Notes to the Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

Other than noted in Note 1(B) below, the accounts have been prepared under the historical cost convention, in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. In 2000, the Group provided additional disclosure on segment information earlier than required in the Statement of Standard Accounting Practice (SSAP) No. 26 and the treatment of goodwill established in 1998 already complied with SSAP No. 30.

In the current year, the Group adopted SSAP No. 9 (revised) "Events After the Balance Sheet Date" and has chosen to adopt early the Statement of Changes in Equity required in the SSAP No. 1 (revised) "Presentation of Financial Statements" and SSAP No. 15 (revised) "Cash Flow Statements".

B. Scheme of Control

The financial operations of the Company's major subsidiary, CLP Power Hong Kong Limited (CLP Power), and its associated generating company, Castle Peak Power Company Limited (CAPCO), are governed by a Scheme of Control Agreement entered into with the Government of the Hong Kong Special Administrative Region. Their accounts are prepared in conformity with Hong Kong generally accepted accounting principles, modified as necessary to comply with the terms of the Scheme of Control, the main features of which are summarised on page 102. The only such modification which is significant to the Group's accounts is in respect of deferred taxation.

In accordance with the Scheme of Control, the charge for taxation fully recognises deferred taxation arising from timing differences attributable to accelerated depreciation allowances. No provision is made for other timing differences as these are immaterial. It is unlikely that a liability will crystallise in respect of accelerated depreciation allowances in the foreseeable future. Accordingly, the above policy does not comply with the SSAP No. 12 "Accounting for Deferred Tax" issued by the Hong Kong Society of Accountants, which states that deferred taxation should not be provided in these circumstances.

Under the arrangement of the Scheme of Control, this departure from SSAP No. 12 does not have any effect on earnings or total deferred liabilities. The departure has the effect of reducing the transfer under Scheme of Control for the year 2001 by HK$281 million (2000: HK$190 million).

C. Basis of Consolidation

The consolidated accounts of the Group incorporate the accounts of the Company and its subsidiary companies made up to the balance sheet date and include the Group's interests in jointly controlled entities and associated company on the basis set out in Notes 1(E) and 1(F) below respectively.

Goodwill arising on consolidation represents the excess of purchase consideration over the fair value ascribed to the separable net assets of the entity or company acquired and is amortised on the straight-line basis over its estimated useful economic life.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Subsidiary Companies

A subsidiary company is a company which is controlled by the Company and in which the Company has an interest, directly or indirectly, in more than 50% of the issued equity as defined in the Hong Kong Companies Ordinance. Control represents the power to govern the financial and operating policies of that company. Investments in subsidiary companies are carried in the balance sheet of the Company at cost less provision for impairment. Provisions for investments in and advances to subsidiary companies are made when the subsidiary company carries net assets lower than the respective CLP Holdings' cost of investment and the diminution is considered not to be recoverable in the near future. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

E. Jointly Controlled Entities

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

F. Associated Company

An associated company is a company, not being a subsidiary or jointly controlled entity, in which the Group holds equity share capital for the long term and can exercise significant influence in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company.

G. Turnover

Turnover represents sale of electricity, other electricity-related revenue, property income, supply and maintenance services. Sale of electricity is based on actual and accrued consumption derived from meters read during the year. Other revenue is recognised when services are rendered or sales are completed.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Major renewals and improvements which will result in future economic benefits, in excess of the originally assessed standard of performance of the existing assets, are capitalised, while maintenance and repair costs are charged to the profit and loss account in the year in which they are incurred.

Depreciation of fixed assets used for the electricity-related business in Hong Kong is based on the rates authorised under the Scheme of Control. During the 1998 Scheme of Control interim review, agreement was reached with the Government to extend the useful life of overhead lines (132kV and above) from 30 years to 35 years. As a result, the net book value of these overhead lines as at 30 September 1998 is written off uniformly over the remainder of their extended useful lives.

Except for the above, the following bases apply to fixed assets other than land which is not depreciated in accordance with the Scheme of Control. The cost will be written off uniformly over the useful lives of the assets commencing from the date of commissioning.

Buildings	33 years
Overhead lines (132kV and above)	35 years
Overhead lines (below 132kV) and cables	30 years
Generating plant, switchgear and transformers	25 years
Meters, system control equipment, furniture, tools, communication and office equipment	10 years
Computers and office automation equipment other than those forming part of the generating plant	5 years
Motor vehicles	5 years

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

I. Impairment of Long Lived Assets

The Group reviews the carrying amounts of long lived assets and goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the recoverable amount.

J. Properties under Development

Properties under development comprise land cost and development expenses including professional charges and are stated at the lower of cost and net realisation value. The income from the sale of development properties is recognised only when the property or any portion thereof contracted for sale is completed and the relevant occupation permit is issued.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Investments in Securities

(i) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value which is other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

(ii) *Investment securities*

Investment securities are stated at cost less any provision for impairment. Impairment is assessed in accordance with other long lived assets.

(iii) *Fixed-income securities*

Fixed-income securities, which are intended to be held for an identified long-term purpose, are accounted for using the benchmark treatment and classified as investment securities. Investment securities are stated at cost less any provision for impairment.

Other fixed-income securities are carried at fair value at the balance sheet date, with the net unrealised gains or losses arising from the changes in fair value recognised in the profit and loss account. Profits or losses on disposal of these investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

L. Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange prevailing at the balance sheet date or at the relevant forward contract rates where applicable. Exchange differences are included in the profit and loss account. Transactions during the year are converted into Hong Kong dollars at the rates of exchange ruling at the dates of transactions.

The accounts of subsidiaries, jointly controlled entities or associated company denominated in foreign currencies are translated into Hong Kong dollars using the year end rates of exchange for balance sheet items and the average rates of exchange for the year for the profit and loss account. Exchange differences are dealt with as a movement in reserves.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Borrowing Costs

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are charged to the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to complete.

