



## Chairman's Statement

I am pleased to present our Interim Report for the half year ended 30 June 2003 and to record a satisfactory performance by the CLP Group over that period.

### **Financial Results for the Six-month Period**

During the first half of 2003, CLP completed the acquisition of Powergen's remaining interests in Yallourn Energy Pty Limited, Australia (Yallourn Energy) and Gujarat Paguthan Energy Corporation Private Limited, India (GPEC), which had previously been held through an 80:20 joint venture between CLP and Powergen. CLP now holds 92% and 100% of Yallourn Energy and GPEC respectively. As a result, these two major businesses are, for the first time, consolidated in CLP Holdings' Report and Accounts.

The operating earnings of CLP Holdings for the six months ended 30 June 2003 increased by 11.1% to HK\$3,663 million as compared with earnings for the corresponding period in 2002. Satisfactory growth was achieved from both the Scheme of Control and the non-Scheme of Control businesses. Total earnings, which include Hok Un redevelopment profit for this interim period, were HK\$3,714 million (HK\$1.54 per share), an increase of 8.2%, compared to HK\$3,431 million (HK\$1.42 per share) in 2002.

Earnings from the Scheme of Control electricity business in Hong Kong increased by 7.6% to HK\$3,045 million. CLP Power's capital expenditure on the transmission and distribution networks and other facilities totalled HK\$2,295 million (2002: HK\$1,857 million), whilst capital expenditure by associated Hong Kong generating companies was HK\$606 million (2002: HK\$288 million).

Operating earnings from non-Scheme of Control activities grew from HK\$568 million to HK\$710 million, an increase of 25% compared to the same period in 2002. This was mainly due to strong earnings contribution from power projects in the Chinese mainland and incorporation of a full six months profits from Ho-Ping Power Station in Taiwan which was commissioned in 2002.

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Directors today declared the second interim dividend of HK\$0.41 per share (2002: HK\$0.38 per share) which will be payable on 15 September 2003 to shareholders registered as at 1 September 2003. The Register of Shareholders will be closed on 2 September 2003.

### **Business Performance**

Our major businesses in Hong Kong, the Chinese mainland and the Asia-Pacific region (outside the Mainland) performed satisfactorily during the first six months of 2003. The Scheme of Control electricity business in Hong Kong remained the main source of revenue, contributing 81% of our operating earnings (2002: 83%), while the non-Scheme of Control businesses generated 19% (2002: 17%).

Sales of electricity in Hong Kong in the first half of 2003 decreased slightly by 0.1% compared with the same period last year. Despite the 3.9% growth in the first quarter, our electricity sales were adversely affected by the cooler weather and the outbreak of severe acute respiratory syndrome (SARS) during the second quarter. However, local sales are now improving. On 15 July 2003, our local and system demand reached historical peaks of 5,874MW and 7,646MW respectively.

Earnings from our electricity business in the Chinese mainland recorded strong growth. This is mainly attributable to the earnings from our joint venture power projects in Shandong, Beijing, Tianjin and Hebei.

Profit from our electricity business in the Asia-Pacific region was slightly lower than the same period last year, due to additional provision being made for higher tax requirement and on certain receivables, and development costs incurred for various projects.

Whilst more volatile than the Hong Kong Scheme of Control business, our activities in the Chinese mainland and the Asia-Pacific region are reaching the position to contribute meaningful income to the Group. This indicates that useful progress has been made in diversifying our business beyond the Hong Kong electricity business. We will continue to explore opportunities for greenfield

developments and for acquisitions that increase shareholder value and take forward our development strategy in target markets.

The operational/financial performances and outlook for our businesses are reviewed in the "Management's Discussion and Analysis" section of this Interim Report.

### **Challenges after the SARS Outbreak**

The SARS outbreak has been a major challenge for Hong Kong and, indeed, in other places where CLP carries on business, notably the Chinese mainland and Taiwan. The situation has improved, recovery is taking place, and we do not believe that the longer-term effects on our business will be material.

In Hong Kong, where the majority of our business is based, the dramatic decline in the activities of some industries, especially the tourism and restaurant sectors, has had a negative effect on the economy. As a result, we have joined forces with the business community to help stimulate the economic recovery of Hong Kong. This was done, most notably, through a special, one-off rebate package, amounting to HK\$460 million in total, to all our customers in Hong Kong that we announced in May 2003. We have also supported and participated in a number of activities which aimed to draw the Hong Kong community together in the fight against SARS.

I would like to take this opportunity to thank all our employees for their continued dedication and application, during the SARS outbreak, in maintaining electricity supply to all our customers, both in Hong Kong and elsewhere in the region, and in ensuring that the Group's affairs continued to be conducted effectively and without disruption.



**The Hon. Michael D. Kadoorie**

Hong Kong, 4 August 2003