CHINA RESOURCES POWER HOLDINGS CO., LTD.

2005 ANNUAL REPORT

華潤電力控股有限公司
China Resources Power Holdings Co., Ltd.

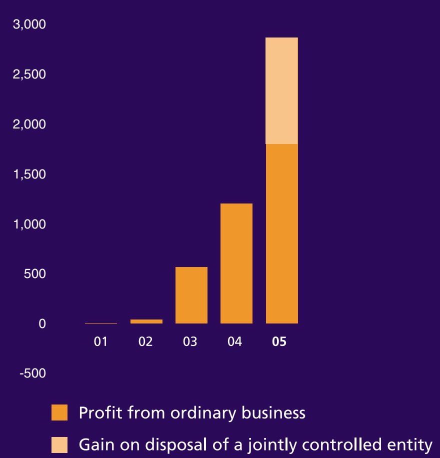
Stock Code : 836

FIVE-YEAR FINANCIAL SUMMARY

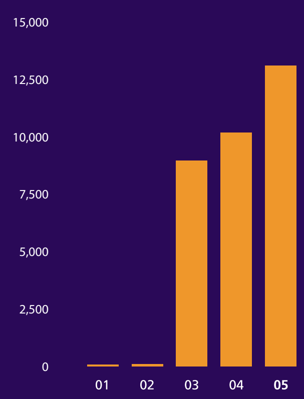
	2005 **HK$'000**	2004 HK$'000 (restated)	2003 HK$'000 (restated)	2002 HK$'000	(Note) 2001 HK$'000
Consolidated/combined income statement					
Turnover	**5,927,328**	1,898,317	491,114	—	—
Profit/(loss) for the year attributable to equity holders of the Company	**2,858,225**	1,195,735	560,838	28,108	(2,215)
Consolidated/combined balance sheet					
Non-current assets	**21,999,540**	17,206,822	10,933,449	5,578,583	359,703
Current assets	**6,456,631**	4,198,988	4,060,857	150,945	30,034
Current liabilities	**(5,466,802)**	(3,639,865)	(2,878,814)	(1,128,936)	(323,994)
Non-current liabilities	**(9,074,823)**	(6,623,884)	(2,612,511)	(4,243,991)	—
Minority interests	**(821,647)**	(983,888)	(558,328)	(257,019)	5,534
Equity attributable to equity holders of the Company	**13,092,899**	10,158,173	8,944,653	99,582	71,277

Note: The Company was incorporated on 27 August 2001. The combined income statement for the year ended 31 December 2001 and the combined balance sheet as at 31 December 2001 were prepared on the combine basis and the combined financial information was extracted from the Company's prospectus dated 3 November 2003.

Profit/ (loss) for the year attributable to equity holders of the Company
(HK$ million)



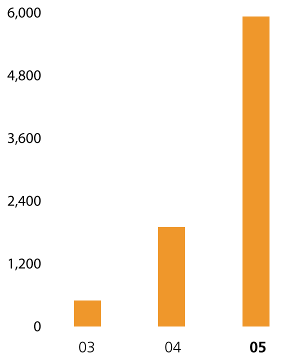
Equity attributable to equity holders of the Company
(HK$ million)



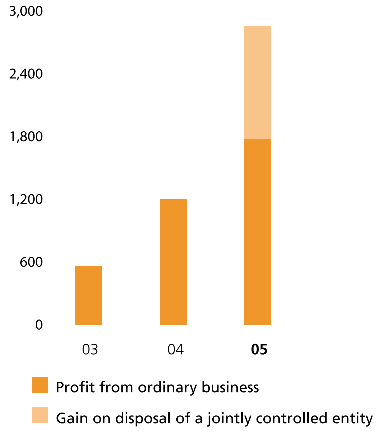
PERFORMANCE HIGHLIGHTS

	2005	2004 (restated)	2003 (restated)
Earnings per share (HK cents)			
Basic	**75.04**	31.40	19.43
Diluted	**74.37**	31.25	19.42
Turnover (HK$'000)	**5,927,328**	1,898,317	491,114
Profit attributable to equity holders of the Company (HK$'000)			
Operating power plants			
Subsidiaries	**1,023,339**	327,694	82,411
Associates	**706,832**	799,711	535,491
Jointly controlled entity	**194,815**	249,916	65,391
Others	**933,239**	(181,586)	(122,455)
Total	**2,858,225**	1,195,735	560,838
Extracts of balance sheet (HK$'000)			
Equity attributable to equity holders of the Company	**13,092,899**	10,158,173	8,944,653
Total assets	**28,456,171**	21,405,810	14,994,306
Bank balances, cash and pledged bank deposits	**4,449,208**	3,309,283	3,735,146
Bank and other borrowings	**11,045,267**	9,059,549	4,288,160
Key financial ratios			
Current ratio (times)	**1.18**	1.15	1.41
Quick ratio (times)	**1.13**	1.11	1.41
Net debt to equity (%)	**50.40**	56.60	6.20
EBITDA interest coverage (times)	**6.98**	5.47	7.65
Generation volume of operating power plants (MWh)			
Total gross generation	**52,757,611**	34,960,666	26,814,278
Total net generation	**49,633,323**	32,913,284	25,255,953
Attributable operational generation capacity (MW)			
Eastern China	**2,026**	693	450
Central China	**1,401**	1,161	—
Southern China	**1,053**	945	945
Northern China	**460**	150	150
Total	**4,940**	2,949	1,545

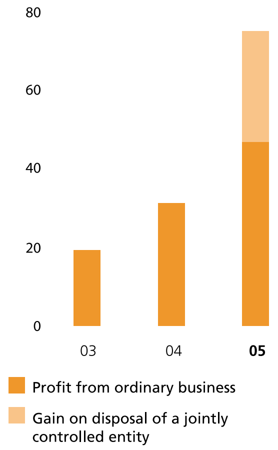
Turnover (HK$ million)



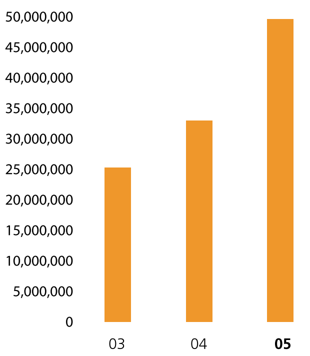
Profit attributable to equity holders of the Company (HK$ million)



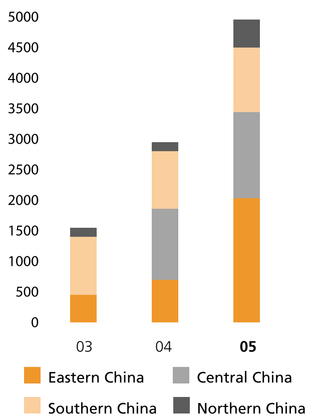
Basic EPS (HK cents)



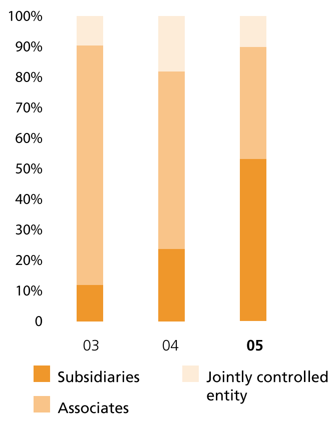
Net generation volume of operating power plants (MWh)



Attributable operational generation capacity (MW)



Percentage of profit contribution



DESIGN: THE DESIGN ASSOCIATES LTD. www.tda.com.hk

CONTENTS

MAJOR EVENTS 2005

1/2005

5 January 1
CR Power completed the acquisition of a 25% equity interest in Hengshui Hengxing Power Generation Company Limited ("Hengfeng Phase II") held by China Resources National Corporation ("CRNC").

7 January
CR Power completed the acquisition of a 1.1% equity interest in Resources Shajiao C Investments Limited. Accordingly, CR Power's effective interest in Shajiao C Power Plant increased from 29.56% to 30%.

3 /2005

1 March
The first 135MW coal-fired heat and power co-generation unit of China Resources (Jiaozuo) Thermal Power Company Limited ("CR Jiaozuo") commenced commercial operation.

3 March
The first 650MW super-critical coal-fired generation unit of China Resources Power (Changshu) Company Limited ("CR Changshu") successfully passed a 168-hour full-load pilot run, and commenced commercial operation.

16 March
The second 300MW coal-fired heat and power co-generation unit of Hengfeng Phase II commenced commercial operation.

3/2005

22 March
Gucheng Power Plant obtained the approval from the PRC government. The Power Plant consists of two 300MW coal-fired generation units with desulphurisation facilities. CR Power holds a 65% equity interest in the Power Plant.

30 March 2
The second 60MW coal-fired heat and power co-generation unit of Yixing China Resources Thermal Power Company Limited commenced commercial operation.

5/2005

1 May 3
The 200MW coal-fired heat and power co-generation unit of Tangshan China Resources Thermal Power Company Limited commenced commercial operation.

20 May 4
CR Power signed a US$200 million five-year dual currency (USD/HKD) transferable syndicated term loan facility with 18 leading local and international banks.

28 May 5
The second 135MW coal-fired heat and power co-generation unit of CR Jiaozuo commenced commercial operation.

1


3



2

6/2005

10 June
A sum of HK$600 million of the syndicated loan facility was drawn by CR Power. Interest rate was fixed at 4.18% throughout the five-year term via an interest rate swap contract.

16 June 6
The second 650MW super-critical coal-fired generation unit of CR Changshu successfully passed a 168-hour full-load pilot run, and commenced commercial operation.

28 June
Another sum of HK$400 million of the syndicated loan facility was drawn by CR Power. Interest rate was fixed at 4.10% throughout the five-year term via an interest rate swap contract.

7/2005

1 July
CRNC on-lent the bond proceeds on a back-to-back basis to CR Power's power plants. On 27 May 2005, CRNC issued a RMB3 billion ten-year corporate bond, with coupon fixed at 5.05%.

9/2005

16 September
China Resources Liyujiang B Power Plant obtained the approval from the PRC government. The Power Plant consists of two 600MW coal-fired generation units with desulphurisation facilities. CR Power is the sole shareholder of the Power Plant.

22 September
CR Power disposed the entire 10% equity interest in Huaneng International Power Development Corporation for a total consideration of RMB 2.56 billion.

12/2005

5 December
CR Power completed the acquisition of a 12.5% equity interest in Resources Shajiao C Investments Limited. Accordingly, CR Power's effective interest in Shajiao C Power Plant increased from 30% to 35%.

