

## Notes to the Accounts

### 1. Accounting Policies

The unaudited condensed interim accounts are prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies used in the preparation of the unaudited condensed interim accounts are consistent with those set out in the 2000 Annual Report except the accounting for proposed dividends. According to the revised Statement of Standard Accounting Practice No. 9 "Events after the Balance Sheet Date", dividends proposed after the balance sheet date should not be recognised as a liability at the balance sheet date. Such dividends now form a separate component of the shareholders' funds. Where necessary, comparative figures have been adjusted to conform with the presentation in the current financial period.

### 2. Turnover and Segment Information

An analysis of the Group's turnover and contribution to operating profit for the period by principal activities is as follows:

6 months ended 30 June	Turnover		Operating Profits/ (Losses)	
	2001	2000	2001	2000
	HK\$M	HK\$M	HK\$M	HK\$M
Sales of electricity	11,062	10,809	2,425	2,371
Public lighting & engineering services	81	83	17	3
Property income	12	20	5	8
Development expenditure	-	-	(192)	(105)
Impairment loss on investment securities	-	-	-	(130)
Unallocated Group expenses	-	-	(50)	(42)
	<b>11,155</b>	10,912	<b>2,205</b>	2,105

Other than in relation to sales of electricity, none of the segment assets exceeded 10% of the operating assets attributable to all business segments.



## 2. Turnover and Segment Information *(continued)*

The Group operates, through its subsidiaries, jointly controlled entities and associate, in three major geographical segments - Hong Kong, Chinese mainland and Asia-Pacific region (other than the Chinese mainland). Information about the Group's operations by geographical segments is as follows:

<b>6 months ended 30 June 2001</b>	<b>Hong Kong HK\$M</b>	<b>Chinese Mainland HK\$M</b>	<b>Asia-Pacific Region HK\$M</b>	<b>Unallocated Items HK\$M</b>	<b>Total HK\$M</b>
Turnover	10,835	320	-	-	<b>11,155</b>
Segment result	2,339	(28)	(56)	(50)	<b>2,205</b>
Share of profits/(losses) of jointly controlled entities	744	436	(93)	-	<b>1,087</b>
Share of profit of associated company	-	-	26	-	<b>26</b>
Profit/(loss) before financing and taxation	3,083	408	(123)	(50)	<b>3,318</b>
Finance costs					<b>(78)</b>
Finance income					<b>18</b>
Taxation					<b>(476)</b>
Profit after taxation					<b>2,782</b>
Transfers under Scheme of Control					<b>6</b>
Earnings for the period					<b>2,788</b>
Amortisation of goodwill and cost of investment	-	13	21	-	<b>34</b>



## 2. Turnover and Segment Information (continued)

6 months ended 30 June 2000	Hong Kong HK\$M	Chinese Mainland HK\$M	Asia-Pacific Region HK\$M	Unallocated Items HK\$M	Total HK\$M
Turnover	10,701	210	1	-	10,912
Segment result	2,352	(22)	(53)	(42)	2,235
Impairment loss on investment securities	-	-	(130)	-	(130)
Operating profit/(loss)	2,352	(22)	(183)	(42)	2,105
Hok Un redevelopment profit	1,332	-	-	-	1,332
Share of profits/(losses) of other jointly controlled entities	716	397	(22)	-	1,091
Impairment loss on investment in associated company	-	-	(900)	-	(900)
Share of profit of associated company	-	-	51	-	51
Profit/(loss) before financing and taxation	4,400	375	(1,054)	(42)	3,679
Finance costs					(99)
Finance income					40
Taxation					(669)
Profit after taxation					2,951
Transfers under Scheme of Control					(24)
Earnings for the period					2,927
Amortisation of goodwill and cost of investment	-	12	15	-	27



### 3. Finance Costs and Income

	6 months ended 30 June	
	2001	2000
	HK\$M	HK\$M
Finance costs:		
Interest on bank loans and overdrafts	32	14
Interest on other loans	82	90
Interest on customers' deposits and others	36	29
Finance charges	5	2
Exchange (gains)/losses	(7)	11
Less: amount capitalised	(70)	(47)
	<u>78</u>	<u>99</u>
Finance income:		
Net interest income on certificate of deposit	3	8
Interest income on bank deposits	15	32
	<u>18</u>	<u>40</u>

### 4. Taxation

	6 months ended 30 June	
	2001	2000
	HK\$M	HK\$M
Company and Subsidiary companies – Hong Kong		
current	343	316
deferred	95	52
	<u>438</u>	<u>368</u>
Jointly controlled entities		
– Hong Kong		
current	126	123
deferred	(130)	147
– outside Hong Kong		
current	42	31
	<u>38</u>	<u>301</u>
	<u>476</u>	<u>669</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on profits assessable outside Hong Kong has been provided at the rates prevailing in the respective jurisdictions.



