

香港電燈集團有限公司
Hongkong Electric Holdings Ltd.

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Press Release
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Annual Results for 2006 Results Highlights

Message from Chairman

“In 2006, our customers continued to enjoy reliability in electricity supply of over 99.999%. This is a world class reliability level that is often taken for granted in Hong Kong however as was seen during the summer of 2006 it is a level of reliability not enjoyed elsewhere particularly in parts of North America and Europe Any post 2008 regulatory framework must recognise the investment made by our shareholders in Hong Kong’s electricity infrastructure which has enabled Hong Kong to enjoy the high stability and reliability in electricity supply that it has today and also the vital interest of our customers in the continued security and reliability of electricity supply.”

Mr. Canning Fok, 8 March 2007

Results

- Group earnings HK\$6,842 million. (2005: HK\$8,562 million; excluding extraordinary item, HK\$7,002 million)
- Earnings from HK operations HK\$6,173 million. (2005: HK\$5,508 million)
- Earnings from international operations HK\$669 million. (2005: HK\$3,054 million; excluding exceptional gain and non-cash tax adjustments in 2005, HK\$846 million)
In addition, interest in Australian business reduced from 50% in 2005 to 27.93% in 2006.

Dividends

- Ordinary dividends per share for 2006 (including interim dividend of 58 cents) total HK\$1.85. (2005: HK\$1.59 per share total ordinary dividend and HK\$0.73 per share special dividend)

Hong Kong Operations

- Earnings from electricity business HK\$5,875 million. (2005: HK\$5,437 million) Higher earnings were primarily due to lower special subsidy and operating costs in 2006.
- Unit sales of electricity grew by only 0.2% due to cooler summer and various energy saving initiatives.
- Maximum demand for 2006 was 2,597 MW. (2005: 2,565 MW)
- Shortfall in permitted return for the fourth consecutive year due to lower than entitled electricity tariffs.
- Higher fuel costs continued to apply pressure on tariffs.
- Electricity supply reliability maintained at over 99.999% since 1997.
- Introduced renewable energy with commissioning of Hong Kong's first wind turbine in February 2006.
- Introduced the use of natural gas with commissioning of Unit 9 in October 2006. Gas-fired generation is expected to fuel 15% of the electricity generated by Lamma Power Station in 2007.
- Continued with emission reduction programme by awarding contracts for installation of flue gas desulphurisation (FGD) plants for two coal-fired units.
- Commenced discussions with Government on the regulatory framework following the expiry of the Scheme of Control Agreement in 2008.

International Operations

- Achieved good financial and operational performance in Australia with electricity distribution businesses exceeding financial targets.
- Received increased dividends from Northern Gas Networks in the U.K.
- Construction of Thai power station in progress, commissioning scheduled for 2008.

Outlook

- In Hong Kong, low sales growth in electricity to continue in 2007.
- Continued pressure on fuel costs from high coal and natural gas prices.
- Over 90% of electricity at Lamma Power Station will be generated by natural gas or coal-fired units fitted with FGD and low nitrogen oxide burners by 2010.
- Internationally, investment opportunities will continue to be sought to increase earnings and reduce proportion of group earnings from electricity business in Hong Kong.

- End -

About Hongkong Electric

Hongkong Electric Holdings Ltd. (HEH) is the listed vehicle of the Hongkong Electric Group of companies which includes The Hongkong Electric Company, Limited (HEC), Hongkong Electric International Limited (HEI) and other subsidiaries. HEC is an electricity utility established in 1889 and its principal activity is to generate and supply electricity to Hong Kong Island and Lamma Island. HEI is the international investment arm of HEH, pursuing investment opportunities outside Hong Kong.

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