CLP Announces Impairment Loss for Yallourn Brown Coal Fired Generation Asset

CLP Holdings Limited (“CLP”) has announced today that as a result of the recent passing of the Australian Government’s Clean Energy legislative package, CLP is expected to recognise an impairment loss of A$245 million or HK$1,915 million after tax for the year ending 31 December 2011.

The introduction of carbon pricing as part of the Clean Energy legislation reduces the future profitability of Yallourn brown coal-fired generation asset (“Yallourn”) in Australia, thus reducing forecast net cash flows, and therefore the recoverable amount of the cash generating unit.

In accordance with Hong Kong Accounting Standard (“HKAS”) 36 Impairment of Assets, we are required to write down Yallourn’s carrying value to align it with the recoverable amount. The recoverable amount is based on a discounted cash flow valuation of Yallourn over its remaining life, which includes forecast cash inflows from Government transitional assistance under the carbon legislation. This results in a write down of A$350 million (HK$2,736 million) in the carrying value of Yallourn.

In determining the impairment value, we have applied assumptions that rest on objective, externally sourced data wherever possible and incorporated the modeling of the entire national energy market. The most critical and sensitive assumptions relate to carbon pricing beyond 1 July 2015, the life of the asset out to 2036, forward wholesale electricity prices, gas prices and Yallourn generation volumes, and the share of the national five year Government compensation package which is allocated to Yallourn.

No further write downs within the TRUenergy portfolio are required. In accordance with HKAS 36, the recoverable amounts of TRUenergy’s portfolio of assets will regularly be assessed against their respective carrying values based on the electricity market assumptions and regulatory environment in place at that time.

We attach the announcement published today on the websites of the Hong Kong Stock Exchange and CLP pursuant to the relevant requirement of the Listing Rules.

- Ends -
Supplemental Information on the Clean Energy Legislation

The Australian Government’s Clean Energy legislation, which will come into effect from 1 July 2012, was passed by the Senate on 8 November 2011. Key elements of the legislation include:

- a default target of 5% abatement on 2000 CO₂ equivalent emissions by 2020;
- a fixed carbon price for the first three years, beginning on 1 July 2012 and starting at A$23 per tonne for liable entities. The fixed carbon price will rise at 2.5% a year in real terms;
- from 1 July 2015 Australia will move to an emissions trading scheme (ETS) with the carbon price set by the market;
- up to 50% of the annual emission liability under the ETS may be acquired by the purchase of international units;
- an Energy Security Fund will be established to administer i.e. the transitional assistance provided for generators with a carbon emissions intensity between 1 tonne/MWh and 1.3 tonnes/MWh. The total compensation available to the generation sector will be A$1 billion, provided as cash compensation.

About CLP Group

CLP Holdings Limited, a company listed on the Hong Kong Stock Exchange, is the holding company for the CLP Group, which is one of the largest investor-owned power businesses in Asia Pacific. Through CLP Power Hong Kong, it operates a vertically integrated electricity supply business in Hong Kong, and provides a highly reliable supply of electricity and excellent customer services to 5.7 million people in Kowloon and the New Territories.

Outside Hong Kong, CLP Holdings also invests in energy businesses in Mainland China, Australia, India and Southeast Asia. It is a leading international private sector power company in the Asia Pacific region with a diversified portfolio of power generation from gas, coal, renewables and nuclear.

CLP is listed in the Global Dow – a 150-stock index of the world’s leading blue-chips, the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), the Dow Jones Sustainability Asia Pacific 40 Index (DJSI Asia Pacific 40) and Hang Seng Corporate Sustainability Index Series.

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