## 5. Other Non-Scheme of Control Operating Earnings

	6 months ended 30 June	
	2001 HK\$M	2000 HK\$M
Income from power projects outside Hong Kong	215	307
Export sales	20	11
Property income	39	9
Public lighting and engineering services	14	3
Development of other businesses	(93)	(23)
Corporate finance costs	(12)	–
Unallocated Group expenses	(50)	(42)
	<u>133</u>	<u>265</u>

## 6. Dividends

	6 months ended 30 June	
	2001 HK\$M	2000 HK\$M
First interim dividend paid HK\$0.35 per share (2000: HK\$0.33)	874	833
Second interim dividend HK\$0.35 per share (2000: HK\$0.33)	874	832
Special interim dividend HK\$nil per share (2000: HK\$0.23)	–	562
	<u>1,748</u>	<u>2,227</u>

Dividends per share for 2000 have been adjusted for the capitalisation issue on 23 April 2001 as referred to in Note 15.

## 7. Earnings per Share

The earnings per share is based on earnings of HK\$2,788 million (2000: HK\$2,927 million) and 2,497,472,400 shares in issue after the capitalisation issue on 23 April 2001 as referred to in Note 15. The earnings per share for 2000 have been adjusted accordingly.

## 8. Fixed Assets

	Land And Buildings HK\$M	Plant, Machinery And Equipment HK\$M	Total HK\$M
Net book amount at 1 January 2001	5,286	25,406	30,692
Additions	355	1,490	1,845
Transfers and disposals	(2)	(30)	(32)
Depreciation	(59)	(720)	(779)
<b>Net book amount at 30 June 2001</b>	<u>5,580</u>	<u>26,146</u>	<u>31,726</u>



## 9. Investments in Jointly Controlled Entities

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Castle Peak Power Company Limited	4,332	4,213
Guangdong Nuclear Power Joint Venture Company, Limited	2,688	2,730
CLP Powergen joint venture (note a) – Yallourn Power Station, Australia	1,946	–
Hok Un Joint Venture	1,616	2,162
Shandong Zhonghua Power Company Limited	1,371	1,410
Ho-Ping Power Company Limited	1,017	928
CLP Guohua Power Company Limited (note b)	823	–
Hong Kong Pumped Storage Development Company, Limited	298	297
Other jointly controlled entities	534	415
	<b>14,625</b>	<b>12,155</b>

The amount of investments in the above jointly controlled entities include loan and advances as follows:

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Castle Peak Power Company Limited	4,061	4,055
Hok Un Joint Venture	503	491
Hong Kong Pumped Storage Development Company, Limited	278	285
Other jointly controlled entities	131	76
	<b>4,973</b>	<b>4,907</b>

- (a) A joint venture company, CLP Powergen Sdn Bhd, incorporated in Malaysia and 80% owned by the Group, is formed to hold certain electricity generating assets in the Asia-Pacific region previously owned by Powergen. In February 2001, CLP Powergen Sdn Bhd completed the acquisition of a 92% interest in Yallourn Energy Pty Limited, which owns a 1,450MW coal fired plant and captive coal mine in Victoria, Australia.
- (b) CLP Guohua Power Company Limited, the joint stock company owned 51% by Beijing Guohua and 49% by the Group, is incorporated in the Chinese mainland. It holds interests in three coal-fired power stations, namely Beijing Yire Power Station in Beijing, Panshan Power Station in Tianjin, and Sanhe Power Station in Hebei with a combined installed capacity of 2,100MW, of which the joint stock company owns 1,285 equity MW.

