12 August 2008

CLP Holdings Limited Announces 2008 Interim Results

Financial Highlights

- Group operating earnings before one-off items for the first half of 2008 increased 5.4% to HK$5,254 million, while total earnings (including one-off items) dropped 8.5% to HK$5,610 million.
- Consolidated revenue rose 11.6% to HK$27,534 million.
- Earnings from our electricity business in Hong Kong increased by 7.6% to HK$4,040 million, whilst revenue grew 4.5% to HK$14,951 million.
- Second interim dividend of HK$0.52 per share.

The past six months saw a contribution to operating earnings from each of the CLP Group's major business streams, including our Hong Kong electricity business and our investments in the Chinese mainland, Australia, India, Southeast Asia and Taiwan.

Hong Kong Electricity Business

Due to unusual weather conditions of cold spell and heavy rainfall and energy conservation awareness, local electricity sales decreased by 1.5% over the same period last year. Total unit sales, including both local sales and sales to the Chinese mainland, declined by 4.0% to 15,633GWh over the same period last year.

In 2007, we announced that the Fuel Clause Charge (which allows CLP to recover the cost of fuel) would be adjusted, resulting in an average net tariff of HK ¢ 91.1 per unit of electricity, up 4.5% from the previous level of HK ¢ 87.2. This increase was due to soaring international fuel prices. The escalating fuel prices will continue to put pressure on overall electricity cost in Hong Kong.

The new Scheme of Control (SoC) agreement was reached with the Hong Kong Government this year. It offers stability for our Hong Kong electricity business and establishes a long-term regulatory framework which will support the ongoing investments needed to ensure supply reliability and further environmental improvement.

Bringing liquefied natural gas (LNG) to Hong Kong is essential to maintaining CLP's electricity supply reliability and meeting 2010 emissions reduction targets. With the discussions on the new SoC concluded, and so much preparatory work completed, we are ready to proceed with this essential and pressing project. CLP has done its part. The future of the project is now in Government's hands - all we await is its decision.

Energy Business in Australia

TRUenergy's retail performance has been strong in the first half of 2008, with a 7% increase in customers from the corresponding period last year. It also continues to make excellent inroads into the renewable energy retail market. TRUenergy was the retailer of choice for "GreenPower" customers during the first quarter of this year, acquiring more than 78% of all new "GreenPower" accounts.

Whilst the underlying business in Australia has performed well, the lower earnings reflected last year's unrealised gain from the valuation of electricity trading contracts, as against this year's unrealised valuation loss due to fluctuations in Australia electricity market prices.

In addition, major works are in progress at Yallourn to review and assess various carbon trading scenarios, in advent of the likely introduction of a Federal carbon trading scheme. The Federal Government's Green Paper, released in mid-July, committed to providing once and for all, upfront, limited direct assistance to coal-fired electricity generators, but did not provide details on amounts or allocation methods. TRUenergy will continue to work with the Federal Government to understand the specific details of this scheme and achieve an effective outcome for its business.

The construction of the 400MW combined-cycle gas station at Tallawarra in New South Wales continues to progress, with the power station still on target for completion in time for summer 2008/09.

Chinese Mainland

All coal-fired power stations in the Chinese mainland, not just those in which we hold an interest, have been adversely affected by recent coal price increases and a reluctance by the relevant authorities to allow those increases to be passed on to off-takers. The extent of the impact on our power stations has varied according to the source of coal supply to particular power stations. Coal prices have continued to rise, despite authorities instigating measures to restrain those prices and an increase in tariffs which took effect on 1 July 2008 and offered only partial relief from upward coal price movements.

The 1,200MW supercritical coal-fired Fangchenggang project in Guangxi was completed within budget and ahead of schedule, entering into commercial operation in January 2008. In addition, construction on the 330MW Jiangbian hydro project is underway, with major construction and equipment supply contracts in place. The project suffered only limited damage from the Sichuan earthquake.