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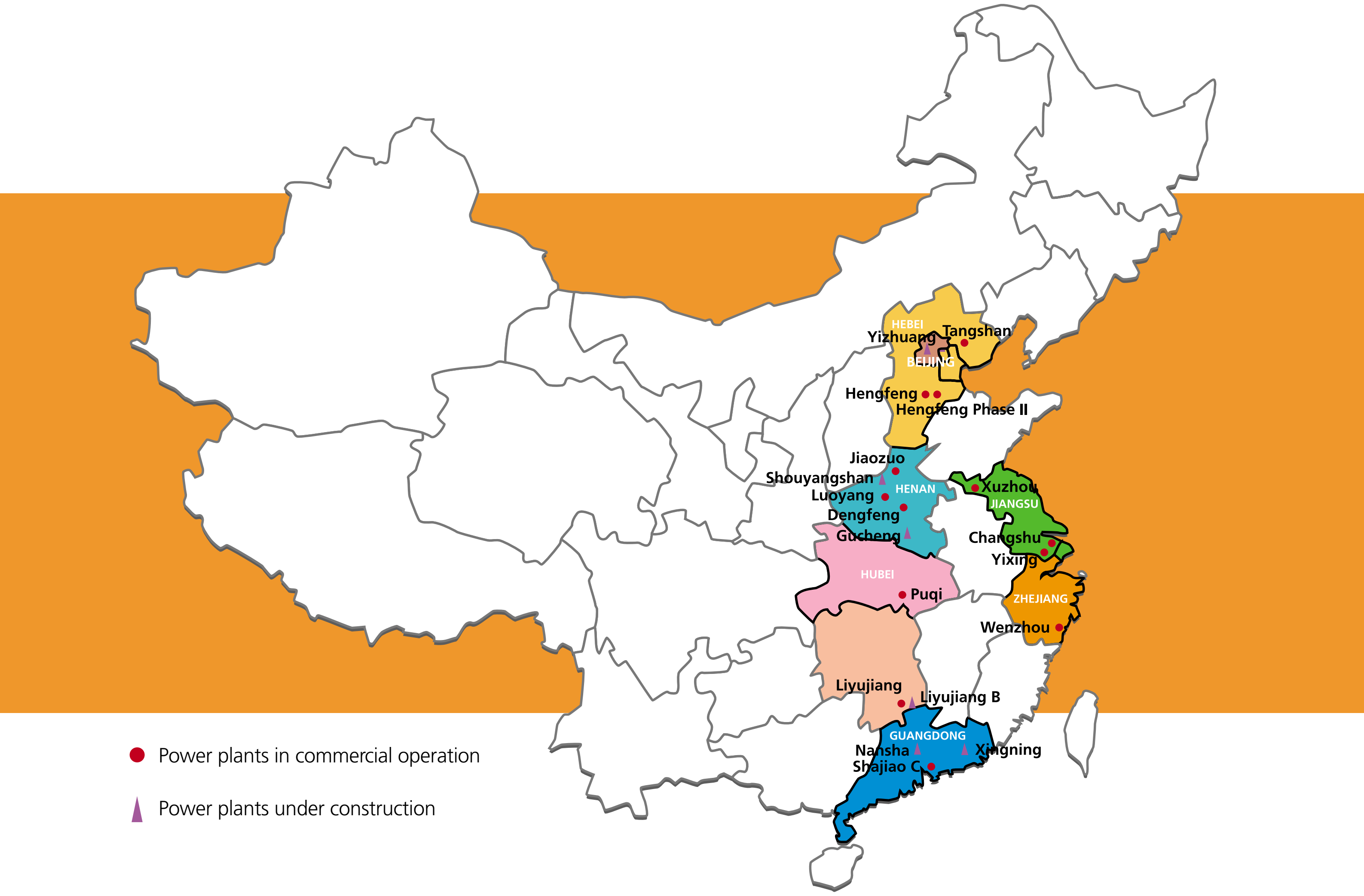
5


6


SERVICE AREAS



HENAN

- Shouyangshan (2x600MW) 85%
- Dengfeng (2x300MW) 85%
- Gucheng (2x300MW) 65%
- Jiaozuo (2x135MW) 60%
- Luoyang (2x50MW) 51%

HUBEI

- Puqi (2x300MW) 100%

HEBEI

- Tangshan (1x200MW) 80%
- Hengfeng (2x300MW) 25%
- Hengfeng Phase II (2x300MW) 25%

BEIJING

- Yizhuang (2x75MW) 51%

HUNAN

- Liyujiang* (2x65MW) 60%

JIANGSU

- Changshu (2x650MW) 100%
- Yixing (2x60MW) 55%
- Xuzhou (4x300MW) 35%

ZHEJIANG

- Wenzhou (2x300MW) 40%

GUANGDONG

- Liyujiang B (2x600MW) 100%
- Nansha (1x180MW) 70%
- Liyujiang (2x300MW) 60%
- Shajiao C (3x660MW) 35%
- Xingning (2x135MW) 29%

* In 2005, the minority shareholder of China Resources Power Hunan Liyujiang Company Limited injected two 65MW coal-fired generating units in the form of capital contribution. The two units provide electricity to Hunan Power Grid.

COMPANY PROFILE

Incorporated in Hong Kong on 27 August 2001 with an authorised capital of HK$10 billion, China Resources Power Holdings Company Limited (the "Company" or "CR Power") is a flagship subsidiary of China Resources (Holdings) Company Limited ("CRH"), engaged in the investment, development, operation and management of power plants. CR Power was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 November 2003 (Stock Code: 0836.HK).

CR Power holds shares in the following companies: China Resources (Xuzhou) Electric Power Co., Ltd., Hebei Harv Power Generation Co., Ltd., Zhejiang Wenzhou Telluride Power Generating Co., Ltd., Guangdong Guanghope Power Co., Ltd., China Resources Power Hunan Liyujiang Co., Ltd., China Resources (Luoyang) Thermal Power Co., Ltd., China Resources Power Dengfeng Co., Ltd., China Resources Power Hubei Co., Ltd., Hengshui Hengxing Power Generation Co., Ltd., China Resources (Jiaozuo) Thermal Power Co., Ltd., Tangshan China Resources Thermal Power Co., Ltd., China Resources Power (Changshu) Co., Ltd., China Resources Henan Shouyangshan Co., Ltd., Yixing China Resources Thermal Power Co., Ltd., Guangdong Xingning Xingda Power Co., Ltd., Henan China Resources Power Gu Cheng Co., Ltd., China Resources Power Hunan Co., Ltd. (Liyujiang B Power Plant), Guangzhou China Resources Thermal Power Co., Ltd. (Nansha Gas-fired Cogeneration Power Plant) and Beijing Bluesky Golden Concord Gas-fired Co-gereration Power Co., Ltd. (Yi Zhuang Gas-fired Cogeneration Power Plant). As at 31 December 2005, the attributable installed capacity of CR Power (including power plants in commercial operation and under construction) was 8,481MW, of which 4,940MW was in commercial operation.

CRH, the parent company of CR Power, is one of the leading conglomerates in Mainland China and Hong Kong, dedicated to enhancing the quality of people's lives. Its core businesses include production and distribution of daily consumer goods, properties and related industries, as well as infrastructure and utilities. CRH has several listed companies, including China Resources Enterprise, Limited (Stock Code: 0291.HK), China Resources Land Limited (Stock Code: 1109.HK), China Resources Logic Limited (Stock Code: 1193.HK), China Resources Cement Holdings Limited (Stock Code: 0712.HK), CR Power (Stock Code: 0836.HK) and China Resources Jinhua Co., Ltd. (Stock Code: 000810.SZ).

CORPORATE INFORMATION

Chairman	Song Lin
Vice Chairman and Chief Executive Officer	Wang Shuai Ting
Executive Directors	Shen Zhong Min Tang Cheng Zhang Shen Wen Wang Xiao Bin
Non-Executive Director	Jiang Wei
Independent Non-Executive Directors	Fong Ching, Eddy Anthony H. Adams Wu Jing Ru Chen Ji Min
Company Secretary	Wang Xiao Bin
Auditors	Deloitte Touche Tohmatsu
Legal Advisor	Morrison & Foerster
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
Registered Office	Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
Company Website	www.cr-power.com

CORPORATE STRUCTURE

- **CHINA RESOURCES (HOLDINGS) CO., LTD**
  - 72.2%
  - **CHINA RESOURCES POWER HOLDINGS CO., LTD**
    - **PLANTS IN COMMERCIAL OPERATION**
      - **GUANGDONG**
        - Shajiao C
        - Liyujiang
      - **JIANGSU**
        - Changshu
        - Yixing
        - Xuzhou
      - **HENAN**
        - Dengfeng
        - Jiaozuo
        - Luoyang
      - **ZHEJIANG**
        - Wenzhou
      - **HUBEI**
        - Puqi
      - **HEBEI**
        - Tangshan
        - Hengfeng
        - Hengfeng Phase II
      - **HUNAN**
        - Liyujiang
    - **PLANTS UNDER CONSTRUCTION**
      - **HENAN**
        - Shouyangshan
        - Gucheng
      - **GUANGDONG**
        - Liyujiang B
        - Nansha
        - Xingning
      - **BEIJING**
        - Yizhuang

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 world-wide. 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

REPORT FROM CHIEF EXECUTIVE OFFICER

In 2005, under the leadership of the Board, our management team accomplished the business targets through effective execution of our approved strategies.

Wang Shuai Ting
Chief Executive Officer

ATTRIBUTABLE OPERATIONAL CAPACITY AND NET GENERATION GROWTH

In 2005, our attributable operational generation capacity increased significantly. Changshu Power Plant, Jiaozuo Thermal Power Plant, Hengfeng Phase II, Yixing Power Plant and Tangshan Thermal II Power Plant were commissioned during the year. As at 31 December 2005, our attributable operational generation capacity reached 4,940MW, representing an increase of 67.5% from 2,949MW as at the end of 2004.

Due to scheduled maintenance and overhaul as well as gradual easing of the supply and demand imbalance in our service areas, net generation of our five operational power plants which were running for the entire year of 2004 and 2005 decreased slightly by 4.2% year-on-year. However, due to an increase of new operational capacity as well as early commissioning of generation units, our total net generation increased 50.8% (on a 100% basis for each power plant) to 49.6GWh, compared with 2004.

EFFECTIVE COST CONTROL

In order to deliver satisfactory returns for our shareholders, we exercised strict control over our construction costs, fuel costs and financing costs via continued execution of our "low-cost" strategy during the period under review.

With the commissioning of more and more generation units, our capabilities in shortening construction period and controlling construction cost have been strengthened. Construction costs and periods of our recently commissioned power plants continued to outperform the industry average. In particular, Changshu Power Plant, our first greenfield project consisting of 600MW class super-critical coal-fired generation units, took approximately 29 months from commencement of construction to commercial commission, setting a new record of shortest construction period among similar generation units in China. Its unit construction cost was also significantly lower than the industry average.

During the year, by capitalizing on the long-term supply agreements contracted with coal suppliers, improving contract fulfillment rates and centralizing coal procurement, we aimed to minimize the impact of continued coal price surges. However, due to the rapid increase of coal prices throughout the year, the average unit fuel cost of our consolidated power plants increased by 17.5% compared with 2004.

We continued to employ various measures in order to lower our overall financing costs and mitigate the risks of any potential interest rate hikes. In May 2005, we signed a US$200 million five-year dual currency (HKD/USD) transferable syndicated loan facility with 18 leading local and international banks. Interest rates were set at a three-month LIBOR/HIBOR plus 39 basis points. In June 2005, a sum of HK$600 million and another sum of HK$400 million were drawn and interest rates were fixed at 4.18% and 4.10%, respectively, throughout the five-year term via swap contracts. In addition, we locked-in and lowered our long-term funding costs via a RMB 3 billion corporate bond issued by CRNC in the PRC domestic markets in May 2005. The bond has a tenor of 10 years, with coupon fixed at 5.05% per annum. On 1 July 2005, CRNC provided the bond proceeds to our power plants. Inclusive of commissions and other issue expenses, total annual funding costs for our power plants were approximately 5.19%, lower than the prevailing five-year borrowing rates offered by the People's Bank of China.

DEVELOPMENT OF NEW PROJECTS

In 2005, our business development team continued to explore investment opportunities in our target markets, complying with our strategic objectives and achieving our expected rates of returns. Our Gucheng Power Plant (2x300MW) and Liyujiang B Power Plant (2x600MW) were approved by the PRC government in March and September 2005, respectively. In addition, a number of our proposed greenfield projects have been included by the PRC government in its latest development plan. Apart from greenfield projects, we are also exploring acquisition opportunities. We expect our generation capacity in target markets to continue to increase through greenfield construction and acquisitions.

KEY TASKS IN 2006

In 2006, Chinese IPPs will encounter challenges from various areas including utilization rates decrease, competitive bidding and high coal prices. For the IPPs, these challenges must be managed properly in order to maintain and improve profitability. Therefore, our key task for the year is to mitigate the potential impact of these adverse factors and to continue to increase our profitability. Our main tactics are as follows:

To exercise strict cost control

Since the foundation of the Company, to exercise strict control over construction costs, fuel costs, as well as financing costs have been our key focus. Our financial results demonstrate that we have been successful in this aspect. However, in order to cope with the ever-changing business environment, we need to exercise cost control over more areas, including generating more synergistic benefits in the area of equipment procurement, management of inventory, spare parts and components, training and development of human resources among our similar-sized generation units (i.e., 300MW and 600MW units) as well as cash flow management.

To ensure new projects are commissioned as scheduled

2006 will still be a year of rapid development for the Company. We will have a number of coal-fired power plants to be commissioned successively in 2006, including Shouyangshan Power Plant, Gucheng Power Plant, as well as Fuyang Power Plant which we currently manage on behalf of our parent company. Also, the acquisition of our first wind power project was completed in January, and our first gas-fired power plant and first hydro power project will commence commercial operation in 2006. This represents a further step taken by the Company in the clean and renewable energy sector. Taking into account the new projects currently being constructed, our attributable operational capacity should increase by 47.7% year-on-year, to 7,294MW by the end of 2006.

