



CHAIRMAN'S STATEMENT

I am pleased to announce that Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded outstanding results during the year ended 31 December 2004.

BUSINESS REVIEW

Power Generation

During the year under review, the power generating unit of the Group achieved a total output of 1,501.2 million kilowatt hour ("kWh"), representing an increase of 51.0% over last year and sold 1,473.0 million kWh, representing an increase of 54.7% over last year. The power generation unit contributed turnover of HK\$846.6 million to the Group, representing an increase of 51.2% over last year. This significant increase in power generation is mainly due to the strong demand in power consumption in the People's Republic of China ("PRC") and the increase in power generation capacity of the Group, which was increased from 305,000 kilowatts in 2003 to 485,000 kilowatts as at 31 December 2004, an increase of 59.0% over last year. Our power generation capacity will be further increased with the construction of additional 180,000 kilowatts power generating unit, which is currently underway and commercial operation is expected to commence in the second quarter of 2005. After completion of the abovementioned expansions, the installed capacity of the Group will reach a total of 665,000 kilowatts.



During the year under review, despite the fact that the People's Republic of China ("PRC") government introduced macroeconomic measures to adjust its economy, total gross domestic products still grew by 9.5 % in 2004. The nation power generation and consumption grew at an even higher rate of 14.8% and 14.9% respectively, reaching a total of 2,187.0 billion kWh and 2,173.5 billion kWh respectively in 2004. According to the statistics provided by the State Power Information Network, the total power generation in Guangdong Province alone grew by more than 12.6% in 2004 to approximately 202.3 billion kWh. The level of strong demand is expected to continue in 2005, which provides opportunities for the Group to improve both its productivity and further expand our power generating units.

Investment Holdings

On 16 December 2004, the Group entered into the Equity Transfer Agreement with, among others, an Independent third party to dispose of its investment in securities, namely, Xin Hua Control Engineering Co., Ltd. for a cash consideration of US\$23.5 million (approximately HK\$182.83 million). Upon closing of the transaction, which is expected to occur in April 2005, the Group will record a gain on disposal of approximately HK\$95.9 million.

CHAIRMAN'S STATEMENT

BUSINESS PROSPECTS

Looking forward, I believe the Chinese economy will continue to grow at a steady rate in 2005 and so will demand for electricity despite the continual imposition of macroeconomic austerity measures by the PRC government. Our top priority is to make sure our existing expansions will be completed on schedule and within our budgeted cost. We are conducting feasibility studies towards switching our existing power generating units to the utilization of liquefied natural gas ("LNG") as fuel and further expand our current capacity by doubling it through our own development and construction. In the near future, with the opening of the Guangdong LNG Terminal ("Terminal"), we will be able to benefit from being one of the first power generating units to receive supply from the Terminal.



In addition, in response to the continuing strong demand for electricity in the PRC and increasing emphasis by the PRC government on the environmental protection issue, our investment strategy would be the utilization of other alternative means of energy production like coal gasification. As China is a coal-rich country, this process of refining coal to produce wide range of chemical products will allow us to capture the commercial benefit of better and cleaner utilization of coal.

Despite the abovementioned expansion and acquisition plans in place, the continuing high oil price in the world market and the shortage of rain water in Shenzhen may directly or indirectly increase the operating cost and are challenges and issues which management have been closely monitoring.

Appropriate measures have been undertaken by the management to minimize the impact on operations.

Therefore, in 2005, we will continue to improve our internal control and management systems and process flows especially enforcing stringent control over our fuel cost in response to the soaring oil price and the construction costs on our projects.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

Sun Qiang Chang
Chairman

Hong Kong, 17 March 2005