Management is committed to an open dialogue with all shareholders and capital providers to improve understanding of the Group's strategy and prospects. In this year's Annual Report, leading investment analysts put their questions to Andrew Brandler, Chief Executive Officer.

Anthony Wilkinson
Head of Emerging Market Power Research
CLSA Limited

Stephen Oldfield
Executive Director Asia-Pacific Investment Research
Goldman Sachs (Asia) L.L.C.

Melissa Brown
Managing Director Deputy Head of Regional Research
Salomon Smith Barney Hong Kong Limited

Angello Chan
Utilities & Energy Senior Vice President Equity Research
Lehman Brothers Asia Limited

Anthony Wilkinson of CLSA:
Would CLP countenance an early termination before the expiry in 2008 of the current Scheme of Control in exchange for a major say in the future regulatory structure?

AB: The Scheme of Control ("SOC") is a legally binding contract signed by CLP Power, CAPCO, ExxonMobil and the Hong Kong Government. Any changes to the SOC would require the consent of all parties involved.

The SOC strikes a balance between the interests of customers and the shareholders of the Group. It allows shareholders to earn a relatively stable, but capped, return on their investment. Concurrently, the SOC provides incentive for shareholders to invest in the business such that consumers will have sufficient supply of electricity. The system has served the community well for the past 35 years. The current SOC was renewed in 1993 and will expire in 2008.

Against this background we continue to study the various regulatory frameworks around the world to understand their drivers, mechanisms and performance. Not surprisingly, they, like the SOC, have their pros and cons. It is evident that there is no single optimal regulatory structure for the electricity industry worldwide. Regulatory structures must be adapted for the needs and characteristics of the particular environment in which they will be applied. In this regard, Hong Kong has a unique position as a modern metropolitan "city state" with scarce land and no natural resources, bounded by the rapidly developing but energy deficient provinces of southern China. The objectives of regulation of the Hong Kong electricity industry post-2008 must be the same as those of the current SOC, namely a mechanism that safeguards the interests of both customers and investors, such that customers can have a safe and reliable supply of electricity at the lowest reasonable cost, whilst at the same time, providing investors with a reasonable return.

The Hong Kong Government has indicated that it would like to take early action to devise an appropriate post-2008 regime for the regulation of the electricity supply sector. This is to ensure continued investment in the provision of an adequate and reliable electricity supply and that there must be a smooth transition should there be a new regime. Government's plan is to map out the broad directions before 2003. The Government has also recognised the need to work out the issues involved with the power companies. As a party to the existing SOC, the major electricity supplier in Hong Kong and the owner of the transmission and distribution network in our supply area, it is clear that CLP will have a major say in the future regulatory structure.

With regard to an early termination of the SOC, before its expiry in 2008, it should be borne in mind that changes can only be made on the basis of mutual agreement amongst the parties. We would only give such agreement if we judged changes to be fair and reasonable and maintaining the proper balance between the interests of our customers and investors. We are not contemplating any early termination of the SOC and, as far as we know, this is not on the Hong Kong Government's agenda at the present time.

The Hong Kong Government has described the consideration of the restructuring of the electricity industry as a mammoth and complex task, involving one of the most important economic sectors of Hong Kong. For our part, in parallel with our ongoing study of future regulatory issues, we are relentlessly pursuing the strategy of driving towards world best practice in our Hong Kong electricity business so as to deliver high quality service at the lowest reasonable cost. This approach will position us well for whatever market structure is adopted.

Our track record of cost efficiency and service enhancement speaks for itself. On the cost management side, the number of workers in the SOC business has decreased from 6,500 in 1993 to less than 3,600 today, tariffs have been held constant for three years and special one-off rebates have been given to customers. The reliability of supply is over 99.99% and average customer interruption time has been halved over the last four years. So whatever the future structure of the electricity industry in Hong Kong, we are confident that the Company will continue to prosper for the next 100 years and more.

