16 August 2010

CLP Holdings Limited Announces 2010 Interim Results

Financial Highlights

- Group operating earnings before one-off items for the first half of 2010 increased by 23.1% to HK$4,435 million, while total earnings (including one-off items) increased 83.0% to HK$5,921 million. The one-off items included a tax consolidation benefit from Australia of HK$989 million.
- Consolidated revenue rose by 17.5% to HK$27,618 million.
- Earnings from our electricity business in Hong Kong increased by 3.0% to HK$3,014 million, with revenue up by 5.3% to HK$13,669 million.
- Earnings from our businesses outside Hong Kong and other earnings rose by 82.6% to HK$1,654 million.
- Second interim dividend of HK$0.52 per share.

The Group's operating earnings for the first half of 2010 were HK$4,435 million, an increase of 23.1% compared with the corresponding period in 2009, which is mainly due to growth in our overseas earnings. The Group's total earnings, which include the tax consolidation benefit of HK$989 million from Australia and the gain on sale of our shareholding in CLP Power China (Anshun), which owns 70% interest in the Anshun II coal-fired power station in Guizhou Province, China, rose to HK$5,921 million, an increase of 83.0% over the first six months of 2009.

CLP's financial results for the first half of 2010 reflect both an underlying improvement in overall operating conditions, as well as the ongoing and careful implementation of our strategy of 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 the Chinese Mainland, Australia, India and Southeast Asia.

Hong Kong

In the first half of 2010, local electricity sales increased by 2.6% over the same period last year, mainly due to the economic recovery and a relatively higher humidity level in January, February and April, leading to higher load demand. Sales to the Chinese Mainland reduced by 13.3% as compared to the same period last year because of lower contract volume with Guangdong Power Grid Corporation for 2010. Total electricity sales, including both local sales and sales to the Chinese Mainland, increased by 0.9% over the period.

Good progress has been made in time to help achieve the Hong Kong Government's 2010 target for emission reduction. Construction and commissioning work is progressing well on the Castle Peak "B" Emissions Control project. Two of the four units have now had the emissions reduction equipment installed, and a third unit is currently undergoing installation work. The last remaining unit is expected to be completed around the end of this year.

Progress continues to be made with Mainland oil companies on the implementation of gas supply projects to secure the three gas sources highlighted in the MOU signed between the Central People's Government and Hong Kong SAR Government in August 2008. The Environmental Permit for the Hong Kong section of the pipeline between Dachan Island and Black Point Power Station was awarded on 25 May 2010. Ensuring the necessary infrastructure and commercial agreements are in place remains a key focus for the Hong Kong business as the current gas supply approaches the end of its life.

Work continues on the promotion and development of electric vehicles (EV) in Hong Kong. CLP has received the first batch of 10 EVs from Mitsubishi and is currently testing them in our business. 21 EV charging stations have been installed in public car parks under the company's trial scheme.

Chinese Mainland

The strongest performer in the first half of 2010 came from our portfolio of investments in the Mainland, where we benefited significantly from the improved performance of our Fangchenggang power station. This reflected the strong upturn in electricity demand as China's economy rebounded, together with a fall in competing generation from hydro electric resources.

It has been possible to uprate the two Fangchenggang units from 600MW to 630MW. The plant has achieved good operational performance, but coal procurement is a challenge with electricity production being higher than plan and the market price of coal gradually increasing. Nevertheless, we have been able to import the necessary quantities of coal and the economic performance of the plant is favourable.

We are exploring the possibility of adding two more units at Fangchenggang, using the available site area and infrastructure that was included in the first stage of the project.

Construction of CLP's first wholly-owned wind farm in China, Phase I of Qian'an wind farm (49.5MW) in Jilin Province, is proceeding as planned. The project is expected to begin commercial operation in October 2010. We are also commencing construction of our second wholly-owned wind project, a 48MW wind farm at Penglai, Shandong Province, which is scheduled to be commissioned in 2011.

We have acquired the remaining 35% equity interest of CLP Sichuan (Jiangbian) Power Company Limited, which owns the 330MW Jiangbian Hydro project in Sichuan from the local partner, Sichuan Basic Power Company Limited. Construction of the project is proceeding generally to plan for completion in 2011 despite difficulties with poor rock quality, adverse weather and the remote location.

