consolidated in the Group's turnover according to accounting principles generally accepted in Hong Kong .

Operating Profits/(Losses) Before Taxation

SOC OPERATIONS

The operating profit of CLP Power amounted to HK$6,452 million, an increase of 9.6% compared to 1999. This was due to higher sales revenue coupled with the on-going management effort to reduce costs.

The operating expenses of CLP Power increased by 2.8% to HK$17,772 million.

	2000 HK$M	1999 HK$M	Increase/ (decrease) %
Operating costs	**2,636**	2,519	4.6
Fuel	**2,912**	2,859	1.9
Purchases of nuclear electricity	**4,587**	4,288	7.0
Non-recurring expenses			
– Compensation under employees' departure scheme	**99**	7	
– Special tax rebate to customers	**–**	91	
Depreciation	**2,803**	2,697	3.9
Operating interest	**1,163**	1,170	(0.6)
CAPCO's net return and China sales profit	**3,572**	3,650	(2.1)
	17,772	17,281	2.8

1999 – 12 months ended 31 December 1999

Operating Costs

The operating costs of SOC operations increased by 4.6% to HK$2,636 million in 2000. The increase was due to higher government rent and rates.

Fuel

For most of the past decade, coal has been the primary energy source for electricity distributed by CLP Power. Due to the commissioning of a total of six units of the natural gas-fired generating plant at Black Point Power Station, the energy sources for electricity distributed by CLP Power for the year ended 31 December 2000 were: natural gas (33%), coal (26.5%), oil (0.5%) and uranium (40%) (in the form of power purchased from Guangdong Nuclear Power Station ("GNPS")). The Black Point project introduced to Hong Kong environmentally friendly natural gas as a fuel for power generation. Natural gas power plants also bring economic benefits through their high thermal efficiency.

Fuel expense increased by 1.9% to HK$2,912 million in 2000. The average fuel cost for the year was about HK¢14.60 per unit generated, HK¢0.82 lower than in 1999.

Purchases of Nuclear Electricity

During the year, CLP Power purchased approximately 9,844 GWh (1999: 9,424 GWh) of its power from GNPS at Daya Bay under the offtake contract covering 70% of GNPS's output. CLP Power is allowed to treat all its payments for nuclear electricity from GNPS as part of its SOC operating expenses.

NON-SOC OPERATIONS

Interest income decreased from HK$587 million to HK$93 million due to the reduced cash reserves after the share repurchase from CITIC Pacific Limited in October 1999.

The increase in development expenditure reflected the Group's increased activities in the development of power projects outside Hong Kong and the start-up costs for telecommunications and multi-utility businesses. The results of our power project investments are shown in the Group's share of profits from the joint ventures.

In November 1999, the Group acquired a 5% interest in YTL Power International Berhad ("YTL Power"), a leading independent power producer ("IPP") company in Malaysia.

This investment forms part of an exclusive strategic partnership with YTL Group to assess and, where appropriate, bid for the approximately 6,200 MW of generating capacity planned for privatisation over the next several years by Tenaga Nasional Berhad, the Malaysian national power company. During the year, the Group reviewed the investment fundamentals of YTL Power by referring to the available fair value range determined by investment analysts and considered it appropriate to make a provision of HK$130 million.

