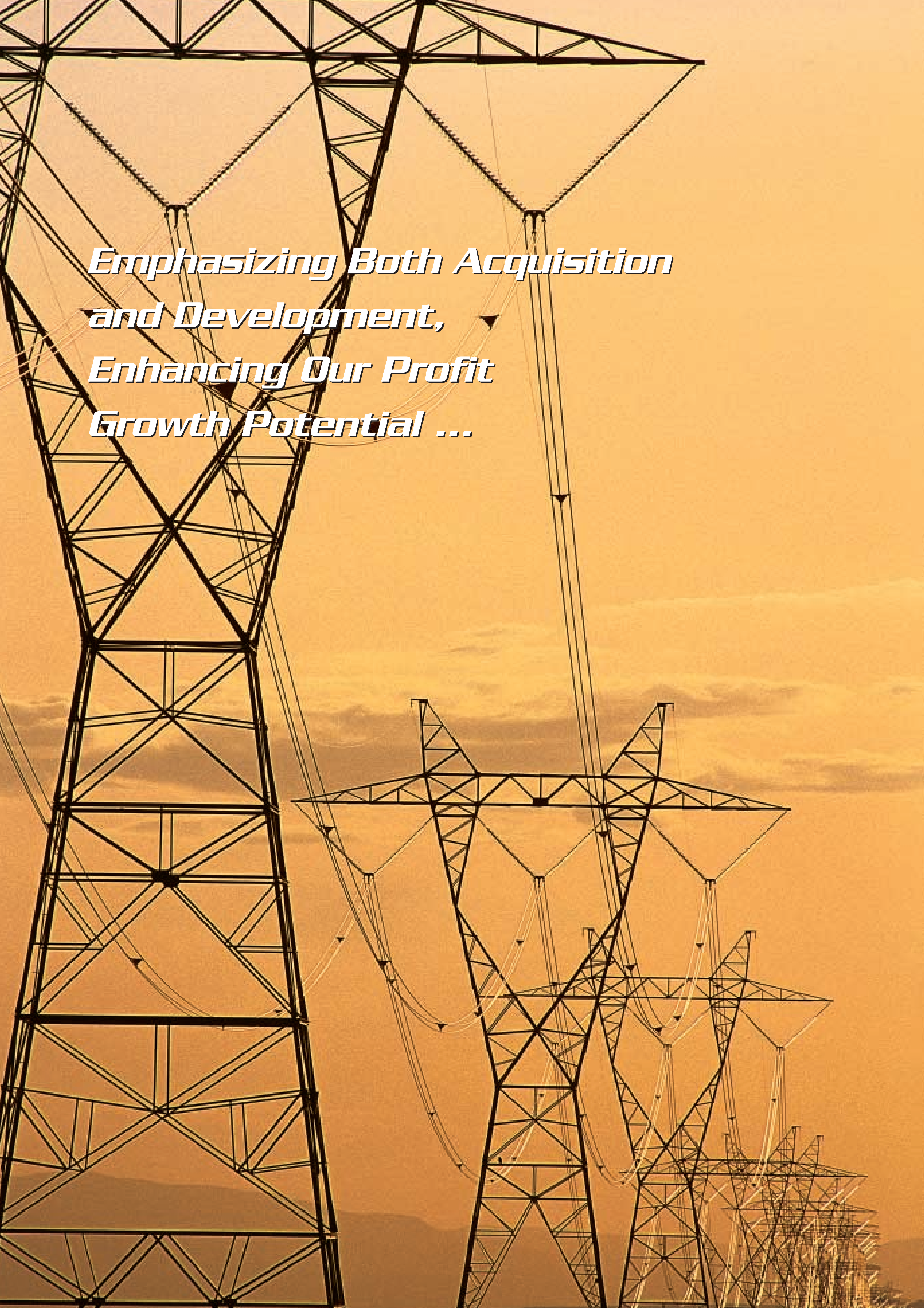
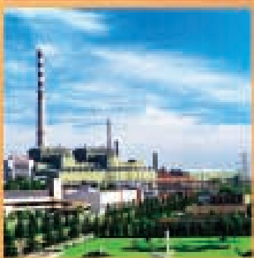

Emphasizing Both Acquisition
and Development,
Enhancing Our Profit
Growth Potential ...