N. Related Parties

Related parties are individuals and companies, where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

O. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year. In particular, the comparatives of the cash flow statement have been reclassified to agree with the presentation required by the SSAP No. 15 (revised) “Cash Flow Statements” and the Consolidated Statement of Recognised Gains and Losses was replaced by the Statement of Changes in Equity as required by the SSAP No. 1 (revised) “Presentation of Financial Statements”. The comparatives have been adjusted to take into account the requirements of SSAP No. 9 (revised) “Events after the Balance Sheet Date”, which requires that 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. Likewise, adjustments were also made to comparatives of dividends receivable from jointly controlled entities proposed or declared after the balance sheet date but which were previously recognised as dividends receivable at the balance sheet date.

2. TURNOVER AND SEGMENT INFORMATION

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

	Turnover		Operating Profits/(Losses)	
	2001 HK$M	2000 HK$M	**2001 HK$M**	2000 HK$M
Sales of electricity	**24,806**	24,224	**6,419**	6,630
Public lighting & engineering services	**149**	171	**19**	13
Property income	**18**	38	**63**	9
Development of other businesses	**26**	18	**(448)**	(255)
Impairment loss on investment securities	**—**	—	**—**	(130)
Unallocated Group expenses	**—**	—	**(105)**	(76)
	24,999	24,451	**5,948**	6,191

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 regions — Hong Kong, the Chinese mainland and the Asia-Pacific region (other than the Chinese mainland). Information about the Group's operations by geographical regions is as follows:

2001	Hong Kong HK$M	Chinese Mainland HK$M	Asia-Pacific Region HK$M	Unallocated Items HK$M	Total HK$M
Turnover	24,273	706	18	2	**24,999**
Segment results	6,239	(69)	(110)	(112)	**5,948**
Hok Un redevelopment profit	1,752	—	—	—	**1,752**
Share of profits/(losses) of other jointly controlled entities	1,474	1,137	(272)	—	**2,339**
Share of profit of associated company	—	—	71	—	**71**
Profit/(loss) before financing and taxation	9,465	1,068	(311)	(112)	**10,110**
Finance costs					**(187)**
Finance income					**29**
Taxation					**(1,189)**
Profit after taxation					**8,763**
Transfers under Scheme of Control					**(1,506)**
Earnings for the year					**7,257**
Capital expenditure	4,613	35	3	2	**4,653**
Depreciation	1,616	5	2	1	**1,624**
Amortisation of goodwill and cost of investment	2	46	15	—	**63**
At 31 December 2001					
Segment assets	34,097	722	374	8	**35,201**
Investments in jointly controlled entities	6,764	6,181	2,841	—	**15,786**
Investment in associated company	—	—	1,230	—	**1,230**
Investment securities	5	—	726	—	**731**
Cash and cash equivalents	—	—	—	80	**80**
Consolidated total assets	40,866	6,903	5,171	88	**53,028**
Segment liabilities	9,850	27	18	35	**9,930**
Total borrowings					**5,567**
Tax liabilities					**3,557**
Consolidated total liabilities					**19,054**

2. TURNOVER AND SEGMENT INFORMATION (continued)

2000	Hong Kong HK$M	Chinese Mainland HK$M	Asia-Pacific Region HK$M	Unallocated Items HK$M	Total HK$M
Turnover	23,843	588	18	2	24,451
Segment results	6,537	(48)	(78)	(90)	6,321
Impairment loss on investment securities	—	—	(130)	—	(130)
Operating profit/(loss)	6,537	(48)	(208)	(90)	6,191
Hok Un redevelopment profit	1,357	—	—	—	1,357
Share of profits/(losses) of other jointly controlled entities	1,421	806	(11)	—	2,216
Impairment loss on investment in associated company	—	—	(900)	—	(900)
Share of profit of associated company	—	—	5	—	5
Profit/(loss) before financing and taxation	9,315	758	(1,114)	(90)	8,869
Finance costs					(204)
Finance income					110
Taxation					(1,378)
Profit after taxation					7,397
Transfers under Scheme of Control					(1,629)
Earnings for the year					5,768
Capital expenditure	3,379	21	1	1	3,402
Depreciation	1,467	4	2	1	1,474
Amortisation of goodwill and cost of investment	—	32	37	—	69
At 31 December 2000					
Segment assets	31,224	706	401	10	32,341
Investments in jointly controlled entities	6,453	4,773	929	—	12,155
Investment in associated company	—	—	1,173	—	1,173
Investment securities	—	—	643	—	643
Cash and cash equivalents	—	—	—	2,172	2,172
Consolidated total assets	37,677	5,479	3,146	2,182	48,484
Segment liabilities	8,626	12	38	32	8,708
Total borrowings					2,578
Tax liabilities					3,778
Consolidated total liabilities					15,064

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:	2001 HK$M	2000 HK$M
Charging		
Retirement benefit costs (Note 8)	**102**	93
Loss on disposal of fixed assets	**107**	100
Auditors' remuneration	**3**	3
Other exchange (gain)/loss	**(9)**	3
Crediting		
Net rental income from properties	**(18)**	(17)
Capital gains on disposal of properties	**(52)**	(7)

4. FINANCE COSTS AND INCOME

	2001 HK$M	2000 HK$M
Finance costs:		
Interest on bank loans and overdrafts	**63**	24
Interest on other loans		
wholly repayable within five years	**165**	—
not wholly repayable within five years	**—**	177
Interest on customers' deposits and others	**86**	52
Finance charges	**11**	11
Exchange (gains)/losses	**(4)**	10
	321	274
Less: amount capitalised within fixed assets	**(134)**	(70)
	187	204
Finance income:		
Net interest income from investment securities	**6**	11
Interest income on bank deposits	**23**	99
	29	110

5. HOK UN REDEVELOPMENT PROFIT

	2001 HK$M	2000 HK$M
Share of profit before taxation	**1,751**	1,353
Reversal of provision	**1**	4
	1,752	1,357
Taxation	**(284)**	(225)
Share of profit after taxation	**1,468**	1,132

During the year, the Group recorded its share of profit arising from the sale of Phases 4 and 5 of Laguna Verde at Hok Un (Phase 3 in 2000).

6. DIRECTORS' REMUNERATION

	2001 HK$M	2000 HK$M
Fees	**2**	2
Salaries, allowances and benefits in kind	**12**	13
Performance bonus *	**7**	1
Provident fund contributions	**1**	1
	22	17

* The amount of performance bonus paid in 2001 included bonus in respect of service during 2000 and interim bonus in respect of service during 2001. The interim bonus was paid as part of the transition to a performance-based senior management compensation structure.

