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Media Release

中電控股有限公司
CLP Holdings Limited

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CLP Holdings Limited Announces 2012 Interim Results

Financial Highlights

- Group operating earnings for the first half of 2012 decreased by 22.4% to HK$3,897 million.
- Steady performance from Hong Kong and China but reduced earnings from Australia and India.
- Total earnings taking into account non-recurring items such as the impact of the Yallourn mine flooding, decreased 42.1% to HK$3,356 million.
- Operating earnings from our electricity business in Hong Kong increased by 4.0% to HK$3,240 million.
- Operating earnings from our Australia business fell from HK$1,191 million to HK$268 million substantially due to mark-to-market accounting.
- Consolidated revenue rose by 13.5% to HK$46,156 million.
- Second interim dividend of HK$0.53 per share.

In the first half of 2012, the Group's operating earnings fell 22.4% to HK$3,897 million, compared with HK$5,025 million in the same period in 2011, mainly attributable to the unfavourable mark-to-market movements of energy contracts in Australia. The Group's total earnings, including one-off items, were HK$3,356 million, a decline of HK$2,444 million, or 42.1%, from 2011.

Electricity Business in Hong Kong

Our Hong Kong electricity business remains the core of the Group's activity with operating earnings of HK$3,240 million, a slight increase from HK$3,114 million in the first six months of 2011. Local sales of electricity were up 4.8% over the same period last year while sales to the Chinese mainland rose 18.1% compared to the first half of 2011.

With effect from 1 January 2012 there was a 4.9% average net tariff increase. This increase was needed to meet the increasingly stringent Government emissions regulations to support Hong Kong's drive for better air quality, leading to the need to invest in emissions control facilities and new infrastructure to use more natural gas for power generation. Even with these increases, our tariffs remain highly competitive when compared with other major metropolitan cities.

During the period, HK$3.7 billion was incurred for capital expenditure in generation, transmission and distribution networks, as well as customer services and other supporting facilities.

On 25 July, subsequent to Typhoon Vicente, a section of the coal conveyor belt structure transporting coal to Castle Peak A Power Station detached and fell to the ground. The incident caused no injuries but coal delivery to the A Station was temporarily affected as a result. Restoration work for the conveyor belt is now progressing and it may take two to three months to resume coal supply to the A Station. Power supply to our customers has remained unaffected despite the hot weather and high electricity demand.

Preparing for the arrival of new gas supplies within the next 12 months in anticipation of the depletion of the Yacheng gas field has been a key area of focus. We still await approval from the HKSAR Government for the gas supply agreement to allow the import of PetroChina's second West-to-East Pipeline gas to feed the Black Point Power Station (BPPS). However, construction of a new sub-sea pipeline and a new gas receiving station for this purpose is making good progress. The generating units at BPPS are progressively being modified to enable them to operate with natural gas supplied from this new source.

Energy Business in Australia

The operating earnings from our Australian electricity generation and electricity and gas retail business during the first six months of 2012 were HK$268 million, compared to HK$1,191 million in the same period last year. This was due to unfavourable mark-to-market movements of energy contracts because of falls in forward prices, in particular New South Wales (NSW) cap prices as a result of lack of market volatility, lower pool prices, higher operating costs following the NSW acquisition and reduced generation revenue from Yallourn after the mine incident. These negative factors were partly offset by a full six months contribution from the NSW acquisition (as compared to only four months in 2011).

The unfavourable fair value movement of HK$438 million, compared to HK$34 million in the corresponding period of the prior year, represents the accounting treatment of mark-to-market movements of energy contracts entered into by TRUenergy as part of its energy trading and risk management activities. In particular these movements reflect falling forward prices for electricity in Australia, and the lower prices of caps which are used to guard against the consequences of future volatility in the price of electricity in Australia's national electricity market. There can be a considerable shift in the fair value of those derivatives from one accounting period to another.

The trading and energy derivative activities which are reflected in these mark-to-market movements are not speculative. On the contrary, they are an integral part of good practice in the management of risks arising from a competitive and complex electricity market. These derivatives allow us to use our generating assets more effectively and, on the retail side, help protect us against unforeseen rises in the cost of electricity we supply to our customers.

Total earnings from our Australian activities have been adversely impacted by the flooding at the Yallourn Power Station mine which occurred following heavy rainfall at the beginning of June. Good progress has since been made on the reinstatement of full operations with three of the power station's four generating units operating from 18 July following the recovery of one of the main trunk conveyors in mid-July. Nonetheless, the financial consequences of the loss of generation from Yallourn, coupled with the projected costs of restoring the mine to sustainable, safe and secure operations are considerable. The costs of the incident, including a provision for river diversions, levees and dewatering and an impairment of fixed assets, amounted to HK$644 million (A$83 million) at 30 June 2012.

Electricity sales volumes increased by 14% compared with the prior period, reflecting the additional contribution from the NSW energy retail business. Total generation output for the six months was 11% higher than last year, driven by the inclusion of a full six-month contribution from the NSW GenTrader assets of Mount Piper and Wallerawang and high general levels of availability across the portfolio. TRUenergy continued to perform well in our two major markets, NSW and Victoria, with retail churn below market averages.

