

CLP GROUP'S FINANCIAL RESULTS AND POSITION AT A GLANCE

Last Year's Balance Sheet
(Consolidated Balance Sheet
at 31.12.1999)

	HK\$M
Assets	
Fixed assets	28,903
Investments in affiliates	13,783
Cash & cash equivalents	918
Other current assets	2,092
	<u>45,696</u>
Shareholders' Equity and Liabilities	
Share capital, premium & reserves	25,930
Retained earnings	4,980
Borrowings	2,778
Development fund	3,320
Other liabilities	8,688
	<u>45,696</u>

Cash Flow For The Year
(Consolidated Cash Flow Statement
for the year ended 31.12.2000)

	HK\$M
1 Cash inflow from operations	7,415
Dividends paid less dividends received	(1,509)
Tax paid	(454)
2 Investments in / advances to affiliates	(1,086)
Capital expenditure	(2,794)
Debt and overdraft repayment	(200)
Other net cash outflow	(118)
Net increase in cash	1,254
Cash & cash equivalents at 31.12.1999	918
Cash & cash equivalents at 31.12.2000	<u>2,172</u>

Earnings For The Year
(Consolidated Profit and Loss Account
for the year ended 31.12.2000)

	HK\$M
3 Turnover	24,451
4 Expenses	(18,260)
Operating profit	6,191
Net finance costs	(94)
5 Share of profits of affiliates	2,678
Profit before taxation	8,775
Taxation	(1,378)
Profit after taxation	7,397
6 Transfers under Scheme of Control	(1,629)
7 Total earnings	<u>5,768</u>

Earnings Retained
(Consolidated Retained Earnings
for the year ended 31.12.2000)

	HK\$M
Balance at 31.12.1999	4,980
Total earnings	5,768
8 Ordinary & special dividends	(4,661)
Balance at 31.12.2000	<u>6,087</u>

Today's Balance Sheet (Consolidated Balance Sheet at 31.12.2000)

Assets

	<i>HK\$M</i>
9 Fixed assets	30,692
Investments in affiliates	13,826
Cash & cash equivalents	2,172
Other current assets	1,794
	<u>48,484</u>

Shareholders' Equity and Liabilities

Share capital, premium & reserves	25,731
Retained earnings	6,087
10 Borrowings	2,578
11 Development fund	2,923
12 Special provision account	766
13 Other liabilities	10,399
	<u>48,484</u>

1 The Group's SOC operations continued to provide a stable source of cash inflow.

2 Increased investments in affiliates mainly due to advances to Castle Peak Power Co. Ltd. (CAPCO) (HK\$212 million) and Hok Un property joint venture (HK\$75 million), additional shareholdings in Ho-Ping joint venture in Taiwan (HK\$619 million) and Electricity Generating Public Company Limited (EGCO) in Thailand (HK\$125 million).

3 Turnover mainly represents sales revenue from the Hong Kong electricity business, which is regulated by a Scheme of Control Agreement (SOC). Local unit sales increased by 4.6%.

4 Expenses increased moderately by 3.5% due to impairment loss on investment securities (HK\$130 million) and higher government rent and rates.

5 Profits of affiliates were mainly contributed by CAPCO (HK\$1,434 million), Daya Bay (HK\$596 million) and Hok Un property joint venture (HK\$1,357 million), offset by impairment loss on investment in EGCO (HK\$900 million).

6 According to the SOC, when revenue exceeds expenditure and permitted return, the surplus is transferred to a development fund. Transfers to development fund and rate reduction reserve were HK\$1,386 million and HK\$280 million respectively. Transfer from special provision account was HK\$37 million.

7 Earnings after taxation amounted to HK\$5,768 million, which comprised SOC earnings of HK\$5,147 million, interest income of HK\$93 million, non-SOC earnings of HK\$426 million, Hok Un Phase 3 profit of HK\$1,132 million and impairment losses on investments of HK\$1,030 million.

8 The Directors proposed a final dividend of HK\$0.50 per share and a special centenary dividend of HK\$0.27 per share. Total dividends for the year amounted to HK\$2.24 per share.

9 The Group invested HK\$3,402 million in fixed assets, mainly on transmission and distribution networks. According to the SOC, CLP Power's permitted return is based on a percentage of its net fixed assets.

10 The Group's gearing, measured as total debt over total capital, remained at a healthy level of 7.5%.

11 Development fund represents a liability of the Group. Its purpose is to assist in the acquisition of SOC fixed assets.

12 It was agreed with the Government in December 1999 to set aside HK\$803 million from the development fund to which the deferral premium of units 7 & 8 of the Black Point Power Station is charged. As at the year end, HK\$37 million was paid.

13 Other liabilities included customers' deposits (HK\$2,179 million), deferred taxation (HK\$3,110 million), trade and other payables (HK\$2,469 million) and proposed final dividends (HK\$1,602 million).

The purpose of this review is to highlight key financial and operating information on the CLP Group's performance during the year 2000.

