



During 2004, under the leadership of the Board, the Company achieved the business targets through effective implementation of the approved strategies in the previous year.

ATTRIBUTABLE INSTALLED CAPACITY INCREASED BY 91%

In 2004, with respect to the Company's projects under construction, two generation units at each of Luoyang Power Plant, Phase II of Xuzhou Power Plant, Dengfeng Power Plant and Puqi Power Plant as well as the first generation unit of Yixing Power Plant commenced commercial operation successively. Attributable installed capacity of the Company as at 31 December 2004 reached 2,949MW, representing an increase of 91% from 1,545MW as at the end of 2003. During the first quarter of 2005, one generation unit at each of Jiaozuo Power Plant, Changshu Power Plant, Phase II of Hengfeng Power Plant and Yixing Power Plant were commissioned ahead of schedule. This further increased the Company's attributable installed capacity.

NET GENERATION INCREASED BY OVER 30%

Due to the commissioning of new generation units and increase in utilization hours, total net generation in 2004 (on the basis of 100% for each of the Company's power plants) increased by over 30% from 2003. During the past year, electricity consumption in the PRC increased by about 15% year-on-year. The service areas where the Company's power plants are located have been suffering from serious shortage of power supply. Driven by the strong electricity demand growth, the utilization hours of the Company's five operational power plants averaged at 7,019 hours last year. Among which, the utilization hours of Shajiao C Power Plant and Wenzhou Power Plant reached 7,235 hours and 7,870 hours, respectively.

EFFECTIVE COAL COST CONTROL

In 2004, among all cost components, the substantial increase in coal prices brought greatest pressure to the Company. During the past year, by capitalizing on the long-term supply agreements contracted with the coal suppliers, centralizing coal procurement and blending coal of different grades, the Company managed to keep coal cost increase well under control. In January 2005, we contracted over 80% of our total coal demand for the year at the Annual Coal Conference. This will help assure coal supply for the year and alleviate the pressure on costs brought by further increase in coal prices.

CONSTRUCTION PROCEEDED AS SCHEDULED

Without compromising to the quality of construction, the Company endeavoured to shorten the construction period and minimize cost of construction, so as to enhance the cost competitiveness of our power plants. In 2004, the construction periods for the Company's newly commissioned unit were shorter than the industry average. This did not only increased the net generation and profit contribution from these generation units, but also reduced the expenses on capitalized interests. For example, the construction period for two 300MW coal-fired generation units of Phase II of Xuzhou Power Plant and Dengfeng Power Plant did not exceed 20 months, and was five to six months ahead of the industry average.



KEY TASKS IN 2005

TO COMPLETE THE CONSTRUCTION OF NEW PROJECTS AT A HIGH STANDARD

2005 will still be a year of rapid development for the Company. Most of the Company's projects currently under construction will be commissioned this year. Apart from one generation unit at each of Jiaozuo Power Plant, Changshu Power Plant, Phase II of Hengfeng Power Plant and Yixing Power Plant already commissioned during the first quarter, there will be more generation units commencing commercial operation during the year. By the end of 2005, the Company's attributable installed capacity is expected to exceed 4,700MW, representing an increase of approximately 60% year-on-year. The Company will endeavour to ensure these generation units to be commissioned as planned in the contexts of construction schedule, quality and costs.

Other projects under construction, including Shouyangshan Power Plant as well as Fuyang Power Plant and Yunpeng Hydro Power Plant being managed on behalf of China Resources Group, are currently being constructed as scheduled, and are expected to be commissioned in 2006.

TO ENSURE A NEW BATCH OF PROJECTS TO COMMENCE CONSTRUCTION IN DUE COURSE

In March 2005, the Government approved the Zhumadian Gucheng Power Plant in Henan, which consists of two 300MW coal-fired generation units. The preparatory work has been proceeding smoothly. The Company will endeavour to commence construction as soon as practical, and strive to commence commercial operation in 2006. In addition, the Company is applying Government approvals for a number of new projects which are in our target markets, meeting our strategic objectives and expected rates of returns. These projects will commence construction after approval is received from the Government, and ensure that CR Power will sustain a satisfactory growth rate in the future.

TO ENHANCE PROFITABILITY VIA EFFECTIVE COST CONTROL

Coal prices are expected to stay at high levels in 2005. The Company will adopt various proactive measures, such as contracting medium to long-term supply agreements with coal suppliers, implementing the technology of blending coal of different grades, and constructing mine-mouth projects in order to mitigate the impact of coal price increase. In 2004, the series of measures adopted by the Company proved to be effective. One of the Company's key tasks in 2005 is enhancing profitability via effective cost control.

TO FURTHER IMPROVE MANAGEMENT QUALITY AND ENHANCE EXECUTION CAPABILITIES

In 2004, through the application of advanced management tools such as balance score cards and benchmarking scheme, the Company's capabilities in execution of strategies were significantly enhanced. In 2005, the Company will further perfect the strategic performance appraisal mechanism for construction and operation of power plant based on balance score cards, economic value added and benchmarking scheme in order to create shareholder value. At the same time, we will encourage the extensive sharing of best practices in terms of construction and operation among various power plants, so as to enhance the overall execution capabilities of the Company.



APPRECIATION

In 2004, due to tight supply of generation equipments and coal as well as intense competition for new projects, more efforts were devoted by the Company's management and its general staff members in 2004 with a view to create shareholder value. I wish to take this opportunity to express my heartfelt gratitude.

Wang Shuai Ting
Chief Executive Officer

Hong Kong, 20 April 2005