In April, CLP signed an agreement with China Guodian Corporation to sell CLP's entire interest in CLP Power China (Anshun) Limited which owns 70% interest in the 600MW Anshun II Power Station in Guizhou Province. The divestment will streamline the operational efficiency of the two power plants and rationalise CLP's asset ownership in coal-fired projects in the Mainland.

In July, CLP entered into an agreement of cooperation intent with CGNPC to take up 17% equity share of a 6,000MW nuclear power project in Yangjiang in Guangdong Province. Located on the coast of Guangdong, approximately 220 kilometres west of Hong Kong, the Yangjiang Nuclear Power Station will supply electricity to meet local demand in Guangdong Province. The construction of the station commenced in 2008, and the project is expected to be commissioned in phases between 2013 and 2017.

Australia

The first six months of 2010 saw a continued improvement in earnings from TRUenergy, our energy business in Australia with operating earnings increased by 126% compared to the corresponding period in 2009.

In addition to the growth in operating earnings, the tax consolidation benefit of HK$989 million resulting from amendments to tax consolidation rules will have the effect of increasing the amount available for tax deductions from profits made in future years from our Australia business.

On 27 April 2010, the Australian Government announced that it would defer its emissions trading scheme, known as the Carbon Pollution Reduction Scheme (CPRS), until after the conclusion of the current Kyoto commitment period, at the end of 2012.

The New South Wales Government confirmed it is continuing with its electricity reform plan with data rooms for bidders opening on 1 July. TRUenergy is continuing to assess the opportunity.

India

The underlying performance of our Indian business remains strong although the operating earnings declined, which was predominantly due to the accounting treatment of net exchange losses on the translation of Pound Sterling and Euro receivables under the foreign exchange protection clause of the power purchase agreement (PPA) for our GPEC gas-fired power station.

Our 1,320MW greenfield coal-fired power station project at Jhajjar is advancing well - despite the challenges of managing a large local workforce, in particular from a safety perspective, working in difficult climate conditions and to a tight programme. This has demanded the maximum effort from our India-based management resources, supported by expertise from across the Group.

CLP is now the largest wind developer in India, with a renewable energy portfolio comprising 446 equity MW, of which 263MW is already operational and an additional 70MW is expected to be commissioned before the end of 2010. The 99MW wind farm at Theni, Tamil Nadu was fully commissioned in July. In February 2010, the 50.4MW Samana Phase I wind farm became the first project from CLP India to be registered with United Nations Framework Convention on Climate Change to sell Certified Emissions Reductions.

Southeast Asia and Taiwan

Operations of Electricity Generating Public Company Limited (EGCO) were not affected by the anti-government protests in Bangkok. All the power plants in EGCO’s portfolio operated normally in accordance with their respective PPAs.

Most recently, CLP has been the driving force behind, and holds an effective 37.8% interest in, a 55MW solar farm in Thailand. Contracts for this project were signed and construction has commenced recently. On completion in early 2012 this will possibly be the largest solar energy project in Asia.

In Vietnam, a "Principles Agreement" was signed with the Ministry of Industry & Trade to develop the 1,320MW coal-fired Vung Ang 2 project, led by CLP, Mitsubishi Corporation and local partners. The 1,980MW coal-fired Vinh Tan 3 project, the second greenfield project that CLP and Mitsubishi Corporation are developing in Vietnam, was officially awarded BOT status in January, which entitles the project to sovereign guarantees, land-use rights and favorable tax treatment for an operating period of 25 years, after which ownership of the project reverts to the state.

Renewable Energy

CLP now has investments of more than 2,000 equity MW in over 60 operating and committed renewable energy projects in Australia, Chinese Mainland, Thailand and India, accounting for over 15% of the Group's total generating capacity. We are already considering potential projects in both India and Australia where we may be able to benefit from solar energy initiatives promoted by the central governments.

Summary

We have delivered a strong performance in the first six months of 2010 and are on course to deliver value to our shareholders through the remainder of the year. The strong business performance stems from the implementation of a clear business strategy, which rests on a firm set of values, an objective analysis of the abilities of the Company and a determination to manage effectively the relationships with key stakeholders.

For more details, please refer to the full version of "Announcement of Interim Results as from 1 January 2010 to 30 June 2010, Dividend Declaration and Closure of Books".

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