The Directors' remuneration only includes remuneration for the period they served as director and is within the following bands:

	Number of Directors	
	2001	2000
HK$nil – HK$1,000,000	**13**	13
HK$1,000,001 – HK$1,500,000	**1**	—
HK$2,000,001 – HK$2,500,000	**1**	—
HK$4,000,001 – HK$4,500,000	**—**	1
HK$4,500,001 – HK$5,000,000	**—**	1
HK$5,500,001 – HK$6,000,000	**—**	1
HK$8,000,001 – HK$8,500,000	**1**	—
HK$9,000,001 – HK$9,500,000	**1**	—

Included in the Directors' remuneration were fees of HK$439,671 (2000: HK$429,212) paid to the Independent Non-executive Directors during the year.

6. DIRECTORS' REMUNERATION (continued)

The fees paid to the Non-executive Directors are set at levels in line with market practice. Directors who serve on the Audit Committee are paid an additional fee at a reasonable level determined by the Board after considering all relevant factors. A formal independent review of Directors' fees is undertaken no less frequently than every three years. The most recent such review was undertaken in 2000. The levels of remuneration for Directors have remained unchanged since 1995. In the year ended 31 December 2001, the fees paid to each of the Non-executive Directors were as follows:

	HK$
Chairman	225,000
Vice-Chairmen	150,000
Non-executive Directors	100,000
Directors serving on the Audit Committee	50,000

7. SENIOR MANAGEMENT REMUNERATION

The five highest paid individuals in the Group during the year included two (2000: one) who served as Directors for the full year and one (2000: one) who served as Director for part of the year. The details of the remuneration of these individuals were:

	2001 HK$M	2000 HK$M
Salaries, allowances and benefits in kind	**19**	22
Performance bonus *	**12**	2
Provident fund contributions	**2**	2
	33	26

* The amount of performance bonus paid in 2001 included bonus in respect of service during 2000 and interim bonus in respect of service during 2001. The interim bonus was paid as part of the transition to a performance-based senior management compensation structure.

Of the remuneration, $7 million (2000: $6 million) has been charged to the Scheme of Control operation.

The remuneration paid to these five individuals is within the following bands:

	Number of Individuals	
	2001	2000
HK$4,000,001 – HK$4,500,000	**1**	—
HK$4,500,001 – HK$5,000,000	**—**	3
HK$5,000,001 – HK$5,500,000	**1**	—
HK$5,500,001 – HK$6,000,000	**—**	2
HK$6,500,001 – HK$7,000,000	**1**	—
HK$8,000,001 – HK$8,500,000	**1**	—
HK$9,000,001 – HK$9,500,000	**1**	—

8. RETIREMENT BENEFITS

The Group currently operates two retirement funds, one for professional and general staff, and the other for industrial staff. Both funds are established under trust with the assets of the funds held separately from those of the Group by an independent trustee, and are Mandatory Provident Fund (MPF) exempted schemes under the Occupational Retirement Schemes Ordinance. Commencing 1 December 2000, the Group also participates in a master trust MPF scheme operated by an independent service provider.

The fund for professional and general staff consists of three programmes; the defined benefit programme, the segregated fund programme and the defined contribution programme (newly introduced on 1 December 2000). The defined benefit programme provides benefits that are linked to final pay and requires member contributions of 5% of basic salary. Both the defined contribution programme and the segregated fund programme provide benefits linked to contributions and investments thereon. The defined contribution programme further provides members with a guarantee that benefits will not be less than mandatory company contributions to a basic MPF scheme. The defined contribution programme requires member contributions of at least 2.5% of basic salary whereas members are not required to contribute under the segregated fund programme. The defined benefit programme and the segregated fund programme have been closed to new employees since 1 December 2000.

The fund for industrial staff consists of two programmes; the defined benefit programme and the defined contribution programme (newly introduced on 1 December 2000). The defined benefit programme provides benefits that are linked to final pay and does not require member contributions. The defined contribution programme provides benefits linked to contributions and investments thereon and provides members with a guarantee that benefits will not be less than mandatory company contributions to a basic MPF scheme. The defined contribution programme requires members to contribute at least 2.5% of basic salary (waived for existing members who opted to join the defined contribution programme at inception). The defined benefit programme has been closed to new employees since 1 December 2000.

The Group contributes to the funds such amount or amounts as the Group considers appropriate having regard to the recommendations from time to time of an independent actuary on the basis of periodic valuation and the prescribed contribution schedules of the funds. When payments are made to the funds, contributions are charged to the profit and loss accounts or, for employees working on capital projects, to the relevant projects. The Group's total contributions to the funds for the 12 months ended 31 December 2001 were HK$157 million (2000: HK$149 million).

The latest valuations of the retirement funds were carried out as of 30 June 1999 by Mr. A.G. Stott, Fellow of the Faculty of Actuaries, of Watson Wyatt Hong Kong Limited, using the attained age method. These valuations showed that the ratio of net assets available for benefits to aggregate past service liabilities was 140% and 151% for professional & general staff fund and the industrial staff fund respectively. The valuations assumed the average investment return on assets of the funds to be 1% per annum higher than the rate of salary escalation.

