

■ DIRECTORS' REPORT

The Directors have pleasure in submitting their Report together with the audited Accounts for the year ended 31 December 2000.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Group has been changed from 30 September to 31 December since December 1999. In order to provide shareholders with additional information to appraise the financial results and position of the Group, comparative figures for 15 months ended 31 December 1999 and 12 months ended 31 December 1999 are provided.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the generation and supply of electricity. Particulars of the Company's principal subsidiary companies are shown under Note 18 of the Notes to the Accounts.

CONSOLIDATED ACCOUNTS

The consolidated Accounts incorporate the Accounts of the Group together with the Group's interests in jointly controlled entities and associated company. Details of the jointly controlled entities and associated company are provided under Notes 19 and 20 of the Notes to the Accounts.

EARNINGS AND FINAL DIVIDEND

	HK\$M	HK\$M
Group earnings for the year	5,768	
Less : Interim dividends (HK\$1.20 per share) paid	(2,497)	
Special interim dividend (HK\$0.27 per share) paid	(562)	
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Balance after interim dividends		2,709
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The Directors recommend that this balance be dealt with as follows :		
Final dividend (HK\$0.50 per share)		1,040
Special centenary dividend (HK\$0.27 per share)		562
Retained earnings for the year		1,107
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		2,709
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Subject to approval of the Directors' recommendation by shareholders at the Annual General Meeting to be held on 23 April 2001, the final dividend and the special centenary dividend will be paid on 24 April 2001.

PERFORMANCE

A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management's Discussion and Analysis on pages 24 to 45 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the year.



RESERVES

Distributable reserves of the Company amounted to HK\$4,203 million as at 31 December 2000. Movements in the reserves of the Company and the Group during the year are set out in Note 26 of the Notes to the Accounts.

FIXED ASSETS

Additions to the fixed assets of the Group for the year totalled HK\$3,402 million, comprising principally transmission and distribution equipment, land and buildings.

Additions to the fixed assets of the associated generating companies incorporated in Hong Kong totalled HK\$356 million for the year.

Details of movements in the fixed assets of the Group are shown under Note 17 of the Notes to the Accounts.

BANK OVERDRAFTS, BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2000 amounted to HK\$2,578 million (1999: HK\$2,778 million). Particulars of borrowings including bank overdrafts and bank loans are set out in Note 27 of the Notes to the Accounts.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The financial assistance given to affiliated companies and guarantees given for facilities granted to affiliated companies have in aggregate exceeded 25% of the Group's net assets as at 31 December 2000. Pursuant to Practice Note 19 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), consent has been obtained from the Stock Exchange of Hong Kong that the Company can include a statement of the indebtedness, contingent liabilities and capital commitments of the affiliated companies as at 31 December 2000 in place of a proforma combined balance sheet of the affiliated companies in this Annual Report.

Details of the statement of indebtedness, capital commitments and contingent liabilities are shown under Note 33 of the Notes to the Accounts.

FINANCE COSTS CAPITALISED

Finance costs amounting to HK\$70 million (15 months ended 31 December 1999: HK\$81 million; 12 months ended 31 December 1999: HK\$71 million) were capitalised by the Group during the year as set out in Note 5 of the Notes to the Accounts.

DONATIONS

Donations by the Group for charitable and other purposes amounted to HK\$723,000 (15 months ended 31 December 1999: HK\$1,506,000; 12 months ended 31 December 1999: HK\$1,137,000).

TEN-YEAR SUMMARY

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2000 and for the previous nine financial years are set out on pages 90 and 91 of this Annual Report.



DIRECTORS

With the exception of Mr. Andrew Brandler, Mr. Hansen C. H. Loh and Mr. Peter P. W. Tse, the Directors of the Company, whose names appear on page 12 of this Annual Report, were Directors for the whole year. Their biographical details as at the date of this report are set out on the same page. Details of Directors' remuneration are provided under Note 8 of the Notes to the Accounts.

Mr. Peter P. W. Tse, the Chief Financial Officer of the Company, was appointed as an Executive Director of the Company on 17 February 2000. Mr. Tse retired and was re-elected as Executive Director at the Annual General Meeting held on 17 April 2000.

Mr. Hansen C. H. Loh was appointed as an Independent Non-executive Director of the Company on 5 May 2000.

Mr. Andrew Brandler was appointed as the Group Managing Director of the Company to succeed Mr. R. E. Sayers who resigned upon conclusion of his service contract with the Company effective from 6 May 2000.

The Hon. T. S. Lo has resigned as an Independent Non-executive Director of the Company with effect from 11 November 2000, after 25 years of service on the Board of the Company.

Mr. Hansen C. H. Loh and Mr. Andrew Brandler being new Directors appointed by the Board, retire at the forthcoming Annual General Meeting in accordance with Article 109 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Apart from the Group Managing Director and the Executive Director, all the Directors are subject to retirement by rotation and re-election at the Annual General Meeting. In accordance with Article 103 of the Company's Articles of Association, Mr. J. S. Dickson Leach, Mr. V. F. Moore and Mr. R. Bischof retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors offering themselves for re-election at the forthcoming Annual General Meeting to be held on 23 April 2001 has a service contract with the Company which is not determinable by the Company within one year without payment of compensation.

