

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the Board,
I am pleased to report that
CR Power delivered
excellent results for the
fiscal year of 2005.

Song Lin
Chairman

ANNUAL RESULTS

For the year ended 31 December 2005, CR Power recorded a net profit of HK\$2,858.2 million, representing an increase of 139.0% from a net profit of HK\$1,195.7 million for the year ended 31 December 2004. Net profit for the year included a gain on disposal of a jointly controlled entity amounting to HK\$1,071.1 million. Excluding gain on disposal of a jointly controlled entity, net profit for the year amounted to HK\$1,787.1 million, representing an increase of 49.5% from a net profit of HK\$1,195.7 million for the year ended 31 December 2004. Basic earnings per share for the year ended 31 December 2005 increased 139.0% to HK75.0 cents, from HK31.4 cents for the preceding year. Excluding gain on disposal of a jointly controlled entity, basic earnings per share for the year ended 31 December 2005 amounted to HK46.9 cents, representing an increase of 49.4% from the preceding year.

The Board resolved to recommend a final dividend of HK10.0 cents per share for the year ended 31 December 2005. Together with the interim dividend of HK3.0 cents per share, dividend for 2005 amounted to HK13.0 cents per share (HK8.6 cents per share for 2004). In addition, the Board resolved to recommend a special dividend of HK6.0 cents per share. Therefore, total dividend for 2005 amounts to HK19.0 cents per share.

STRATEGIC REVIEW FOR 2005

In order to deliver satisfactory investment returns and maintain strong earnings growth for shareholders, CR Power formulated and executed a set of clear strategies. In summary, CR Power's business strategies include "focused" business development strategy as well as "low-cost" operation strategy.

Our "focused" business development strategy specifies our preferences of target service areas, capacity scales of generation units, fuel types, and ownership structure. According to this strategy, CR Power focused on investing in coal-fired generation units with capacity of 300MW or above in more affluent areas with high economic growth rates. Unless for strategic or other compelling reasons, we only invest in projects where we have absolute control.

Our "low-cost" operation strategy refers to our cost control measures implemented at different stages of a project, namely, development, design, construction and operation. Our operation strategy also differentiates us and defines our uniqueness in the area of operation, performance appraisal, human resources management, as well as corporate culture.

Since the inception of the Company, CR Power has set and followed the above strategies. In 2005, we reviewed the formulation and execution of the above strategies and refined the direction of future development going forward.

We are delighted that the strategies above have been implemented effectively in 2005. In particular, we have achieved satisfactory performance results, especially in the areas of shortening construction period, controlling capital expenditure as well as development of new projects. In the future, CR Power will continue to review and adjust our strategies in response to the ever-changing operation environment, in order to maintain our profitability as well as growth momentum.



China's electricity demand and supply imbalance eased gradually in 2005. Compared with 2004 when China encountered a nation-wide and continuous power shortage, power shortage in 2005 was of a regional, seasonal and periodical nature. The number of provinces enduring electricity shortage decreased to seven in December from twenty six at the beginning of 2005. Social demand for electricity continued to register strong growth rate of 13.5% year-on-year, amounting to 2.47 trillion kWh by the end of 2005. As at the end of 2005, China's total installed generation capacity reached 508.4GW, registering a year-on-year increase of 14.9%.

2005 was a year of rapid development for CR Power. During the year, our attributable generation capacity increased 67.5% year-on-year to 4,940MW from 2,949MW as at the end of 2004. Excluding gain on disposal of a jointly controlled entity, net profit for the year amounted to HK\$1,787.1 million, representing an increase of 49.5% from a net profit of HK\$1,195.7 million for the year ended 31 December 2004. In 2005, we fully achieved our business targets for new projects approval and acquisition of power assets. We expect the Company's attributable operational capacity to reach 7,294MW by the end of 2006.