## 10. Investment in Associated Company

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Electricity Generating Public Company Limited		
Share of net assets other than goodwill	954	990
Unamortised goodwill on acquisition	169	1,083
Impairment loss on goodwill	–	(900)
	<b>1,123</b>	<b>1,173</b>
Market value	<b>743</b>	<b>767</b>



## 11. Investment Securities

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
At cost, less impairment loss	643	773
Impairment loss for the period	–	(130)
	<u>643</u>	<u>643</u>
Market value	<u>629</u>	<u>660</u>

## 12. Other Investments

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Floating rate notes	78	–
Certificate of Deposit	5	10
	<u>83</u>	<u>10</u>

## 13. Trade and Other Receivables

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Trade receivables (refer below)	1,820	1,029
Deposits and prepayments	687	526
Current accounts with jointly controlled entities	15	16
	<u>2,522</u>	<u>1,571</u>

CLP Power's credit policy in respect of receivables arising from its principal electricity business is to allow customers to settle their electricity bills within 13 to 15 working days after issue. Customers' receivable balances are secured by cash deposits or bank guarantees.

The ageing analysis of the trade receivables is as follows:

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
30 days or below	1,798	932
31-60 days	13	44
61-90 days	2	24
Over 90 days	7	29
	<u>1,820</u>	<u>1,029</u>

The bad debts written off during the period were HK\$5 million (2000: HK\$5 million).

#### 14. Trade and Other Payables

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Trade payables (refer below)	1,119	1,382
Other payables	606	232
Current accounts with jointly controlled entities	1,047	855
	<u>2,772</u>	<u>2,469</u>

The ageing analysis of the trade payables is as follows:

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
30 days or below	1,107	1,360
31-60 days	3	6
61-90 days	2	2
Over 90 days	7	14
	<u>1,119</u>	<u>1,382</u>

#### 15. Share Capital

	<b>Number of Shares of HK\$5 Each</b>	<b>Amount HK\$M</b>
Authorised:		
At 30 June 2001 and 31 December 2000	<u>3,000,000,000</u>	<u>15,000</u>
Issued and fully-paid:		
At 31 December 2000	2,081,227,000	10,406
One-for-five bonus issue	416,245,400	2,081
	<u>2,497,472,400</u>	<u>12,487</u>
<b>At 30 June 2001</b>	<u>2,497,472,400</u>	<u>12,487</u>

In accordance with an ordinary resolution passed on 23 April 2001, the issued share capital of the Company was increased to HK\$12,487 million by applying HK\$2,081 million standing to the credit of the share premium account in payment in full at par of 416,245,400 shares of HK\$5 each, on the basis of one share for every five shares held on 23 April 2001.





## 16. Share Premium

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Balance at beginning of period	<b>13,362</b>	13,362
Capitalised during the period (see Note 15)	<b>(2,081)</b>	–
	<b><u>11,281</u></b>	<u>13,362</u>

## 17. Reserves

	<b>Capital Redemption Reserve HK\$M</b>	<b>Other Reserves HK\$M</b>	<b>Retained Profit HK\$M</b>	<b>Total HK\$M</b>
Balance at 1 January 2001, as previously reported	2,036	(73)	6,087	8,050
Prior year adjustment for 2000 proposed dividend not declared before year end	–	–	1,602	1,602
Balance at 1 January 2001, as restated	2,036	(73)	7,689	9,652
Earnings for the period	–	–	2,788	2,788
Dividend paid for the period	–	–	(2,476)	(2,476)
Exchange differences arising on translation of:				
jointly controlled entities	–	(207)	–	(207)
associated company	–	(51)	–	(51)
Retained by the Group	2,036	(331)	7,127	8,832
Proposed dividend	–	–	874	874
<b>Balance at 30 June 2001</b>	<b><u>2,036</u></b>	<b><u>(331)</u></b>	<b><u>8,001</u></b>	<b><u>9,706</u></b>
Including retained reserves of:				
jointly controlled entities	–	1	3,311	3,312
associated company	–	–	136	136



## 18. Bank Loans and Other Borrowings

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Total facilities available	<u>14,679</u>	<u>10,404</u>
Facilities utilised		
Bank loans	2,129	238
Other borrowings	<u>2,340</u>	<u>2,340</u>
	<u>4,469</u>	<u>2,578</u>
Amounts repayable		
within one year and included in current liabilities	1,974	77
after one year and shown as long-term loans and other borrowings		
2nd year	150	155
3rd to 5th years inclusive	2,345	6
more than 5 years	<u>-</u>	<u>2,340</u>
	<u>4,469</u>	<u>2,578</u>

## 19. Development Fund

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Balance at beginning of period	2,923	3,320
Transfer (to)/from profit and loss account	(145)	1,386
Transfer to special provision account (note 20)	-	(803)
Special rebates to customers	(273)	(593)
CLP centenary rebate	-	(387)
	<u>2,505</u>	<u>2,923</u>

A special rebate of HK¢2.2 per unit (2000: HK¢2.2 per unit) was made to customers during the period.