In addition, Liyujiang B Power Plant, one of the PRC government's west-to-east power transmission projects and a wholly owned subsidiary of CR Power consisting of two 600MW coal-fired generation units, is currently under construction and is expected to commence commercial operation in 2007.

To acquire and obtain approvals for new projects

We are applying to the PRC government for approvals for a number of proposed greenfield projects which are in our target markets, complying with our strategic objectives and expected to achieve our required rates of returns. These projects will commence construction after we obtain the requisite approvals. In addition, we completed the acquisition of our first wind-power project, Shantou Dannan Wind Power Plant, in January and are exploring other opportunities as well. We expect to complete acquisitions of and obtain approvals for some new projects in 2006 and we believe these will enable us to maintain a satisfactory generation capacity growth rate going forward.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude toward our management team and staff members for their contribution to the Company's development and growth. I wish to thank our general staff members at the plant level in particular. Their dedication and commitment is the essence of our core competitive advantages and is the basis of our achievement in construction and operation of our business.

Under the guidance of the Board, our management team and staff members will continue to endeavor to create value for our shareholders in 2006.

Wang Shuai Ting
Chief Executive Officer

Hong Kong, 20 March 2006

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Song Lin

Mr. Song Lin was appointed chairman of the Board and an executive director of the Company in August 2003. Mr. Song is the President of China Resources (Holdings) Company Limited and China Resources National Corporation, an executive director and chairman of China Resources Enterprise, Limited and China Resources Land Limited. Mr. Song is also an independent non-executive director of Geely Automobile Holdings Limited and deputy chairman of China Vanke Co., Ltd. Mr. Song has extensive experience in the electricity industry in China. He was involved in the overall project development in various parts of the PRC, including specifically the development of Changshu Power Plant, Shouyangshan Power Plant and Liyujiang Power Plant. Mr. Song also has extensive experience in corporate investment, development, merger and acquisitions. Mr. Song holds a Bachelor's degree in Mechanics from the University of Tong Ji in Shanghai.

Mr. Wang Shuai Ting

Mr. Wang Shuai Ting was appointed the vice chairman of the Board and an executive director of the Company in August 2003. Mr. Wang is the President and Chief Executive Officer of the Company. Mr. Wang is also Vice President of China Resources (Holdings) Company Limited and a non-executive director of China Resources Enterprise, Limited. Mr. Wang has extensive experience in the electricity industry in the PRC. He served as the general manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2001 and was in charge of the construction and operation of our Xuzhou Power Plant during that time. Prior to joining CR Xuzhou, Mr. Wang worked for the general office of the Government of Jiangsu Province from June 1985 to March 1987 and was subsequently the head of the Industrial Office of Xuzhou City Government. He was also the deputy secretary-general of the Government of Xuzhou City. Mr. Wang holds an EMBA Master's degree in business administration from China Europe International Business School.

Mr. Shen Zhong Min

Mr. Shen Zhong Min was appointed an executive director and Executive Vice President of the Company in August 2003. Mr. Shen is also Chief Operating Officer of the Company. Mr. Shen served as the general manager of Zhejiang Wenzhou Telluride Power Generating Co., Ltd. from November 1998 to September 2005. Prior to joining the Company, Mr. Shen was a senior vice president of Sithe Asia Holdings Limited. From 1999 to 2002, Mr. Shen was managing director of Sithe China Holdings Limited ("Sithe China"). From 1997 to 1999, Mr. Shen was the vice president for business development at Sithe China. Mr. Shen was a manager responsible for business development at Wheelabrator Technologies, Inc. Mr. Shen also conducted energy research and project development for Oak Ridge National Laboratory of U.S. Department of Energy and Energy, Environment and Resources Center of University of Tennessee. Mr. Shen holds Bachelor of Science and Master of Law degrees from Beijing University and a Master of Arts degree in Economics from the University of Tennessee.

Mr. Tang Cheng

Mr. Tang Cheng was appointed an executive director and Executive Vice President of the Company in August 2003. From November 2002 to March 2006, Mr. Tang served as the general manager of China Resources Power (Changshu) Co., Ltd. From July 2001 to October 2002, he was the general manager of China Resources (Xuzhou) Electric Power Co., Ltd. Mr. Tang has considerable experience in the management and operation of power plants. Mr. Tang holds an EMBA Master's degree in business administration from China Europe International Business School.

Mr. Zhang Shen Wen

Mr. Zhang Shen Wen was appointed an executive director and Executive Vice President of the Company in August 2003. Mr. Zhang has considerable experience in the development of power plants. He was the general manager of the Finance and Accounting Department of the Company from July 2001 to September 2003 and was involved in the development of Liyujiang Power Plant and the acquisitions of Shajiao C Power Plant and Wenzhou Power Plant. Mr. Zhang joined China Resources National Corporation in 1994 and worked at Hebei Harv Power Generation Co., Ltd. between 1998 and 1999. Mr. Zhang holds a Bachelor of Science degree in electrical automation from the North China University of Technology in China and a Bachelor's degree of Economics from the University of International Business and Economics in China. He also holds a Master's degree in Business Administration from the University of San Francisco.

Ms. Wang Xiao Bin

Ms. Wang Xiao Bin was appointed an executive director of the Company in February 2006. She is Chief Financial Officer of the Company. Ms. Wang is also an independent non-executive director of Angang New Steel Company Limited. Prior to joining the Company, Ms. Wang was a director of corporate finance of ING Investment Banking, responsible for execution of capital markets and merger and acquisition transactions in the Asia Pacific region. She worked for Pricewaterhouse in Australia in the audit and business advisory division for five years before joining ING Barings. Ms. Wang is a member of the Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants and the Securities Institute of Australia. Ms. Wang holds a graduate diploma in applied finance and investment from the Securities Institute of Australia and a Bachelor's degree in commerce from Murdoch University in Australia.

NON-EXECUTIVE DIRECTOR

Mr. Jiang Wei

Mr. Jiang Wei was appointed a non-executive director of the Company in August 2003. Mr. Jiang is a non-executive director of China Resources Enterprise, Limited, China Resources Land Limited, China Resources Cement Holdings Limited and China Assets (Holdings) Limited. He is also Chief Financial Officer and the general manager of Finance Department of China Resources (Holdings) Company Limited. Mr. Jiang holds a Bachelor's degree in international trade and a Master's degree in International Business and Finance from the University of International Business and Economics in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fong Ching, Eddy

Mr. Fong Ching, Eddy, was appointed an independent non-executive director of the Company in August 2003. Mr. Fong is a certified public accountant and was formerly a senior partner of PricewaterhouseCoopers, an international accounting firm. Apart from pursuing his professional career, Mr. Fong is active in public and community services in Hong Kong. He was appointed a Justice of the Peace in 1996 and awarded Silver Bauhinia Star in 2000 by the Government of Hong Kong SAR. At present, he is a director of the Securities and Futures Commission and the Hong Kong Applied Science and Technology Research Institute Company Limited, a council member of the Open University of Hong Kong and a member of the General Committee of Federation of Hong Kong Industries. He serves as a non-executive director of Li Ning Company Limited, an independent non-executive director of Parkson Retail Group Limited, Tradelink Electronic Commerce Limited (listed on the Main Board) and SUNeVision Holdings Limited (listed on the Growth Enterprise Market) of the Hong Kong Stock Exchange. Mr. Fong graduated from the University of Kent in the United Kingdom and was also conferred as Honorary Doctor of Civil Law in 1997.

Mr. Anthony H. Adams

Mr. Anthony H. Adams was appointed an independent non-executive director of the Company in August 2003. He is an executive director with EMP Global ("EMP"), which is the principal advisor to the AIG Infrastructure Funds, a set of private equity funds targeted at infrastructure and infrastructure-related opportunities in Asia, Latin America, emerging Europe and Africa. Mr. Adams oversees EMP's greater China operations. On behalf of the US$1.01 billion AIG Asian Infrastructure Fund L.P. and the US$1.67 billion AIG Asian Infrastructure Fund II L.P., he has sat on the board of various portfolio companies, with a particular emphasis on the energy and transportation sectors. Prior to joining EMP, Mr. Adams was a project development manager at Bechtel Enterprises, the direct investment and development arm of the Bechtel Group, at which, he participated in numerous energy and other infrastructure projects throughout Asia Pacific. Mr. Adams holds a Bachelor of Arts degree from the University of Vermont (Phi Beta Kappa) and a Master's degree in business administration from Harvard Business School.

Mr. Wu Jing Ru

Mr. Wu Jing Ru was appointed an independent non-executive director of the Company in August 2003. Mr. Wu is currently an independent non-executive director of China Yangtze Power Company Limited, and was formerly deputy general manager of the State Energy Investment Corporation in the PRC, the Head of the Loans Department at the State Development Bank of China as well a committee member and senior counsel in the loans valuation committee. He is also a member of the Three Gorges Project Inspection Committee under the State Council and the deputy head of the Inspection Unit of the Three Gorges Transmission. Mr. Wu spent nearly 18 years of his professional career in the Hydro Power Department of the PRC Government, where he served in various positions, including deputy section-in-chief, deputy director and director of the Planning Commission, and deputy chief of Design Team of the General Power Construction Bureau. Mr. Wu graduated from the Power Department at the Shanghai Jiao Tong University.

Mr. Chen Ji Min

Mr. Chen Ji Min was appointed an independent non-executive director of the Company in February 2006. Mr. Chen is also a member of the Standing Committee ("Standing Committee") of the People's Congress of Zhejiang Province and a deputy director of the Finance and Economy Commission of the Standing Committee. Mr. Chen had served as director of the Bureau of Electricity of Ningbo City, deputy director of the Economic and Trading Committee of Ningbo City, deputy director and director of the Bureau of Electricity of Zhejiang Province, general manager of the Electricity Development Company of Zhejiang Province and chairman of the board of directors of Zhejiang South-East Company Limited, a company with B shares listed on the Shanghai Stock Exchange. Mr. Chen graduated from the Electricity Engineering Department of Zhejiang University.

SENIOR MANAGEMENT

Mr. Chen Jian

Mr. Chen Jian was appointed Executive Vice President of the Company in April 2004. He is also the general manager of CR Power Fuel (China) Co., Ltd. Since joining the Company in 2003, Mr. Chen served as the general manager of the Operation Management Department of the Company until April 2004. Prior to joining the Company, Mr. Chen held senior managerial positions in various thermal power plants in Henan Province. Mr. Chen is a senior engineer and has more than 20 years of experience in the electricity industry in China. Mr. Chen studied industrial electrical automation in the Open University of Henan and holds a Master's degree in science and technology management.

Mr. Li She Tang

Mr. Li She Tang was appointed Chief Technical Officer of the Company in September 2003. Mr. Li has over 20 years of experience in the electricity industry in China. Mr. Li served as the general manager of China Resources Power Dengfeng Co., Ltd. from September 2002 to December 2003. Mr. Li was deputy general manager and general manager of Puqi Sithe Power Generating Company Ltd (which was renamed as China Resources Power Hubei Co., Ltd.) from 2000 to 2002 and senior advisor and chief engineer of Sithe China Holdings Limited from 1999 to 2002. Mr. Li commenced his career in the electricity industry in 1984 in the Power Planning and Engineering Institute of the then Ministry of Electricity. Mr. Li is a senior engineer and holds a Bachelor's degree in Engineering, majoring in power plant thermal engineering from Xi'an Jiaotong University of China.

Mr. Bu Fan Sen

Mr. Bu Fan Sen was appointed Assistant Vice President of the Company in December 2005. Prior to joining the Company, from September 2002 to September 2005, Mr. Bu served as chairman of SDIC Huajing Power Holdings Co., Ltd, a company listed on the Shanghai Stock Exchange. From March 2001 to March 2004, Mr. Bu served as General Manager of SDIC Electric Power Co., Ltd. Prior to that, Mr. Bu was chief of Business Department of State Development & Investment Corp. Mr. Bu holds a Bachelor of Science degree in water conservancy and hydro power engineering from Hohai University.

