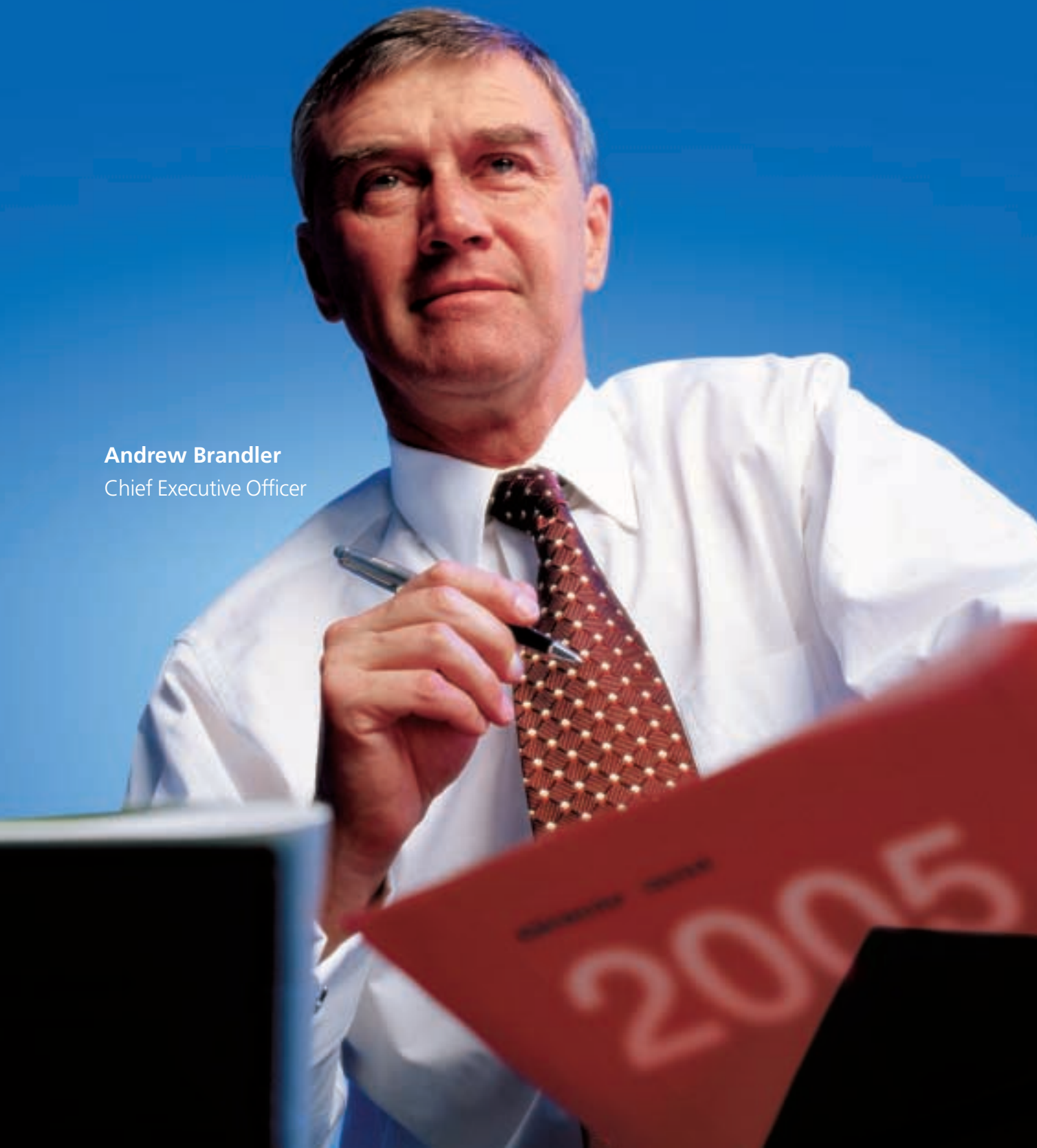


# Who are we, What do we do?

In this Annual Report we explain our progress in the past year in implementing our strategy, as well as the steps we have taken, and intend to take, to drive CLP forward to realise our strategic vision.

