FREQUENTLY ASKED QUESTIONS

STRATEGY

1. **On the back of rapid installed generation capacity growth over the past few years, PRC power generation industry encountered challenges from various areas including utilization rates decline, competitive bidding as well as high coal prices. How could CR Power maintain relatively high earnings growth going forward?**

   As a developing country, China has huge economic growth potential. We believe electricity demand will continue to register robust growth in line with the overall growth of the economy. However, due to rapid installed generation capacity growth in China over the past few years, we expect Chinese independent power producers (IPPs) to encounter challenges from various areas such as utilization rates decline, competitive bidding, high coal prices, etc. Caution over the industry outlook could possibly render some investors to withdraw from the industry, or even abandon their investment plans.

   However, we believe such industry cycle presents good acquisition and investment opportunities for strong IPPs such as CR Power. Therefore, in 2005, we adjusted our development strategy in time. In the next couple of years, our growth will mainly be in the form of acquisition and expansion projects, supplemented by greenfield construction. We believe our healthy financial structure, speedy decision making process, and flexible acquisition practices should put us in an advantaged position when acquisition opportunities emerge. In the future, CR Power will maintain earnings growth mainly through expanding generation capacity.

2. **What is CR Power's plan on new types of energy or renewable energy?**

   Coal-fired generation will continue to be our focus but we are also exploring investment opportunities in new types of energy and renewable energy including hydro, gas-fired and wind power.

   We expect hydro power generation to demonstrate huge market potential and hydro power to deliver strong competitiveness and good returns over the long-term. Located in Yunnan Province, Yunpeng Power Plant, our first hydro power project, is expected to commence commercial operation in 2006. Also, we are currently exploring more hydro investment opportunities in Sichuan and Yunnan Province.

   The Chinese Government plans to further increase the scale of wind power generation capacity in the future. Therefore, wind power is encouraged by the Government. Recently we completed the acquisition of Nanao Wind Power Project in Guangdong Province, which is the starting point of our further investment in China's wind power sector going forward.

   We are of cautious views toward gas-fired generation. In view of the high gas prices as well as unreliable gas supply, we would only invest in gas-fired projects in areas where economic growth, environmental requirements and tariff affordability are among the highest in the country such as Beijing and Guangzhou. We have completed the acquisition of a total of 51% equity interest in Beijing Yizhuang Gas-fired Co-generation Power Plant in March 2006. Phase one, consisting of two 75MW heat and power co-generation units, is expected to be commissioned in the first half of 2006. Recently approved by the Government, Nansha Power Plant in Guangzhou consists of one 180MW heat and power co-generation unit.

3. **What is the latest development of CR Power's intended investment in coal mines? Is investing in coal mines losing its importance given the increase of coal supply?**

Currently, we indirectly invested in two coal mines as minority shareholder through our power plants at the relevant subsidiary power plant level. Output of these coal mines will first be supplied for CR Power's power plants at a discount to prevailing market prices. Although coal supply should be easing and coal prices should stabilize from 2006 onward, investing in coal mines should still be positive to IPPs by ensuring stable supply and favorable prices of coal.

Over the long-run, because of its un-renewable nature, capturing certain amount of coal resources can mitigate the risks associated with fuel supply and prices for IPPs. CR power will continue to make selective investment in coal resources provided it supplements our power plants profitability.

FINANCE

1. **What is the effective tax rate of CR Power? Will this figure change going forward?**

CR Power's effective tax on the income statement of 2004 and 2005 was deferred tax. In 2005, profit contribution from subsidiaries and associates were presented on an after-tax basis due to changes of accounting standards. In addition to other tax benefits, CR Power's new power plants enjoy 100% and 50% tax reduction for the first two and three years, respectively, since the first year of power plants deriving assessable profits. Therefore, the effective tax rate of CR Power's subsidiaries for 2005 was zero.

2. **Does CR Power have enough capital to fund its future development? Does CR Power need to raise fund from equity markets?**

As at 31 December 2005, CR Power had a total consolidated cash and bank balances of approximately HK$4.4 billion. As at the same date, CR Power's net debt to equity ratio was 50.4%, below our target ratio of 100%. EBITDA interest coverage (including capitalized interests) was 7.0 times, higher than our target coverage multiple of 4.0 times. We still have ample room for taking up more debts and therefore we do not have any plan to raise fund from equity markets.

3. **Will CR Power increase its dividend payout ratio?**

CR Power promised shareholders of a dividend payout ratio of at least 25% since the time of its initial public offering. This year our dividend payout ratio out of our recurring earnings was raised to 28%. Looking forward, we will consider investing in new projects only if they comply with our overall strategies and generate an internal rate of return which exceeds our target rate. If there is no such investment opportunity, in principal, we will distribute our surplus cash to shareholders.