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26 February 2009

CLP Holdings Limited 2008 Annual Results

CLP achieved satisfactory results in a challenging economic environment in 2008, attributable to its stable Hong Kong business, improved performance in Australia, and steady operating earnings in India. China remained a challenging market.

Financial Highlights

- Operating earnings up 4.6 % to HK$9,747million whilst our total earning were slightly down 1.7% to HK$10,423 million.
- Earnings from our electricity business in Hong Kong decreased by 0.5% to HK$7,549 million.
- Earnings from our businesses outside Hong Kong and other earnings increased by 20.9% to HK$2,564 million.
- Consolidated revenue rose by 6.9% to HK$54,297 million; revenue from our Hong Kong electricity business recorded a 1.7% growth to HK$30,191 million.
- Electricity sales in Hong Kong grew by 0.3% to 30,065 GWh; total sales (which include sales to the Chinese mainland) decreased by 1.1% to 33,617 GWh.
- Final dividend of HK$0.92 per share; including interim dividends paid, total dividends for 2008 amount to HK$2.48 per share (2007: HK$2.48 per share).

Hong Kong Electricity Business

Local sales totalled 30,065 GWh, 0.3% above the previous year. CLP's total sales volume in 2008, including sales to the Mainland was 1.1% below that achieved in 2007. A new local maximum demand of 6,749 MW was recorded on 22 September. This exceeded the previous historical peak by 4.2%. As a result, CLP's reserve margin fell to 31.7% for Hong Kong and 6.9% for the system as a whole, taking into account the demand from Guangdong.

During 2008, we invested HK$7.7 billion in our generating facilities, transmission and distribution network, customer services and other supporting facilities.

Earnings from our Hong Kong business fell by 0.5% in 2008 compared to the previous year. This reflected steady growth in electricity sales and the entry into effect on 1 October of the new SOC which reduced CLP's permitted return to 9.99%.

In August, a Memorandum of Understanding (MOU) on the continued supply of natural gas and nuclear energy to Hong Kong from the Mainland was announced by the Central People's Government and the Government of the Hong Kong SAR. This MOU was a new development which represents a significant change in the policy of the two governments in relation to Hong Kong's energy and fuel supply. As a result of this, the HK Government cancelled our proposed South Soko LNG terminal.

CLP has welcomed Beijing's support for long-term energy supplies to Hong Kong. As electricity demand grows through the next decade and a higher level of gas fired generation is required in order to lower emissions, CLP's needs for gas are so substantial that it will require all three sources contemplated by the MOU, including new gas fields in the South China Sea, the second West-to-East Gas Pipeline and an LNG terminal to be located in the Mainland that will supply Hong Kong.

A Letter of Intent has been signed with the relevant mainland entities whereby CLP will jointly develop the new LNG receiving terminal, with an equity interest of 24.5%. Commercial discussions on the volume, timing and price of gas supplies have also begun.

Energy Business in Australia

During 2008, TRUenergy's retail business achieved 1.29 million customer accounts, with a customer churn approximately 3% better than the market average with even stronger performance in Victoria. In particular, TRUenergy continued to make strong gains in GreenPower customers and reached 138,000 at the end of 2008, or 19% of all electricity accounts.

The Yallourn Power Station achieved record generation in 2008. Following a mine subsidence in November 2007, the Yallourn Coal Mine was returned to full operation in January. TRUenergy's insurers have commenced making progress payments on the insurance claims in the second half of 2008.

The 420MW gas-fired, combined cycle Tallawarra Power Station achieved full operation in January 2009 and is the most efficient gas-fired power station in Australia.

TRUenergy expanded its Australian renewable energy portfolio in 2008. It acquired a 20% equity interest in Solar Systems to build one of the world's largest and most efficient concentrated solar photovoltaic power stations in northern Victoria and invested in a geothermal joint venture.