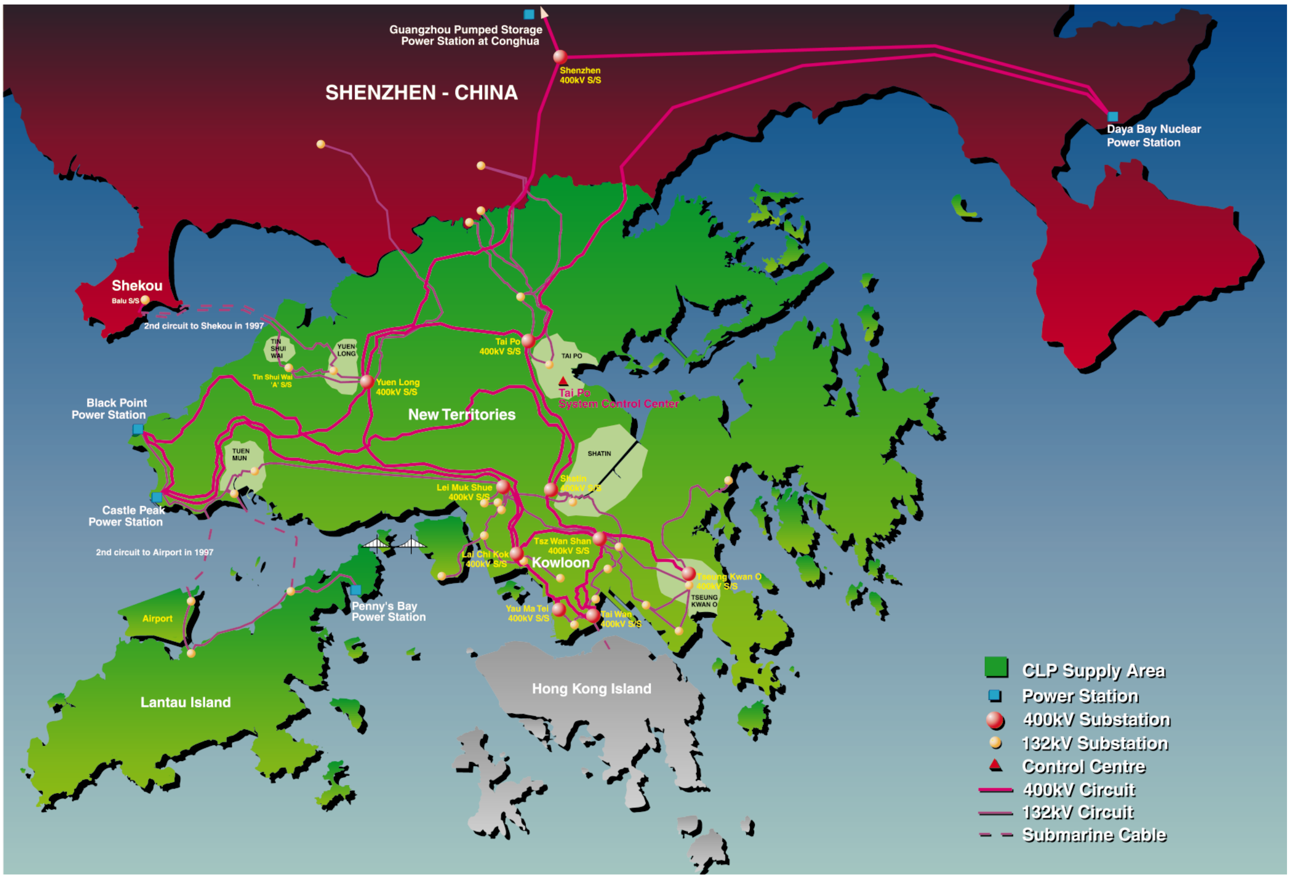
Share of Profits/(Losses) of Jointly Controlled Entities and Associated Company

POWER GENERATION IN HONG KONG

This represents the Group's 40% interest in CAPCO, which had a combined installed capacity of 6,283 MW as of 31 December 2000. CAPCO's power stations are built, operated and maintained by CLP Power.

CAPCO contributed a profit before taxation of HK$1,434 million in 2000, representing a decrease of 2.1% from last year due to the reduction in capital investment in Black Point Power Station and the impact of depreciation on fixed assets value. CAPCO's SOC net return is based on a percentage of its net fixed assets.

Due to the lower than forecast electricity demand in the late 1990s, agreement was reached with the Government in April 1997 to defer the installation and commissioning of units 7 and 8 of the Black Point Power Station from the previous schedule of years 2000 and 2001 respectively, by three years to five years. In December 1999, the Government, having regard to the latest demand forecast and other factors, agreed that units 7 and 8 are to be deferred by a total of five years. The commissioning dates for the units will be 2005 and 2006 respectively. 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 by CAPCO on the deferral premium.