Mr. Ding Qi

Mr. Ding Qi joined the Company in 2001 and has been the general manager of the Human Resources and Administration Department of the Company since November 2001. Prior to joining the Company, he was a departmental manager of China Resources Development and Investment Co., Ltd. from 1998 to 1999. Mr. Ding holds a Bachelor's degree in wireless communications from the Nanjing Communications Engineering Institute.

Mr. Jia Xi

Mr. Jia Xi was appointed the deputy technical director of the Company in March 2005. After joining the Company in 2002 until March 2005, Mr Jia served as the general manager of the Business Development Department of the Company. Mr. Jia has over 20 years of experience in the electricity industry in China. Prior to joining the Company, Mr. Jia was deputy manager of marketing department of Henan Provincial Power Company. Mr. Jia also held various managerial positions in power plants and Power Bureau in Henan Province. Mr. Jia holds a Master's degree in Business Administration from Xi'an Jiaotong University in China.

Mr. Du Hua Dong

Mr. Du Hua Dong has been the general manager of China Resources Power Hubei Co., Ltd. since July 2002. Mr. Du has over 10 years of experience in the electricity industry in China. He joined China Resources (Xuzhou) Electric Power Co., Ltd. as an assistant general manager in 1994, and later became the general manager of Huaibei Guo An Electricity Co., Ltd. Mr. Du holds a diploma from Xuzhou Economic and Technology Management Institute.

Mr. Liu Fan Shun

Mr. Liu Fan Shun is the general manager of China Resources Power Hunan Co., Ltd. He served as the general manager of China Resources Power Hunan Liyujiang Co., Ltd. ("CR Liyujiang") from September 2001 to December 2004. He commenced his career in the PRC electricity industry in 1982 and has over 20 years of experience in the electricity industry in China. Prior to joining CR Liyujiang, Mr. Liu held various managerial positions in several power plants in Hunan Province. Mr. Liu is a senior engineer and holds a Master's degree in Economics from Hunan University.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW FOR YEAR 2005

Growth of generation capacity

As at 31 December 2005, we had 14 power plants in commercial operation which gave us an attributable operational generation capacity of 4,940MW. As a comparison, our attributable operational generation capacity was 2,949MW as at 31 December 2004.

Our attributable operational generation capacity increased by 1,991MW or 67.5% from 2,949MW as at 31 December 2004, mainly as a result of the commencement of commercial operation of a number of greenfield power projects during the year, including:

- commencement of commercial operation of unit 2 of Yixing Power Plant in March 2005;
- commencement of commercial operation of unit 1 and unit 2 of Jiaozuo Thermal Power Plant in March and May 2005, respectively;
- commencement of commercial operation of unit 1 and unit 2 of Changshu Power Plant in March and June 2005, respectively; and
- commencement of commercial operation of Tangshan Thermal II Power Plant in May 2005.

The rapid capacity growth was also attributable to a number of acquisitions we completed during the year, including:

- acquisition of a 1.1% equity interest in Resources Shajiao C Investments Limited ("Resources Shajiao C") or a 0.44% effective equity interest in Shajiao C Power Plant in January 2005;
- acquisition of a 25% equity interest in Hengshui Hengxing Power Generation Company Limited ("Hengfeng Phase II") from our ultimate holding company, China Resources National Corporation ("CRNC") in January 2005. Unit 1 and unit 2 of Hengfeng Phase II commenced commercial operation in November 2004 and March 2005, respectively; and
- acquisition of a 12.5% equity interest in Resources Shajiao C or a 5% effective equity interest in Shajiao C Power Plant in December 2005.

In addition, during the year, the minority shareholder of China Resources Power Hunan Liyujiang Company Limited ("CR Liyujiang") injected two 65MW coal-fired generating units in the form of capital contribution to Liyujiang Phase II . The asset injection was completed on 1 July 2005.

The following table sets out the attributable operational capacity of our power plants in the context of geographical distribution as at 31 December 2005:

	Attributable operational capacity (MW)	(%)
Eastern China	2,026	41.0
Central China	1,401	28.4
Southern China	1,053	21.3
Northern China	460	9.3
Total	4,940	100.0

Development of greenfield power plants

Our development strategy is to continue to identify suitable development opportunities in our target markets in order to maintain satisfactory growth of profitability and return on equity in the future.

In March 2005, we obtained approval from the PRC government for the construction of Gucheng Power Plant. Gucheng Power Plant consists of two 300MW coal-fired generation units and is located in Zhumadian City, Henan Province. The two units are expected to commence commercial operation in the second half of 2006. The Company owns a 65% equity interest in Gucheng Power Plant.

In September 2005, we obtained approval from the PRC government for the construction of Liyujiang B Power Plant. Liyujiang B Power Plant consists of two 600MW coal-fired generation units. Liyujiang B Power Plant is located in Hunan Province and according to the PRC government's West-to-East Power Transmission Plan, it will provide electricity to Guangdong Grid upon completion. The two units are expected to commence commercial operation in 2007. The Company is the sole shareholder of Liyujing B Power Plant.

In November 2005, we obtained approval from the PRC government for the construction of Nansha Thermal Power Plant. Nansha Thermal Power Plant consists of one 180MW gas-fired generation unit. Located in Nansha District, Guangzhou City, Guangdong Province, Nansha Thermal Power Plant is expected to commence commercial operation in 2006. The Company owns a 70% equity interest in Nansha Thermal Power Plant.

Acquisition of power plants

In June 2005, we obtained the right to acquire a 51% stake in a gas-fired power plant in Beijing ("Beijing Thermal Power Plant"). Phase I of Beijing Thermal Power Plant consists of two 75MW gas-fired generation units. The two units are currently under construction and will commence commercial operation in the first half of 2006. We completed the acquisition of a 25% equity interest in Beijing Thermal Power Plant in August 2005 and completed the acquisition of the remaining 26% equity interest in March 2006.

Disposal of a jointly controlled entity

In September 2005, we entered into agreements with China Huaneng Group Hong Kong Limited and Bank of China Group Investment Limited for the disposal of a 10% effective equity interest in Huaneng International Power Development Corporation ("HIPDC"). Gain on disposal of the 10% effective equity interest in HIPDC amounted to approximately HK$1,071.1 million. The Company intends to utilise the sale proceeds as general working capital and further investments in power plants as and when suitable opportunities arise.

Increase in generation volume

The total gross generation volume of our 14 operating power plants in 2005 amounted to 52,757,611MWh, representing an increase of 50.9% from 34,960,666MWh in 2004. The total net generation volume of our 14 operating power plants in 2005 amounted to 49,633,323MWh, representing an increase of 50.8% from 32,913,284MWh in 2004.

The increase in gross and net generation volume was primarily a result of the growth of attributable operational generation capacity from 2,949MW as at 31 December 2004 to 4,940MW as at 31 December 2005.

For the five power plants (namely, Shajiao C Power Plant, Wenzhou Telluride Phase II, Liyujiang Phase II, Hengfeng Power Plant and Xuzhou Power Plant) which were in commercial operation for the entire year of 2004 and 2005, gross generation volume and net generation volume decreased by 4.1% and 4.2%, respectively. This was partly due to the overhaul and maintenance work conducted in 2005 and also reflected that the demand and supply imbalance situation in our service areas gradually reduced in 2005.

The following three tables set out the gross generation, net generation and utilisation hours of our operating power plants for the year ended 31 December 2004 and 2005, respectively:

Gross generation

	2005 (MWh)	2004 (MWh)	Increase (Decrease) (%)
Shajiao C Power Plant	**13,784,034**	14,325,706	(3.8)
Changshu Power Plant	**5,853,265**	N/A	N/A
Wenzhou Telluride Phase II	**4,427,520**	4,722,083	(6.2)
Liyujiang Phase II	**3,839,190**	4,007,840	(4.2)
Hengfeng Power Plant	**3,811,931**	3,902,020	(2.3)
Xuzhou Phase II	**3,730,820**	1,307,477	N/A(note)
Dengfeng Power Plant	**3,623,430**	1,562,682	N/A(note)
Xuzhou Power Plant	**3,605,219**	3,784,326	(4.7)
Hengfeng Phase II	**3,402,318**	N/A	N/A
Puqi Power Plant	**3,181,650**	941,340	N/A(note)
Jiaozuo Thermal Power Plant	**1,094,521**	N/A	N/A
Tangshan Thermal II Power Plant	**852,223**	N/A	N/A
Luoyang Power Plant	**796,860**	407,192	N/A(note)
Yixing Power Plant	**754,630**	0	N/A(note)
	52,757,611	34,960,666	50.9

Net generation

	2005 (MWh)	2004 (MWh)	Increase (Decrease) (%)
Shajiao C Power Plant	**12,876,107**	13,403,485	(3.9)
Changshu Power Plant	**5,568,971**	N/A	N/A
Wenzhou Telluride Phase II	**4,225,307**	4,506,873	(6.2)
Liyujiang Phase II	**3,610,275**	3,757,170	(3.9)
Hengfeng Power Plant	**3,612,597**	3,700,210	(2.4)
Xuzhou Phase II	**3,558,670**	1,244,310	N/A(note)
Dengfeng Power Plant	**3,389,694**	1,459,170	N/A(note)
Xuzhou Power Plant	**3,408,450**	3,579,220	(4.8)
Hengfeng Phase II	**3,191,855**	N/A	N/A
Puqi Power Plant	**3,028,690**	902,152	N/A(note)
Jiaozuo Thermal Power Plant	**991,958**	N/A	N/A
Tangshan Thermal II Power Plant	**772,335**	N/A	N/A
Luoyang Power Plant	**712,183**	360,694	N/A(note)
Yixing Power Plant	**686,231**	0	N/A(note)
	49,633,323	32,913,284	50.8

Note: These power plants commenced commercial operation during 2004. Comparison of increase in generation volume is not meaningful.

Utilisation hours

	2005 (hours)	2004 (hours)
Shajiao C Power Plant	**6,962**	7,235
Changshu Power Plant	**4,503**(note)	N/A
Wenzhou Telluride Phase II	**7,379**	7,870
Liyujiang Phase II	**6,399**	6,680
Hengfeng Power Plant	**6,353**	6,503
Xuzhou Phase II	**6,218**	2,179(note)
Dengfeng Power Plant	**6,039**	2,604(note)
Xuzhou Power Plant	**6,009**	6,307
Hengfeng Phase II	**5,671**(note)	N/A
Puqi Power Plant	**5,303**	1,569(note)
Jiaozuo Thermal Power Plant	**4,054**(note)	N/A
Tangshan Thermal II Power Plant	**4,261**(note)	N/A
Luoyang Power Plant	**7,969**	4,072(note)
Yixing Power Plant	**6,289**(note)	N/A

Note: Power plants commenced commercial operation during the reporting periods.

Tariff adjustment

In April and May 2005, the National Development and Reform Commission and various provincial pricing bureaus officially issued a number of notices approving the implementation of the "Fuel-Tariff Pass-through Mechanism" in Northern, Eastern, Southern and Central China where our operating power plants are located. The notices allowed coal-fired generation units to raise their on-grid tariffs to various extent with immediate effect.

The tariffs inclusive of value-added tax ("VAT") of our operating power plants were increased by an amount in a range from RMB15.7/MWh to RMB31.0/MWh. In addition, tariffs on excess output for our operating power plants were removed, except for Hengfeng Power Plant, Hengfeng Phase II and Wenzhou Telluride Phase II.

The following table sets out revised on-grid tariffs inclusive of VAT, as approved by the PRC government, for our operating power plants:

	On-grid tariff on planned dispatch (RMB/MWh)	Planned utilisation hours (Hours)	On-grid tariff on excess dispatch (RMB/MWh)	Effective date (2005)
Shajiao C Power Plant	437.9	N/A	N/A	1 May
Changshu Power Plant	386.0	N/A	N/A	1 May
Wenzhou Telluride Phase II	438.3	5,500	357.3	1 May
Liyujiang Phase II	430.5	N/A	N/A	1 May
Hengfeng Power Plant	369.0	5,500	250.0	1 May
Xuzhou Phase II	380.7	N/A	N/A	1 May
Dengfeng Power Plant	336.0	N/A	N/A	15 May
Xuzhou Power Plant	380.7	N/A	N/A	1 May
Hengfeng Phase II	339.0	5,500	250.0	1 May
Puqi Power Plant	451.6	N/A	N/A	1 May
Jiaozuo Thermal Power Plant	336.0	N/A	N/A	15 May
Tangshan Thermal II Power Plant	348.3	N/A	N/A	1 May
Luoyang Power Plant	321.0	N/A	N/A	15 May
Yixing Power Plant	465.0	N/A	N/A	1 May

Control of fuel costs

During the year of 2005, coal prices continued to rise in the PRC markets. Controlling fuel costs and fuel supply quality and maximising profitability of operating power plants were major challenges to the management teams of the Company and our operating power plants. We implemented a number of measures, including forming strategic alliances with major coal suppliers in the PRC, entering into long-term coal supply agreements, maintaining continuing communications with our suppliers and monitoring the fulfillment of coal supply contracts and fuel delivery schedules as well as the coal supply quality.

