Asia



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CLP has established a significant presence in the electricity generation business in the region. We are a leading international investor in the power sectors of India, Taiwan and Thailand. The major focus of our regional activities in 2005 has been to:

- optimise the performance and value of our existing assets;
- pursue opportunities for growth; and
- generate earnings growth.

Optimising the Performance of Existing Assets

This table illustrates the high levels of utilisation and availability which were achieved in 2005.

Station	Rating (MW)	Generation (GWh)		Utilisation (%)		Availability (%)		Operating Hours	
		2005	2004	2005	2004	2005	2004	2005	2004
GPEC	655	4,637	3,717	81	65	94	93	7,079	5,674
Ho-Ping	1,297	8,477	8,706	75	90	86*	92*	6,536	6,712
EGCO/Rayong (REGCO)	1,232	6,393	7,516	59	70	94	91	5,189	6,101
EGCO/Khanom (KEGCO)	824	6,274	6,168	87	85	95	90	7,614	7,485

* Guaranteed hours

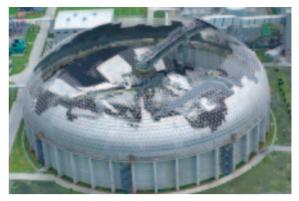
Additional gas arranged by GPEC in 2005 resulted in better operational performance with improvements achieved in availability, plant load factor, heat rate and auxiliary consumption.

There was good performance at Ho-Ping, despite some operational setbacks. Firstly, an exceptionally powerful typhoon caused extensive damage to the remaining two of the three coal storage domes (the first of which had been damaged in a typhoon in 2004). We were able to restore operations within a few days after these incidents, pending the permanent rebuild of the domes. Secondly, a turbine blade failure which occurred in November 2005 caused damage to the Unit 1 turbine. Prompt operator reaction was able to limit the consequences of this incident but, nevertheless, it will lead to an outage into the second quarter of 2006. Discussions are ongoing with the relevant insurers and equipment suppliers to resolve insurance and warranty claims.

left Unloading a steam drum at BLCP

right The power of nature – typhoon damage to a coal dome at Ho-Ping





All of our operating assets benefit from long-term power purchase agreements (PPAs) with credit-worthy off-takers, as summarised below:

Station	Off-taker	Off-take Arrangement	Duration
GPEC	Gujarat Urja Vikas Nigam Ltd. (GUVNL) (successor of the Gujarat Electricity Board)	РРА	20 years
Ho-Ping	Taipower	PPA	25 years
BLCP	Electricity Generating Authority of Thailand (EGAT)	PPA	25 years
REGCO	EGAT	PPA	20 years
KEGCO	EGAT	PPAs	15/20 years
EGCO/ Kaeng Khoi 2	EGAT	PPA	25 years
EGCO/ Nam Theun 2	EGAT	PPA	25 years
EGCO/ small power projects	EGAT and industrial customers	PPAs with EGAT and commercial contracts with industrial customers	21 years for EGAT PPAs
EGCO/Mindanao small power projects	National Power Corporation, Philippines	PPAs	10/18 years

During 2005 these off-take agreements were honoured both by the relevant generating company and the off-taker.

It was encouraging to note that, due to continuous and determined Management efforts in 2004, the payment position at GPEC continued to improve. By the end of 2005 the undisputed overdue receivables (which had stood at HK\$24 million in 2004) had been practically eliminated. The off-taker has raised disputes on a number of payment issues, but these are being referred to the dispute resolution and arbitration mechanism provided for in the PPA. In the meantime, the off-taker is required to continue to make payments in line with the provisions of the PPA. This for the major part is being done. At Ho-Ping the energy charge rate is linked to coal cost movements experienced elsewhere by the off-taker, Taipower. The adjustment in 2005 helped to alleviate the impact of high coal costs.

The Taiwan Ratings Corporation (a subsidiary of Standard & Poor's) assigned Ho-Ping with 'twA+' long-term and 'twA-2'

short-term credit ratings, with stable long-term outlook. This facilitated Ho-Ping's subsequent issue of a 9-year unsecured corporate bond to repay a portion of outstanding floating rate loans. This reduced interest rate risk and long-term interest costs.

Opportunities for Growth

Our approach has been to pursue growth opportunities principally through projects or investments which are complementary to those assets and businesses in which CLP holds an existing interest. In 2005 this approach saw considerable progress in both Thailand and India, as set out below:

Thailand

EGCO

- Financial close of the 1,070MW Nam Theun 2 hydro project in Laos, in which EGCO has a 25% equity interest, with construction underway and scheduled commercial operation in 2009.
- Refinancing of the U.S. Dollar portion of the credit facilities for the 1,468MW Kaeng Khoi 2 combined-cycle gas turbine project, in which EGCO holds a 50% interest. Construction is ahead of schedule and commercial operation is targeted for 2007/8.

BLCP

- Construction of the 1,434MW coal-fired project is proceeding to schedule and on budget. By the end of 2005, the project was 91% complete, and out of the total project budgets, 81% had already been committed. The first unit will be commissioned in late 2006, with the second unit following in early 2007.
- Mobilisation and training for the operation and maintenance organisation is well advanced. The operator is a joint venture between CLP and Banpu, the other shareholder in the project.

India

- The proposed 1,050MW GPEC II expansion project is at an advanced stage of development. GPEC II has the inherent advantages of a brownfield project, with availability of land, water and transmission connections at the site and use of existing common facilities.
- The Ministry of Power, Government of India has issued an in-principle Mega Power Project status to this project, enabling plant equipment to be imported without duty.
- A Memorandum of Understanding (MOU) has been signed with PTC India Ltd for the sale of 700MW of output from GPEC II.
- There have been discussions with potential gas suppliers and transporters. However, the availability of a long-term natural gas supply is a key issue for further development of this project. At present the position on new gas supplies in India is uncertain. Whilst we are confident that supplies will ultimately be available, the timing and terms are not yet clear.
- CLP has been reviewing renewable energy projects in India, particularly hydropower, with a view to starting the long-term development of a renewable energy portfolio in India.

Earnings

Power projects in Asia recorded an earnings growth of 28.9% to HK\$910 million in 2005. Contributions came mainly from GPEC and Ho-Ping. The earnings contribution from GPEC was boosted by 39.6% to HK\$613 million (2004: HK\$439 million). The strong operating results were helped by the reversal of certain provisions made in prior years relating to receivables collections and a reduction in the dividend distribution tax. Ho-Ping benefited from a higher tariff, despite unplanned outages due to typhoons and turbine blade failure.