In order to reinforce the Company's leadership position in China's power generation industry and to maintain the Company's development momentum, the Company actively expanded its market share and strengthened the scale of its operation based on the principles of "emphasizing both development and acquisition, emphasizing both greenfield and expansion". During the Year, the Company has completed the biggest acquisitions since its listing, by acquiring a total of 5 power plants including Yingkou Power Plant, Luohuang Power Plant, Yueyang Power Plant, Hanfeng Power Plant and Jinggangshan Power Plant. As a result, the power generation capacity on an equity basis has increased by 3,096MW. Also, the Company actively speeded up the progress of its construction projects and pushed forward the projects under planning, in order to ensure the new power plants to commence operation on-schedule and in high quality. At the end of March 2005, the Company had a total operating generation capacity of 21,418MW on an equity basis, with another 6,383MW under construction and 10,399MW under planning.



Report of the Board of Directors

The Directors take pleasure in submitting their annual report together with the audited financial statements for the year ended 31st December 2004.

Wang Xiaosong, Vice Chairman

BUSINESS REVIEW OF YEAR 2004

In 2004, China's economy continued to grow steadily with a relatively fast pace and there was a strong demand for electricity, thereby bringing about good opportunities for the development of the Company. However, at the same time, continued coal shortage, declining coal quality and rise of coal price posed the greatest operating difficulties for the Company since its establishment ten years ago. During the year, the Company continued to strengthen its management, open up markets, control costs and enhance efficiency by focusing on economic benefits and on the basis of safe operation, with a view to optimizing shareholders' interests. The management and all staff of the Company were committed and united as ever and strived to do their utmost, thereby having effectively overcome the challenges and achieved a stable operating result during the year.

1. Steady Growth of Operating Results

For the twelve months ended 31st December 2004, the Company recorded net operating revenues of RMB30.118 billion and a net profit of RMB5.324 billion, representing an increase of 28.78% and a decrease of 1.96% respectively, as compared to the same period of 2003. Earnings per share was RMB0.44. In view of the difficult situations of the coal supply market in 2004, the Board of Directors was satisfied with the operating results of the Year.

The decrease of net profit in 2004 was mainly due to the substantial increase in operating costs of the Company and it subsidiaries in 2004. Notwithstanding the substantial increase in net operating revenue brought about by the increase in power generation and the rise of tariffs, as well as the contribution of the previously acquired power plants (including Xindian Power Plant and Yueshe Power Plant which were acquired in October 2003 and the five power plants, namely, Yingkou Power Plant, Jinggangshan Power Plant, Yueyang Power Plant, Luohuang Power Plant and Hanfeng Power Plant which were acquired in July 2004), the significant increase in operating costs due to the increase in fuel costs could not be offset, thus still affecting the Company's profit. Therefore, the consolidated net profit of the Company and its subsidiaries has decreased slightly, compared with approximately RMB5.430 billion in 2003.

Ye Daji, Vice Chairman

2. Safe and Stable Power Generation

In 2004, the operating power plants of the Company and its subsidiaries achieved power generation totalling 114.28 billion kWh on a consolidated basis, representing an increase of 25.7% over the same period of the previous year.

The general growth in power generation of the power plants owned by the Company was, on the one hand, as a result of the strong increase in power demand nationwide driven by a rapid growth of the national economy. On the other hand, the significant increase in power generation was attributable to the contribution of whole-year power generation from two generating units at Jining Power Plant which commenced operation in 2003 and the contribution of power generation from new generating units at Yushe Power Plant Phase II and Qinbei Power Plant at the end of 2004, together with the contribution of half-year power generation from the newly acquired Yingkou Power Plant, Jinggangshan Power Plant, Yueyang Power Plant and Luohuang Power Plant, thus significantly increasing the power generation capacity of the Company. At the same time, the sound and stable operation of the equipment of the power plants owned by the Company and its subsidiaries and the scientific and rationalized scheduling of the planned maintenance of the generating units also created favorable conditions for the increased power generation of the Company.