ALTERNATE DIRECTORS

The Alternate Directors in office during the year ended 31 December 2000 were as follows:

Mr. J. S. Dickson Leach, Alternate Director to	}	
The Hon. Michael D. Kadoorie	}	
Mr. W. E. Mocatta, Alternate Director to	}	
Mr. J. S. Dickson Leach	}	
Mr. J. A. H. Leigh, Alternate Director to	}	(for the year)
Mr. W. E. Mocatta and Mr. R. Bischof	}	
Mr. P. W. Greenwood, Alternate Director to	}	
Mr. J. A. H. Leigh	}	
Mr. I. D. Boyce, Alternate Director to	}	(appointed on 25 May 2000)
Mr. R. J. McAulay	}	
Mr. W. A. Harms, Alternate Director to	}	(resigned on 1 December 2000)
Mr. S. F. Goldmann	}	



DIRECTORS' INTERESTS

The interests of Directors of the Company in the shares of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as at 31 December 2000 were as follows:

Directors	No. of ordinary shares held				Total Interests
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
The Hon. Michael D. Kadoorie	–	1,036	–	393,684,706 Notes (1) & (2)	393,685,742
J. S. Dickson Leach	2,864	–	–	–	2,864
The Hon. Sir S. Y. Chung	328,158	–	–	–	328,158
R. J. McAulay	10,951	–	–	366,587,795 Notes (1) & (3)	366,598,746
William K. Fung	100,000	–	–	–	100,000
R. Bischof	10,000	–	–	–	10,000

Notes :

- (1) 194,481,195 shares were held by discretionary trusts, of which The Hon. Michael D. Kadoorie and Mr. R. J. McAulay are two of the beneficiaries.
- (2) 199,203,511 shares were held by discretionary trusts, of which The Hon. Michael D. Kadoorie is a beneficiary.
- (3) 172,106,600 shares were held by discretionary trusts, of which Mr. R. J. McAulay, his wife and members of his family are beneficiaries.

Mr. S. F. Goldman had disclosed personal interests in 2,000 American Depositary Receipts for CLP Holdings shares as at 31 December 2000.

At no time during the year was the Company or any of its subsidiary companies a party to any arrangement to enable any Director of the Company or the spouse or children under 18 years of age of any Director to acquire benefits by an acquisition of shares in the Company or any other body corporate.

No contracts of significance, in relation to the Company's business, to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2000, Bermuda Trust Company Limited had disclosed interests in 569,247,306 ordinary shares of the Company as recorded in the register maintained by the Company under Section 16(1) of the SDI Ordinance.

The interests of Bermuda Trust Company Limited in the Company are duplicated by the interests in the shares of the Company held by discretionary trusts as disclosed above by the Directors.

SENIOR MANAGEMENT

The biographical details of the senior management as at the date of this Report are set out on page 17 of this Annual Report. Details of the remuneration of the senior management are provided under Note 9 of the Notes to the Accounts.

MAJOR CUSTOMERS AND SUPPLIERS

Purchases from the Group's five largest suppliers together accounted for 96.23% of the Group's total purchases during the year. Three of the five suppliers are jointly controlled entities of the Group.

Castle Peak Power Company Limited is the largest supplier (63.04%) of which Mr. S. F. Goldmann, Mr. W. E. Mocatta and Mr. Andrew Brandler are Directors and Mr. J. S. Dickson Leach is an Alternate Director.

The third largest supplier to the Group is Guangdong Nuclear Power Joint Venture Company, Limited (10.56%) of which Mr. W. E. Mocatta and Mr. Andrew Brandler are Directors and Mr. J. S. Dickson Leach is an Alternate Director.

The fourth largest supplier to the Group is Hong Kong Pumped Storage Development Company, Limited (2.95%) of which Mr. S. F. Goldmann, Mr. W. E. Mocatta and Mr. Andrew Brandler are Directors and Mr. J. S. Dickson Leach is an Alternate Director.

Sales to the Group's five largest customers together represented less than 30% of the Group's total turnover during the year.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 of the Notes to the Accounts. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

STANDARD ACCOUNTING PRACTICES

The Company does not comply with Statement of Standard Accounting Practice No. 12 "Accounting for Deferred Tax" issued by the Hong Kong Society of Accountants. The reason for the departure from Standard Accounting Practice is described under Note 2(B) of the Notes to the Accounts.

CORPORATE GOVERNANCE

The Accounts for the year have been reviewed by the Audit Committee of the Board, which has a majority of its members appointed from the Independent Non-executive Directors.

The Company has complied with the Code of Best Practice contained in Appendix 14 of the Listing Rules throughout the year. Further details on the subject of corporate governance and a summary of the terms of reference of each of the Committees appointed by the Board are set out on pages 14 to 16 of this Annual Report.

AUDITORS

The Accounts for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment at the Annual General Meeting of the Company.

By Order of the Board

The Hon. Michael D. Kadoorie

Chairman

Hong Kong, 26 February 2001

