



ANNUAL RESULTS

The Company's net profit for the year ended 31 December 2004 reached HK\$1,308 million representing an year-on-year increase of 121.9%. Basic earnings per share amounted to HK 34.34 cents, representing an increase of 68.2% compared to 2003. The Board recommended a final dividend for 2004 of HK 6.1 cents per share. Together with the interim dividend of HK 2.5 cents per share, dividend for the full-year 2004 was HK 8.6 cents per share (2003: Nil) in total. The Board honored its commitment to the shareholders in a dividend payout ratio of not less than 25%.

The Company's contribution from the net profit of subsidiaries in 2004 was HK\$316.9 million, representing an increase of 342.8% from 2003. Net profit from the associates was HK\$799.7 million, representing an increase of 49.3% from 2003. Contribution from jointly controlled entity was HK\$ 249.9 million, representing an increase of 282.2% from 2003. Contribution from subsidiaries accounted for 23.2% (2003: 10.6%) to the Company's net profit in 2004. With more and more power plants controlled or wholly owned by the Company to be commissioned, profit contribution from subsidiaries in future will further increase.

STRATEGIC REVIEW

During the previous year, the Company effectively executed the predetermined strategy. On the one hand, we focus on developing coal-fired generation units of 300MW and above in the target markets, namely 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. On the other hand, we endeavoured to reduce costs involved in development, construction and operation of the projects.

The Company continued to pursue investment opportunities in the target markets. During the year, the Company invested in CR Yixing Thermal Power Plant (2 x 60MW) in the southern part of Jiangsu Province, acquired certain equity interests in Xingning Power Plant (2 x 135MW) as well as Phase II of Hengfeng Power Plant (2 x 300MW) in Guangdong and Hebei Province, respectively. The Company is applying for government approval for a number of large generation units in the target markets. This ensures the Company will continue its satisfactory growth rate, and returns on shareholders' equity will be further enhanced.

In view of the continued shortage of thermal coal over the past year, the Company timely adjusted its business strategies, including investing in mine-mouth and road-mouth power plants, conducting research and development of new types of energy and renewable energy. In 2004, we have been actively developing mine-mouth and road-mouth power plants in regions where there is an abundant supply of coal resources, such as Henan Province, in order to assure the supply of coal and mitigate the impact of coal price increase on earnings. Following Dengfeng Power Plant (with two generation units commencing commercial operation in July and September 2004 respectively), we invested in Shouyangshan Power Plant and Zhumadian Gucheng Power Plant successively. These power plants are located in Henan Province, where there is transportation convenience and an abundant supply of coal. In addition, the Company is also exploring investment opportunities in new energy and renewable energy, such as gas-fired power stations and wind power projects.



CORPORATE GOVERNANCE

The Board and management of CR Power believe that good corporate governance helps improve accountability and enhance transparency. It is also a foundation for protecting shareholders' interests. As a listed company, CR Power has been committed to improving overall quality of corporate governance, and ensuring that good corporate governance practices and procedures are established as per the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules. In future we will endeavour to comply with the Recommended Best Practice of the Code. At present, one third of the members of the Board are independent non-executive directors. The members of the audit committee are all independent non-executive directors. Most of the members from the remuneration committee and the nomination committee are independent non-executive directors. Our corporate governance report is set out from page 22 to page 33 of this Annual Report.

INVESTOR RELATIONS

The Company considers that maintaining good communications with investors not only facilitates their understanding of the Company, but also improves the Company's transparency as well as management quality through feedback and recommendations from investors. Apart from the disclosure as required by the Listing Rules, the Company also took the initiative to disseminate operating figures and latest development to investors by way of press release, including the monthly net generation statistics, commencement of commercial operation of new generation units and recent investments or acquisitions. All of such information is available on the Company's website (www.cr-power.com) as well.

The Company actively created various opportunities to enhance communications with investors. Over the past year, the Company conducted several road shows in Hong Kong, Singapore, Europe and the US. We also participated in the China Investment Conference organised by Goldman Sachs in Beijing, China Investment Conference organised by Credit Lyonnais Securities in Qingdao, Asia Investment Summit organised by Morgan Stanley in Singapore and Asia Pacific Investment Conference organised by J.P. Morgan in New York. The Company communicated with investors world-wide in respect of the business strategies and its latest development. In future we will create more opportunities for our management of the Company and individual power plants to communicate face-to-face with investors and analysts.





OUTLOOK FOR 2005

Growth of the PRC economy should remain rapid in 2005, so does electricity demand growth. The Company will continue to capitalize on the opportunities arising from shortage of power supply in its service areas, and strive to maintain high utilization levels for our operational plants. During the first quarter of 2005, a generation unit at each of Jiaozuo Power Plant, Changshu Power Plant, Phase II of Hengfeng Power Plant and Yixing Power Plant, respectively, was commissioned ahead of schedule. In addition, a number of new generation units are expected to commence commercial operation in 2005.

In 2005, coal prices should stay at high levels. This will be a major challenge for the Company. CR Power will adopt active measures including developing mine-mouth projects and appropriately investing in coal mines, in order to control the supply of coal and to ensure our power plants' coal costs to be below average in their respective regions.

APPRECIATION

I would like to express my appreciations towards the valuable contributions and support by the fellow Directors during the year. Mr. Ning Gao Ning resigned from the Board on 30 December 2004 due to his new assignment at China National Cereals, Oils and Foodstuffs Imp. & Exp. Corp. I would like to express my gratitude towards his invaluable contributions to CR Power. I also wish to thank the management team and all staff members, in particular those who work at the power plant level, for their dedications throughout the year.

Finally, I would like to express my appreciations towards the long-term support of the Company's various business partners and customers.

Song Lin
Chairman

Hong Kong, 20 April 2005