9. TAXATION

Taxation in the consolidated profit and loss account represents:	2001 HK$M	2000 HK$M
Current taxation		
On Scheme of Control profit — Hong Kong		
Subsidiary company		
— current year	**520**	653
— provision written back	**(269)**	—
Jointly controlled entity	**260**	243
	511	896
On Non-Scheme of Control profit		
Subsidiary companies		
— Hong Kong	**247**	242
— outside Hong Kong	**7**	—
Jointly controlled entities		
— Hong Kong	**3**	2
— outside Hong Kong	**115**	72
	372	316
	883	1,212
Deferred taxation		
On Scheme of Control profit — Hong Kong		
Subsidiary company	**281**	190
Jointly controlled entity	**(22)**	(16)
	259	174
On Non-Scheme of Control profit		
Jointly controlled entity — Hong Kong	**47**	(8)
	306	166
	1,189	1,378

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

10. TRANSFERS UNDER SCHEME OF CONTROL

The financial operations of CLP Power are governed by a Scheme of Control Agreement. In accordance with this Agreement, transfers required under Scheme of Control are shown below:

	2001 HK$M	2000 HK$M
Transfers under Scheme of Control		
To development fund (A)	**(1,201)**	(1,386)
From special provision account (B)	**–**	37
To rate reduction reserve (C)	**(305)**	(280)
	(1,506)	(1,629)

Movements on the development fund, special provision account and rate reduction reserve of CLP Power are as follows:

	2001 HK$M	2000 HK$M
(A) Development fund:		
Balance at beginning of year	**2,923**	3,320
Transfer from profit and loss account	**1,201**	1,386
Transfer to special provision account (B)	**–**	(803)
One-off rebate	**(340)**	–
CLP centenary rebate	**–**	(387)
Special rebates to customers	**(607)**	(593)
Balance at end of year	**3,177**	2,923

In view of the cost savings achieved through productivity improvements in the past years, CLP Power was able to provide each customer with a one-off rebate of HK$220 as an initiative to support CLP Power's customers in light of the difficult economic environment. The one-off rebate was funded by the development fund (HK$340 million) and by the rate reduction reserve (HK$99 million).

In year 2000, CLP Power provided each customer with a rebate of HK$200 in commemoration of CLP's centenary. This amount was charged directly to the development fund.

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

10. TRANSFERS UNDER SCHEME OF CONTROL (continued)

	2001 HK$M	2000 HK$M
(B) Special provision account:		
Balance at beginning of year	**766**	—
Transfer from development fund (A)	**—**	803
Transfer to profit and loss account	**—**	(37)
Balance at end of year	**766**	766

CLP Power and its jointly controlled generating company, Castle Peak Power Company Limited, agreed with the Government in December 1999 to further defer construction of units 7 & 8 of the Black Point Power Station. It was also agreed that a total of HK$803 million be set aside from the development fund to a special provision account to which the deferral premium is charged. The deferral premium is a contractual obligation that corresponds to additional costs incurred by the vendors for delayed delivery of the two generating units. Under the arrangement, there is no permitted return to be earned on the deferral premium.

	2001 HK$M	2000 HK$M
(C) Rate reduction reserve:		
Balance at beginning of year	**371**	253
Transfer from profit and loss account	**305**	280
One-off rebate	**(99)**	—
Rebates to customers	**(166)**	(162)
Balance at end of year	**411**	371

A rebate of HK¢0.6 per unit was made to customers from 1 March 1999.

11. EARNINGS

Of the consolidated earnings of HK$7,257 million (2000: HK$5,768 million), HK$7,352 million (2000: HK$5,614 million) has been dealt with in the accounts of the Company.

12. OTHER NON-SCHEME OF CONTROL OPERATING EARNINGS

	2001 HK$M	2000 HK$M
Income from power projects outside Hong Kong	**576**	553
Export sales	**44**	34
Property income	**64**	10
Public lighting and engineering services	**16**	11
Development of other businesses	**(239)**	(104)
Corporate finance costs	**(17)**	—
Unallocated Group expenses	**(105)**	(78)
	339	426

13. DIVIDENDS

	2001		2000	
	HK$ per share	HK$M	HK$ per share	HK$M
Interim dividends paid	**1.05**	**2,605**	1.000	2,497
Special interim dividend paid	**—**	**—**	0.225	562
	1.05	**2,605**	1.225	3,059
Final dividend	**0.44**	**1,059**	0.417	1,040
Special final dividend (2000: special centenary dividend)	**0.61**	**1,469**	0.225	562
	2.10	**5,133**	1.867	4,661

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

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 December 1999 and 2000 were HK$1,561 million and HK$1,602 million respectively. Under the revised accounting policy as described in Note 1(O), these have been written back against opening reserves as at 1 January 2000 and 2001 in the Statement of Changes in Equity and are now charged in the period in which they were proposed.

At the Board meeting held on 25 February 2002 the directors recommended a final dividend of HK$0.44 per share and a special final dividend of HK$0.61 per share. The proposed dividends are not reflected as dividends payable in these accounts, but as a separate component of the shareholders' funds for the year ended 31 December 2001.

14. EARNINGS PER SHARE

The prescribed figure for earnings per share which includes the Hok Un redevelopment profit (Note 5) and impairment losses on investments in 2000 (Notes 18 and 19) is computed as follows:

	2001	2000
Earnings for the year (HK$M)	**7,257**	5,768
Weighted average number of shares in issue (million shares)	**2,486.583**	2,497.472
Earnings per share (HK$)	**2.92**	2.31

To enable investors to understand better the Group's results, an additional earnings per share figure, excluding the Hok Un redevelopment profit and impairment losses on investments, is provided below:

	2001 HK$M	2000 HK$M
Earnings for the year	**7,257**	5,768
Less: Hok Un redevelopment profit	**(1,468)**	(1,132)
Add: Impairment loss on investment securities	**—**	130
Impairment loss on investment in associated company	**—**	900
Earnings excluding Hok Un redevelopment profit and impairment losses on investments	**5,789**	5,666
Earnings per share excluding Hok Un redevelopment profit and impairment losses on investments (HK$)	**2.33**	2.27

The earnings per share for 2000 have been adjusted for the capitalisation issue on 23 April 2001 as referred to in Note 23(A).

15. FIXED ASSETS (GROUP)

	Land HK$M	Buildings HK$M	Plant, Machinery And Equipment HK$M	Total HK$M
Cost				
At 1 January 2001	1,867	4,575	37,081	43,523
Additions	250	457	3,946	4,653
Transfers and disposals	(32)	(32)	(399)	(463)
At 31 December 2001	2,085	5,000	40,628	47,713
Accumulated depreciation				
At 1 January 2001	—	1,156	11,675	12,831
Charge for the year	—	124	1,500	1,624
Transfers and disposals	—	(9)	(310)	(319)
At 31 December 2001	—	1,271	12,865	14,136
Net book value				
At 31 December 2001	**2,085**	**3,729**	**27,763**	**33,577**
At 31 December 2000	1,867	3,419	25,406	30,692

Included in fixed assets are equipment awaiting installation and plant under construction, the book values of which at 31 December 2001 were HK$372 million and HK$5,233 million respectively (2000: HK$381 million and HK$3,611 million respectively) for the Group.