The average unit fuel cost for all of our operating power plants increased by 21.0% in 2005 compared to 2004. The unit fuel cost for our consolidated operating power plants increased by 17.5% in 2005 compared to 2004. On a weighted average basis, standard coal cost for all of our operating power plants increased by 19.5% in 2005 compared to 2004.

Environmental compliance

All of our projects have been conducted in full compliance with the requirements under PRC Environmental Protection Law, the regulations promulgated by the State Council and the environmental rules issued by the local government. For the year ended 31 December 2005, environmental fees paid by the operating power plants ranged from RMB0.6 million to RMB15.9 million and totaled RMB37.9 million for consolidated power plants.

PROSPECTS FOR YEAR 2006

The PRC government believes that the PRC economy will continue to grow in 2006 with a GDP growth target of 8%. The China Power Industry Association forecasts that the demand for electricity will continue to grow in 2006 at an average rate of 12% nation wide. We expect that in our service areas where our power plants are located, demand for electricity will continue to be strong. However, with the increase of new generation capacity in China, the demand and supply imbalance situation which caused significant electricity shortage in a number of provinces in 2004 and 2005 will ease. We believe, in most of our service areas, the demand and supply for electricity will reach equilibrium in 2006.

We believe the year of 2006 will continue to bring opportunities and challenges.

A number of our power plants are expected to commence commercial operation in 2006, including:

- two 75MW gas-fired generation units of Beijing Thermal Power Plant;
- two 600MW coal-fired generation units of Shouyangshan Power Plant;
- two 300MW coal-fired generation units of Gucheng Power Plant;
- two 135MW coal-fired generation units of Xingning Power Plant; and
- one 180MW gas-fired generation unit of Nansha Power Plant.

We will ensure the construction of all these power plants will be completed according to or earlier then our schedules and that these power plants will fully achieve or outperform our cost targets and our requisite quality standards.

In 2006, we will continue to identify and develop new projects in line with our development strategies and investment principles in our target markets. Apart from applying for the PRC government's approval to develop new power plants, we will also continue to explore acquisition opportunities in our target markets.

In January 2006, we completed the acquisition of a 55% equity interest in Shantou Dan Nan Wind Power Co., Ltd ("Shantou Dan Nan"). Shantou Dan Nan is a sino-foreign co-operative joint venture that owns a 100% interest in Nanao Wind Power Project. The joint venture period will expire in December 2017. Nanao Wind Power Project is located in Shantou, Guangdong Province and commenced commercial operation in 1998 with a total installed capacity of 24MW.

For operational power plants, we will monitor the coal price movement in the PRC market and endeavour to control our unit fuel cost.

OPERATING RESULTS

The following table sets forth certain information relating to our results of operations for the year ended 31 December 2004 and 2005, extracted from the audited consolidated financial statements of the same period:

Consolidated Income Statement
For the Year Ended 31 December 2005

	2005 HK$'000	2004 HK$'000 (restated)
Turnover	**5,927,328**	1,898,317
Operating expenses		
Fuel	**(3,231,148)**	(911,382)
Repairs and maintenance	**(110,972)**	(25,636)
Depreciation and amortisation	**(587,734)**	(192,345)
Others	**(727,294)**	(368,372)
Total operating expenses	**(4,657,148)**	(1,497,735)
Other income	**72,265**	30,684
Profit from operations	**1,342,445**	431,266
Finance costs	**(381,220)**	(123,082)
Share of results of associates	**854,993**	957,792
Share of result of jointly controlled entity	**194,815**	249,916
Amortisation of goodwill of associates	**—**	(26,411)
Release of negative goodwill of associates	**—**	3,706
Gain on disposal of jointly controlled entity	**1,071,081**	—
Profit before taxation	**3,082,114**	1,493,187
Taxation	**(11,371)**	(378)
Profit for the year	**3,070,743**	1,492,809
Attributable to:		
Equity holders of the Company	**2,858,225**	1,195,735
Minority interests	**212,518**	297,074
	3,070,743	1,492,809
Dividends	**724,031**	327,518
Earnings per share		
– basic	**75.04 cents**	31.40 cents
– diluted	**74.37 cents**	31.25 cents

Consolidated Balance Sheet
As at 31 December 2005

	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets		
Property, plant and equipment	**17,560,738**	11,980,670
Prepaid lease payments	**228,067**	102,017
Interests in associates	**3,890,134**	3,878,246
Interest in jointly controlled entity	**—**	1,185,109
Goodwill	**107,718**	105,639
Negative goodwill	**—**	(52,735)
Investment in an investee company	**19,220**	—
Amount due from an associate	**124,930**	—
Pledged bank deposits	**37,225**	—
Deferred taxation assets	**5,695**	7,876
Derivative financial instruments	**25,813**	—
	21,999,540	17,206,822
Current assets		
Inventories	**291,586**	154,355
Trade receivables, other receivables and prepayments	**1,578,689**	651,476
Amount due from minority shareholders of subsidiaries	**133,305**	—
Amounts due from associates	**31,350**	83,270
Amounts due from group companies	**9,718**	604
Pledged bank deposits	**499**	62,729
Bank balances and cash	**4,411,484**	3,246,554
	6,456,631	4,198,988
Current liabilities		
Trade payables, other payables and accruals	**3,452,396**	1,180,168
Amount due to a fellow subsidiary	**774**	778
Amounts due to an associate	**188**	—
Amounts due to minority shareholders of subsidiaries	**30,418**	1,240
Bank and other borrowings - repayable within one year	**1,983,026**	2,457,679
	5,466,802	3,639,865
Net current assets	**989,829**	559,123
Total assets less current liabilities	**22,989,369**	17,765,945
Non-current liabilities		
Loans from a minority shareholder of a subsidiary	**—**	18,786
Bank and other borrowing - repayable over one year	**9,062,241**	6,601,870
Deferred taxation liabilities	**12,582**	3,228
	9,074,823	6,623,884
	13,914,546	11,142,061
Capital and reserves		
Share capital	**3,810,044**	3,808,080
Share premium and reserves	**9,282,855**	6,350,093
	13,092,899	10,158,173
Minority interests	**821,647**	983,888
	13,914,546	11,142,061

Consolidated Cash Flow Statement
For the year ended 31 December 2005

	2005 HK$'000	2004 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**3,082,114**	1,493,187
Adjustments for:		
Amortisation of prepaid lease payments	**9,333**	4,848
Depreciation for property, plant and equipment	**578,401**	182,980
Effect on foreign exchange rate change	**—**	(7,007)
Recognition of share-based payments	**106,256**	112,121
Interest expense	**381,220**	123,082
Interest income	**(45,524)**	(20,635)
Amortisation of goodwill of subsidiaries	**—**	5,869
Release of negative goodwill of subsidiaries	**—**	(1,352)
Share of results of associates	**(854,993)**	(957,792)
Share of result of jointly controlled entity	**(194,815)**	(249,916)
Amortisation of goodwill of associates	**—**	26,411
Release of negative goodwill of associates	**—**	(3,706)
Loss on disposal of property, plant and equipment	**—**	51
Gain on disposal of jointly controlled entity	**(1,071,081)**	—
Operating cash flows before movements in working capital	**1,990,911**	708,141
Increase in inventories	**(133,666)**	(144,288)
Increase in trade receivables, other receivables and prepayments	**(802,388)**	(465,420)
Increase in amount due from a minority shareholder of a subsidiary	**(51,306)**	—
Decrease in amounts due from associates	**—**	656
(Increase) decrease in amounts due from group companies	**(4,841)**	1,479
Increase in trade payables, other payables and accruals	**404,768**	361,757
Decrease in amount due to a fellow subsidiary	**(4)**	(5)
Increase (decrease) in amounts due to an associate	**188**	(6,401)
Decrease in amounts due to shareholders of an associate	**—**	(3,978)
Increase in amounts due to minority shareholders of subsidiaries	**29,178**	1,240
NET CASH FROM OPERATING ACTIVITIES	**1,432,840**	453,181

Consolidated Cash Flow Statement *(cont'd)*
For the year ended 31 December 2005

	2005 HK$'000	2004 HK$'000
INVESTING ACTIVITIES		
Proceeds on disposal of interest in jointly controlled entity	**2,452,992**	—
Dividends received from associates	**1,240,474**	405,098
Interest received	**45,524**	20,635
Decrease (increase) in pledged bank deposits	**25,005**	(23,483)
Purchase of property, plant and equipment	**(3,909,487)**	(5,902,866)
Acquisition of additional interest in an associate	**(327,018)**	—
Loan advanced to an associate	**(147,061)**	—
Capital contribution for the investment in associates	**(151,942)**	(88,641)
Acquisition of an associate	**(61,315)**	—
Loan advanced to a minority shareholder of a subsidiary	**(81,999)**	—
Investment in investee companies	**(26,216)**	—
Acquisition of additional interest in a subsidiary	**(10,743)**	—
Acquisitions of subsidiaries/business	**(8,000)**	(180,000)
Capital repatriated from associates	**—**	634,975
Dividend received from jointly controlled entity	**—**	57,915
Proceeds from disposal of property, plant and equipment	**—**	1,065
Repayment of amount due to immediate holding company	**—**	(77,563)
NET CASH USED IN INVESTING ACTIVITIES	**(959,786)**	(5,152,865)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**7,409,582**	7,963,855
Capital contribution from minority shareholders	**66,294**	127,541
Proceeds on issue of shares	**5,499**	224
Repayment of bank loans	**(5,676,145)**	(3,198,410)
Interest paid	**(505,351)**	(327,736)
Dividend paid	**(346,602)**	(95,200)
Dividend paid to minority shareholders of subsidiaries	**(310,164)**	—
Repayment of loans raised from minority shareholders of subsidiaries	**(18,786)**	(239,473)
Loans raised from minority shareholders of subsidiaries	**—**	18,830
NET CASH FROM FINANCING ACTIVITIES	**624,327**	4,249,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,097,381**	(450,053)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,246,554**	3,695,900
EFFECT ON FOREIGN EXCHANGE RATE CHANGE	**67,549**	707
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH	**4,411,484**	3,246,554

Overview

The substantial increase in the results of operations is mainly attributable to the increase in the Group's operational attributable generation capacity as well as a gain on disposal of a 10% effective interest in HIPDC. Excluding the gain on disposal of the 10% effective interest in HIPDC, our net profit from ordinary business amounted to HK$1,787.1 million, representing an increase of HK$591.4 million or 49.5% from a net profit of HK$1,195.7 million for 2004.

In particular, the increase in net profit from ordinary business is mainly attributable to the increase of our attributable operational capacity from 2,949 MW as at 31 December 2004 to 4,940 MW as at 31 December 2005. During the year,

- we acquired a 25% equity interest in Hengfeng Phase II and a total of 5.44% effective equity interest in Shajiao C Power Plant;
- unit 2 of Hengfeng Phase II, unit 2 of Yixing Power Plant, Jiaozuo Thermal Power Plant, Changshu Power Plant and Tangshan Thermal II Power Plant commenced commercial operation;
- the asset injection by the minority shareholder of CR Liyujiang of two 65MW coal-fired generating units was completed; and
- Luoyang Power Plant, Xuzhou Phase II, Dengfeng Power Plant and Puqi Power Plant had their first full year of operation after they commenced commercial operation in 2004.

In September 2005, we entered into a number of agreements for the disposal of a 10% effective equity interest in HIPDC. Gain on disposal amounted to approximately HK$1,071.1 million.

As a result, net profit for the year increased by 139.0% to HK$2,858.2 million from HK$1,195.7 million in 2004.

Principal accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") . In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Companies Ordinance.

The financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. Details of the application of the HKFRSs and changes in the accounting policies are set out in the section headed "Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies" below.

Business segments

The Group is principally engaged in a single business segment, i.e., the development, investment and operation of power plants in the PRC.

Geographical segments

Nearly all of the Group's assets and liabilities are principally located in the PRC and the operations for the year were substantially carried out in the PRC. Accordingly, no geographical segment information for the year is presented.

Turnover

Turnover represents the amount received and receivable for electricity delivered, net of VAT, during the year. Turnover for the year ended 31 December 2005 was HK$5,927.3 million, representing a 212.2% increase from HK$1,898.3 million for the year ended 31 December 2004.

The significant increase in turnover was mainly due to the commencement of commercial operation of four power plants, namely Yixing Power Plant, Jiaozuo Thermal Power Plant, Changshu Power Plant and Tangshan Thermal II Power Plant (the "four power plants") during the year, resulting in their turnover being consolidated by the Group. In addition, three power plants, namely, Luoyang Power Plant, Dengfeng Power Plant and Puqi Power Plant which commenced commercial operation in 2004, had their first full year of operation. The significant increase in turnover was also attributable to tariff increases approved by the PRC government in May 2005.

Operating expenses

Operating expenses amounted to HK$4,657.1 million for the year ended 31 December 2005, representing a 211.0% increase from HK$1,497.7 million for the year ended 31 December 2004. Operating expenses mainly comprise fuel costs, repairs and maintenance, depreciation and amortisation, and other administrative costs such as staff costs, insurance, professional fee, discharge fee and write-off of pre-operating expenses. The significant increase in operating expenses was mainly due to the commencement of commercial operation of the four power plants in 2005, which resulted in various operating expenses being consolidated by the Group, as well as reflecting full year of operation for the power plants which commenced commercial operation in 2004 and increase in coal costs during the year.

Fuel costs for the year ended 31 December 2005 amounted to approximately HK$3,231.1 million, representing an increase of 254.5% from HK$911.4 million for year ended 31 December 2004. The increase in fuel costs was primarily due to the consolidation of the four power plants, full year of operation for the power plants which commenced commercial operation in 2004 as well as increase in coal prices. Fuel costs accounted for approximately 69.4% of the total operating expenses for the year ended 31 December 2005, compared to 60.9% for the year ended 31 December 2004.

As a result of the adoption of HKFRS 2 Share-based Payment, expenses in relation to share options granted to Directors of the Company, employees of the Group and other participants included in "Operating expenses - Others" amounted to HK$112.1 million and HK$106.3 million, respectively for the year ended 31 December 2004 and 2005. Please refer to the section headed "Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies" below.

Profit from operations

Profit from operations amounted to HK$1,342.4 million for the year ended 31 December 2005, representing a 211.2% increase from HK$431.3 million for the year ended 31 December 2004. The increase was mainly due to the commencement of commercial operation of the four power plants in 2005 and also reflecting full year of operation for the power plants which commenced commercial operation in 2004.

Finance costs

Finance costs amounted to HK$381.2 million for the year ended 31 December 2005, representing a 209.7% increase from HK$123.1 million for the year ended 31 December 2004. The increase in finance costs is mainly due to the commencement of commercial operation of the four power plants in 2005, as well as reflecting full year of operation for power plants which commenced commercial operation in 2004. Interest expenses incurred during the construction of the power plants are capitalised and included as part of total construction costs of power plants.

	2005 HK$'000	2004 HK$'000
Interest on bank and other loans		
– wholly repayable within five years	**387,367**	128,650
– not wholly repayable within five years	**192,938**	206,327
	580,305	334,977
Less: Interest capitalised	**(199,085)**	(211,895)
	381,220	123,082

Share of results of associates

Share of results of associates mainly reflected our share of post-tax results of Shajiao C Power Plant, Wenzhou Telluride Phase II, Xuzhou Power Plant, Xuzhou Phase II, Hengfeng Power Plant and Hengfeng Phase II.

Share of results of associates for the year ended 31 December 2005 amounted to HK$855.0 million, representing a 10.7% decrease from HK$957.8 million for the year ended 31 December 2004.

Share of results of associates for the year ended 31 December 2004 and 2005 included a gain from settlement of insurance claim in relation to our Shajiao C Power Plant of HK$125.5 million and a recognition of discount on acquisition of an associate in the amount of HK$40.4 million, respectively. Excluding the gain from settlement of insurance claim and the recognition of discount on acquisition of an associate, share of results of associates for 2005 decreased by HK$17.7 million or 2.1% compared to 2004.

The decrease mainly reflected the increase in the coal costs of these power plants and the decrease in net generation volume of Shajiao C Power Plant, Wenzhou Telluride Phase II, Xuzhou Power Plant and Hengfeng Power Plant, which had offset the additional profit contribution from Xuzhou Phase II and Hengfeng Phase II.

Excluding the recognition of discount on acquisition of an associate in the amount of HK$40.4 million, for the year ended 31 December 2005, Shajiao C Power Plant, Wenzhou Telluride Phase II, Xuzhou Power Plant, Xuzhou Phase II, Hengfeng Power Plant and Hengfeng Phase II accounted for approximately 55.3%, 14.4%, 6.5%, 12.6%, 5.2% and 6.3%, respectively of our total share of results of associates.

Share of result of jointly controlled entity

Share of result of jointly controlled entity represents our 40% share of post-tax results of BOCGI China Resources Power Co., Ltd., an investment holding company which held a 25% equity interest in HIPDC. In September 2005, we entered into a number of agreements for the disposal of our 10% effective interest in HIPDC.

Prior to the disposal, our share of result of the jointly controlled entity for the nine-month period ended 30 September 2005 amounted to HK$194.8 million, representing a 22.0% decrease from HK$249.9 million for the year ended 31 December 2004. The decrease is mainly due to the disposal of the 10% effective interest in HIPDC in September 2005.

Amortisation of goodwill of associates

There was no amortisation of goodwill of associates for the year ended 31 December 2005 as a result of the adoption of HKFRS 3, whereas there was an amortisation of goodwill of associates in the amount of HK$26.4 million for the year ended 31 December 2004.

Release of negative goodwill of associates

No release of negative goodwill of associates was recognised in 2005 in accordance with HKFRS 3.

Gain on disposal of jointly controlled entity

In September 2005, we entered into a number of agreements in relation to the disposal of a 10% effective equity interest in HIPDC. Gain on disposal of jointly controlled entity amounted to approximately HK$1,071.1 million.

Taxation

Taxation charge for the year ended 31 December 2005 was HK$11.4 million, compared to HK$0.4 million for the year ended 31 December 2004. The increase in taxation charge was mainly due to the increase in deferred tax attributable to the subsidiaries.

Details of the taxation charge for the year ended 31 December 2004 and 2005 are set out below:

	2005 **HK$'000**	2004 HK$'000
The charge comprises:		
PRC Enterprise Income Tax	**—**	—
Deferred taxation	**11,371**	378
	11,371	378

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits in Hong Kong for the reporting years.

PRC Enterprise Income Tax, if any, is provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years from their first profit-making year, followed by a 50% reduction for the next three years.

No provision for PRC Enterprise Income Tax has been made in the financial statements as all of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax or are entitled to other tax exemption benefits provided under the prevailing PRC tax law.

Profit for the year

	2005 HK$'000	2004 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
– Fees	**518**	588
– Other emoluments	**7,779**	5,410
– Pension cost	**124**	120
– Share option benefits expenses	**8,419**	10,728
	16,840	16,846
Other staff costs	**164,839**	82,386
Pension costs, excluding directors	**35,316**	9,995
Share option benefits expense, excluding directors	**97,837**	101,393
Total staff costs	**314,832**	210,620
Less: Staff costs included in pre-operating expenses of subsidiaries	**(6,210)**	(3,862)
	308,622	206,758
Amortisation of goodwill of subsidiaries (included in other operating expenses)	**—**	5,869
Amortisation of prepaid lease payments	**9,333**	4,848
Auditors' remuneration	**2,304**	2,056
Depreciation of property, plant and equipment	**578,401**	182,980
Loss on disposal of property, plant and equipment	**—**	51
Minimum lease payments under operating leases in respect of:		
– land and buildings	**51,191**	1,264
– other assets	**362**	129
Share of tax of associates (included in share of results of associates)	**126,173**	146,120
Share of tax of jointly controlled entity (included in share of result of jointly controlled entity)	**61,637**	120,890
Write-off of pre-operating expenses of subsidiaries	**32,385**	25,512
and after crediting:		
Recognition of discount on acquisition of an associate (included in share of results of associates)	**40,412**	—
Release of negative goodwill of subsidiaries to income	**—**	1,352
Interest income	**45,524**	20,635
Expenses capitalised in construction in progress:		
Other staff costs	**78,306**	42,243
Pension costs	**5,781**	734
Depreciation	**1,050**	2,945
Minimum lease payments under operating leases in respect of:		
– land and buildings	**—**	411
– other assets	**—**	12

Profit for the year attributable to equity holders of the Company

As a result of the above, the Group's net profit from ordinary business for the year ended 31 December 2005 increased to HK$1,787.1 million, representing a 49.5% increase from HK$1,195.7 million for the year ended 31 December 2004.

Including gain on disposal of the jointly controlled entity of HK$1,071.1 million, the Group's net profit for the year ended 31 December 2005 increased to HK$2,858.2 million, representing a 139.0% increase from HK$1,195.7 million for the year ended 31 December 2004.

Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2005 HK$'000	2004 HK$'000
Profit attributable to equity holders of the Company	**2,858,225**	1,195,735
Represented by:		
Profit from ordinary business	**1,787,144**	1,195,735
Gain on disposal of jointly controlled entity	**1,071,081**	—
	2,858,225	1,195,735

	Number of ordinary shares	
	2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,808,876,816**	3,808,004,351
Effect of dilutive potential ordinary shares on share options	**34,583,272**	17,854,883
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**3,843,460,088**	3,825,859,234

	2005 HK cents	2004 HK cents
Basic earning per share		
– Profit from ordinary business	**46.92**	31.40
– Gain on disposal of jointly controlled entity	**28.12**	—
	75.04	31.40
Diluted earning per share		
– Profit from ordinary business	**46.50**	31.25
– Gain on disposal of jointly controlled entity	**27.87**	—
	74.37	31.25

	2005		2004	
	Basic HK cents	**Diluted HK cents**	Basic HK cents	Diluted HK cents
Reconciliation of earnings per share				
Reported figures before adjustments	**75.89**	**75.21**	34.34	33.87
Adjustments arising from the adoption of HKFRSs	**(0.85)**	**(0.84)**	(2.94)	(2.62)
Restated	**75.04**	**74.37**	31.40	31.25

Final and special dividends and closure of register of members

The Board of Directors resolved to declare a final dividend of HK10 cents per share and a special dividend of HK6 cents per share for the year ended 31 December 2005.

Subject to approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend and the special dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 26 May 2006. The register of members of the Company will be closed from Monday, 22 May 2006 to Friday, 26 May 2006 (both days inclusive), during which no share transfer will be registered. To qualify for the final dividend and special dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 19 May 2006. The dividends will be payable on or about 5 June 2006.

Liquidity and capital resources

The bank balances, cash and pledged bank deposits as at 31 December 2005 denominated in local currency and foreign currencies amounted to HK$309 million, RMB1,616 million and US$334 million.

For the year ended 31 December 2005, the Group's primary sources of funding included loans provided by the PRC domestic commercial banks, proceeds from bond issuance by the ultimate holding company which was lent to the subsidiaries of the Company, proceeds received from the disposal of a 10% effective interest in HIPDC, net cash inflow from operating activities and dividend received from associates, which amounted to HK$4,527 million, HK$2,883 million, HK$2,453 million, HK$1,433 million and HK$1,240 million, respectively. The Group's funds were primarily used in repayment of short-term bank loans and purchase of property, plant and equipment for the construction of new power plants, which amounted to HK$5,676 million and HK$3,909 million, respectively.