In 2004, the average availability factor of the power plants of the Company and its subsidiaries was 93.84%, with an average capacity factor of 72.92% while weighted average coal consumption rates for power sold and power generated were 337.49 gram/kWh and 319.27 gram/kWh respectively. The weighted average house consumption rate was 5.64%. The Company's technical and economic indices remained at the forefront among all other power companies in the PRC.

In 2004, the Company has reinforced its safety responsibilities system since the safety of the Company's production has encountered challenges resulting from the long-time heavy loading of its generation facilities. The Company has strengthened its management so as to implement such measures. The target of safety was achieved and the foundation of production safety was strengthened.

3. New Challenges of Cost Control

During 2004, the nationwide short supply of coal, rising coal prices and declining coal quality caused great impact on the production and operation of the Company. Although there is a relatively significant increase in power generation when compared to the same period in 2003 and we have adopted various measures to control costs, the Company still could not offset the increase in power generation costs caused by escalating coal prices. Unit fuel cost of the Company increased 32.97% when compared to the same period of the previous year.

In view of the unfavorable conditions brought by the coal market to power generating enterprises, in 2004 the Company carried out the following measures to ensure a long-term stable and effective supply of coal: relying on the temporary intervention measures as a result of the new governmental policy on coal supply and allying with other market players to stabilize the market; exploring low cost resources and transportation capacities by strengthening co-operation with large-scale coal and transportation enterprises; enhancing fuel management; and striving to enhance the fulfillment rate of major coal contracts. As a result, the Company has ensured that no power plant would have its generation interrupted because of coal shortage, and in fact strived for stable and full-load generation in order to mitigate the magnitude of increase in fuel costs. The Company has also proactively formulated a new fuel management model to centralize coal purchase, reallocation and settlement by entering into three to five-year mid-and-long term coal supply agreements with several large-scale national and local coal enterprises, such as Shenhua Group. The main channel of coal supply was primarily established, which has laid a solid foundation for stable fuel supply. While endeavoring to control fuel costs, the Company also adopted cost control measures including management of centralized payment of funds, strengthening the internal management of the Company and strictly controlling various expenses.

4. Breakthroughs in Asset Operation

(1) In 2004, the Company acquired the following power assets for RMB4.575 billion: (i) 90% interest in Jinggangshan Huaneng Power Limited Liability Company and 40% interest in Hebei Hanfeng Power Limited Liability Company owned by Huaneng Group; (ii) all the assets and liabilities of Yingkou Power Plant, 60% interest in Huaneng Chongqing Luohuang Power Limited Liability Company and 55% interest in Huaneng Hunan Yueyang Power Limited Liability Company owned by Huaneng International Power Development Corporation ("HIPDC"); (iii) 10% interest in Jinggangshan Power Plant owned by Jiangxi Investment Company.

The acquisitions took effect on 1st July 2004. The increased generation capacity on an equity basis is 3,096MW and the increased generation capacity under construction on an equity basis is 1,050MW, thereby ensuring the growth of the power generation capacity of the Company in the next few years and making contribution to continued growth of profitability of the Company in the future.

(2) The Company acquired the following owned by Huaneng Group for RMB2.025 billion: (i) 60% interest in Sichuan Huaneng Hydro Power Development Limited Liability Company ("Sichuan Hydro Power"); and (ii) 65% interest in Gansu Huaneng Pingliang Power Limited Liability Company ("Pingliang Power"). The acquisitions were effective in January 2005, thereby increasing the power generation capacity of the Company on an equity basis by 1,146MW and increasing the generation capacity under construction of the Company on an equity basis by 389MW.

These acquisitions are a new step forward for the Company after implementation of the development strategy of "emphasizing both coal fuel and other feasible types of fuel" and a continuation of upholding the development strategy of "emphasizing both development and acquisition". Owing to the current strong growth of electricity in the PRC and shortage of coal, both the acquisition of hydropower assets for improving the fuel structure of power generation and the acquisition of mine-month power plant (that is Pingliang Power Plant) for lowering fuel costs are instrumental in enhancing the profitability of the Company and in effectively controlling fuel costs.