The tenure of the land of the Group is as follows:

	2001 HK$M	2000 HK$M
Held in Hong Kong:		
On long-term leases (over 50 years)	**128**	45
On medium-term leases (10–50 years)	**1,955**	1,817
On short-term leases (less than 10 years)	**2**	5
	2,085	1,867

16. INVESTMENTS IN SUBSIDIARY COMPANIES

	2001 HK$M	2000 HK$M
Unlisted shares, at cost	**24,153**	24,153
Provisions for impairment losses	**(100)**	—
Advances to subsidiary companies, less provisions	**7,028**	5,559
Advances from subsidiary companies	**(40)**	(482)
	31,041	29,230

The advances to/from subsidiary companies are unsecured, interest free and have no fixed repayment terms except one advance from CLP Properties Limited of HK$23 million (2000: nil), which is repayable on demand and bears interest of 1.75% per annum.

The table below lists the principal subsidiary companies of the Group.

Name	Issued Share Capital	Percentage of Issued Capital Directly Held in 2001 and 2000	Place of Incorporation/ Operation	Principal Activity
CLP Power Hong Kong Limited	2,488,320,000 shares of HK$5 each	100	Hong Kong	Generation and Supply of Electricity
Hong Kong Nuclear Investment Company Limited	300,000 shares of HK$1,000 each	100	Hong Kong/ Chinese mainland	Power Project Investment Holding
CLP Engineering Limited	260 shares of HK$10,000 each	100	Hong Kong	Engineering Services
CLP Power China Limited	192,000,000 shares of US$1 each	100	British Virgin Islands/ Chinese mainland	Power Projects Investment Holding
CLP Power International Limited	192,000 shares of US$1,000 each	100	British Virgin Islands/ International	Power Projects Investment Holding
CLP Properties Limited	15,000,000 shares of HK$10 each	100	Hong Kong	Property Investment Holding
CLP Telecommunications Limited	10,000,000 shares of HK$10 each	100	Hong Kong	Telecommunications Business
CLP Enterprises Limited	1 share of US$1	100	British Virgin Islands/Hong Kong and China	Energy-related Investment Holding
CLP Research Institute Limited	1 share of US$1	100	British Virgin Islands/Hong Kong	Research and Development

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The table below lists the share of net assets of the jointly controlled entities of the Group.

	2001 HK$M	2000 HK$M
Castle Peak Power Company Limited (A)		
Share of net assets	**186**	158
Advances	**4,268**	3,977
Special loan	**78**	78
	4,532	4,213
Guangdong Nuclear Power Joint Venture Company, Limited (B)		
Share of net assets	**3,095**	2,730
CLP Powergen joint venture-Yallourn Power Station, Australia (C)		
Share of net assets	**1,789**	—
Advances	**40**	—
	1,829	—
Hok Un joint venture (D)		
Share of net assets	**1,872**	1,671
Advances	**60**	491
	1,932	2,162
Shandong Zhonghua Power Company Limited (E)		
Share of net assets	**1,390**	1,410
Ho-Ping Power Company Limited (F)		
Share of net assets other than goodwill	**759**	667
Unamortised goodwill on acquisition	**249**	261
	1,008	928
CLP Guohua Power Company Limited (G)		
Share of net assets other than goodwill	**792**	—
Unamortised goodwill on acquisition	**129**	—
	921	—
Hong Kong Pumped Storage Development Company, Limited (H)		
Share of net assets	**11**	12
Advances	**290**	285
	301	297
Others (I)		
Share of net assets other than goodwill	**456**	339
Unamortised goodwill on acquisition	**77**	—
Advances	**245**	76
	778	415
	15,786	12,155

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

The purchased goodwill of jointly controlled entities is being amortised on the straight-line basis over its estimated useful economic life. Movement of goodwill is shown as below:

	2001 HK$M	2000 HK$M
Gross Amount	**261**	—
Accumulated amortisation	**—**	—
Balance at beginning of year	**261**	—
Addition for the year	**214**	262
Amortisation for the year	**(8)**	—
Exchange differences	**(12)**	(1)
Gross Amount	**463**	261
Accumulated amortisation	**(8)**	—
Balance at end of year	**455**	261

(A) Castle Peak Power Company Limited (CAPCO) is 40% owned by CLP Power and 60% owned by ExxonMobil Energy Limited and is incorporated in Hong Kong. Its principal activity is the generation of electricity for supply to CLP Power. While CAPCO owns the power generation assets, CLP Power builds and operates all CAPCO's power stations and is the sole offtaker.

Under the terms of the revised CAPCO Deed of Subordination, in the event of the winding up of CAPCO, CLP Power's advances to it would be subordinated to certain loans of CAPCO. CLP Power's advances to CAPCO may be withdrawn only to the extent that the shareholders' funds exceed two-thirds of the aggregate principal amount outstanding of the said loans. In this context the shareholders' funds represent the sum of the issued share capital, shareholders' advances, special advances, deferred taxation, retained profit and any proposed dividend.

The Special Loan to CAPCO is non-interest bearing and repayable in full on 30 September 2008.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

In view of the significance of this investment, an extract of the accounts of CAPCO for the year ended 31 December 2001 is set out as follows:

	2001 HK$M	2000 HK$M
Results for the year		
Turnover	**9,864**	9,773
Profit before taxation	**3,716**	3,572
Group's share of profit before taxation for the year	**1,491**	1,434
Net assets as at year end		
Fixed assets	**27,433**	28,351
Current assets	**1,333**	1,348
Current liabilities	**(4,253)**	(3,771)
Deferred taxation	**(2,731)**	(2,786)
Long term liabilities (other than amounts due to the Group)	**(10,591)**	(12,737)
	11,191	10,405

(B) Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) is 25% owned by the Group and 75% owned by Guangdong Nuclear Investment Company, Limited and is incorporated in the Chinese mainland. This company constructed and operates the Guangdong Nuclear Power Station at Daya Bay and its principal activity is the generation of electricity for supply to Hong Kong and the Guangdong Province.