Stephen Oldfield of Goldman Sachs:
CLP has established a subsidiary to expand into the telecom business. What competitive advantages do you believe CLP has that will enable the company to grow profitably in the competitive Hong Kong telecom market?

AB: CLP TeleCom was established in late 1999. At that time, the Hong Kong Government was opening up aspects of the telecommunications market to other competitors. We saw the opportunity and believed that there were certain competitive advantages that the Group had, and hence, the new subsidiary was formed to undertake, among other things, the ChinaLink project. This project is to connect Hong Kong and the Mainland with a new fibre optic cable route. The capacity will be leased to other telecom operators and large bandwidth buyers. In this way, CLP TeleCom plays the role of a carriers' carrier.

I am encouraged to note that CLP's move into the telecommunications sector is closely aligned with Government policy, as expressed in the most recent Policy Address of the Chief Executive, the Hon. Tung Chee-hwa, namely exploiting Hong Kong's potential as an intermediary between the Mainland and overseas by developing Hong Kong as an information hub, investment in Hong Kong's infrastructure for the knowledge-based economy and the creation of new employment opportunities. I believe that CLP is well-placed to participate in meeting Government's objectives.

The particular competitive advantages of CLP TeleCom include our ability to make use of existing infrastructure by wrapping a fibre optic cable around the earth leg of the overhead transmission lines into Guangdong. This will allow CLP TeleCom to deploy network more speedily, cost effectively, and in a more environmentally friendly way than by employing traditional methods of network building. This fibre optic cable route has already been installed and commissioned.

A second, intangible asset is CLP's existing reputation with Hong Kong consumers for service quality, reliability and customer focus. This presents a major marketing edge in terms of speed of customer acquisition and achieving loyal and profitable customers through comprehensive product bundles.

Melissa Brown of Salomon Smith Barney:
How can CLP capture synergies in its regional power investments?

AB: CLP is a power company and a leader in the development, financing, construction and operation of world-class power projects. Investments by CLP Power International and CLP Power China in the Asia-Pacific and Chinese mainland areas bring both the financial strength of the CLP Group and also its extensive power industry experience.

Synergies in a series of regional power investments emerge from this deep understanding of the power industry. An example would be the transfer of CLP's knowledge of power plant selection and contract negotiation from past to future projects, such that we achieve optimum levels of cost and performance, and the ability to apply a growing database of operational experience from one project to the next. Further examples would include the application between projects of CLP's financial management and corporate governance systems, our relationships with key industry participants such as manufacturers and suppliers, and the credibility with investors established over many years of involvement in the power business.

Moreover, we see it as particularly important to our status as an industry leader that we develop the careers and experience of our key staff through their participation in a range of projects within our portfolio.

The combination of factors such as these will put CLP at the leading edge in private sector development and provide the most competitive and reliable power production for our customers in all countries.

