



I am pleased to report that our targets for 2003 have been fully achieved and the operating results have exceeded our expectations.

NET PROFIT GREW ROBUSTLY BY 1,997.1%

For the year ended 31 December 2003, our Group realised a net profit of HK\$589.5 million, which increased by 1,997.1% and 90.1% respectively when compared with net profit of 2002 and forecast net profit for 2003. Growth in our Group's earnings was mainly attributable to the increase in the installed generation capacity of our Group for the year 2003 and strong demand for electricity in the PRC. In June 2003, the interest held by our Company in Wenzhou Telluride increased from 37.6% to 40%. In September and October 2003, we acquired 35% and 10% equity interest in Xuzhou Power Plant and Huaneng International Power Development Corporation, respectively from China Resources (Holdings) Company Limited, which in turn increased our attributable installed generation capacity. In July and September 2003, two 300MW coal-fired units under CR Liyujiang, our subsidiary, commenced commercial operations, and further increased the attributable installed generation capacity of the Group by 360MW.

NET GENERATION OF FIVE OPERATIONAL POWER PLANTS INCREASED BY 13.9%

In 2003, our five operational power plants were all operating safely and steadily and achieved gross generation of 26,814,278 MWh, representing an increase by 13.7% when compared with 2002. Total electricity sold was 25,255,953 MWh, representing an increase by 13.9% when compared with 2002. Growth in net generation exceeded growth in gross generation, reflecting further improvement in utilisation efficiency.

In 2003, gross utilisation hours for Shajiao C Power Plant reached 6,566 hours, an increase of 4.65% from that in 2002, whilst total electricity sold increased 4.87% more than 2002. The utilisation hours for Xuzhou Power Plant reached 6,044 hours, an increase of 11.41% from that in 2002, whilst total electricity sold increased 11.66% more than 2002. The utilisation hours for Wenzhou Power Plant reached 7,481 hours, an increase of 12.82% from 2002, whilst total electricity sold increased 12.63% more than 2002. The gross utilisation hours for Hengfeng Power Plant decreased by 2.78% in 2003 as a result of planned overhaul for one of its generation units, however total electricity sold only fell by 2.54%. Liyujiang Power Plant commenced commercial operations this year with gross utilisation hours reached 3,148 hours. The above data illustrated that our various power plants have the sense of responsibilities and capabilities to create value for shareholders while under a sound business environment. On the other hand, these data also illustrated the quality and efficiency in the operation and management of our power plants.

PROJECTS UNDER CONSTRUCTION HAVE MET TARGET SCHEDULE

The construction of Changshu Power Plant, Xuzhou Power Plant Phase II, Luoyang Power Plant, Tangshan Power Plant and Jiaozuo Power Plant commenced at different times during 2003. Total number of projects under construction increased to seven.



During the year 2003, we consistently applied our philosophy of "Construction is the first phase of operation" in the management of the construction of our power plants. Following the principles of being "economical", "practical", "safe" and "reliable", we aimed to achieve the best quality and the shortest construction schedule at the lowest cost in the construction of power plants. The actual construction cost and construction time period of Liyujiang Power Plant, which was completed in 2003, achieved a leading position in the PRC power industry. The first generation unit of CR Luoyang which commenced operation in February 2004 ahead of schedule also achieved a project cost which is one of the lowest in the industry within the PRC.

By the end of 2003, our projects under construction all proceeded as planned. All construction plans in 2003 were fully achieved in accordance with the project outline and projects under construction will commence commercial operations in accordance with the schedule as planned.

PIPELINE PROJECTS WITH INVESTMENT VALUE IN OUR TARGET MARKETS

In 2003, our project development team continued to identify power generation projects with investment potential in the more affluent regions and regions with high economic growth rates in the PRC, including Eastern China, Southern China and the Beijing-Tianjin-Tangshan area. During the year, we entered into a number of letters of intent with our partners or local governments in the PRC. These projects were mainly located in regions with sound market conditions such as Guangdong, Zhejiang and Jiangsu Provinces. Subject to meeting our requirement on minimum investment return and the approval of the PRC government, we expect these projects will become a source for high growth in the future.