In view of the significance of this investment, an extract of the management accounts of GNPJVC, after making adjustment to conform with the Group's significant accounting policies, for the year ended 31 December 2001 is set out as follows:

	2001 HK$M	2000 HK$M
Results for the year		
Turnover	**7,111**	6,572
Profit before taxation	**3,056**	2,407
Group's share of profit before taxation for the year	**764**	602
Net assets as at year end		
Fixed assets	**19,302**	21,073
Current assets	**3,389**	3,618
Current liabilities	**(2,690)**	(2,522)
Long term liabilities (other than amounts due to the Group)	**(7,623)**	(11,249)
	12,378	10,920

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

(C) The Group owns an 80% interest in two joint venture companies, CLP Powergen Sdn Bhd and CLP Powergen Funding Ltd, incorporated in Malaysia and British Virgin Islands respectively. In February 2001, these joint venture companies completed the acquisition of a 92% interest in Yallourn Energy Pty Limited, which owns a 1,450MW coal fired plant and dedicated coal mine in Victoria, Australia. The total cost of acquisition of the Group's effective equity interest of 73.6% in Yallourn Energy Pty Limited was HK$2,194 million, including consideration of HK$2,163 million. Under the joint venture agreement, none of the joint venture partners has unilateral control over the economic activity of the jointly venture companies. Hence, the Group's interests are accounted for as jointly controlled entities.

In view of the significance of this investment, an extract of the management accounts of the joint venture companies, after making adjustment to conform with the Group's significant accounting policies, for the period since acquisition to 31 December 2001 is set out as follows:

	2001 HK$M	2000 HK$M
Results for the period from acquisition to 31 December 2001		
Turnover	**715**	—
Loss before taxation	**(347)**	—
Group's share of loss before taxation for the year	**(256)**	—
Net assets as at year end		
Non-current assets	**8,183**	—
Current assets	**466**	—
Current liabilities	**(628)**	—
Long term liabilities (other than amounts due to the Group)	**(5,589)**	—
	2,432	—

(D) The Group entered into a joint venture agreement with a wholly-owned subsidiary of Cheung Kong (Holdings) Limited in 1991 to develop the Hok Un site at Hung Hom (named Laguna Verde). Under the agreement, the Group has the right to share 50% of profits arising from the project, with a minimum overall profit guaranteed by the subsidiary of Cheung Kong (Holdings) Limited which also provides all the necessary funding.

In 1999, the joint venture acquired additional Plot Ratio from the Government. Under a separate agreement with the subsidiary of Cheung Kong (Holdings) Limited, the Group shares 50% of the net proceeds of sale from this additional gross floor area and bears 50% of associated land premium, development and marketing costs.

(E) Shandong Zhonghua Power Company Limited is 29.4% owned by the Group and is incorporated in the Chinese mainland. This company owns four power stations totalling 3,000MW. Two of the power stations, Shiheng I and Shiheng II are in operation and the other two power stations, Heze II and Liaocheng are under construction. All power generated is for supply to the Shandong Grid.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

(F) Ho-Ping Power Company Limited is 40% owned by the Group and 60% owned by Taiwan Cement Corporation and is incorporated in Taiwan. This company has constructed, owns and will operate a 1,320MW coal-fired power station and an associated 53 km of 345kV transmission line at Ho Ping in eastern Taiwan. All power generated will be supplied to Taiwan Power Company, the government-owned electric utility of Taiwan.

(G) CLP Guohua Power Company Limited, the joint stock company owned 51% by Beijing Guohua Electric Power Corporation and 49% by the Group, is incorporated in the Chinese mainland. The cost of acquisition of the Group's 49% interest was HK$839 million, including consideration of HK$834 million. 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.

(H) Hong Kong Pumped Storage Development Company, Limited is 49% owned by CLP Power and is incorporated in Hong Kong. This company has the right to use 50% of the capacity of the Guangzhou Pumped Storage Power Station in Guangdong Province until 2034.

(I) The Group's other investments include:

- 41.5% interest in a number of hydro power projects in Huaiji County of Guangdong Province;
- 50% interest in a joint venture undertaken with a subsidiary of Cheung Kong (Holdings) Limited in Hong Kong to provide second mortgage financing to purchasers of Laguna Verde;
- 49% in CLP Guohua Shenmu, which is incorporated in the Chinese mainland and holds an interest in a coal-fired power station — Shenmu Power Station with an installed capacity of 200MW;
- 27.3% interest in Precision Marketing Inc., which provides customer database management services in Hong Kong, Taiwan and the Chinese mainland; and
- 80% interest in CLP Powergen Southeast Asia Limited incorporated in Hong Kong, which acquired a 50% interest in BLCP Power Ltd in Thailand. BLCP entered into a 25-year Power Purchase Agreement with Electricity Generating Authority of Thailand Ltd in 1997 to build, own and operate a 1,434MW coal-fired power station in Thailand. This project is under development and construction has not yet commenced.

The advances to jointly controlled entities are unsecured and have no fixed repayment terms whilst the terms of repayment of an advance to CLP Powergen joint venture are effectively subject to the associated terms under the senior debt documents and the subordinated notes documents of Yallourn as a borrower. The advances to jointly controlled entities are interest free except for an advance of HK$245 million to a joint venture undertaken with a subsidiary of Cheung Kong (Holdings) Limited which bears interest at Hong Kong prime rate, and the advance of HK$40 million to CLP Powergen joint venture which bears interest at a fixed margin over the Australian Bank Bill Swap Rates.

18. INVESTMENT IN ASSOCIATED COMPANY

	2001 HK$M	2000 HK$M
Electricity Generating Public Company Limited (EGCO)		
Share of net assets other than goodwill	**1,055**	990
Unamortised goodwill on acquisition	**175**	1,083
Impairment loss on goodwill	**—**	(900)
	1,230	1,173
Market value at 31 December	**766**	767

EGCO is 22.44% (2000: 20.81%) owned by the Group and is incorporated and listed in Thailand. Its principal activity is the generation of electricity for supply to the Electricity Generating Authority of Thailand (EGAT).

