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28 February 2008

CLP Holdings Limited 2007 Annual Results

Financial Highlights

- Total earnings up 7.2% to HK$10,608 million.
- Earnings from our electricity business in Hong Kong increased by 4.1% to HK$7,589 million.
- Earnings from our businesses outside Hong Kong grew by 7.2% to HK$3,414 million, including one-off gains of HK$1,030 million from the injection of our interest in Ho-Ping Power Station, Taiwan into OneEnergy and of HK$767 million on the swap of Torrens Island Power Station and Hallett Power Station in Australia.
- Electricity sales in Hong Kong grew by 1.4% to 29,962 GWh; total sales (which include sales to the Chinese mainland) decreased by 0.3% to 33,997 GWh.
- Consolidated revenue rose by 11.1% to HK$50,789 million; revenue from our Hong Kong electricity business recorded a 1.3% growth to HK$29,684 million.
- Final dividend of HK$0.92 per share; including interim dividends paid, total dividends for 2007 amount to HK$2.48 per share (2006: HK$2.41 per share).

Hong Kong Electricity Business

Local sales totalled 29,962 GWh, 1.4% above the previous year. Total sales to Hong Kong and Guangdong decreased marginally to 33,997 GWh, a 0.3% drop from the previous year.

Discussions between CLP and Government on the terms of a new SoC, to come into effect on 1 October 2008, were concluded with an agreement announced on 7 January 2008. It is for a 10-year term with the possibility of a five-year extension. The permitted return is to be reduced from the present level of 13.5% (for investments funded by borrowings) and 15% (for investments financed by shareholders' funds) to a single rate of 9.99%.

The new SoC does provide clarity as to the basis on which we can continue to invest in Hong Kong's electricity infrastructure for the next 10 years. It also serves as a platform to tackle the challenges of the decade ahead, which include promoting the necessary investment in electricity infrastructure, bringing more natural gas to Hong Kong and further reducing emissions from coal-fired generation and controlling tariffs whilst maintaining supply reliability and customer service.

CLP will continue to review the capital and financing structure of our Hong Kong electricity business to ensure we maintain the right balance between the interests of our customers and the effective use of capital resources available to our shareholders.

The environmental permit for the Liquified Natural Gas (LNG) terminal was granted in April, marine and site investigations were completed and the land application was submitted to the Government's Lands Department. The availability of LNG supplies early next decade and the completion of the LNG terminal in Hong Kong remain crucial to ensure reliability of supply and environmental performance. Meanwhile, all the major contracts have now been awarded for the installation of Flue Gas Desulpherisation (FGD) and nitrogen oxide reduction equipment on all Castle Peak B units.

Energy Business in Australia

During 2007, TRUenergy grew its customer base to over 1.25 million customer accounts, compared to 1.2 million customers at the end of 2006 and more than doubled its GreenPower customer base despite intense retail competition.

In 2007, significant increases in regulated retail gas and electricity prices were approved in many states in response to wholesale cost increases stemming largely from the Australian drought.

The New South Wales (NSW) Government announced plans for electricity reform, involving the sale of its retail energy businesses and lease of generation assets.

TRUenergy focused on the development and expansion of the Tallawarra gas-fired power station and received financial approval for the expansion of the Iona Gas Plant, which will enable the processing of Santos Casino gas at lower pressures, and increase the plant capacity by over 40% initially.

An asset swap with AGL, through which we acquired Hallett Power Station and sold Torrens Island Power Station (TIPS), was completed to schedule.

A major subsidence in the Yallourn coal mine on 14 November affected the Yallourn Power Station's availability. The resulting damage to conveyor equipment and flooding within the mine halted coal production. Due to the tremendous efforts of Yallourn staff, with excellent cooperation from the relevant authorities and local land owners, a river diversion was completed within the following week and full operation of all four units at Yallourn was resumed by Christmas, in time for high demand resulting from particularly hot summer weather.

To reduce ongoing operating costs, TRUenergy entered into a 10-year agreement to outsource retail back office and information services to IBM.

In July, TRUenergy became the first energy utility in Australia to commit publicly to a Climate Change strategy. The strategy commits the company to short, medium and long-term targets to reduce total emissions by 60% by 2050. With Australia signing the Kyoto Protocol and announcing plans for a carbon trading regime in 2010, we expect reductions in carbon emissions to be a central regulatory theme.

Electricity Business in the Chinese Mainland

Electricity demand grew 14% on the previous year. The average utilisation rate fell slightly compared with 2006 due to new capacity. We expect a similar trend in 2008.

The 1200MW Fangchenggang coal-fired project was completed ahead of schedule and within budget. The power station's first unit entered commercial service in September 2007, only 26 months after start of main construction work and the second unit entered service in January 2008.

CLP worked with China Shenhua Energy (Shenhua) on the injection of five power stations from Shenhua into CLP Guohua, an evergreen joint stock company (JSC). CLP and Shenhua agreed the terms in September and the JSC will be renamed Guohua International. CLP's shareholding will be reduced from 49% to 30%, whilst our equity megawatts would be doubled. The expansion is being approved by the relevant PRC authorities.

Progress on the Sichuan Jiangbian 330MW hydro project, the largest renewable energy project within the Group, was a major focus of our renewable energy activities in China. CLP holds a 65% interest.

During 2007 Shandong Project, which is the largest foreign-owned independent power producer project in China, was restructured with the focus on increasing the project's life by 3.5 years and reducing the operating and maintenance costs. The restructuring was agreed by the sponsors in September and approved by the Ministry of Commerce in December 2007.

Coal prices continued to rise in 2007. We expect coal price to remain at high levels during 2008 whilst, at this stage, the timing and magnitude of the next coal price linked tariff adjustment remain uncertain.

Electricity Business in India

During the year, CLP, through GPEC, entered into the agreements necessary to build and operate a wind project at Samana, in Gujarat State. This 100.8MW project, which will be wholly-owned by CLP, constitutes the largest single wind project, by equity MW, in which the CLP Group is yet engaged.

In December 2007, we broadened our involvement in the Indian wind sector through an agreement with Enercon (India) Limited to develop the 82.4MW greenfield Saundatti project in the State of Karnataka.

Electricity Business in Southeast Asia and Taiwan

During 2007, OneEnergy focused on the effective management of existing assets, early stage greenfield development activities, establishing and reinforcing its local presence in selected markets and providing meaningful earnings to the CLP Group.

Climate Change

CLP's Climate Vision 2050, which we issued in December 2007, sets out CLP's contribution to the collective effort that will be required to meet this challenge. Our Climate Vision commits us to a 75% reduction in the carbon intensity of CLP's generating portfolio by 2050, backed by a range of immediate and intermediate initiatives.

Conclusion

CLP's ability to meet the challenges of the years ahead, whether from evolving regulation of our Hong Kong electricity business, the opportunities for growth in the Asia power sector or maintaining high standards of environmental stewardship, is enhanced by the ongoing financial strength of our business. This was illustrated by a good financial performance in 2007, which saw total earnings increase by 7.2% from the previous year. For details, please refer to the Announcement of Annual Results for 2007.

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