Financial Highlights

- Group operating earnings up 7.2% to HK$9,148 million with total earnings (including one-off items) increasing by 26.1% to HK$10,332 million.
- Consolidated revenue increased by 15.3% to HK$58,410 million; Hong Kong electricity revenue rose by 5.8% to HK$29,944 million.
- Earnings from our electricity business in Hong Kong increased by 2.8% to HK$6,129 million. Including those businesses supporting the Hong Kong electricity business, these earnings rose by 3.3% to HK$7,012 million.
- Earnings from our businesses outside Hong Kong increased by 19.2% to HK$2,476 million.
- Electricity sales in Hong Kong grew by 1.2% to 30,929GWh; total sales (which include sales to the Chinese mainland) declined 2.2% to 33,538GWh.
- Fourth interim dividend of HK$0.92 per share; including other interim dividends paid, total dividends for 2010 amount to HK$2.48 per share (2009: HK$2.48 per share).

The Group’s operating earnings in 2010 were HK$9,148 million, an increase of 7.2% compared with 2009. The Group’s total earnings, which include the tax consolidation benefit of HK$989 million from Australia, the gain of HK$356 million on the sale of our 70% interest in the Anshun II coal-fired power station in Guizhou Province, China, and the impairment provision for investment of Roaring 40s of HK$258 million, rose to HK$10,332 million, an increase of 26.1% over the previous year.

Our financial results reflect both a general improvement in operating conditions and the effective implementation of our overall business strategy. This strategy is to ensure a continued focus on the enhancement of our core Hong Kong electricity business, accompanied by targeted investment in our four major business streams outside Hong Kong, namely Australia, the Chinese mainland, India and Southeast Asia and Taiwan.

**Hong Kong Electricity Business**

Our Hong Kong electricity business continues to be the major contributor to Group operating earnings, representing 67% of total Group operating earnings in 2010. It delivered operating earnings of HK$6,129 million, an increase from HK$5,964 million in 2009. This reflected an increase in the net
fixed assets deployed in the business, partially offset by higher interest charges on the borrowings used to finance them.

Local electricity sales grew by 1.2% from last year, primarily due to the economic recovery, positive consumer sentiment and high humidity.

During 2010 CLP invested approximately HK$7.7 billion in the generation, transmission and distribution network, customer services and other supporting facilities. In December, we completed the emissions control project at Castle Peak “B” Power Station. This project, to which we have contributed HK$9 billion over the last few years, represents the largest single capital investment made recently in the Hong Kong electricity business. It will enable a reduction of emissions of over 90% of SO2 and over 50% NOx from the plant.

Progress was made on all fronts towards implementation of the Memorandum of Understanding (MOU) signed between the Central People’s Government and the HKSAR Government in August 2008 on energy cooperation. The MOU provided for the delivery of gas for electricity generation in Hong Kong from three sources made available by Mainland suppliers and contemplated the ongoing supply of nuclear electricity to Hong Kong through an extension of the supply contract with the Guangdong Daya Bay Nuclear Power Station.

Our existing gas supply from the Yacheng gas field in the South China Sea is entering the late stages of its life when gas production is likely to be less stable. Since the announcement of the MOU, we have been working diligently with the Mainland suppliers, including CNOOC, PetroChina and Shenzhen Gas, to develop the necessary infrastructure and agree commercial terms that will ensure adequate and reliable supply to our gas-fired power generation facilities. Smooth and timely implementation of the inter-government MOU continues to be critically important for CLP to maintain reliability of power supply and to meet tightening environmental regulations.

**Electricity Business in the Chinese Mainland**

CLP’s earnings from our business in the Chinese mainland, excluding those generating facilities serving Hong Kong, reached a record high in 2010 with operating earnings at HK$642 million, a 73% increase from 2009.

Our Fangchenggang Power Station delivered an outstanding performance, benefiting from a strong upturn in electricity demand due to the economic rebound, a fall in competing hydro-generation and a stable coal supply secured from international markets at competitive prices. The Guangxi Government has submitted our proposal for Fangchenggang II to develop an additional 1,320MW of generating capacity to the National Development and Reform Commission (NDRC) and approvals are awaited.

CLP’s total renewable energy portfolio in the Mainland comprises 1,584 equity MW of wind, hydro and biomass generation, with wind capacity accounting for 1,086 equity MW. CLP’s first wholly-owned wind
project in the Chinese mainland, the 50MW Qian’an I project, was successfully developed and commissioned in 2010, demonstrating our capability to develop our own wind projects.

Our move towards cleaner energy sources is being accompanied by a rationalisation of CLP’s portfolio of investments in coal-fired power stations. In line with this approach, CLP completed the sale of its interest in CLP Power China (Anshun) Limited which owns the 600MW Anshun II power station in Guizhou Province, resulting in a gain of HK$356 million for the year.

In July, CLP entered into an agreement of cooperation intent with CGNPC to take up to a 17% shareholding in a 6,000MW nuclear power project in Yangjiang in Guangdong Province. Located on the Guangdong coast, approximately 220 kilometres west of Hong Kong, this station will supply electricity to meet local demand in Guangdong. The project provided an opportunity for CLP to contribute to the growth of nuclear energy in the Chinese mainland.