In 2000, the Group reviewed the carrying value of EGCO. The review focused on the investment fundamentals and took into consideration a change in government policy on the privatisation of the assets of EGAT as well as slower growth of electricity demand in Thailand. In reflecting the fair value of the investment, the Group wrote off HK$900 million of the unamortised goodwill of EGCO as an impairment loss.

The purchased goodwill of EGCO is being amortised on the straight-line basis over its remaining useful life of 16 years, being the unexpired term of the power purchase agreements with EGAT. Movement of goodwill is shown as below:

	2001 HK$M	2000 HK$M
Gross Amount	**1,205**	1,234
Accumulated amortisation	**(1,022)**	(114)
Balance at beginning of year	**183**	1,120
Addition for the year	**9**	(6)
Amortisation for the year	**(15)**	(8)
Impairment loss on goodwill	**—**	(900)
Exchange differences	**(2)**	(23)
Gross Amount	**1,212**	1,205
Accumulated amortisation	**(1,037)**	(1,022)
Balance at end of year	**175**	183

19. INVESTMENT SECURITIES

	2001 HK$M	2000 HK$M
Equity securities listed outside Hong Kong		
at cost, less impairment loss	**643**	773
impairment loss for the year	**—**	(130)
balance at end of the year (A)	**643**	643
Unlisted shares (B)	**4**	—
Held-to-maturity securities (C)	**79**	—
Fixed-income securities	**5**	—
	731	643

(A) The Group acquired 114.4 million shares (representing 5% shareholding) of YTL Power International Berhad (YTL Power), a listed company in Malaysia, at a price of Malaysian Ringgits (RM) 3.29 per share in November 1999 as a long-term investment. During the year, YTL Power made a bonus issue on the basis of 1 share for every 50 shares held. The Group received a total of 2,288,665 shares. The market value as at 31 December 2001 was HK$587 million (2000: HK$660 million).

(B) The Group acquired 6.4% shareholding in StorageBank Inc., an unlisted company in Taiwan that provides storage system, backup and disaster recovery of computer systems.

(C) During the year, the Group acquired A$20 million of floating rates notes issued by Mezzco Pty Ltd. Mezzco Pty Ltd. is a wholly owned subsidiary of AusPower Holdings Pty Ltd, which is the immediate holding company of Yallourn Energy Pty Ltd. The Group has an effective equity interest of 73.6% in Yallourn Energy Pty Ltd.

20. FUEL CLAUSE ACCOUNT

Costs of fuel consumed by CLP Power are passed on to the customers. The variations between the actual cost of fuel and the fuel cost billed are captured in the Fuel Clause Account. The balance on the account (inclusive of interest) represents amounts over-recovered and is an amount due to customers of CLP Power.

21. TRADE AND OTHER RECEIVABLES

	2001 HK$M	2000 HK$M
Group		
Trade receivables (ageing analysis is shown below)	**966**	1,029
Deposits and prepayments	**573**	526
Current accounts with jointly controlled entities	**42**	16
	1,581	1,571
Company		
Debtors, deposits and prepayments	**4**	6
Current accounts with subsidiaries	**9**	—
	13	6

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 at 31 December is as follows:

	2001 HK$M	2000 HK$M
Below 30 days	**937**	932
31–60 days	**16**	44
61–90 days	**5**	24
Over 90 days	**8**	29
	966	1,029

The bad debts written-off during the year were HK$6 million (2000: HK$7 million).

22. TRADE AND OTHER PAYABLES

	2001 HK$M	2000 HK$M
Group		
Trade payables (ageing analysis is shown below)	**1,344**	1,382
Other payables	**426**	232
Current accounts with jointly controlled entities	**908**	855
	2,678	2,469
Company		
Creditors	**36**	32
Current accounts with subsidiaries	**—**	8
	36	40

22. TRADE AND OTHER PAYABLES (continued)

The ageing analysis of the trade payables at 31 December is as follows:

	2001 HK$M	2000 HK$M
Below 30 days	**1,318**	1,360
31–60 days	**10**	6
61–90 days	**—**	2
Over 90 days	**16**	14
	1,344	1,382

23. SHARE CAPITAL

	Number of Shares of HK$5 Each	**Amount HK$M**
Authorised:		
At 31 December 2000 and 2001	3,000,000,000	**15,000**
Issued and fully-paid:		
At 31 December 2000	2,081,227,000	**10,406**
One-for-five bonus issue (A)	416,245,400	**2,081**
Shares repurchased during the year (B)	(75,986,000)	**(380)**
At 31 December 2001	2,421,486,400	**12,107**

(A) 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.

(B) During the year, the Company repurchased a total of 75,986,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled, as follows:

Month/Year	**Number of Shares Repurchased**	**Purchase Price Per Share**		**Aggregate Purchase Price**
		Highest HK$	**Lowest HK$**	**HK$M**
September 2001	10,292,500	30.00	29.70	309
October 2001	16,528,500	30.00	29.65	495
November 2001	23,544,500	30.00	29.45	704
December 2001	25,620,500	30.00	29.45	765
	75,986,000			2,273
		Total expenses on shares repurchased		9
				2,282

24. BANK OVERDRAFTS, BANK LOANS AND OTHER BORROWINGS

	Group		Company	
	2001 **HK$M**	2000 HK$M	**2001** **HK$M**	2000 HK$M
Total facilities available				
Bank overdrafts	**497**	507	**–**	–
Bank loans	**8,300**	3,657	**4,699**	800
US Dollar Notes due 2006 (US$300 million)	**2,340**	2,340	**–**	–
US Commercial Paper (US$500 million)	**3,899**	3,900	**–**	–
	15,036	10,404	**4,699**	800
Utilised at 31 December				
Bank overdrafts	**–**	–	**–**	–
Bank loans	**3,227**	238	**960**	–
US Dollar Notes due 2006	**2,340**	2,340	**–**	–
	5,567	2,578	**960**	–
Bank overdrafts	**–**	–	**–**	–
Short-term loans	**1,343**	–	**960**	–
Current portion of long-term loans and borrowings	**156**	77	**–**	–
	1,499	77	**960**	–
Long-term loans and borrowings, repayable				
within one year	**156**	77	**–**	–
between one and two years	**3**	155	**–**	–
between two and five years	**4,065**	6	**–**	–
after five years	**–**	2,340	**–**	–
	4,224	2,578	**–**	–
Less current portion of long-term loans and borrowings	**(156)**	(77)	**–**	–
	4,068	2,501	**–**	–
	5,567	2,578	**960**	–