5. Achievements in Project Construction

(1) Owing to the Company's careful organization and various parties' efforts, generating units 3 and 4 (2 X 300MW) of Yushe Power Plant commenced commercial operation in October and November 2004 respectively, whereas generating units 1 and 2 (2 X 600MW) of Qinbei Power Plant also commenced commercial operation in November and December 2004 respectively. Moreover, generating units 3 and 4 (2 X 330MW) of Huaiyin Power Plant Phase II project commenced commercial operation in January and March 2005 respectively. The commencement of operation of the new generating units made contribution to the growth in power generation of the Company.

(2) Construction works of the projects of one 600MW generating unit at Shantou coal-fired Power Plant Phase II, two 300MW generating units at Yueyang Power Plant Phase II, two 600MW generating units at Taicang Phase II, two 600MW generating units at Luohuang Phase III and two 1,000MW generating units at Yuhuan Phase I has been carried out smoothly, with works quality and investment costs under effective control and works being carried out on schedule.

PROSPECTS FOR 2005

Year 2005 is a year full of challenges and opportunities. The Company has been provided with more market space for its steady growth in power generation as a result of continued growth in power demand due to the continued rapid development of the national economy. The generating units acquired and the new generating units which were put into commercial operation last year will make significant contribution to the power generation and profits of the Company. The implementation of the State's Coal-Electricity Price Linkage Mechanism will be conducive to raising the Company's tariffs. Macro-economic controls and clearance of illegal construction projects will enhance a rational development of the power industry and will provide the Company with an opportunity for orderly development. The deepening reforms of the power industry will be instrumental for establishing an open, fair and equitable power market which may also bring about development opportunities for the Company.

At the same time, the Company also faces a number of challenges. The major challenge of the Company is cost control, particularly regarding unit fuel costs. In 2005, coal will continue to be in short supply. One of our major tasks is to ensure a long-term, stable and effective supply of coal and to control unit fuel costs.

In addition, other challenges are how to ensure high quality, speedy completion and low costs during the course of power plant construction, and how to further enhance the management level of the Company and to maintain the competitiveness of the Company.

In respect of power production, the continued growth in power demand has caused long-time heavy loading to the generating units. It is also a challenge for us to ensure a sound operation of our generating units and facilities, or to achieve safe, steady and full-load power generation so as to assure safe power supply.

As China's power market continues to evolve, it is only natural that the Company will encounter competition and face challenges. We are confident that we can seize the opportunities and face the challenges. Our advantages include: advanced and highly efficient power generation equipment and technology; a regulated corporate governance structure with an experienced management team and outstanding staff; abundant capital and solid reputation; economies of scale and geographical advantages on the distribution of our power plants; and strong support from our parent company. Given these advantages, the Company will further develop amid competition, capture a greater market share and seize more opportunities in asset acquisition as a result of the power industry's restructuring and from its parent company. The Company has full confidence to maintain its leadership position among independent power producers in China.

The Company will focus on the following work objectives in 2005:

(1) To enhance production safety and to ensure stable and safe power generation;

(2) To strengthen coal purchase management and ensure a safe, stable and effective supply of coal;

(3) To strengthen marketing and cost controls so as to increase income and decrease expenses, thus enhancing economic returns;

(4) To strengthen management of projects under construction so as to achieve high quality, speedy completion, low costs and timely commencement of production;

(5) To enhance strategic planning and to ensure a long-term, stable and healthy development of the Company.

The Company will continue to pursue a maximization of shareholders' interests as its operating objective and goal. Given the continued economic growth in China, good opportunities provided by the power system reforms and strong support from the government at all levels and from the parent company, and especially the support and trust from investors and shareholders, the Company will definitely be able to continue its healthy and steady growth, bringing long-term, stable and increasing returns to its shareholders.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the Financial Highlights on page 8 for summary of the operating results and assets and liabilities of the Company and its subsidiaries for the year ended 31st December 2004.