Borrowings

The bank and other loans of the Group as at 31 December 2004 and 2005 were as follows:

	2005 HK$'000	2004 HK$'000
Secured bank loans	**3,308,915**	239,991
Unsecured bank loans	**4,810,365**	8,795,606
Unsecured other loans	**—**	23,952
Other loans (note)	**2,925,987**	—
	11,045,267	9,059,549

The maturity profile of the above loans is as follows:

	2005 HK$'000	2004 HK$'000
Within 1 year	**1,983,026**	2,457,679
More than 1 year, but not exceeding 2 years	**824,538**	499,708
More than 2 years, but not exceeding 5 years	**2,900,378**	1,873,903
More than 5 years	**5,337,325**	4,228,259
	11,045,267	9,059,549

The bank and other loans as at 31 December 2005 denominated in local currency and foreign currency amounted to HK$1,000 million and RMB10,453 million, respectively.

During the year ended 31 December 2005, the Group repaid bank and other loans amounting to HK$5,676 million (2004: HK$3,198 million) and obtained new bank and other loans amounting to HK$7,410 million (2004:HK$7,964 million), proceeds of which were used for general working capital and for financing the acquisition of property, plant and equipment.

Note:

During the year, the Group raised RMB3,000 million (approximately HK$2,883 million) loans, being proceeds from bond issuance by CRNC, which were lent by CRNC through a PRC commercial bank to the Company's subsidiaries. The loans bear interest at 5.09% per annum and are due for repayment in 2015. For the year ended 31 December 2005, total interest accrued is approximately HK$73,495,000.

Key financial ratios of the Group

	2005	2004 (restated)
Current ratio *(times)*	**1.18**	1.15
Quick ratio *(times)*	**1.13**	1.11
Net debt to equity *(%)*	**50.4**	56.6
EBITDA interest coverage *(times)*	**6.98**	5.47

Current ratio	=	balance of current assets at the end of the year / balance of current liabilities at the end of the year
Quick ratio	=	(balance of current assets at the end of the year - balance of inventories at the end of the year) / balance of current liabilities at the end of the year
Net debt to shareholders' equity	=	(balance of total bank and other borrowings at the end of the year - balance of bank balances, cash and pledged bank deposits at the end of the year) / balance of shareholders' equity at the end of the year
EBITDA interest coverage	=	(profit before taxation + interest expense + depreciation and amortisation) / interest expenditure (including capitalised interests)

Foreign exchange rate risk

We collect all of our revenue in Renminbi ("RMB") and most of our expenditures including expenditures incurred in the operation of power plants as well as capital expenditures are also denominated in RMB. Dividends receivable from the Company's subsidiaries and associates can be collected in either RMB, US Dollar ("USD") or Hong Kong Dollar ("HKD").

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against HKD and USD may have positive or negative impact on the results of operations of the Group.

On 21 July 2005, the People's Bank of China announced that RMB would no longer be pegged to the USD and instead would be linked to a basket of currencies. The exchange rate of USD against RMB was adjusted from 8.2765 to 8.1100 yuan per USD immediately.

As at 31 December 2005, the Group had HK$309 million and US$334 million cash in deposit, and a HK$1 billion long-term liability on its balance sheet, the remaining assets and liabilities of our power plants were denominated in RMB. The appreciation of RMB against HKD and USD has an overall positive impact on the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2005.

Charge of assets

As at 31 December 2005, Telluride International Energy Limited Partnership, a wholly owned subsidiary of the Company, pledged its equity interest in Zhejiang Wenzhou and a bank deposit amounting to HK$37,724,000 (2004: HK$39,429,000) to a bank as securities for the bank loans granted to Zhejiang Wenzhou Telluride Power Generating Company Limited of approximately HK$413,980,000 (2004: HK$476,883,000).

The deposits carry an annual average floating interest rate of 2.1%. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. The fair values of bank deposits as at 31 December 2005 approximated to the corresponding carrying amounts.

As at 31 December 2005, bank loans were secured by the Group's land use rights and buildings with a carrying value of HK$10,147,000 (2004: HK$9,918,000). In addition, bank loans were secured by the Group's power generating plant and equipment with a carrying value of HK$8,863,274,000 (2004: HK$117,691,000). As at 31 December 2004, certain bank loans were secured by the Group's construction in progress with a carrying value of HK$191,450,000.

Legal liabilities

The Group is not involved in any lawsuits, in which the Group is the named defendant.

Employees

As at 31 December 2005, the Company and its subsidiaries employed a total of approximately 3,000 employees.

APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entity has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

(1) Business combinations

In the current year, the Group has applied HKFRS 3 Business Combinations. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of HK$11,738,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

In the current year, the Group has also applied HKAS 21 The Effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operations and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made. In the current year, the Group acquired some foreign operations, and goodwill arising on the acquisition of the foreign operations has been translated at the closing rate as at 31 December 2005. There is no material impact on the Group's translation reserve in respect of such transaction.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment ("discount on acquisition") is recognised immediately in profit in the year in which the acquisition takes place. In previous years, negative goodwill was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005. Discount on acquisition in the amount of HK$40,412,000 in relation to acquisition of an associate has been recognised and included as profit for the current year.

(2) Share-based payments

In the current year, the Group has applied HKFRS 2 Share-based Payment, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors', employees' and other participants' share options of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. All the equity-settled share based payment arrangement of the Group was granted after 7 November 2002 and had not yet fully vested on 1 January 2005, and accordingly, the Group is required to apply HKFRS 2 retrospectively. Comparative figures have been restated.

(3) Financial instruments - Derivatives and hedging

From l January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Group designates certain derivatives as hedging instruments to hedge against its exposure of changes in interest rates.

The Group has applied the relevant transitional provisions in HKAS 39. For hedges that meet the requirements of hedge accounting set out in HKAS 39, the Group has, from 1 January 2005 onwards, applied hedge accounting in accordance with HKAS 39 to account for such hedges. Derivative financial instruments with a fair value in the amount of HK$25,813,000 were recognised as part of non-current assets and shareholders' equity as at 31 December 2005.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2005 HK$'000	2004 HK$'000
Decrease in amortisation of goodwill of a subsidiary	**5,869**	—
Decrease in amortisation of goodwill of associates	**34,430**	—
Decrease in release of negative goodwill of associates	**(6,843)**	—
Expenses in relation to share options granted to employees	**(106,256)**	(112,121)
Recognition of discount on acquisition of an associate	**40,412**	—
Decrease in profit for the year	**(32,388)**	(112,121)

Analysis of decrease in net profit for the year by line items presented according to their function:

	2005 HK$'000	2004 HK$'000
Decrease in depreciation and amortisation	**5,869**	—
Increase in other operating expenses	**(106,256)**	(112,121)
Decrease in share of results of associates	**(85,761)**	(146,120)
Decrease in share of result of jointly controlled entity	**(61,637)**	(120,890)
Decrease in amortisation of goodwill of associates	**34,430**	—
Decrease in release of negative goodwill of associates	**(6,843)**	—
Decrease in taxation	**187,810**	267,010
Decrease in profit for the year	**(32,388)**	(112,121)

OPERATION STATISTICS BY POWER PLANTS

The tables below set out certain operation statistics of our power plants for the three years ended 31 December 2005:

Shajiao C Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**1,980**	1,980	1,980
Average utilisation hours	**6,962**	7,235	6,566
Gross generation (MWh)	**13,784,034**	14,325,706	13,000,020
Net generation (MWh)	**12,876,107**	13,403,485	12,152,650
Equivalent availability factor (%)	**97**	94	90
Net generation standard coal consumption rate (grams/kWh)	**322**	322	323

Changshu Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**1,300**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**5,853,265**	N/A	N/A
Net generation (MWh)	**5,568,971**	N/A	N/A
Equivalent availability factor (%)	**92**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**327**	N/A	N/A

Wenzhou Telluride Phase II

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**7,379**	7,870	7,481
Gross generation (MWh)	**4,427,520**	4,722,083	4,488,720
Net generation (MWh)	**4,225,307**	4,506,873	4,282,402
Equivalent availability factor (%)	**96**	98	91
Net generation standard coal consumption rate (grams/kWh)	**329**	332	335

Liyujiang Phase II

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,399**	6,680	N/A
Gross generation (MWh)	**3,839,190**	4,007,840	1,889,000
Net generation (MWh)	**3,610,275**	3,757,170	1,768,260
Equivalent availability factor (%)	**81**	86	98
Net generation standard coal consumption rate (grams/kWh)	**351**	366	368

Hengfeng Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,353**	6,503	6,350
Gross generation (MWh)	**3,811,931**	3,902,020	3,810,050
Net generation (MWh)	**3,612,597**	3,700,210	3,607,230
Equivalent availability factor (%)	**96**	92	91
Net generation standard coal consumption rate (grams/kWh)	**342**	344	347

Xuzhou Phase II

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	N/A
Average utilisation hours	**6,218**	N/A	N/A
Gross generation (MWh)	**3,730,820**	1,307,477	N/A
Net generation (MWh)	**3,558,670**	1,244,310	N/A
Equivalent availability factor (%)	**100**	100	N/A
Net generation standard coal consumption rate (grams/kWh)	**351**	355	N/A

Dengfeng Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	N/A
Average utilisation hours	**6,039**	N/A	N/A
Gross generation (MWh)	**3,623,430**	1,562,682	N/A
Net generation (MWh)	**3,389,694**	1,459,170	N/A
Equivalent availability factor (%)	**92**	99	N/A
Net generation standard coal consumption rate (grams/kWh)	**360**	363	N/A

Xuzhou Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	600
Average utilisation hours	**6,009**	6,307	6,044
Gross generation (MWh)	**3,605,219**	3,784,326	3,626,488
Net generation (MWh)	**3,408,450**	3,579,220	3,445,411
Equivalent availability factor (%)	**91**	93	95
Net generation standard coal consumption rate (grams/kWh)	**347**	347	345

Hengfeng Phase II

	2005	2004	2003
Installed capacity at year end (MW)	**600**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**3,402,318**	N/A	N/A
Net generation (MWh)	**3,191,855**	N/A	N/A
Equivalent availability factor (%)	**90**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**342**	N/A	N/A

Puqi Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**600**	600	N/A
Average utilisation hours	**5,303**	N/A	N/A
Gross generation (MWh)	**3,181,650**	941,340	N/A
Net generation (MWh)	**3,028,690**	902,152	N/A
Equivalent availability factor (%)	**90**	63	N/A
Net generation standard coal consumption rate (grams/kWh)	**342**	348	N/A

Jiaozuo Thermal Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**270**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**1,094,521**	N/A	N/A
Net generation (MWh)	**991,958**	N/A	N/A
Equivalent availability factor (%)	**99**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**407**	N/A	N/A

Tangshan Thermal II Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**200**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**852,223**	N/A	N/A
Net generation (MWh)	**772,335**	N/A	N/A
Equivalent availability factor (%)	**89**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**389**	N/A	N/A

