31. CONTINGENT LIABILITIES

China Energy Investment Company Limited ("CEIC"), a wholly-owned subsidiary of the Company, is a shareholder of the Shandong Zhonghua Power Company Limited formed to develop, own and operate the Shiheng I, Shiheng II, Heze and Liaocheng Power Stations totalling 3,000 MW in the Shandong Province of China. As part of the security package for the project, the Company has provided a Letter of Support to Export Credit Guarantee Department of the United Kingdom and the offshore commercial lenders to procure that CEIC will perform its contractual obligations.

The contingent financial liabilities at 31 December 2000 to be assumed by the Company, in respect of the performance by CEIC of its contractual obligations, are estimated to be as follows:

	31 December 2000 HK$M	31 December 1999 HK$M
Sponsor support for completion	**702**	697
Liability under engineering, procurement and construction contracts for Heze and Liaocheng Power Stations	**2,473**	2,456
Dividend escrow	**265**	97
	3,440	3,250

The Directors are of the opinion that the likelihood of any liability crystallising is remote and accordingly no provision has been made in respect of these liabilities in the financial statements.

32. RELATED PARTY TRANSACTIONS

In the normal course of business the Group undertakes on an arms-length basis a wide variety of transactions with related parties. The more significant of such transactions during the year ended 31 December 2000 are described below.

	12 months ended 31 December 2000 HK$M	12 months ended 31 December 1999 HK$M	15 months ended 31 December 1999 HK$M
Purchases of electricity from CAPCO (note a)	**9,735**	9,717	12,178
Purchases of nuclear electricity (note b)	**4,587**	4,288	4,835
Pumped storage service fee (note c)	**457**	471	590

32. RELATED PARTY TRANSACTIONS *(continued)*

(a) Under the Electricity Supply Contract between CLP Power and CAPCO, CLP Power is obligated to purchase all of CAPCO's generating capacity. The Electricity Supply Contract provides that the price paid by CLP Power to CAPCO is sufficient to cover all of CAPCO's operating expenses, including fuel cost, depreciation, interest expenses and current and deferred taxes, as well as CAPCO's share of the return permitted under the Scheme of Control.

(b) Under the offtake and resale contracts, CLP Power is obligated to purchase the Group's 25% equity share of the output from Guangdong Nuclear Power Station ("GNPS") at Daya Bay and an additional 45% of such output from Guangdong Nuclear Investment Company, Limited ("GNIC"). The price paid by CLP Power for electricity generated by GNPS throughout the terms of the power purchase agreements is determined by a formula based on GNPS's operating costs and a calculation of profits by reference to shareholders' funds and the capacity factor for that year.

(c) Under a capacity purchase contract, Hong Kong Pumped Storage Development Co., Ltd. ("PSDC") has the right to use 50% of the 1,200 MW capacity of Phase 1 of the Guangzhou Pumped Storage Power Station. CLP Power has entered into a contract with PSDC to make use of this capacity. The price paid by CLP Power to PSDC is sufficient to cover all of PSDC's operating expenses and net return. PSDC's net return is based on a percentage of its net fixed assets in a manner analogous to the Scheme of Control.

33. FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Company has obtained a waiver from the Stock Exchange under Paragraph 3.10 of Practice Note 19 of the Listing Rules from disclosing a proforma combined balance sheet of affiliated companies. Affiliated companies include the Group's jointly controlled entities and associated company. Instead, in accordance with Practice Note 19, the Company discloses the following alternative information in relation to the affiliated companies as at 31 December 2000. This information has been extracted from the relevant audited accounts or management accounts of all affiliated companies.

	31 December 2000 HK$M	**31 December 1999 HK$M**
The Group's share of total indebtedness of affiliated companies analysed as follows:		
Bank borrowings	**12,027**	11,778
Other borrowings including loans from shareholders	**1,990**	2,194
	14,017	13,972
The Group's share of contingent liabilities of affiliated companies	**128**	414
The Group's share of capital commitments of affiliated companies		
Contracted but not provided for	**3,650**	2,200
Authorised but not contracted for	**2,128**	5,424
	5,778	7,624

34. POST BALANCE SHEET EVENTS

(A) Joint Venture with Powergen

On 7 December 2000, the Group's wholly owned subsidiary, CLP Power International, entered into a joint venture agreement with Powergen UK plc ("Powergen") whereby CLP Power International will acquire an equity interest of 80% in the Asia-Pacific electricity generating assets and development project portfolio of Powergen. There is a provision for the joint venture to acquire Powergen's interest in PT Jawa Power, Indonesia after satisfactory re-negotiation of the power purchase agreement, re-financing and re-structuring has been completed. CLP Power International and Powergen will form joint venture companies to hold the various assets, in which Powergen will retain a 20% equity interest. The joint venture agreement includes a mechanism, which is consistent with the approach adopted to value the 80% interest, for determining the price payable by CLP Power International for Powergen's 20% shareholdings, should Powergen elect to exercise its option to put part or all of those shareholdings to CLP Power International.

