



## **HONGKONG ELECTRIC ANNOUNCES INTERIM RESULTS FOR 2006**

### **RESULTS HIGHLIGHTS**

#### **Message from Chairman**

“The recent heat waves in the United States and Europe threatened the stability and reliability of their respective power grids highlighting the importance of continued investment in electricity infrastructure. In Hong Kong, the existing scheme of control and the returns under that scheme have ensured the investment required to achieve the high degree of stability and reliability which is taken for granted in Hong Kong but not enjoyed in other parts of the world today.”

– Mr. Canning Fok, 10 August 2006

#### ***Results and Dividend***

- Group earnings HK\$2,479 million - up 8.4%.
- Interim dividend 58 cents per share – same as in 2005.

#### ***Hong Kong Operations***

- Earnings from Hong Kong electricity business HK\$2,128 million compared with HK\$1,943 million in the first six months in 2005.
- Unit sales growth in electricity for the first six months was 0.9%.
- Maximum demand in the first six months was 2,434 MW compared with 2,363 MW for the same period in 2005, up 3%.
- First firing of the gas turbine of Unit 9 successfully achieved.
- Contracts expected to be awarded in September for flue gas desulphurisation retrofit work for Units 4 and 5.
- Wind turbine was officially commissioned and exhibition centre opened.
- Reliability in electricity supply maintained at 99.999% since 1997.

- Submission made to Government communicating concerns on the proposed post-2008 arrangements for the electricity market in Hong Kong.

### *International Operations*

- Earnings from international operations HK\$209 million compared with HK\$313 million, reflecting the Group's earlier disposal of a 22.07% interest in its Australian electricity businesses.
- Recorded increased electricity consumption and customer growth in Australia.
- Northern Gas Networks in the U.K. on track to meet operational and financial targets.
- Construction of Thai power station in which the Group has a 25% interest has commenced.

### *Outlook*

- In Hong Kong, low growth in electricity sales expected to continue into the second half of 2006. High coal and natural gas prices will continue to put pressure on fuel costs.
- Fourth year in succession that Hongkong Electric has foregone permitted return in order to benefit customers by charging lower electricity tariffs than entitled to under the scheme of control.
- Internationally, suitable investment opportunities will continue to be sought to reduce earnings reliance on Hong Kong.