

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I present the China Resources Power Group Report for the year ended 31 December 2006.

I am pleased to report that CR Power achieved satisfactory financial and operational results for the fiscal year of 2006 and also made progress in the improvement of corporate governance.

ANNUAL RESULTS

For the year ended 31 December 2006, CR Power recorded a consolidated turnover of HK\$9,740 million, representing an increase of 64.3% from the turnover of HK\$5,927 million for last year. Net profit from ordinary business amounted to HK\$2,365 million, representing an increase of 32.3% from HK\$1,787 million for last year. In 2005, our Company recorded a non-recurring gain of HK\$1,071 million from the disposal of an interest in a jointly controlled entity.

In 2006, the total number of operational subsidiary power plants increased, hence, our operating profit increased to HK\$2,553 million, representing a significant growth of 90.1% over last year. Profit contribution from our subsidiary power plants also increased to 72% from 53% for last year. We believe contributions from our subsidiary power plants will increase further in the future.

The Board recommended the payment of a final dividend of HK14 cents per share for 2006. Together with the interim dividend of HK4 cents per share, total dividend for the year was HK18 cents per share, representing a dividend payout ratio of 29.0%.

STRATEGIC REVIEW

In 2006, our management team continued to follow a “focused” business development strategy and the “low-cost” operational strategy, and fully achieved our development and operational targets for the year.

Our attributable operational capacity increased significantly during the year. As at 31 December 2006, our attributable operational capacity was 8,003MW, increased substantially by 62% from 4,940MW as at the end of 2005, and was four times more than the 1,545MW attributable capacity as at the time of our listing in The Stock Exchange of Hong Kong Limited in November 2003. As for our future development, our management team has made tremendous efforts, and we have a number of greenfield and brownfield project proposals in our target markets pending approvals from the PRC government. This will enable us to lay a solid foundation for our strong development in the coming years.



Song Lin
Chairman

As for construction and operation of power plants, we have maintained our leading position as a low-cost producer in the PRC power sector. The construction cost of our five 600MW class coal-fired generation units which commenced operation in 2006 was significantly below the PRC power industry average. The average standard coal cost of our subsidiary power plants for 2006 decreased by 2.7% year on year and the average unit fuel cost decreased by 5.8% year on year. In addition, our management team continued to take advantage of the flexibility of raising funds in both PRC domestic and international capital markets in order to minimise our funding cost as well as mitigate interest rate risks.

CORPORATE GOVERNANCE

CR Power regards corporate governance as a part of value creation and has been committed to improving the overall standard of corporate governance with reference to international corporate governance practices. The Board acknowledges its responsibilities in establishing and enforcing a good corporate governance structure and complying with the best corporate governance practices in order to improve its accountability and transparency, to be fair to each shareholder and create value for all shareholders.

Since the Code on Corporate Governance Practices (the "Code") was promulgated by The Stock Exchange of Hong Kong Limited, CR Power has been improving its corporate governance based on the requirements under the Code. During the year, CR Power complied with all of the provisions and most of the recommended best practices under the Code. Our corporate governance report is set out in this annual report from page 44 to page 55.

INVESTOR RELATIONS

The Board and management believe that maintaining effective communication with shareholders is an important aspect of corporate governance and is critical to our long term development. In order to ensure that shareholders' feedback and concerns are understood by the management team and directors in a timely manner and also to keep our shareholders closely informed of our latest developments, we have been actively maintaining effective communications with our shareholders.

Apart from participating in various investment conferences and forums held by various investment banks and securities brokers, we conducted road shows in Hong Kong, Singapore, Europe and the U.S. after the announcements of our interim and annual results. We also organise plant visits or cocktail receptions in order to provide opportunities for our shareholders and analysts to understand more about our operations and our management team. In September 2006, we organised a cocktail reception for analysts and fund managers to meet and to communicate directly with our front-line plant managers. Our senior management team and I, together with most of our plant managers attended the event. During the year, CR Power was awarded Asia's best managed medium-cap corporate of 2006 in China by Asiamoney. The selection criteria for the award were mainly based on the comments of analysts and fund managers on the business strategies, dividend pay-outs and communications with shareholders.