**Energy Business in Australia**

Our TRUenergy business delivered substantially improved operating earnings of HK$1,303 million, a 77% increase from the previous year, due to stronger financial performance in both the electricity and gas markets as well as a favourable average exchange rate.

The Yallourn Power Station reported record generation output during 2010. An upgrade on Unit 3 was successfully completed, leading to a 3% improvement in unit efficiency. Tallawarra’s generation performance was above budget. The expansion project at the Hallett Power Station has been fully constructed and commissioning is nearing completion. The Iona Gas plant expansion project was completed in June 2010.

Despite an increase in competitive activity in many of TRUenergy’s key mass retail markets, the retail business performed well. With increased sales and marketing activities, the annualised churn rate for TRUenergy was 21.3%, compared to a market rate of 26.7%.

In December 2010, TRUenergy entered into an agreement with the New South Wales Government to acquire the State’s largest electricity retail business, EnergyAustralia, the Delta Western GenTrader contract for the Mount Piper (1,400MW) and Wallerawang (1,000MW) coal-fired power stations and three power station development sites for a total of A$2.035 billion, subject to completion adjustments. The acquisitions, scheduled to be completed on 1 March 2011, solidify TRUenergy’s position as one of the top three national retailers and generators, doubling its energy retail business to approximately 2.75 million customer accounts and increasing TRUenergy’s balanced portfolio of self-owned generation capacity and capacity purchases, which include gas, coal and wind, to a total of 5,469MW.

CLP’s wind energy portfolio in Australia is held through a 50/50 joint venture with Hydro Tasmania, known as Roaring 40s (“R40s”). In addition to its operating projects, R40s owns three development sites in South Australia. These sites are subject to various uncertainties such as land ownership complications,
grid constraints, community challenges and the grant of development approvals. Moreover, projects at these sites would require off-take prices which are above current market prices in order to provide economic returns. It was against this background that goodwill of A$32.6 million (HK$258 million) has been written off against CLP’s investment in R40s.

**Electricity Business in India**

Earnings from India in 2010 were HK$141 million, down 68% from 2009. Operating and financial performance at GPEC remains strong. The reduction in operating earnings was primarily the result of negative foreign exchange movements and fair value loss on hedging instruments. Earnings from our substantial wind portfolio in India were adversely affected by project delays and lower wind resources at certain sites.

Our activities in India remain focused on three areas, the successful management of our existing power station at GPEC, progress on our greenfield coal-fired power station project at Jhajjar and growth of our renewable energy investments.

GPEC has performed well and still represents the primary source of earnings for CLP India’s activities. All key performance targets were met, although availability was slightly down versus 2009; this was due to a scheduled major overhaul on one unit.

The Jhajjar project has been underway since January 2008 and is now around 70% complete, with almost the entirety of the project costs now committed through various contracts. We have been working hard with Coal India to secure coal supplies, as well as looking at alternate supplies of coal, including imported coal to ensure that the plant capacity can be fully utilised from commissioning.

2010 saw further growth in our wind energy portfolio with partial completion of Samana II and Saundatti and full completion of Theni totalling 209MW capacity. Work has been undertaken to rectify the delays and lower wind resources at certain sites and we expect meaningful earnings to be generated from these wind assets from 2011 onwards. With 486MW of wind projects under construction or in operation, CLP has become the largest wind farm developer in India, whether domestic or foreign.

**Electricity Business in Southeast Asia and Taiwan**

Earnings from investments in Southeast Asia and Taiwan in 2010 were HK$390 million, a decline of 26% compared to HK$525 million in 2009. This was mainly due to lower earnings from our investment in the Ho-Ping Power Station in Taiwan as a result of lower energy tariffs.

The 55MW Lopburi solar project in Central Thailand, developed and managed by CLP, achieved financial close and commenced construction. This project, owned by Natural Energy Development Co., Ltd. ("NED") which in turn is equally owned by CLP, Mitsubishi and EGCO, is currently the largest solar project of its kind in the world. Commissioning is scheduled to occur in phases between late 2011 and early 2012.
On 23 February 2011, CLP agreed to sell our 13.36% interest in Electricity Generating Public Company (EGCO) to a wholly-owned subsidiary of Mitsubishi Corporation for US$273 million (HK$2,129 million).

Climate Change
In 2010, we met our Group carbon emission intensity target of reducing our carbon intensity to 0.8kg CO2/kWh by 2010. In light of this, we have revised our 2020 targets to further lower our carbon intensity and increase our non carbon emitting capacity and renewable energy.
In Hong Kong, we actively participated in the Hong Kong Government’s consultation on Hong Kong’s Climate Change Strategy and Action Agenda and supported its policy initiative, which proposes a fuel mix targeted at 50% nuclear, 40% gas, 3–4% renewable energy and not more than 10% coal by 2020. By comparison, CLP’s fuel mix today is 30% nuclear, 30% gas and 40% coal.

Conclusion
The Group has delivered a strong performance in the past year. Our focus on our core Hong Kong electricity business remains consistent and effective. Elsewhere, we have taken forward our strategy of adopting a flexible, market-by-market approach, with a focus on a balanced portfolio which reflects our trajectory towards a low carbon business as contemplated in CLP’s Climate Vision 2050.
For more details, please refer to the full version of "Announcement of Annual Results from 1 January 2010 to 31 December 2010, Dividend Declaration and Closure of Books"

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