energy connections incentives with a maximum of 0.11% on the average net fixed assets at the final year of the five-year period</li> </ul>
Demand response reduction incentive	a maximum of 0.025% on average net fixed assets

The net return is divided between the SoC Companies in accordance with the provisions of the agreements between the SoC Companies. These provisions state that each company will receive that proportion of the total net return represented by the net return that company would receive if it were the only company under the SoC and the net return were calculated solely on the basis of its own financial statements.

Under the SoC, 65% of the energy efficiency incentives earned by the SoC Companies are to be contributed to a CLP Community Energy Saving Fund (CESF) to support programmes in promotion of energy efficiency, use of renewable energy, the disadvantaged groups and other programmes as agreed with the Hong Kong Government.

The calculations shown on next page are in accordance with the SoC and the agreements between the SoC Companies.

**SCHEME OF CONTROL STATEMENT (CONTINUED)**  
**(CLP Power Hong Kong Limited and Castle Peak Power Company Limited)**

	2020 HK\$M	2019 HK\$M
<b>Scheme of Control Revenue</b>	<u>41,905</u>	<u>40,633</u>
<b>Expenses</b>		
Operating costs	5,170	5,036
Fuel	13,790	13,150
Purchases of nuclear electricity	5,582	5,643
Provision for asset decommissioning	141	188
Depreciation	5,011	4,753
Operating interest	976	978
Taxation	1,904	1,853
	<u>32,574</u>	<u>31,601</u>
<b>Profit after taxation</b>	9,331	9,032
Interest on increase in customers' deposits	-	4
Interest on borrowed capital	1,111	1,100
Adjustment for performance incentives	(416)	(392)
	<u>10,026</u>	<u>9,744</u>
<b>Profit for Scheme of Control</b>	10,026	9,744
Transfer to Tariff Stabilisation Fund	(519)	(526)
	<u>9,507</u>	<u>9,218</u>
<b>Permitted Return</b>	9,507	9,218
<b>Deduct Interest on / Adjustment for</b>		
Increase in customers' deposits as above	-	4
Borrowed capital as above	1,111	1,100
Performance incentives as above	(416)	(392)
Tariff Stabilisation Fund to Rate Reduction Reserve	18	22
	<u>713</u>	<u>734</u>
<b>Net Return</b>	<u>8,794</u>	<u>8,484</u>
CESF Contribution	(201)	(195)
	<u>8,593</u>	<u>8,289</u>
<b>Net Return after CESF Contribution</b>	8,593	8,289
Divisible as follows:		
CLP Power	5,769	5,582
CAPCO	2,824	2,707
	<u>8,593</u>	<u>8,289</u>
CLP Power's share of net return after CESF Contribution		
CLP Power	5,769	5,582
Interest in CAPCO	1,977	1,895
	<u>7,746</u>	<u>7,477</u>

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