The energy industry in Australia continues to experience dynamic change with the planned introduction of the Australian Government's Carbon Pollution Reduction Scheme (CPRS). When introduced in 2010, the CPRS will cap economy-wide carbon emissions, place a price on carbon emissions, and introduce a trading framework. In December, the Government released a White Paper detailing a 5 to 15% reduction target for carbon emissions by 2020 under the CPRS. TRUenergy's Yallourn Power Station is expected to be provided with 25 million permits from the start of the CPRS in 2010 for the five years until 2015.

Electricity Business in the Chinese Mainland

Coal prices continued to rise in the first half of 2008, with the benchmark Datong coal price reaching a record high in July. The two tariff hikes in July and August could not cover the increase in coal costs in 2008 although coal price fell substantially with a slowing economy and declining electricity demand and generation that started after the first half of 2008.

The two 630 MW supercritical coal-fired units at Fangchenggang entered commercial service in September 2007 and January 2008, respectively.

The Ministry of Commerce has approved the expansion of CLP Guohua and the change of name to CSEC Guohua in April 2008, with its registered capital increased from 1.64 billion yuan to 4.01 billion yuan. Five more power plants totaling 5,520MW have been injected by Shenhua into the joint venture. CLP's shareholding will be reduced from 49% to 30%.

In 2008, CLP has been invited by China Guangdong Nuclear Power Corporation (CGNPC), a long time partner in the Daya Bay nuclear station, to acquire a 32% shareholding in CGNPC Wind Power Co., Ltd. (CGNPC Wind) to develop wind projects in the Mainland.

Electricity Business in India

CLP India's activities in 2008 centred on three areas: the successful management of our existing power station at GPEC, the growth of our renewable energy investments and the procurement of the greenfield coal-fired project at Jhajjar.

The GPEC plant operated at a high level of availability. We continued our efforts to arrange for long term gas to augment existing long term supply arrangements. In the last quarter 2008, owing to a naphtha prices collapsing and falling below those of spot gas, the GPEC plant was asked to operate largely on naphtha rather than on higher-priced gas.

CLP is the largest external investor in India's renewable energy sector. Our three wind projects at Samana, Saundatti and Andhra Lake will bring 296.8 equity MW of wind power into the CLP Group's portfolio. Phase I of our Samana project is expected to be achieved in March 2009 and Phase II is targeted for June 2009. In September 2008, CLP contracted the development of a 113.6 MW wind project in Andhra Lake, Maharashtra - the single largest wind project being developed by the CLP Group. The project is scheduled to be completed in 2010.

During 2008, CLP emerged as the successful bidder for development of a 1,320 MW domestic coal based power plant in Jhajjar District, Haryana. All statutory clearances to develop the project have been obtained.

Electricity Business in Southeast Asia and Taiwan

The global financial crisis has slowed economic growth and electricity consumption in Southeast Asia. However, mid-long term forecasts continued to be favourable. During 2008, OneEnergy remained focused on the effective management of existing assets, a disciplined approach to business development and maximizing earnings to shareholders.

In October 2008, OneEnergy signed a MOU with Vietnam Electricity (EVN), the state-owned electricity company, for the development and ownership of Phase 3.1 and 3.2 of the Vinh Tan Complex in Binh Thuan Province, Vietnam. OneEnergy will have a majority interest in this project with a planned capacity of over 2,000MW.

Renewable Energy

CLP made good progress our Climate Vision 2050 commitments in 2008. As well as our efforts to secure more natural gas supply and nuclear energy, we continued to expand our renewable energy portfolio. As of December 2008, renewable energy sources represented over 8% of our total generating capacity on an equity MW basis. In terms of technology development, we are exploring the possibilities of high performance concentrated solar photovoltaic, geothermal and tidal current technologies.

Conclusion

"Our strong financial position, including a healthy balance sheet, allows CLP to withstand the current financial turmoil and enables us to continue to improve asset performance, and target selective growth opportunities in the region," said Mr. Andrew Brandler, Group CEO, CLP Holdings Limited.

For details, please refer to the Announcement of Annual Results for 2008.

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