



I. Compared with other listed power companies, CR Power is smaller in terms of scale, and does not have a strong parent company engaging in the power industry as support. How does CR Power position itself in the industry and cope with the competition being posed by other companies?

CR Power is committed to becoming the best independent power generation company in terms of cost advantage and investment value in the PRC. Our investment decisions are made on the basis of return on equity, not just for the sake of expanding installed capacity. Our professional project development team has been seeking investment opportunities with good value. We have already signed a number of letter of intent with various provincial governments in order to increase our installed capacity in the target markets. By leveraging on the flexibility in mergers and acquisitions, we are closely monitoring and exploring acquisition opportunities throughout China.

Since our establishment, CR Power designed its internal operating mechanisms in accordance with the market practices. The existing management mechanisms focus on enhancing our capabilities in execution of strategies and creating shareholder value. We established strategic performance appraisal mechanism on the basis of balance score cards, economic value added and benchmarking scheme. We have a share option scheme in place for key staff members of the Company and individual power plants in order to motivate the management team and staff and foster initiatives for creation of shareholder value.

Development, construction and operation are never separate at CR Power. Our management team of each individual project is held accountable to the entire process for the respective project. This ensures the creation of good conditions for future operation during the construction phase and to avoid short-cuts.

We believe that these measures will enhance our capabilities in execution of strategies and our competitiveness.

II. As of to date since 2004, coal prices surged substantially. How did the Company control its coal costs? Is there any plan for the Company to enter into the coal industry? What's the Company's views on coal prices going forward?

In view of increasing coal prices, we adopted several proactive measures, such as contracting long-term supply contracts with suppliers, maximizing quantity of coal contracted at Annual Coal Conference, centralizing coal procurement, and blending coal of different grades. These measures resulted in fuel cost increase being controlled at a relatively low level. In future we will also develop mine-mouth projects. For example we plan to invest in coal mining enterprises through Dengfeng Power Plant, Gucheng Power Plant and Shouyangshan Power Plant. These investments will assure sufficient coal supply for our power plants, and further mitigate the impact of coal price increase.

We believe the upward pressure on coal prices will be alleviated upon increasing investment in coal mines, and the planned improvement in transportation capacity by the Government.



III. What is the Company's view to the future landscape of electricity market in China? In what ways can the Company cope with the opportunities and challenges in future?

Growth of the PRC economy is expected to remain fast in future, so does growth of electricity demand. Although the scale of generation units under construction in China is relatively large, the service areas where our power plants are located are still experiencing shortage of electricity supply. Therefore utilization rate of our generation units should maintain at a high level.

Apart from managing daily operations efficiently, we exercise tight control over all cost components, including capital expenditure and construction period in order to enhance the cost competitiveness of our power plants in future.

At the same time we will continue to explore new investment opportunities in accordance with our predetermined strategic objectives in the target markets. Through constructing new power plants and expanding existing power plants, the sustainable growth in installed capacity, profitability and return on equity for the Company in future will be assured. By leveraging on the flexibility in mergers and acquisitions, the Company will acquire generation assets that meet our required rate of return.

IV. What is the gearing ratio of the Company at present? Is there any room for taking up additional debts?

As at 31 December 2004, the ratio of net debt to equity for CR Power stood at 56.6%. The target capital structure of the Company is total debt to total capital ratio of 50% or net debt to equity ratio of 100%. EBITDA interest coverage target is at least four times. Therefore the Company still has room for further debt financings.

All power plants under CR Power have been generating steady cashflow. Every year profit after tax of the subsidiaries and associated companies is distributed to the shareholders in proportion to equity ownership after deducting the contribution to the "Three Statutory Reserves" as required by the PRC Government each year. The recurring cashflow is sufficient to fund the Company's capital expenditure in future.

As a company registered in Hong Kong, CR Power enjoys the flexibility to raise funds in both domestic and overseas markets. We will compare the terms of financings in both international and local markets, and raise funds at the lowest possible costs.



- V. In January 2005, State Environmental Protection Administration of China successively announced a list of 30 projects that commenced construction without approval and 46 thermal power plants that have not yet installed desulphurization facilities. Such measures reinstated the PRC government's tightening control over power plants' environmental protection facilities. What will be the impact to the Company's development in future?**

CR Power is attentive to its social responsibility, including responsibilities for environmental protection, and always complies with the State's policies, laws and regulations on environmental protection. All of our new power plants that commenced operation recently installed desulphurization facilities, except Puqi Power Plant. There are plans for power plants under construction and power plants recently commissioned to install desulphurization facilities. Shajiao C Power Plant is now installing its desulphurization facility. There is plan for Wenzhou Power Plant to commence the installation of desulphurization facility in 2005. Other power plants will formulate their plans to install the desulphurization facility in due course.

The power generation assets of CR Power are mainly coal-fired at present. We are actively studying to invest in clean energy, including hydro, wind power and gas-fired power stations. Yunpeng Hydro Power Plant, currently being held by China Resources (Holdings) Company Limited and constructed by us, could be acquired by CR Power at the appropriate time, and will become CR Power's first hydro power project. We are also planning to invest in gas-fired power plants.

- VI. CR Power is located in Hong Kong whilst its power generation assets are throughout China. What are the human resources strategies being adopted by the Company to meet the rapidly growing human resources demand?**

CR Power has been adopting an open human resources policy. We not only attract expertise from within and outside China but also emphasize internal training. We have human resources development plans in place, which incubate expertise in a strategic and progressive manner in order to meet the Company's on-going business needs.

CR Power is an equal-opportunity employer. All staff members have the same opportunities as long as they have the required capabilities and potential, regardless of gender, age, etc.

The Company foster a performance-oriented culture. We have different performance indicators and appraisal methods for different positions. We conduct performance appraisal for our staff members on an annual basis, and reward them based on appraisal results.