CORPORATE GOVERNANCE

As a company registered and listed in Hong Kong, CR Power has been committed to improving the overall standard of corporate governance with reference to international corporate governance practices. The Board and management acknowledge their responsibilities in establishing and enforcing a good corporate governance structure and code of practices in order to improve accountability and transparency, protect shareholder's interests and create shareholder value in the long run.

Since the Code on Corporate Governance Practices (the "Code") was promulgated by The Stock Exchange of Hong Kong Limited, CR Power has been improving the overall quality of its corporate governance based on the requirements under the Code. During the year, CR Power applied the principles and complied with all of the provisions and most of the recommended best practices under the Code. Our corporate governance report is set out from page 50 to page 61 of this annual report.

INVESTOR RELATIONS

Since its inception, CR Power has been dedicated to delivering and maximizing shareholder value. The Board believes that communicating with shareholders, listening to shareholders, and providing shareholders with up-dates on its latest development is critical to a company's success in the long run. We have been taking various measures to maintain effective communications with shareholders. This not only ensures that shareholders' ideas can be conveyed to the Board and management of the Company in a timely manner, but also allows shareholders to be kept abreast of our latest developments.

In 2005, our management participated in a series of investment conferences and forums organized by various investment banks and securities brokers. We also conducted road-shows in Hong Kong, Singapore, Europe and the U.S. after the announcements of our interim and final results. We took these opportunities to present our strategies, highlights of latest development and operations to institutional investors worldwide. In 2005, CR Power was voted the best company for investor relations in China as well as in the Asian power industry based on views of sell-side analysts by "Institutional Investor".

OUTLOOK FOR 2006

In 2006, Chinese IPPs will encounter challenges in a number of aspects including decrease in utilization hours, high coal prices, and introduction of trial run of competitive bidding in certain regions in China. The China Electricity Council forecasts that demand for electricity will continue to increase in 2006 with a nationwide growth average of 12% to 2.75 trillion kWh. Total new capacity to be installed in 2006 is estimated at 75GW, of which most is to be commissioned in the second half of the year. Utilization hours are expected to be under downward pressure as new generation capacity is coming on stream. Thermal coal, in terms of volume, is expected to experience an overall supply/demand balance with a slight surplus. We expect coal prices to remain at high levels in 2006, with little likelihood of material increase or decrease.

Despite an unfavorable operating environment, CR Power is still confident of delivering higher-than-industry-average return on investment for shareholders. Over the past years, we have been aiming to create competitive advantages through lowering unit capital expenditure, shortening construction period, containing fuel costs and controlling financing costs, in order to maximize our return on investment. Starting from 2006, CR Power will endeavor to strengthen our "system-wide cost control" capabilities. This means we will continue to contain not only the cost components as mentioned above, but also increase our synergistic benefits in the areas of management and administration and repair and maintenance.

Apart from "system-wide cost control", we believe maintaining generation capacity growth is also important to sustain earnings growth. As more new generation capacity will be commissioned and utilization hours start declining, we foresee more acquisition opportunities going forward. We believe in the next couple of years our expansion will mainly be in the form of acquisitions of new projects and brown-field (expansion of existing) projects. At the same time, we will continue to apply for approvals of greenfield projects in our target markets.

Looking ahead, coal-fired power plants will continue to account for the majority of our assets. However, we will selectively invest in clean energy such as hydro power and wind power projects. Our first hydro power plant is expected to be commissioned by the end of 2006. Also, our first gas-fired plant will commence commercial operation this year. In January 2006, we completed the acquisition of our first wind power project which is currently in operation.

In spite of the challenging operating environment, the Board and management are still confident of delivering satisfactory returns for our shareholders in 2006.

APPRECIATION

I would like to take this opportunity to express my gratitude toward all fellow Directors for their valuable contributions and support to the Company. I also wish to thank our general staff members at the plant level, in particular, for their dedication and commitment throughout the year.

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

Song Lin
Chairman

Hong Kong, 20 March 2006