**Andrew Brandler**  
Chief Executive Officer



# Business Strategy

CLP follows a clear and consistent strategy to realise our vision of being a leading investor-operator in the Asia-Pacific electricity power sector.

The two pillars of this strategy will already be well-known to our shareholders, namely to

- continuously enhance our Hong Kong electricity business; and
- develop our portfolio of electricity businesses in the Chinese mainland and the Asia-Pacific region.

This strategic direction was formally laid down in 1999. Having regard to subsequent experience and changing circumstances, in early 2004 the Board reviewed that strategy, the progress made by the CLP Group and how we might position ourselves to take best advantage of the business environment through which we would be moving in coming years.

This review endorsed the current strategy and emphasised a number of implementation issues which need to be effectively managed to support the achievement of our strategy. These include

- maintaining a prudent financial structure ahead of regulatory clarity for the Hong Kong electricity business;

- progress towards building self-financing businesses in China and Asia-Pacific and accessing local capital markets;
- visible, meaningful and continual improvement on environmental issues;
- continued operational excellence;
- strengthened broad-based relationship management, both locally and internationally, at senior levels to enhance reputation and brand;
- a disciplined investment approach in selected markets while maintaining flexibility for opportunistic investments;
- exiting from CLP's residual multi-utility investments;
- adopting a stronger matrix management system to improve organizational effectiveness across the Group; and
- further developing internal competencies and controlling internal costs.

Because of the importance to the CLP Group as a whole of earnings from the Hong Kong electricity business, we expect to revisit the Group's strategy once we have clarity on the post-2008 regulatory regime for this business, most likely in a 2005/2006 timeframe.

**The main businesses of CLP comprise electricity generation and distribution, provision of electricity consultative services and property. Will the Company explore some other types of businesses which will be totally different from those aforementioned?**

**Mr. Ho Wai Ip**  
Cook, CLP Power Hong Kong

CLP's core strengths and capabilities are in the electricity industry. For the foreseeable future, I do not expect our strategy to move away from a focus on the electricity business or to involve investments outside the Asia-Pacific region.

**Andrew Brandler**  
Chief Executive Officer

# Assets/Investments



## Hong Kong

Investments	Equity Interest	Description
<b>1 CLP Power Hong Kong Limited (CLP Power Hong Kong)</b>	<b>100%</b>	CLP Power Hong Kong owns and operates the transmission and distribution system, covering a supply area of approximately 1,000 sq. km and which includes: <ul style="list-style-type: none"> <li>• 554 km of 400kV lines;</li> <li>• 1,137 km of 132kV lines;</li> <li>• 301 km of 33kV lines;</li> <li>• 9,963 km of 11kV lines;</li> <li>• 54,611 MVA transformers;</li> <li>• 202 primary substations in operation; and</li> <li>• 12,215 secondary substations in operation.</li> </ul>
<b>2 Castle Peak Power Company Limited (CAPCO), 6,283 megawatts (MW) of installed generating capacity</b>	<b>40%</b>	CAPCO owns: <p><b>Black Point Power Station (2,500MW, when completed)</b></p> <ul style="list-style-type: none"> <li>• Gas-fired power station (with distillate as back-up) comprising eight combined cycle turbines of 312.5MW each.</li> <li>• Six units in operation, plus two units to be commissioned in 2005 and 2006 respectively.</li> </ul> <p><b>Castle Peak Power Station (4,108MW)</b></p> <ul style="list-style-type: none"> <li>• Commissioned between 1982 and 1990.</li> <li>• One of the world's largest coal-fired power station complexes, comprising eight units ranging from 350MW to 677MW.</li> <li>• Two of the 677MW units are capable of burning gas as backup fuel. All units can burn oil as a backup fuel.</li> </ul> <p><b>Penny's Bay Power Station (300MW)</b></p> <ul style="list-style-type: none"> <li>• Three diesel oil-fired units of 100MW each, commissioned in 1992.</li> </ul>

Note: CLP Power Hong Kong operates CAPCO's power stations and purchases its power from CAPCO and Guangdong Daya Bay Nuclear Power Station. These sources of power, together with CLP's right to use 50% of the capacity of Phase 1 of the Guangzhou Pumped Storage Power Station, amount to a total installed capacity of 8,263MW.