The joint venture companies will own operating projects formerly held by Powergen in Australia and India. Operating assets include a 1,450 MW coal-fired plant and captive coal mine in Australia owned by Yallourn Energy Pty Limited ("Yallourn Energy") and a combined cycle 655 MW power station in the state of Gujarat, western India, owned by Gujarat Powergen Energy Corporation Limited ("GPEC"). CLP Power International, through the relevant joint venture company, also acquires Powergen's rights in several power projects under development in India and Thailand.

The consideration for the operating assets acquired is US$594 million (approximately HK$4,633 million) which includes the consideration payable for a further 42.051% of shares in Yallourn Energy sold by third parties other than Powergen, and the provision of new equity for the refinancing of Yallourn Energy. The consideration will be financed from the internal resources of the Group as well as additional borrowings. The 42.051% interests were acquired from third party investors other than Powergen on 8 January 2001.

On 5 January 2001, the following agreements were signed with regard to the remaining minority interest in Yallourn Energy presently held by an independent third party shareholder.

1. A put option deed entitling the independent third party shareholder to sell an interest of 7.948% in Yallourn Energy to the joint venture companies. This option was exercisable between 15 February and 23 February 2001. This put option lapsed as it was not exercised.

2. A put and call option deed between CLP Power International and the independent third party shareholder. The put option was to lapse on 5 March 2004 and the call option was to lapse on 6 March 2006. Powergen may require that the 7.948% interest be acquired by the relevant joint venture company rather than by CLP Power International. There is a mechanism for determining the price payable for the 7.948% interest on exercise of the options. The mechanism takes into account the cost of acquisition, future investment, dividends and inflation, adjusted by time value.

34. POST BALANCE SHEET EVENTS *(continued)*

(A) Joint Venture with Powergen *(continued)*

The put and call option deed dated 5 January 2001 was subsequently terminated and replaced by a new put and call option deed dated 26 February 2001. The dates of lapse for the put and call options were extended to 6 May 2004 and 27 April 2006 respectively. Other terms remain unchanged in all material respects.

Should the put and call option be exercised, the interest in Yallourn Energy, held directly by CLP Power International or through the joint venture companies, will be increased from 92% to 99.949%.

Pursuant to the change of ownership of Yallourn Energy, a refinancing of its existing borrowings is being undertaken. All of the conditions precedent under the associated facility agreement have been satisfied and CLP Power International expects financial close to occur on 27 February 2001. Upon financial close, the joint venture companies will acquire Powergen's 49.95% equity interest in Yallourn Energy.

In respect of acquisition of GPEC, third party consents from the lenders, other shareholders and relevant regulatory authorities are being obtained and CLP Power International expects the transaction to be completed during 2001.

(B) Joint Venture with Beijing Guohua

On 4 January 2001, the Group's wholly-owned subsidiary, CLP Power China, announced that approval from China's Ministry of Foreign Trade and Economic Co-operation has been obtained to enter into an agreement with Beijing Guohua Electric Power Corporation of China ("Beijing Guohua"), a wholly-owned subsidiary of the Shenhua Group, to form an evergreen, joint stock company to hold substantial generating assets and to develop power projects in the Chinese mainland.

The joint stock company, owned 49% by CLP Power China and 51% by Beijing Guohua, will hold interests in three power stations with a combined installed capacity of 2,100 MW, of which the joint venture will own 1,285 equity MW.

The three coal-fired power stations are Beijing Guohua Power Station in Beijing (400 MW), Panshan Power Station in Tianjin (1,000 MW), and Sanhe Power Station in Hebei (700 MW). The Beijing plant supplies heat, as well as electricity, to Beijing.

On 18 January 2001, the Group injected RMB 885 million (approximately US$ 107 million) in full as the consideration to acquire the 49% share in the joint stock company. Beijing Guohua's share in the joint stock company was acquired through the injection of its current interests in the three power stations concerned.

The joint venture, apart from owning and operating these assets, plans to develop greenfield projects and acquire power assets in various parts of China.