India

Gujarat Paguthan Energy Corporation Private Limited continues to operate at high levels of availability and reliability. It is actively pursuing long-term gas supply arrangements with major gas suppliers and continuing to arrange spot purchases of gas with requisite approvals from the off-taker.

CLP India emerged as the bidder with the lowest levelised tariff for the development of a 1,320MW coal-fired project at Jhajjar in Haryana State. The Letter of Intent for the project was issued to CLP by the State Government of Haryana on 23 July and the power purchase agreement (PPA) is proposed to be executed during the month of August 2008. The first unit is scheduled to be commissioned by December 2011, and the second unit by April 2012.

Good progress has been made on the 100.8MW Samana Wind Project in Gujarat. This project is the largest wind project, by equity MW, in the CLP Group. Phase I, comprising 50.4MW, is expected to complete in September 2008 and Phase II is projected to be commissioned by January 2009.

Southeast Asia and Taiwan

The earnings performance from our Southeast Asia investments was significantly lower than the first half of 2007, due to the effects of the dilution, from 40% to 20%, of CLP's stake in the Ho-Ping Power Station, following its sale by CLP to OneEnergy, our 50/50 joint venture with Mitsubishi Corporation.

The accelerating high coal prices have affected Ho Ping. The impact will be mitigated through an energy tariff adjustment which is linked to Taipower's coal costs, despite a time-lag between the occurrence of fuel cost increases and the corresponding recovery.

The power plants in the Electricity Generating Public Company Limited's portfolio have all been operating at very high levels of availability and safety. All of these projects have fuel cost pass-through mechanisms and were not impacted by the recent surging fuel prices.

Meanwhile, OneEnergy has been continuing its development work on a 1,200MW coal-fired project in Vietnam and a 700MW coal-fired project in Indonesia.

Climate Vision

CLP's Climate Vision 2050, announced in December 2007, commits the Group to long-term and massive reductions in the carbon intensity of our generating portfolio. Our growth in generating capacity is aligned with our aim to move steadily and substantially towards no/low carbon generation.

We have passed our target of having 5% of the Group's generating capacity being derived from renewable sources by 2010. Our current portfolio includes renewable energy projects in China, India and Australia, comprising wind, hydro, biomass and solar energy. We have registered four wind farms and our recently acquired Yunnan Dali Yang_er hydro power station as Clean Development Mechanism (CDM) projects of the Kyoto Protocol.

TRUenergy is working with Australia-based Solar Systems, a global leader in concentrated photovoltaic technology, in developing one of the world's largest and most efficient concentrated solar photovoltaic power stations in northwest Victoria, potentially with a generating capacity of 154MW, and the prospect of rolling out the underlying technology elsewhere across Australia and Asia, at a time when many countries are looking to adopt renewable energy to meet large-scale emissions reduction targets.

Summary

Our total and operating earnings for the first six months of 2008 were broadly in line with expectations, whilst our balance sheet remains healthy.

We continued to follow balanced financial policies, in terms of capital structure, dividend payments, and management of available funds. In the current tightened credit market, we still have the flexibility and ability to pursue investment opportunities which arise and which are aligned with its investment criteria. Because CLP has preserved a strong financial position in a volatile business environment, we have the potential to take advantage of our financial strength, and to leverage our industry skills, to expand our business elsewhere in the Asia Pacific region.

In addition, we will continue to actively manage fuel costs through a combination of long-term fuel purchase agreements, the establishment of durable relationships with reputable fuel suppliers and PPAs which will fairly allow for fuel costs to be passed on to the off-takers.

In conclusion, this Interim Results demonstrates that as we move into a more volatile and uncertain economic climate, CLP's financial strategy maintains a proper balance between the enhancement of shareholder value and the prudent financial management of risk.

For more details, please refer to the full version of "Announcement of Interim Results as from 1 January 2008 to 30 June 2008, Dividend Declaration and Closure of Books"

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