



Meeting our

Responsibilities

During 2001, CLP has celebrated its centenary – China Light & Power Company, Limited, the forerunner of today's CLP, was established in Hong Kong in 1901.

Our centenary has been an opportunity to recognise the support that the Company enjoys from our entire community, as well as a reminder of the importance to the long-term viability of our business, of the effective management of our relationships with all our stakeholders .

In this year's Annual Report, we have sought to explain how the Company is meeting its corporate responsibilities to our shareholders, customers, employees, business partners and the wider community.

SHAREHOLDERS

The shareholders own the Company – they have made a choice to invest their money in the Company's shares. We have an obligation to justify the trust that they have placed in us.

I am, therefore, pleased to report that for the year ended 31 December 2001, earnings per share for the recurring operations were HK\$2.33,

an increase of 2.6% compared to the previous year. The Scheme of Control earnings for the year ended 31 December 2001 grew by 5.3% to HK\$5,422 million, as a result of CLP Power's ongoing investment in its transmission and distribution network. Interest income decreased from HK\$93 million to HK\$28 million due to cash on hand being applied to investments. Earnings from other non-Scheme of Control activities decreased from HK\$426 million to HK\$339 million, reflecting the start-up costs of power projects outside Hong Kong, telecommunications and other businesses.

Total earnings for 2001 were HK\$7,257 million, compared to

HK\$5,768 million for the year ended 31 December 2000. These took into account the Group's share of profit of HK\$1,468 million arising from the Hok Un redevelopment. Including these redevelopment profits, earnings per share were HK\$2.92, an increase of 26.4%.

In April 2001, a special centenary dividend of HK\$0.27 per share was paid and the Company also made a bonus issue of one new share of HK\$5.00 credited as fully paid for every five shares held.

In respect of 2001, the Board has recommended a final dividend of HK\$0.44 per share, and a special final dividend out of the Hok Un profit of HK\$0.61 per share. These, together with the three interim dividends paid during the year, result in a total dividend of HK\$2.10 per share. The Board anticipates that three interim dividends will be payable in June, September and December 2002. In line with market practice, and as a change from the practice previously adopted by the Company, the Board is not stating the anticipated amount of those interim dividends. However, there will be no change to CLP's underlying policy of providing stable and consistent dividends to its shareholders.

CUSTOMERS

The core of the CLP Group's activities is our electricity business in Hong Kong carried on by CLP Power, which supplies electricity to

two million customers in Kowloon and the New Territories, representing a population of over five million (about 80% of the total population of Hong Kong).

Throughout our first century, CLP has had a duty to provide our customers with a supply of electricity which is reliable, adequate and at the lowest reasonable cost. During 2001, we have continued to discharge that responsibility with diligence and dedication.

In January 2001, we announced a tariff freeze for the year. Productivity gains and cost savings also enabled CLP Power to provide a HK\$200 rebate for each of our customers, as part of our initiatives to celebrate CLP's centenary.

In December, we announced that we would be freezing tariffs for 2002 – the fourth successive year in which CLP's basic tariffs will remain unchanged. We also offered a rebate of HK\$220 and a reduction of fuel clause charges, bringing about an average tariff reduction of 2.2%. As a result, about one million of our customers have enjoyed free electricity worth one month or more of their normal charges.

CLP Power's cost-saving initiatives and tariff reductions have not been achieved at the expense of the provision of an adequate and reliable electricity supply. In 2001, we invested HK\$4.6 billion in modernising and upgrading our

network. Supply reliability exceeds 99.99%, which meets world-class standards.

EMPLOYEES

CLP relies on a highly skilled and motivated workforce. We have a corresponding obligation to provide our staff with a safe working environment, to encourage them to develop their full potential and to fairly reward them for their achievements.

In line with this obligation, 2001 saw further initiatives taken to enhance the principle of "pay for performance", including the implementation of a revised remuneration strategy which has been introduced in phases within the CLP Group. The shared commitment of CLP and its staff to continuous learning and skills enhancement was demonstrated by over 31,000 man-days being spent on training and people development.

In a time of economic challenge and uncertainty, the productivity improvements made in recent years, including a phased reduction in CLP's workforce from 6,640 in 1993 to 4,085 in 2001, have enabled us to avoid both salary cuts and forced redundancies during the past year.

The Board and Management are determined that CLP must be a safe place to work. We are committed to promoting the highest safety standards at all times.

BUSINESS PARTNERS

We have a responsibility to be straightforward, honest and trustworthy in all our business dealings and partnerships. High standards of business ethics, transparency and integrity are fundamentals of our business. CLP's standards are set out in a Code of Conduct which applies to all directors and employees of the Company and its subsidiaries, wherever their responsibilities and wherever they work. The Code is also published on our website, so that all those who deal with CLP are aware of our standards and ethics.

CLP's reputation for honesty and integrity has helped us to establish a network of relationships throughout the Asia-Pacific region, such as with Electricity Generating Public Company Limited in Thailand, YTL Group in Malaysia, the Tata Group in India and Taiwan Cement Corporation in Taiwan. We particularly value the long-standing partnership with Exxon Mobil Corporation, with whom we have jointly participated in the generation of electricity for supply to CLP Power since 1964.

In the Chinese mainland, we have established joint ventures with industry leaders such as the Beijing Guohua Group, Shandong Electric Power Group and Guangdong Nuclear Investment. CLP's excellent reputation in the Mainland was confirmed during my meeting in November with President Jiang Zemin. President Jiang recognised CLP's investment efforts in the Mainland and urged CLP to continue to make use of its strengths and to increase its investment in China's western regions.

COMMUNITY

Wherever we conduct our business, we respect and support the interests of the community.

A prime responsibility in this regard is to safeguard the environment everywhere CLP operates and to ensure that our activities today do not jeopardise the health and well-being of present and future generations.

In Hong Kong, CLP operates according to a comprehensive Environmental Management

System, consistent with recognised international practice. In 2001, our efforts were recognised by the Hong Kong Awards for Industry in Environmental Performance.

We are determined that our environmental initiatives should apply to all of CLP's activities, not merely those in Hong Kong. To further ensure that our practices are aligned with developing global standards, CLP joined the World Business Council for Sustainable Development in 2001 – the first company in Hong Kong to do so.

Care for the environment is part of our broader commitment to good corporate citizenship. In 2001, we demonstrated this by numerous activities and initiatives across the CLP Group, ranging from tree planting in Hong Kong to school projects in western China.

OUR SECOND CENTURY

Over time, a company can only survive and prosper if it conducts its business in a manner which is consistent with the legitimate interests and well-being of its stakeholders. CLP takes seriously its long-term responsibilities to its shareholders and all its other stakeholders. Their continued support for the Company remains essential as we embark upon our second century.



The Hon. Michael D. Kadoorie

Hong Kong, 25 February 2002