The total borrowings of HK$5,567 million at 31 December 2001 (2000: HK$2,578 million) comprised:

(i) fixed rate bank loans of HK$17 million (2000: HK$52 million) with interest rates or effective interest rates after swaps ranging from 5.40% to 7.77% (2000: 5.42% to 7.77%) per annum;

(ii) US Dollar Notes of HK$2,340 million (2000: HK$2,340 million) with a coupon rate of 7.5% (2000: 7.5%) per annum, which were fully swapped into Hong Kong Dollars, at an average fixed rate of 7% per annum; and

(iii) variable rate bank loans of HK$3,210 million (2000: HK$186 million).

A bank loan of HK$145 million (2000: HK$145 million) for the financing of an equity injection in the Huaiji joint venture is secured by the Group's interest in a subsidiary which holds the interest in the joint venture.

25. DEFERRED TAXATION

	Group	
	2001	2000
	HK$M	HK$M
Balance at beginning of year	**3,110**	2,920
Charge for the year	**281**	190
Balance at end of year	**3,391**	3,110

Deferred taxation arose from timing differences attributable to accelerated depreciation allowances, which are unlikely to reverse in the foreseeable future.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash generated from operations

	2001	2000
	HK$M	HK$M
Profit before taxation	**9,952**	8,775
Adjustments for:		
Operating interests	**180**	184
Finance income	**(29)**	(110)
Hok Un redevelopment profit	**(1,752)**	(1,357)
Share of profits less losses of other jointly controlled entities	**(2,339)**	(2,216)
Impairment loss on investment in associated company	**–**	900
Share of profit of associated company	**(71)**	(5)
Impairment loss on investment securities	**–**	130
Provision for development costs	**–**	18
Depreciation	**1,624**	1,474
Loss on disposal of fixed assets	**107**	100
Capital gain arising from disposal of properties	**(52)**	(7)
Operating profit before working capital changes:	**7,620**	7,886
Increase in customers' deposits	**271**	133
Decrease in fuel clause account	**473**	310
Increase in debtors and prepayments	**(408)**	(394)
Increase in creditors	**114**	220
Increase in current accounts due to jointly controlled entities	**27**	15
Rebates to customers under Scheme of Control	**(166)**	(162)
Special rebate	**(607)**	(593)
Cash generated from operations	**7,324**	7,415

27. COMMITMENTS

(A) Capital expenditure authorised but not brought into the accounts is as follows:

	Group		Company	
	2001 HK$M	2000 HK$M	**2001 HK$M**	2000 HK$M
Contracted but not provided for	**2,746**	1,653	**2**	—
Authorised but not contracted for	**8,573**	9,179	**1**	2
	11,319	10,832	**3**	2

(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$967 million) (2000: NT$4 billion). The amount already paid at the end of December 2001 was NT$3.4 billion (approximately HK$830 million) (2000: NT$2.8 billion). The remainder of the share capital will be paid by instalments before commercial operation.

28. CONTINGENT LIABILITIES

(A) 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 II and Liaocheng Power Stations totalling 3,000MW in the Shandong Province of China. As part of the security package for the project, the Company has provided a Letter of Support to the 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 2001 to be assumed by the Company, in respect of the performance by CEIC of its contractual obligations, are estimated to be as follows:

	2001 HK$M	2000 HK$M
Sponsor support for completion	**702**	702
Liability under engineering, procurement and construction contracts for Heze II and Liaocheng Power Stations	**2,472**	2,473
Dividend escrow	**436**	265
	3,610	3,440

28. CONTINGENT LIABILITIES (continued)

(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 immediate holding company of Yallourn Energy, agreed to provide the lenders with contingent equity support on a pro rata basis 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 certain minimum requirements regarding the availability of cash flows for debt service within 5 years from 27 February 2001. As at 31 December 2001, CLP Group's 73.6% share of the contingent equity support is approximately A$158 million.

The Directors are of the opinion that no provision is required to be made in the financial statements in respect of the matters described in (A) and (B) above.

29. 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 2001 are described below.

	2001 HK$M	2000 HK$M
Purchases of electricity from CAPCO (A)	**9,815**	9,735
Purchases of nuclear electricity (B)	**5,013**	4,587
Pumped storage service fee (C)	**424**	457

(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. 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.

30. 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 2001. This information has been extracted from the relevant audited accounts or management accounts of all affiliated companies.

	2001 HK$M	2000 HK$M
The Group's share of total indebtedness of affiliated companies analysed as follows:		
Bank borrowings	**17,697**	12,027
Other borrowings including loans from shareholders	**3,050**	1,990
	20,747	14,017
The Group's share of contingent liabilities of affiliated companies	**255**	128
The Group's share of capital commitments of affiliated companies		
Contracted but not provided for	**2,454**	3,650
Authorised but not contracted for	**1,792**	2,128
	4,246	5,778

31. POST BALANCE SHEET EVENT

Joint Venture with Powergen

The Group entered into a joint venture with Powergen UK plc (Powergen) in December 2000 to acquire Powergen's Asia-Pacific portfolio of electricity generating assets, which included a combined cycle 655MW power station in India owned by Gujarat Powergen Energy Corporation Limited (GPEC). The Group would acquire, through joint venture companies, an 80% share of Powergen's interest in GPEC.

The acquisition of Powergen's 88% equity interest in GPEC by a joint venture company was completed on 20 February 2002. Pursuant to a sale and purchase agreement signed on 21 December 2001, the joint venture company will acquire the remaining 12% equity interest in GPEC from Powergen, if various conditions are met. The Group expects that acquisition to be completed during 2002. The total cost of acquisition of the Group's effective equity interest of 80% in GPEC is approximately HK$2,610 million, including consideration of HK$2,582 million.