Please refer to pages 93 to 150 of the financial statements for the operating results of the Company and its subsidiaries for the year ended 31st December 2004, which have been reviewed by the Company's Audit Committee.

DIVIDENDS AND OTHER DISTRIBUTION

The Board of Directors resolved to propose for the year ended 31st December 2004 a cash dividend of RMB0.25 per ordinary share.

Cash dividends will be denominated and declared in Renminbi. Cash dividends on domestic shares will be paid in Renminbi. Save for the dividends on foreign shares traded on the Hong Kong Stock Exchange which will be paid in Hong Kong dollars, cash dividends on foreign shares will be paid in United States dollars. Exchange rates for dividends paid in United States dollars and Hong Kong dollars are USD1 to RMB8.2765 and HK$1 to RMB1.0608 respectively.

All the cash dividends will be paid to shareholders on or before 30th June 2005, subject to approval at the annual general meeting of the Company.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Please refer to Notes 11 and 12 of the financial statements prepared under International Financial Reporting Standards for details of subsidiaries and associated companies.

BANK LOANS AND OTHER BORROWINGS

Please refer to Notes 23, 24, 25 and 28 of the financial statements prepared under International Financial Reporting Standards for details of bank loans of the Company and its subsidiaries as at 31st December 2004.

CAPITALIZED INTEREST

Please refer to Note 10 of the financial statements prepared under International Financial Reporting Standard for details of the Company and its subsidiaries' capitalized borrowing costs during the year.

FIXED ASSETS

Please refer to Note 10 of the financial statements prepared under International Financial Reporting Standard for changes in the fixed assets of the Company and its subsidiaries during the year.

RESERVES

Please refer to statement of changes in shareholders' equity on pages 97 and 98 for the reserves of the Company, including allocation of statutory fund during the year ended 31st December 2004.

CHANGES IN SHAREHOLDERS' EQUITY

Please refer to the Statement of Changes in Shareholders' Equity of the financial statements prepared under International Financial Reporting Standards.

STAFF RETIREMENT SCHEME

Please refer to Note 8 of the financial statements prepared under International Financial Reporting Standard for the Staff Retirement Scheme.

PRE-EMPTIVE RIGHTS

According to the articles of association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

MAJOR SUPPLIERS AND CUSTOMERS

The five major suppliers of the Company for year 2004 were coal suppliers, namely Shenhua Coal Transportation Company, Shanxi Coking Coal Group, Yangquan Coal Group, Datong Coal Group and Luan Environmental Corporation. The amount of coal supplied by the five major suppliers was about 23.1% of the total coal consumption of the Company in 2004.

As an independent power producer, the Company sold the electricity generated by its power plants to local power companies and did not have other customers.

None of the directors, supervisors or their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) had any interests in the five largest suppliers or customers mentioned above of the Company in 2004.

CONNECTED TRANSACTIONS

The independent Directors of the Company confirmed that all connected transactions in 2004 to which the Company and/or any of its subsidiaries was a party:

1. had been entered into by the Company and/or any of its subsidiaries in the ordinary and usual course of its business;

2. had been entered into either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature made by similar entities within the PRC), or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned, and

3. had been entered into either (a) in accordance with the terms of the agreements governing such transactions, or (b) where there is no such agreement, on terms no less favorable than terms available to third parties.

   The auditors of the Company have reviewed the connected transactions of the Company and its subsidiaries and confirmed to the Director that:

   (a) the transactions had been approved by the Directors; and

   (b) the transactions were made in accordance with the terms of the related agreements governing such transactions.

   Please refer to Note 7 of the financial statements prepared under International Financial Reporting Standards for a brief description of the connected transactions.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and its subsidiaries did not sell any other types of securities and did not purchase or redeem its own shares or other securities in 2004.