CHANGE OF FINANCIAL YEAR END

The Company has changed its financial year end from 30 September to 31 December. This is the first occasion on which the Company's 12-month report has been presented to 31 December. To assist shareholders in appraising the financial results and changes in financial position of the Group, comparative figures for the 12-month period ended 31 December 1999 are used in this review.

CONSOLIDATED FINANCIAL RESULTS

The business activities of the CLP Group fall broadly into two categories. The primary category is the core electricity

generation and supply business in Hong Kong, which is regulated by the Government of the Hong Kong Special Administrative Region pursuant to the Scheme of Control ("SOC"). The Group's wholly-owned subsidiary, CLP Power, owns the transmission and distribution network and its associated generating company, Castle Peak Power Company Limited ("CAPCO"), owns the generating plants in Hong Kong. The main features of the SOC and the SOC Statements are shown on pages 88 and 89 of this Annual Report. The second category of business comprises the Group's electricity-related activities outside the SOC, including power projects in the Mainland and Asia-Pacific region, the multi-utility businesses being developed in Hong Kong and southern China as well as the development of the Group's properties that are no longer required for electricity purposes.

The contributions of the Group's principal activities to the consolidated results are as follows:

	Turnover		Profits/(losses) before taxation	
	2000 HK\$M	1999 HK\$M	2000 HK\$M	1999 HK\$M
The Company and its subsidiaries:				
Sales of electricity (SOC)	24,224	23,168	6,452	5,887
Interest income	–	–	93	587
Public lighting & engineering services	171	283	13	14
Property income	38	55	9	46
Development expenditure	18	–	(264)	(173)
Impairment loss on YTL Power	–	–	(130)	–
Unallocated Group expenses	–	–	(76)	(84)
	24,451	23,506	6,097	6,277
Share of profits / (losses) of jointly controlled entities and associated company:				
Power generation in Hong Kong (SOC)			1,434	1,465
Power projects outside Hong Kong			785	768
Impairment loss on investment in EGCO			(900)	–
Property joint ventures in Hong Kong			1,359	587
			8,775	9,097

1999 – 12 months ended 31 December 1999

Turnover

SOC OPERATIONS

Total local unit sales increased by 4.6% for the year ended 31 December 2000. Electricity sales to Commercial and Government sectors grew by 5.3% and 7.2% respectively.

The growth of the Commercial sector can be attributed to economic recovery and record number of tourist arrivals in Hong Kong. The growth in the Government sector can be attributed to the following reasons:

- Completion of extension works at several Government hospitals
- Continuous infrastructure development



- A surge in trade activities and container throughput
- Increase in air passenger and cargo traffic

The Manufacturing sector recorded positive growth at 1.9%. This is the first year of positive sales growth in this sector, following seven years of severe negative growth resulting

from massive migration of Hong Kong industries to the Mainland. Residential sales growth for the year was 2.7%.

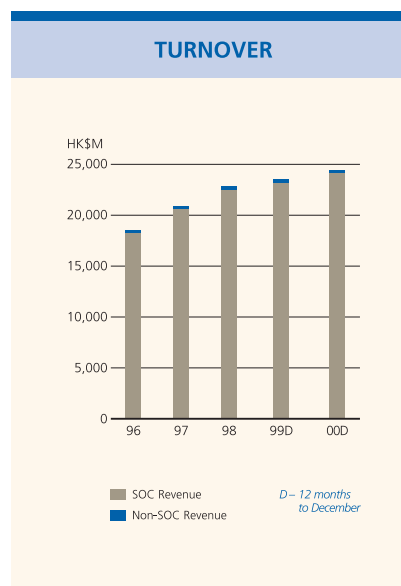
Sales to Guangdong Electric Power Holdings Company were 519 GWh, representing 1.9% of total unit sales. Sales to Shekou increased by 4.6% to 662 GWh.

	Number of Customers	Year ended 31.12.2000	Increase	Average Annual Sales Change over 1996–2000
	Thousand	GWh	%	%
Commercial	171	10,014	5.3	5.5
Residential	1,662	6,608	2.7	4.0
Government & others	51	6,197	7.2	8.6
Excluding manufacturing	1,884	22,819	5.0	5.8
Manufacturing	46	3,488	1.9	(3.9)
Total local sales	1,930	26,307	4.6	4.1
Export sales	–	1,181	86.6	(4.5)
Total sales	1,930	27,488	6.6	3.7

The transition of Hong Kong from a manufacturing centre to a service economy has resulted in a slowdown in electricity demand growth. Manufacturing customers now contribute around 13.3% of CLP Power's total local unit sales, compared to more than one-third in the 80's. The Residential and Government sectors contribute almost half of CLP Power's local sales. These sectors are generally less sensitive to cyclical economic downturns. The Commercial sector, which includes tourism and office-based operations, has benefited from the economic rebound and regained sales growth momentum.

There was no increase in electricity tariffs in the year 2000. CLP Power has also announced a tariff freeze in 2001. Basic tariffs in 2001 will now remain at 1998 levels.

Local maximum demand for the year was 5,598 MW, a 4.6% increase over 1999.



NON-SOC OPERATIONS

The substantial part of the Group's non-SOC income is derived from the joint ventures. Their revenues are not