## 20. Special Provision Account

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Balance at beginning of period	766	-
Transfer from development fund	-	803
Transfer to profit and loss account	<u>-</u>	<u>(37)</u>
	<u>766</u>	<u>766</u>



## 21. Notes to the Consolidated Cash Flow Statement

### (A) Reconciliation of operating profit to net cash inflow from operating activities

	6 months ended 30 June	
	2001	2000
	HK\$M	HK\$M
Operating profit	2,205	2,105
Other financing costs	(5)	(1)
Exchange difference	7	(11)
Depreciation	779	721
Impairment loss on investment securities	-	130
Loss on disposal of fixed assets	30	17
Capital gain arising from disposal of properties	(2)	(3)
Rebates to customers under Scheme of Control	(74)	(72)
Special rebate	(273)	(265)
Increase in customers' deposits	86	52
Increase/(decrease) in fuel clause account	188	(4)
Increase in debtors and prepayments	(788)	(469)
Increase in creditors	422	419
Increase in current accounts due to jointly controlled entities	193	127
	<u>2,768</u>	<u>2,746</u>
Net cash inflow from operating activities	2,768	2,746

### (B) Analysis of changes in financing during the period

	Bank Loans HK\$M	Other Borrowings HK\$M	Total HK\$M
Balance at 1 January 2001	238	2,340	2,578
Net cash inflow from financing	1,891	-	1,891
	<u>2,129</u>	<u>2,340</u>	<u>4,469</u>
<b>Balance at 30 June 2001</b>	<b>2,129</b>	<b>2,340</b>	<b>4,469</b>



## 22. Commitments

- (A) Capital expenditure authorised but not brought into the unaudited condensed interim accounts are as follows:

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
Contracted but not provided for	<b>2,032</b>	1,653
Authorised but not contracted for	<b>7,853</b>	9,179
	<b>9,885</b>	10,832

- (B) Under the Shareholders' Agreement and subsequent Board resolution relating to Ho-Ping Power Company, the Group is required to contribute share capital of NT\$4 billion (approximately HK\$920 million). The amount already paid at 30 June 2001 is NT\$3,433 million (approximately HK\$827 million) (at 31 December 2000: NT\$2,843 million). The remainder of the share capital will be paid by instalments before commercial operation.

## 23. Contingent Liabilities

- (A) The contingent financial liabilities at 30 June 2001 to be assumed by the Group for performance of its contractual obligations relating to the Shandong joint venture are estimated to be HK\$3,558 million (at 31 December 2000: HK\$3,440 million)
- (B) The refinancing of Yallourn Energy Pty Limited ("Yallourn Energy") was completed on 27 February 2001. Pursuant to the relevant loan agreements, all the relevant shareholders of AusPower Holdings Pty Limited, the parent company of Yallourn Energy, agreed to provide the lenders with pro rata shares of the contingent equity support up to the sum of A\$200 million in respect of a senior debt facility and up to the sum of A\$15 million in respect of a subordinated notes facility. The contribution of contingent equity depends on the minimum requirement of the availability of cashflows for debt service within 5 years from 27 February 2001. As at 30 June 2001, CLP Group's 73.6% share of the contingent equity support is approximately A\$158 million.

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.



## 24. 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 period ended 30 June are described below.

	6 months ended 30 June	
	2001 HK\$M	2000 HK\$M
Purchases of electricity from CAPCO (note a)	4,794	4,888
Purchases of nuclear electricity (note b)	2,158	1,964
Pumped storage service fee (note c)	216	230
	<u>7,168</u>	<u>7,082</u>

- (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 1,200MW 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.

## 25. 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 30 June 2001. This information has been extracted from the relevant management accounts of all affiliated companies.

	<b>30 June 2001 HK\$M</b>	<b>31 December 2000 HK\$M</b>
The Group's share of total indebtedness of affiliated companies analysed as follows:		
Bank borrowings	<b>18,375</b>	12,027
Other borrowings including loans from shareholders	<b>3,159</b>	1,990
	<b>21,534</b>	14,017
The Group's share of contingent liabilities of affiliated companies	<b>236</b>	128
The Group's share of capital commitments of affiliated companies		
Contracted but not provided for	<b>2,867</b>	3,650
Authorised but not contracted for	<b>1,441</b>	2,128
	<b>4,308</b>	5,778