POWER PROJECTS OUTSIDE HONG KONG

The contributions of the Group's investments before impairment in electricity businesses outside Hong Kong are as follows:

	Profits/(losses) before taxation		
	2000 HK$M	1999 HK$M	Increase/ (decrease) HK$M
Chinese mainland			
Guangdong Nuclear Power Joint Venture Co., Ltd.	**596**	535	61
Hong Kong Pumped Storage Development Co., Ltd.	**93**	97	(4)
Shandong Zhonghua Power Co. Ltd.	**97**	137	(40)
Huaiji hydro power project	**5**	6	(1)
Thailand			
Electricity Generating Public Co. Ltd.	**5**	(6)	11
Taiwan			
Ho-Ping Power Co. Ltd.	**(11)**	(1)	(10)
	785	768	17

1999 – 12 months ended 31 December 1999

Guangdong Nuclear Power Joint Venture Company, Limited ("GNPJVC")

GNPJVC is 75% owned by Guangdong Nuclear Investment Company, Limited and 25% owned by the Group, and was established in 1985 to construct and operate Guangdong Nuclear Power Station ("GNPS") at Daya Bay. GNPS is equipped with two 984 MW Pressurised Water Reactors. The majority of the GNPS equipment was imported from France and the United Kingdom. Unit 1 and unit 2 commenced commercial operation in February 1994 and May 1994, respectively. 70% of electricity generated is supplied to Hong Kong with the remaining 30% sold to Guangdong.

In the year 2000, a total of 14,063 GWh of electricity (1999: 13,463 GWh) was sent out by GNPS, the highest annual production since commercial operation. The annual station load factor was 85.05%. The profit of GNPJVC is calculated by reference to the shareholders' funds of the company and the capacity factor.

Hong Kong Pumped Storage Development Company, Limited ("PSDC")

PSDC, a joint venture company formed with ExxonMobil Energy Limited, has the right to use 50% of the 1,200MW capacity of Phase 1 of the Guangzhou Pumped Storage Power Station. Because of its comparatively low operating cost and quick-start capability, the pumped storage units have been used extensively by CLP Power. The profit of PSDC is based on a percentage of its net fixed assets in a manner analogous to the SOC.

Shandong Zhonghua Power Company Limited ("SZPC")

SZPC, 29.4% owned by the Group, has been formed to develop, own and operate four coal-fired power stations in Shandong Province. The 3,000MW project consists of two operating power stations, Shiheng I (2 x 300MW) and Shiheng II (2 x 300MW), and two new power stations, Liaocheng (2 x 600MW) and Heze II (2 x 300MW), under construction. Progress on the construction of Liaocheng and Heze II power stations is on schedule.

Total electricity output from the existing operating power stations for the year ended 31 December 2000 amounted to 6,246 GWh (1999: 6,060 GWh), which was 3.5% above the annual electricity generation quantity stipulated in the power purchase agreement. The Group's share of SZPC's profit of HK$97 million was after a write-off of the Group's pre-operating costs of HK$59 million in order to comply with

Interpretation 9 “Accounting for Pre-operating Costs” issued by the Hong Kong Society of Accountants.

