

**For information on
7 February 2012**

Legislative Council Panel on Economic Development

**Confidentiality Arrangement of
Supplementary Information provided by the Power Companies
on Five-year Development Plan and Annual Tariff Review**

At the meeting of the Panel on Economic Development on 3 February, Members discussed the arrangement of commercially sensitive information submitted by the power companies on their 2012 tariff adjustments. Some Members opined that Panel Members would be accountable to the public for their views on 2012 tariff adjustments after they had reviewed the related data in the closed door meeting. Should all information be classified as confidential in a strict manner, Members would be hindered from explaining to the public after the meeting.

2. The power companies agreed at the meeting to respond positively to the opinion of Members. They would separately review the commercial sensitivity of the information provided for the meeting held on 3 February 2012, including consideration of the possible business implications arising from the disclosure of individual figures, and would endeavor to limit the scope of information to be classified as confidential.

3. On the above basis, the power companies have submitted to the Panel Secretariat the revised version¹ of the commercially sensitive information provided earlier, indicating clearly those parts which would lead to concrete implications if disclosed publicly. The power companies have also explained in their corresponding revised version the rationale for keeping relevant information confidential. In brief, the information requested by the two power companies to be treated as confidential includes the following main categories :

¹ Related information has been submitted to the Secretariat for Members' review.

- (a) Information related to the projection of future business operation : Disclosure of such projection (such as capital expenditure and electricity sales) will let suppliers work out the budget of certain projects easily or know the power companies' demand in advance, hence strengthening their negotiation power. This will lead to the increase in capital expenditure or costs of the power companies, affecting future tariff increases and jeopardizing the interest of the public;
- (b) Information concerning contractual demand and price projections : Disclosure of such information will significantly weaken the power companies' bargaining power in negotiating prices and quantities with the suppliers. The public will have to bear higher costs; and
- (c) Information which is stock price sensitive : Direct disclosure of future earnings, or due to disclosure of the power companies' investments in Fixed Assets and projected Average Net Fixed Assets value, which will indicate future earnings. Such information, if not kept confidential, may violate the Securities and Futures Ordinance/the Hong Kong Listing Rules requirements and may be detrimental to the interests of small shareholders.

4. We agree that the power companies should endeavor to enhance the transparency in tariff adjustments. We also understand that the business operation information of the power companies, being commercial organisations owned by listed companies, is sensitive to certain extent. It is extremely important for Hong Kong, as an international financial and business centre, to strike a right balance between information disclosure and consideration of commercial sensitivity. After reviewing the related rationale, we consider it reasonable to classify the related information as confidential.

5. Furthermore, in response to the Members' request at the 3 February meeting, the two power companies have provided analyses on other proposals submitted in the course of 2012 Tariff Review. The related information is included in the revised version of the documents.