## Chinese Mainland

Investments Gross/Equity MW	Equity Interest	Description
<b>3 CLP Guohua Power Company Limited (CLP Guohua) 2,100/630MW</b>	<b>49%</b>	CLP Guohua holds interests in three coal-fired power stations, namely Beijing Yire in Beijing (北京), Panshan in Tianjin (天津), and Sanhe in Hebei (河北), with a combined installed capacity of 2,100MW.
<b>4 CLP Guohua Shenmu Power Company Limited (Shenmu) 200/98MW</b>	<b>49%</b>	Shenmu Power Station, in Shaanxi (陝西), has two 100MW coal-fired units.
<b>5 Guizhou CLP Power Company Limited (Guizhou CLP Power) 600/420MW</b>	<b>70%</b>	Guizhou CLP Power owns and operates two 300MW coal-fired generating units which supply the Guizhou (貴州) power grid and, indirectly, Guangdong Province (廣東省).

## Chinese Mainland

Investments Gross/Equity MW	Equity Interest	Description
<b>6</b> Shandong Zhonghua Power Company, Ltd. (SZPC) 3,000/882MW	<b>29.4%</b>	SZPC owns four coal-fired power stations, Shiheng I and II (totalling 1,200MW), Liaocheng (1,200MW) and Heze II (600MW), in Shandong Province (山東省).
<b>7</b> Guangdong Nuclear Power Joint Venture Company, Limited (GNPJVC) 1,968/492MW	<b>25%</b>	GNPJVC was established in 1985 to construct and operate Guangdong Daya Bay Nuclear Power Station (GNPS) at Daya Bay (大亞灣). GNPS is equipped with two 984MW Pressurised Water Reactors for which the majority of the equipment was imported from France and the United Kingdom. 70% of electricity generated is supplied to Hong Kong, with the remaining 30% sold to Guangdong.
<b>8</b> Hong Kong Pumped Storage Development Company, Limited (PSDC) 1,200/600MW	<b>49%</b>	CLP has the right to use half of the 1,200MW pumped storage capacity of Phase I of the Guangzhou Pumped Storage Power Station until 2034.
<b>9</b> Huaiji Power Project (Huaiji) 98/41MW	<b>41.5%</b>	Eight small hydro power stations in Huaiji (懷集), Guangdong are in operation, with one under construction, amounting to a total of 98MW.
<b>10</b> HNEEP-CLP Changdao Wind Power Co., Ltd. (Changdao Wind Power) 27/12MW	<b>45%</b>	Changdao Wind Power was established in 2004 to develop a 27MW wind power project on Changdao Island (長島) to supply power to Shandong Province.

## Asia-Pacific Region

Investments Gross/Equity MW	Equity Interest	Description
<b>11</b> Gujarat Paguthan Energy Corporation Private Limited (GPEC), India 655MW	<b>100%</b>	GPEC owns and operates a 655MW gas-fired combined cycle power station in Gujarat, India.
<b>12</b> Ho-Ping Power Company (Ho-Ping), Taiwan 1,320/528MW	<b>40%</b>	Ho-Ping owns a 1,320MW coal-fired power station at Ho-Ping, Taiwan, which started operations in 2002. Operation is by a separate joint venture, with the same shareholdings as Ho-Ping, but with CLP management leadership.
<b>13</b> Electricity Generating Public Company Limited (EGCO), Thailand 3,014/541MW	<b>22.4%</b>	EGCO operates two gas-fired combined cycle power stations in Thailand (2,056MW). It has also invested in a number of small power projects in Thailand and the Philippines, totalling 958MW.
<b>14</b> BLCP Power Limited (BLCP), Thailand 1,434/717MW	<b>50%</b>	BLCP is the developer of a 1,434MW coal-fired power station now under construction at Map Ta Phut, Thailand. CLP is responsible for construction management and is the major shareholder in the operating company.
<b>15</b> Yallourn Energy Pty Limited (Yallourn Energy), Australia 1,480MW	<b>100%</b>	Yallourn Energy owns and operates a 1,480MW coal-fired plant and a dedicated coal mine in Victoria, Australia.