TRUenergy also recognised a tax consolidation benefit of HK$103 million (A$13 million) as a result of legislative amendments to the tax consolidation rules in Australia.

Whilst a possible listing of EnergyAustralia on the Australian Securities Exchange is an option for serious consideration, no decision has been taken as to the principle, terms or timing of any such step. In any event, we do not envisage that any listing would take place this year.

Electricity Business in the Chinese Mainland

Earnings from CLP's investments in the Chinese mainland (including our 25% stake in the Daya Bay Nuclear Power Station, 70% of whose output serves Hong Kong) totalled HK$661 million during the first half of 2012, a slight decrease compared to HK$668 million in the corresponding period last year.

The earnings from our investments in coal-fired plant benefited from the tariff increases made in April and December last year. A slight reduction in earnings from our wind projects was due to lower than average wind resources and some grid restrictions. During this period, our wholly-owned wind project, Penglai Phase I, achieved commercial operation in February 2012 and has operated well so far. Lower rainfall, meanwhile, reduced the earnings from our hydro power stations at Jiangbian and Dali Yang_er.

Earnings from nuclear were adversely affected by a planned refuelling outage during the period and the lower average shareholders' funds for profit determination. Dividend income of HK$55 million from Daya Bay Nuclear Power Operations and Management Company Limited offset part of the decrease.

We still await approval from the Mainland's regulatory authority for our investment in a 17% equity share in the Yangjiang Nuclear Power Station project in Guangdong. However, the conclusion of the National Nuclear Safety Review instructed by the PRC Government confirms that the substantial growth in the Mainland's nuclear energy generating capacity, of which Yangjiang forms part, will continue to move ahead. We are optimistic that CLP's proposed investment in Yangjiang will receive the necessary approvals.

The stable operating performance of Fangchenggang (FCG), together with the ability to source competitively-priced international coal, supports CLP's proposal to move forward with the FCG Stage II project. This will add 1,320MW of ultra-supercritical generating capacity on the same site. The Guangxi Government submitted the project proposal to the National Development and Reform Commission and in-principle approval was obtained in July 2012. This will enable us to proceed with further preparatory work in anticipation of final approval.

Electricity Business in India

Compared to a profit of HK$183 million in the first half of 2011, earnings from our India business declined to a loss of HK$19 million, which include HK$75 million of translation loss and fair value movement for Jhajjar and HK$15 million of translation gain on Paguthan's receivable under its power purchase agreement.

Our greenfield coal-fired power station at Jhajjar, whose two units were completed in March and July this year on time and budget, reported an operating loss as a result of a shortage in coal supply. The inability of Coal India Limited, the monopoly Union Government controlled coal supplier, to deliver coal to Jhajjar on an adequate, timely and reliable basis has handicapped both the commissioning process and the commercial generation of electricity. This is a nationwide problem, which has been having a widespread and negative impact on coal-fired generation plant throughout India. As such, this issue has been receiving close and constant attention from the highest levels of the Indian Government including the Prime Minister's office, a process in which CLP has been directly and heavily engaged. Whilst the situation is by no means resolved, revised fuel supply arrangements are being put in place for Jhajjar, including access to imported coal. Whilst the remainder of the year may continue to be difficult at Jhajjar, we believe that, overtime, the coal supply situation should stabilise and improve.

The operations of our Paguthan gas-fired plant remained stable. During the first half of the year it has run at a lower capacity due to issues associated with the supply of gas. Based on the current scenario it is expected that the gas availability will fall further and the imported gas prices will continue to remain high. To date, this shortage has not impacted the profitability of the project significantly as the plant has a power purchase agreement with the Gujarat State off-taker under which the fuel costs are passed through.

Our wind energy investments started to show an improved performance from the previous year. With the commissioning of the Andhra Lake Project earlier this year, our largest wind project in India, and the higher winds during the monsoon season, we are looking to see further improvement.

Electricity Business in Southeast Asia and Taiwan

Earnings from Southeast Asia and Taiwan were mainly attributable to Ho-Ping in Taiwan (after the sale of EGCO in February 2011), which improved as a result of higher generation and energy charge during the period. The commissioning of the Lopburi solar project in Thailand also contributed to the increase. Arrangements for an 8MW expansion at the site are progressing.

Summary

The CLP Group's financial performance during the first half of 2012 has been adversely affected by difficult and challenging operating conditions. Notwithstanding that, we have increased the level of the first and second interim dividends for 2012 to HK$0.53 per share (compared to HK$0.52 per share the previous year). Although the increase in interim dividends is modest, we believe that shareholders will welcome this as a clear signal of our aim to return to a steady upwards trend in dividend payments, in line with the underlying performance of the Group's business. We are convinced and confident that our financial strength, operating skills and presence across a range of markets, fuels and technologies give us the capability to manage the challenges and exploit the opportunities presented by the Asian power sector and deliver long-term and sustainable value to our shareholders.

For more details, please refer to the full version of "Announcement of Interim Results as from 1 January 2012 to 30 June 2012, Dividend Declaration and Closure of Books".

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