Huaiji Hydro Power Project

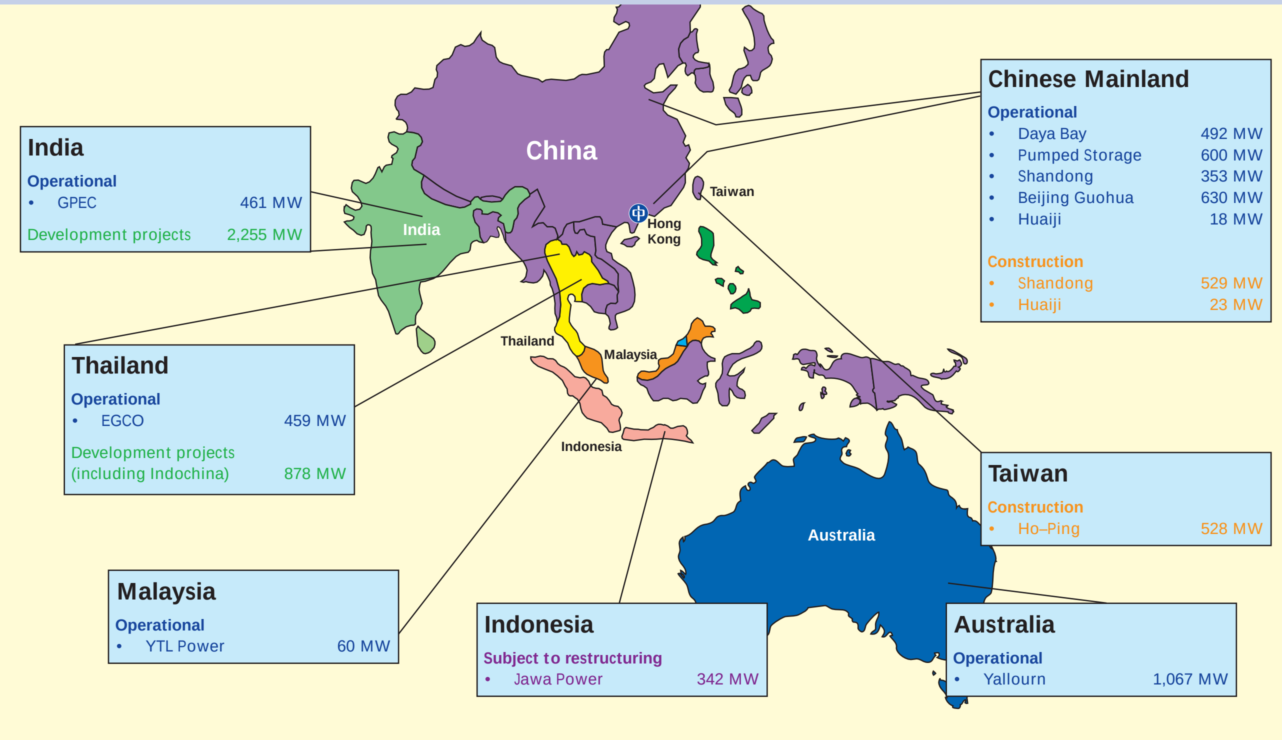
The project involves building, owning and operating nine small scale power stations with a total installed capacity of 98MW in Huaiji County of Guangdong Province. The Group has a 41.5% interest in this project.

Electricity Generating Public Company Limited (“EGCO”)

The Group owns a 20.81% stake in EGCO. EGCO operates two of the newest, most efficient power stations of 2,056MW in Thailand. It has also invested in a number of small power projects in Thailand and Philippines, totalling 152 equity MW. The Group plans to use its investment in EGCO as a platform for building its presence there and in neighbouring countries. EGCO made a profit before taxation of HK$42 million in 2000 (1999: HK$90 million) before the deduction of amortised goodwill and cost of investment of HK$8 million and HK$29 million respectively. The decline in EGCO’s profit was mainly due to exchange losses on its foreign currency borrowings.

The Group has recognised impairment in value in EGCO of HK$900 million. When EGCO shares were acquired in July 1998, the Government of Thailand was planning to privatise the electricity generation industry and it was widely assumed that EGCO would grow by acquiring privatised assets. This led us to decide on a higher premium on the acquisition price. However, privatisation in Thailand was slower than expected and the privatisation was also changed from a sale to strategic investors to an initial public offering. Because of these developments, the Group has reviewed the investment fundamentals and considered it appropriate to write off HK$900 million of the carrying value of EGCO to an equivalent fair value of Baht60 per share. This is still higher than the market price of Baht39 per share at 31 December 2000 but, as Thailand is recovering from the economic crisis and EGCO has a long-term strategic plan to grow its business, the Group is confident of the future prospects of EGCO.

CLP GENERATING CAPACITY OUTSIDE HONG KONG (Equity MW)



Equity MW represents CLP’s equity share in the installed capacity of the power station.