SOCIAL RESPONSIBILITIES

We place significant emphasis on our social responsibilities such as environmental protection, community development and community aid. All of our power plants comply with the PRC Environmental Protection Law and the regulations of the PRC government in all stages of development, construction and operation. All of our power plants have installed waste water recycling facilities and most of our plants have attained zero waste water discharge. Over 95% of our coal-fired power plants have installed or are in the process of installing flue gas desulphurisation ("FGD") facilities. All of our coal-fired power plants will be equipped with FGD facilities in a year or two.

Our power plants have also been actively contributing to the improvement of the local economy and environment, including building infrastructure, providing employment opportunities, driving local consumption and economic growth. Our Company and our power plants have also actively participated in social services, for example, natural disaster relief fund and tuition assistance, scholarships and grants. In 2006, our employees and our power plants made donations to the communities which were affected by typhoon in Xingning, Guangdong Province and Chenzhou in Hunan Province. We also participated in the charity functions organised by the Red Cross to help children with leukemia. In February 2007, we contributed to an education subsidy fund set up by China Resources (Holdings) Company Limited to help the impoverished students in Hebei Province.

OUTLOOK

Looking forward, the macroeconomic condition in China will continue to provide a favourable market environment for the development of the power industry. The PRC government forecasts that Chinese Gross Domestic Product ("GDP") is likely to grow by 8% this year. The China Electricity Council forecasts that electricity demand in China is likely to increase by 12.5% this year. In addition, the PRC government places more emphasis on reducing energy and resources consumption and building environmentally friendly community with a target to lower energy consumption rate of GDP per capita by 20% and emission level by 10% by 2010. This will provide more opportunities for the development of large-capacity, efficient and environmentally friendly power plants, and more development opportunities for the clean and renewable energy sector.

The PRC government is also stepping up its efforts in closing down small-scale coal-fired generation units with a target of closing down a total of 50GW small generation units between 2007 to 2010. This will not only help to lower the coal consumption rate and the total demand for coal in the country, but also mitigate the pressure on utilisation hours, and improve utilisation rate of large-scale and high efficiency generation units. In the meantime, the PRC government has also started to implement energy saving dispatchment system in more provinces. Generation units with higher capacity and efficiency will have priority over less efficient units in the allocation of dispatchment hours. This will enable large generation units to improve their utilisation rates in the coming years.

As for coal supply, the mining capacity and production volume of coal have been continuously rising in China. According to China National Coal Association, total fixed assets investment in the coal industry in the PRC amounted to RMB 300.5 billion over the period from 2001 to October of 2006, which amount exceeded the total investment in the PRC coal industry in the last 45 years. In accordance with the research conducted by the National Development and Reform Commission (NDRC), there are 1,563 coal mining projects under construction nationwide, with a production capacity of 653 million tonnes in total. The additional mining capacity is expected to commence operation in 2007 and 2008, which will make coal production increase significantly. The NDRC believes that the coal supply situation will improve in 2007, however, transportation bottleneck, closing down of small coal mines and weather conditions may still result in tightness in coal supply in some parts of the country during certain period in the year. We believe improvement in coal production volume and transportation capacities will result in an improvement in the coal supply in the country.

CR Power will continue to grow rapidly in the next couple of years. We aim to maximise our operation synergies in the areas of coal procurement, financial management, project development and human resources management, and maintain our leading position in the construction and operation cost in the power industry, in order to continue to deliver sustainable earnings growth and create value for our shareholders.

APPRECIATION

I would like to take this opportunity to express my gratitude towards the directors, management team and general staff members for their precious contributions, dedication and commitment throughout the year. I would also like to take this opportunity to thank shareholders, business partners and customers for their support.

Yours sincerely,



Song Lin
Chairman

Hong Kong, 26 March 2007