SHARE CAPITAL STRUCTURE

As at 31st December 2003, the total issued share capital of the Company was 12,055,383,440 shares, of which 9,000,000,000 shares were domestic shares, representing approximately 74.67% of the total issued share capital, and 3,055,383,440 shares were foreign shares, representing approximately 25.34% of the total issued share capital. For domestic shares, HIPDC owns a total of 5,197,680,000 shares, representing 43.12% of the total issued share capital of the Company. Other domestic shareholders hold a total of 3,802,320,000 shares, representing 31.54% of the total issued share capital.

SHAREHOLDING OF THE COMPANY

The following table sets forth the shareholding position of the Company's shares as at 31st December 2004:

	No. of Shares outstanding (in thousands)	Percentage of Shareholding (%)
Domestic Shares		
Huaneng International Power Development Corporation(Note)	5,197,680	43.12
Hebei Provincial Construction Investment Company	904,500	7.50
Fujian International Trust & Investment Company	669,700	5.56
Jiangsu Province International Trust & Investment Company	624,750	5.18
Liaoning Energy Investment (Group) Co. Ltd	459,370	3.81
Dalian Municipal Construction Investment Company	452,250	3.75
Nantong Investment Management Centre	135,750	1.13
Shantou Power Development Joint Stock Company Limited	38,000	0.32
Dandong Energy Investment Development Centre	13,000	0.11
Shantou Electric Power Development Company	5,000	0.04
Domestic Public Shares	500,000	4.15
Sub-total	9,000,000	74.67
Foreign Shares	3,055,383.44	25.34
TOTAL	12,055,383.44	100

Note: On 12th May 2004, Shantou Electric Power Development Company transferred 30,000,000 shares in the Company held by it to HIPDC. In addition, owing to the dispute arising out of a loan agreement with Shantou Branch of The Bank of Communications, the 33,000,000 State-owned legal shares of the Company held by Shantou Electric Power Development Company were ordered to be frozen by the Intermediate People's Court of Shantou Municipal, Guangdong Province. As HIPDC has repaid the debt for Shantou Electric Power Development Company, the shares were defrozen by the court on 21st December 2004. However as Shantou Electric Power Development Company has not repaid the debt to HIPDC, the court ordered to transfer 28,000,000 shares of the Company held by Guangdong Shantou City Power Development Company to HIPDC. Currently, Shantou Electric Power Development Company holds 5,000,000 state-owned shares of the Company.

Save as disclosed above and so far as the Directors, chief executive officer and Supervisors of the Company are aware, as at 31st December, 2004, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company.

PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Stock Exchange, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and Senior Management are set out in the section of "Profile of Directors, Supervisors and Senior Management" of this report.

INDEPENDENT DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received independence confirmation from each of the independent directors, namely Mr. Gao Zongze, Mr. Zheng Jianchao, Mr. Qian Zhongwei and Mr. Xia Donglin, and considers them to be independent.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of directors and Supervisors of the Company are set out in Note 9 of the financial statements prepared under International Financial Reporting Standard.

FIVE HIGHEST PAID STAFF

Details of the five highest paid staff in the Company are set out in Note 9 of the financial statements prepared under International Financial Reporting Standard.

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES

As at 31 December 2004, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) that is required to be recorded and kept in the register in accordance with section 352 of the SFO, any interests required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code").

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS AND SERVICE CONTRACTS

Save for the service contracts mentioned below, as at the end of 2004, the directors and supervisors of the Company did not have any material interests in any contracts entered into by the Company.

No director or supervisor has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Each and every director and supervisor of the Company had entered into a service contract with the Company for a term of three years commencing from the signing of the contract.

STAFF HOUSING

The Company made allocation to the housing common reserve fund for its employees in accordance with the relevant PRC regulations.

In 2004, the Company and its subsidiaries have not sold quarters to its staff, nor did they have such plan.

STAFF MEDICAL INSURANCE SCHEME

During year 2004, the Company and its subsidiaries have fulfilled their obligations regarding staff medical insurance in accordance with the relevant rules and regulations imposed by the local governments of the places where they are located. The Directors of the Company are of the view that the performance of such obligations by the Company did not and will not have significant impact on the Company's financial position.

