



I am pleased to present our Interim Report for the half year ended 30 June 2001.

### Financial Results for the Six-month Period

During the six months ended 30 June 2001, CLP Holdings achieved total earnings of HK\$2,788 million (HK\$1.11 per share), compared to HK\$2,927 million (HK\$1.17 per share) for the corresponding period in 2000.

Earnings from the Scheme of Control electricity business in Hong Kong increased by 4.1% to HK\$2,638 million, as a result of ongoing investment in transmission and distribution networks. CLP Power's capital expenditure on the transmission and distribution networks and other facilities totalled HK\$1,802 million (2000: HK\$1,105 million), whilst capital expenditure by associated Hong Kong generating companies was HK\$202 million (2000: HK\$140 million).

Operating earnings from non-Scheme of Control activities declined from HK\$265 million to HK\$133 million, compared to the corresponding period in 2000. This was due to increased development expenditure on diversifying the Group's activities, through power projects outside Hong Kong, telecommunications and other businesses.

Directors today declared the second interim dividend of HK\$0.35 per share which will be payable on 14 September 2001 to shareholders registered as at 3 September 2001. The Register of Shareholders will be closed on 4 September 2001.

### Hong Kong Electricity Business

Local unit sales of electricity in the first half of the year were up by 2.9% over the same period last year. Total unit sales, which include sales to the Chinese mainland, registered a 5.2% increase. This reflected substantial sales to Guangdong Electric Power Holding Company, which took 359 GWh during the six months to 30 June 2001, compared to 83 GWh in the corresponding period in 2000.

The tariffs of CLP Power in 2001 are being maintained at the 1998 level. CLP Power remains focused on efficiency and cost control measures that help mitigate pressure on future tariff increases. Productivity in terms of local unit sales per employee rose by 8.2% compared with the corresponding period in 2000.

### Mainland and Asia-Pacific Electricity Businesses

One of CLP's core strategies is the development of our electricity businesses in the Chinese mainland and the Asia-Pacific region. During the six-month period ended 30 June 2001, CLP made significant progress in these activities.

In the Mainland, CLP Power China established a joint venture with Beijing Guohua Electric Power Corporation in January 2001. This joint venture holds a substantial equity interest in three existing coal-fired power stations in Beijing and adjoining areas. In addition, it plans to develop new projects and acquire various assets in other parts of the Mainland.

In the Asia-Pacific region, CLP Power International took forward the implementation of the deal with Powergen UK plc concluded in December 2000, pursuant to which CLP Power International will acquire an 80% equity interest in Powergen's electricity generating assets in the Asia-Pacific region. CLP Power International now holds a 73.6% equity interest in Yallourn Energy, which owns a 1,450MW coal-fired merchant plant and captive coal mine in Australia. In addition, we are working towards completing a second aspect of the Powergen deal, which involves the acquisition of a 70.4% stake in a 655MW combined cycle gas-fired power station in Gujarat, India.

### Non-electricity Activities in Hong Kong and Southern China

A further component of the CLP Group's overall strategy is the exploitation of opportunities to extend our activities in Hong Kong and southern China, outside the electricity business, by leveraging off our existing business, assets, skills and relationships.

In line with this strategy, we have continued to invest in our telecommunications business, through our wholly-owned subsidiary, CLP TeleCom. During the period covered by this Interim Report, CLP TeleCom was awarded an External Fixed Telecommunications Network Services Licence by the Hong Kong Government. This enables CLP TeleCom, by its "ChinaLink" service, to enter into the market for data and information transmission between Hong Kong and the Mainland. CLP TeleCom also launched its new retail brand "Oxygen", and its Broadband Internet Access is now being marketed to retail consumers in Hong Kong. We plan to develop a number of customer services within the "Oxygen" brand. We have announced our intention to enter into a joint venture with Yes Television plc to develop Oxygen TV, an interactive television service to the Hong Kong consumers.

CLP Enterprises is bidding for a stake in the West-East Gas Pipeline Project, which is a major Mainland infrastructure project intended to link the upstream gas resources in western China with downstream end-users to the east. We are pursuing an interest in this project in a joint venture with ExxonMobil, with whom CLP has a long-standing relationship through our joint involvement in the electricity generation business in Hong Kong.

### Outlook

We remain confident that the expected infrastructural and residential development projects in CLP Power's supply area will continue to support growth in electricity demand over the coming years. Hong Kong's economy and, indirectly, demand for electricity may be adversely affected by broader regional and international economic trends, including any deepening in the current slowdown in the U.S. economy. In this respect, it should be noted that the manufacturing sector in Hong Kong now constitutes only 13% of CLP Power's total local unit sales. Demand for our electricity is largely driven by the commercial, residential and government sectors.

In our Mainland and Asia-Pacific power businesses, our existing partners and joint ventures give us a strategic platform for future investment and growth. We believe that the Mainland power sector continues to provide opportunities for investment. In the Asia-Pacific region, market conditions differ significantly among individual countries. We consider that, through careful analysis and focus on those markets where favourable opportunities for investment exist, CLP can grow its Asia-Pacific business both by way of greenfield projects and by acquisition of existing facilities.

With regard to non-electricity activities, CLP TeleCom will be operating in a highly competitive telecommunications market, with sharpened customer expectations both in terms of price and service. By a combination of prudent financial management, strong focus on product and service quality and by leveraging off CLP's existing assets, we aim to ensure that, over time, the investment in our telecommunications business makes a positive contribution to the CLP Group.

### Board Appointments

I am pleased to announce that the Board of Directors has appointed Mr. Paul Kan Man Lok, Chairman of Champion Technology Holdings Limited, as an independent non-executive director, and Mr. Peter W. Greenwood and Mr. Michael Price as executive directors of CLP Holdings. Mr. Greenwood is the Company Secretary & Corporate Counsel of CLP Holdings and Mr. Michael Price is the Managing Director of CLP Power Hong Kong Limited. All these appointments will take effect from 7 September 2001.

### CLP Centenary

Shareholders will be aware that this year marks the centenary of CLP's incorporation in 1901. In the celebration of our centenary, we have aimed to reflect the part played by all of our stakeholders, be they shareholders, customers or employees, in our achievements over the past century. In January 2001 a special rebate of HK\$200 was given to each of CLP Power's customers. The contribution to CLP's success made by our employees was acknowledged by an employee share award and by the establishment of a CLP Staff Centenary Scholarship Fund, with initial seed money of HK\$5 million. On 23 April 2001, the interests of our shareholders were recognised in the payment of a special Centenary Dividend of HK\$0.27 per share and bonus issue of one share for every five shares held.



**The Hon. Michael D. Kadoorie,**  
*Chairman of the Board of Directors*

Hong Kong, 13 August 2001