WE WILL CONTINUE TO CAPITALISE ON THE ROBUST DEMAND FOR ELECTRICITY AND USE OUR BEST ENDEAVOURS TO REDUCE COSTS AND ENHANCE EFFICIENCY IN 2004. AT THE SAME TIME, WE WILL PURSUE ATTRACTIVE INVESTMENT OPPORTUNITIES AND CREATE MORE VALUE FOR THE SHAREHOLDERS

In 2003, total generation capacity and electricity consumption in the PRC increased by more than 15%. Nineteen provinces in the PRC had to endure power supply restrictions. Demand for electricity in our service areas increased significantly, of which Zhejiang, Jiangsu, Guangdong, Hunan and Henan Provinces increased by 22.2%, 20.8%, 19.8%, 15.2 and 13.5%, respectively. We expect electricity supply in the PRC will still fall short of demand in the coming three years. Growth in consumption of electricity in the PRC is currently expected to be 12% in 2004. As the supply of electricity will continue to fall short of demand, the power restriction period may increase. For the year 2005, we still forecast power supply to fall short of demand in the PRC. For the year 2006, the shortage in power supply may be mitigated however we currently expect our generating units to be able to maintain reasonably high utilisation hours. We will capitalise on the sound external environment to pursue high return for our shareholders and to establish CR Power as one of the independent power generation companies in the PRC with high investment potential. Our strategies are as follows:

- Full implementation of value creation management philosophy. Through the establishment of a benchmarking system, benchmarks shall be established based on the leading standards in the industry. These indicators in turn will become our targets. We aim to achieve our set targets phase by phase.



- To ensure ten generation units under construction to commence operation as scheduled or ahead of the target schedule. In 2004, CR Power will have six power plants with a total of ten generation units to commence commercial operation with a total generation capacity of 2,235MW and attributable installed generation capacity of 1,612MW. We will ensure that these generation units will commence commercial operation in accordance with the pre-determined schedule. This will not only shorten the construction time, lower our construction costs and generate commercial benefits sooner, but also to enable these generation units to capitalise on the demand for electricity in the markets and obtain higher utilisation hours and on-grid tariffs at the commencement of commercial operations.
- To ensure eleven units under operation to generate and sell more electricity, so as to benefit from market demand. In order to achieve this objective, we will first ensure that these generation units are operating in a safe and steady manner, and are capable of satisfying the maximum demand from the market. At the same time, we will stay customer-oriented and strengthen our sales and marketing efforts so as to pursue for higher utilisation hours by leveraging on the robust requirements in the market.
- To promote a corporate culture which focuses on results and to establish and implement a corporate value which centres on value creation. We will encourage all employees to use best endeavours and motivate them by rewarding in accordance with results and provide a working environment with both challenges and satisfaction. We will incorporate the concept of economic value added (EVA) into the appraisal system for the management of the power plants, and to formulate and implement an incentive scheme based on EVA, for the purpose of tying the return of the management with the profitability of the Group and maximise value for our shareholders.
- To optimise our organisation structure and keep it as efficient as possible so to foster a strong capability of execution. Excessive hierarchies, as well as all bureaucratic structure and behaviours, will be removed. Rationalisation and optimisation of organisation structure and process flow will be conducted on an ongoing basis so as to promote co-operation and co-ordinations among employees and to encourage resources and information sharing. Meanwhile, most outstanding and capable talents will be assigned to work at the power plant so as to assume ever greater challenges and responsibilities and enjoy strong sense of job satisfaction. This will enable the Group to implement its strategies in an effective manner.

2004 will be the first full financial year of CR Power after its listing. We will continue to optimise our management, expand our business and consolidate our edge in cost control in the power industry in the PRC in accordance with the requirements of capital markets. We are confident that we will achieve results to the satisfaction of our shareholders.

Wang Shuai Ting

Chief Executive Officer

Hong Kong, 29 March 2004