MAJOR EVENTS

1. In 2004, the Company acquired the following power assets at an aggregate consideration of RMB4.575 billion: (i) 90% equity interest in Jinggangshan Huaneng Power Generation Limited Liability Company and 40% equity interest in Heibei Hanfeng Power Generation Limited Liability Company, both held by Huaneng Group; (ii) all assets and liabilities of Yingkou Power Plant, 60% equity interest in Huaneng Hunan Yueyang Power Generation Limited Liability Company and 55% equity interest in Jinggangshan Huaneng Power Generation Limited Liability Company, all owned by HIPDC; (iii) 10% equity interest in Jinggangshan Huaneng Power Generation Limited Liability Company held by Jiangxi Province Investment Corporation.

   This acquisition took effect on 1st July 2004 whereby the Company's generation capacity on an equity basis increased by 3,096MW and the total generation capacity under construction on an equity basis increased by 1,050MW. This has ensured the Company's future growth in generation capacity and made contribution to the continuing growth of the Company's earnings.

2. At a consideration of RMB 2.025 billion, the Company acquired the following assets owned by Huaneng Group: (i) 60% equity interest in Sichuan Huaneng Hydro Power Development Limited Liability Company (" Sichuan Hydro Power"), and (ii) 65% equity interest in Gansu Huaneng Pingliang Power Generation Limited Liability Company ("Pingliang Power Plant"). This acquisition took effect in January 2005 whereby the Company's generation capacity on an equity basis increased by 1,146MW and the total generation capacity under construction on an equity basis increased by 389MW.

   This acquisition is not only a step forward in realising the Company's strategy of placing emphasis on both coal fuel and other types of fuel, but also a continuity of the Company strategy of placing equal emphasis on acquisition of existing power plants and development of new power plants. In light of the strong increase of power demand and shortage of coal fuel in China, the acquisition of hydro power assets will rationalise the Company's fuel structure. The acquisition of mine-mouth power plant (such as Pingliang Power Plant) will bring about a decrease in the average fuel cost of the Company and as a result, will enhance the Company's profitability and effectively contain the increase in fuel costs.

3. At the 7th meeting of the 4th session of the board of directors of the Company held on 20th May 2004, it was resolved to approve the appointment of Mr Huang Yongda as the Company's President, the resignation of Mr. Ye Daji from the position of President, the resignation of Mr. Hu Jianmin from the position of Vice President and the appointment of Mr. Ye Daji as the Vice Chairman of the Board of Directors of the Company.

   The Board of the Directors of the Company was satisfied with the performance of Mr Ye Daji and Mr Hu Jianmin and expressed its commentations and gratitude towards their contribution to the development of the Company.

4. At the 8th meeting of the 4th session of the board of directors of the Company held on 20th May 2004, it was resolved to approve the nomination of Mr Huang Yongda and Mr. Liu Shuyuan as candidates for directors and the nomination of Mr Liu Jipeng as a candidate for independent director. Such appointments were approved at the extraordinary shareholders' meeting on 28th September 2004.

CODE OF BEST PRACTICE

During the Year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

DESIGNATED DEPOSIT

As at 31st December 2004, the Company and its subsidiaries did not have any designated deposit with any financial institutions within the PRC nor any overdue fixed deposit which could not be recovered.

CHARITABLE DONATION

During the year, the total amount of donation made by the Company and its subsidiaries were RMB1.39 million (2003: RMB4.48 million).

LEGAL PROCEEDINGS

As at 31st December 2004, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company and its subsidiaries.

AUDITORS

In the forthcoming annual general meeting for 2004, a proposal regarding the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Co. Ltd as the PRC auditor of the Company and PricewaterhouseCoopers as the Company's international auditor for 2005 will be tabled for shareholders' consideration and approval.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER

The annual general meeting for 2004 will be held on 11th May 2005. The H share register of the Company will be closed from 11th April 2005 to 10th May 2005 (both dates inclusive). Shareholders on the H share register as at 16 April 2005 will be entitled to attend the 2004 annual general meeting of the Company and to receive the cash dividends.

By Order of the Board
Li Xiaopeng
Chairman

Beijing, the PRC
15th March 2005