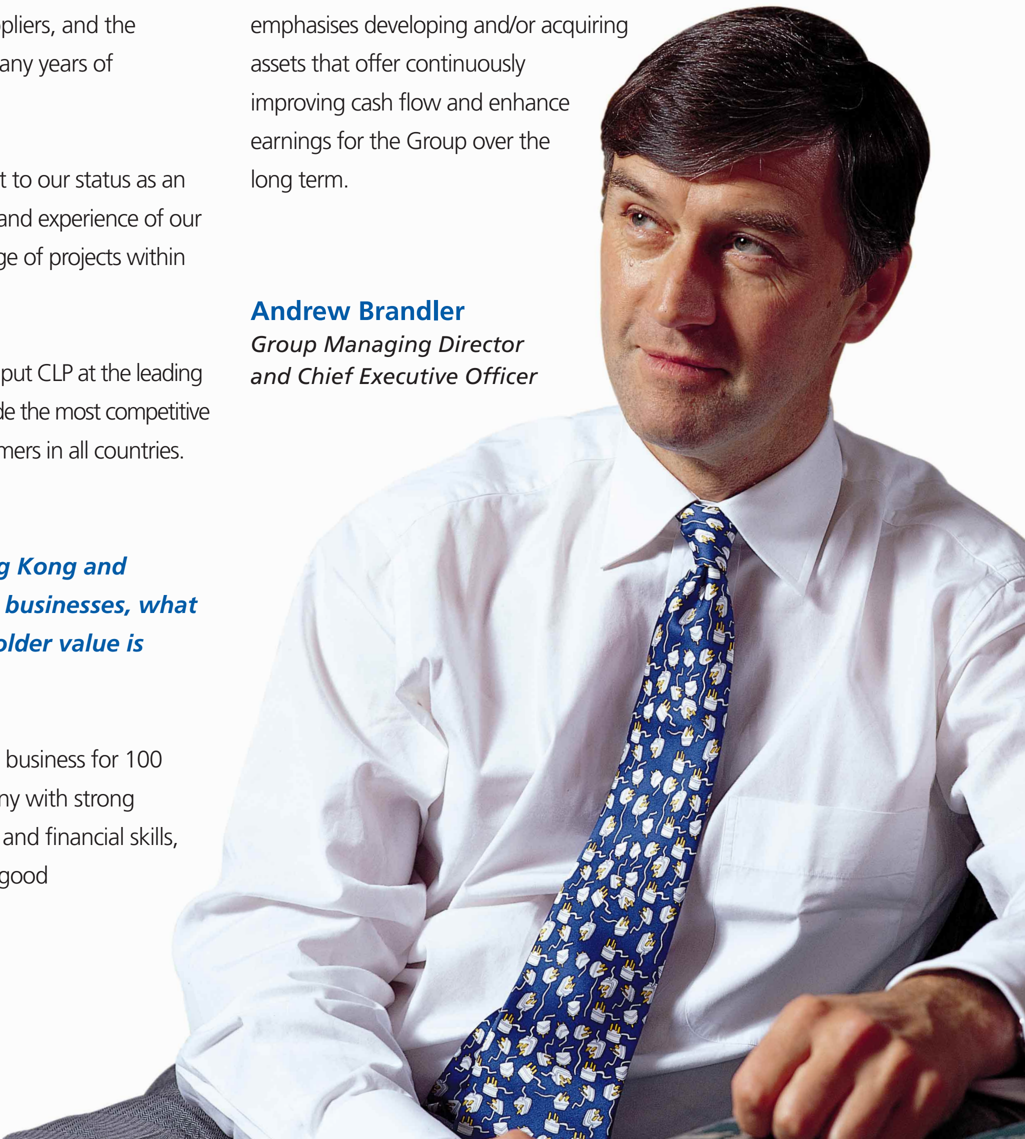
Angello Chan of Lehman Brothers:
As CLP expands further outside Hong Kong and becomes more diversified into other businesses, what steps is CLP taking to ensure shareholder value is protected and created?

AB: CLP has been in the electricity supply business for 100 years. We are a vertically integrated company with strong technical expertise, first-class management and financial skills, as well as a well-established reputation for good governance.

CLP adopts a very stringent approach towards evaluating the assets it acquires. First of all, the asset we buy must produce a return that is above the risk-adjusted cost of capital for the project. In addition to the rate of return, we also emphasise the fundamentals of the assets we buy or develop. We ask questions such as: Is this a good operating asset? Is it competitive enough? Is the macro environment it operates in a favourable environment or a hostile environment? Is there growth potential? Can the consumers pay the necessary tariffs such that the power station would produce the projected return? We believe the basic fundamentals of the asset are equally, if not more important than legal contracts.

When we invest abroad, we like to have control of, or significant influence over, the assets or companies we buy. This allows CLP's management skills and practices to be adopted. We typically like to send our own staff to key positions such as general management, operations, finance, and internal audit.

We also want to stress that the Group emphasises developing and/or acquiring assets that offer continuously improving cash flow and enhance earnings for the Group over the long term.



Andrew Brandler
Group Managing Director and Chief Executive Officer