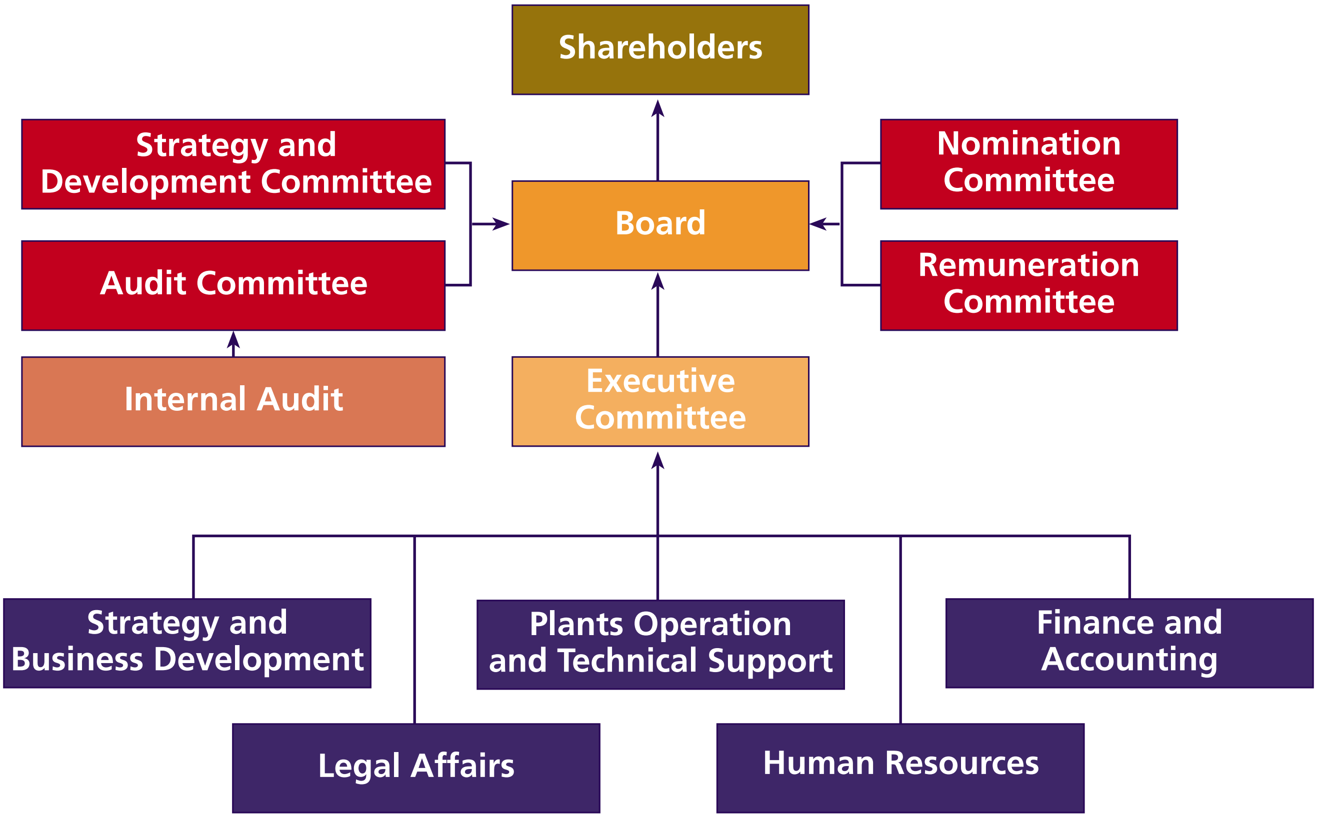
Luoyang Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**100**	100	N/A
Average utilisation hours	**7,969**	N/A	N/A
Gross generation (MWh)	**796,860**	407,192	N/A
Net generation (MWh)	**712,183**	360,694	N/A
Equivalent availability factor (%)	**93**	67	N/A
Net generation standard coal consumption rate (grams/kWh)	**439**	516	N/A

Yixing Power Plant

	2005	2004	2003
Installed capacity at year end (MW)	**120**	N/A	N/A
Average utilisation hours	**N/A**	N/A	N/A
Gross generation (MWh)	**754,630**	N/A	N/A
Net generation (MWh)	**686,231**	N/A	N/A
Equivalent availability factor (%)	**92**	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	**420**	N/A	N/A

CORPORATE GOVERNANCE STRUCTURE



REPORT ON CORPORATE GOVERNANCE PRACTICES

As a company registered and listed in Hong Kong, CR Power has been committed to improving the overall standard of corporate governance in accordance with international corporate governance standard. 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 shareholders' interests and create shareholder value.

CR Power has applied the principles and complied with all of the provisions as well as most of the recommended best practices of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") promulgated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The following summarizes CR Power's corporate governance practices and explains deviations, if any, from the Code.

A. Directors

A.1 The Board

Principle

The Board should assume responsibility for leadership and control of the Company and be collectively responsible for promoting its success by directing and supervising the Company's affairs. Directors should take decisions objectively in the interests of the Company.

The Board is responsible for the Company's system of corporate governance, and is ultimately accountable for the Company's activities, strategies and financial performance.

The responsibilities of the Board include the following:

1) determine the strategies, objectives, policies, and business plans of the Company and supervise the execution of the Company's strategies;

2) supervise and control the operating and financial performance of the Company, and set appropriate risk control policies and procedures to ensure that the strategic objectives of the Company are fully implemented;

3) monitor the performance of the senior management and set appropriate remuneration of senior members of management; and

4) perfect the corporate governance structure in order to enhance communication with shareholders.

The Company has in place internal guidelines setting forth matters that require the Board's approval. Under the guidelines, development of new power plants, expansion of existing power plants and acquisition of power plants and related business and assets, as well as all commitment to term loans, among others, require the approval of the Board.

The Board is supported by four committees. Each committee has its own responsibilities, powers and functions. The chairmen of respective Committees report to the Board regularly and make recommendations on matters discussed when appropriate.

The directors' attendances at the meetings of the Board and Board Committees held in the year of 2005 are as shown below:

Board/Board Committees	Board	Committees Strategy and Development	Audit	Remuneration	Nomination
No. of meetings held	4	1	3	2	1
Directors			No. of meetings attended		
Song Lin	2	1		2	
Wang Shuai Ting	4	1	1	1	1
Shen Zhong Min	4	1	3		
Tang Cheng	4	1			
Zhang Shen Wen	4	1			
Jiang Wei	2				
Fong Ching, Eddy	3		3	1	
Anthony H. Adams	4		3	2	1
Wu Jing Ru	4		3		1

In accordance with the recommended best practices, the Company has arranged insurance cover in respect of legal action against its directors. The principles, procedures and arrangements set out in A.1.1 to A.1.8 are adopted by the Board and the Board Committees.

Deviation: Nil

The Company has fully complied with the recommended best practices.

A.2 Chairman and Chief Executive Officer

Principle

The roles of Chairman and Chief Executive Officer should be separates and should not be performed by the same individual in order to ensure that there is a balance of power and authority and that power will not be concentrated in any one individual.

The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing.

The Chairman of the Board of the Company is Mr. Song Lin, who is responsible for providing leadership for the Board. His duties are mainly to ensure the effective operation of the Board, and also to ensure the establishment of and compliance with the corporate governance practices and procedures. The Chairman is also responsible for ensuring that appropriate procedures are adopted to guarantee effective communications with shareholders, and that the shareholders' opinions are circulated among all Board members.

The Chief Executive Officer of the Company is Mr. Wang Shuai Ting, who is responsible for managing the Company's business and coordinating overall business operations, implementing major strategies approved by the Board and making day-to-day operation decisions.

None of the members of the Board has any connections (including financial, business, family relationship and other material/related relationships) with each other (including between the Chairman and the Chief Executive Officer).

Deviation: Nil

A.3 Composition of the Board

Principle

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. A balanced composition of executive directors and non-executive directors helps to ensure the independence of the Board. The Board should have at least 3 independent non-executive directors, representing at least one-third of the Board.

The Board currently consists of 11 directors, of whom 6 are executive directors, 1 is non-executive director and 4 are independent non-executive directors.

Set out below are details of the composition of the Board and the Committees:

		Committee Membership			
Name of Director	Board Role	Strategy and Development	Audit	Nomination	Remuneration
Song Lin	E, Chairman				Chairman
Wang Shuai Ting	E	Chairman		Chairman	
Shen Zhong Min	E	√			
Tang Cheng	E	√			
Zhang Shen Wen	E	√			
Wang Xiao Bin	E				
Jiang Wei	NE				
Fong Ching, Eddy	ID		Chairman		√
Anthony H. Adams	ID		√	√	√
Wu Jing Ru	ID	√	√	√	
Chen Ji Min	ID	√	√		

Note:

E : Executive Director
NE : Non-executive Director
ID : Independent Non-executive Director

The Company posts the latest membership of the Board on its website (www.cr-power.com), in which roles and responsibilities of the directors are set out and whether they are independent non-executive directors are noted.

Each member of the Board has different background and professional abilities. Each of them is well-experienced in his/her respective area such as development, construction, operation as well as management of power plants, capital markets and financial management. The Company has four independent non-executive directors, representing at least one-third of the Board. The number of independent non-executive directors has met the code provisions. Mr. Fong Ching, Eddy is the independent non-executive director with appropriate professional qualifications as required under Listing Rules and heads the Audit Committee, which comprises only independent non-executive directors. Brief biographies of Board members are disclosed on page 16 to page 18 of this Annual Report.

Deviation: Nil

A.4 Appointments, re-election and removal of Board members

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals.

The Company has established a nomination committee with specific written terms of reference. The Nomination Committee is mainly composed of independent non-executive directors. Currently, the Nomination Committee comprises three directors, namely Mr. Wang Shuai Ting as the Chairman, and Mr. Anthony H. Adams and Mr. Wu Jing Ru as members.

The main role of the Nomination Committee is to make sure the process of appointments and reappointments of the Board members are transparent and to assess effectiveness of the Board as a whole and the contribution of individual director to the effectiveness of the Board.

The responsibilities of the Nomination committee (as set out in the Company's website: www.cr-power.com) are as follows:

1) to regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board in relation to any proposed changes;

2) to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3) to evaluate the independence of independent non-executive directors; and

4) to evaluate the performance of directors and make recommendations to the Board in respect of the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and CEO.

The Chairman of the Committee reports the findings and recommendations of the Committee to the Board after each meeting.

In accordance with Article 120 of the Company's Articles of Association, one-third of the directors, including executive directors, non-executive directors as well as independent non-executive directors, retire and being eligible, offer themselves for re-election in the forthcoming annual general meeting of the Company.

Four of the executive directors of the Company, namely Mr. Wang Shuai Ting, Mr. Shen Zhong Min, Mr. Tang Cheng and Mr. Zhang Shen Wen, have each entered into a three-year service contract with the Company commencing from 22 August 2003.

The independent non-executive directors of the Company, namely Mr. Fong Ching, Eddy, Mr. Anthony H. Adams, and Mr. Wu Jing Ru were appointed for a term of three years commencing from 22 August 2003.

During 2005, the Nomination Committee evaluated the effectiveness of the Board as a whole and nominated Mr. Chen Ji Min and Ms. Wang Xiao Bin to be an independent non-executive director and executive director respectively and made its recommendation to the Board.

Mr. Chen Ji Min has been appointed as an independent non-executive director and Ms. Wang Xiao Bin has been appointed as an executive director of the Company with effect from 13 February 2006. There is no service agreement entered into between Mr. Chen, Ms. Wang and the Company, respectively. Pursuant to the Articles of Association of the Company, Mr. Chen and Ms. Wang will hold office until the next annual general meeting of the Company and will then be eligible for re-election.

Deviation: Nil

A.5 Responsibilities of Directors

Principle

Every director is required to keep abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Every newly appointed director of the Company receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment in order to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements.

Having made specific enquiry of all directors, the Company confirmed that all directors have complied with their obligations under the Model Code set out in Appendix 10 of the Listing Rules.

The Company has established written guidelines for senior management in respect of their dealings in the securities of the Company. The Company issues notices to all directors and senior management and relevant employees and provide written guidelines to prohibit any dealings by such persons in the securities of the Company commencing at least one month prior to the date of any board meeting convened for review and approval of the Company's results for any report period.

The Company encourages directors to participate in continuous professional development seminars and courses and will fund such programmes. The non-executive directors are invited to attend plant visits and attend general meetings and develop a good understanding of our business and a balanced understanding of the views of our shareholders.

Deviation: Nil

A.6 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities.

In respect of regular board meetings and committee meetings, the Company's policy is to provide a 14-day notice prior to the meeting setting out the intended agenda. As much as practicable, an agenda and accompanying board papers are delivered in full to all Directors at least three days before the intended date of a board or board committee meeting.

All directors are entitled to have access to board papers and related materials. To enable directors to make informed decisions, the Company's team is required to provide complete and reliable information and provide briefing to the Board in respect of the matters and issues under consideration.

The Company keeps the Board members posted of latest developments of the Company in a timely manner. In addition to regular board meetings, the Company also provides the Board members with reports in relation to news releases, investor relations activities and share price performance on a monthly basis.

The Company has set out an internal guideline to enable directors to seek independent professional advice in appropriate circumstances at the Company's expense.

Deviation: Nil

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration

Principle

There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his/ her own remuneration.

The Company has established a Remuneration Committee, comprising Mr. Song Lin, the Chairman of the Board, and two independent non-executive directors, namely Mr. Fong Ching, Eddy and Mr. Anthony H. Adams. Mr. Song Lin is the Chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee include the following:

1) to make recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;

2) to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors;

3) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

5) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The Remuneration Committee held two meetings in 2005.

Deviation: Nil

Principle

Levels of remuneration should be sufficient to attract and retain the directors needed to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The total remuneration of executive directors and senior management comprises three key components, namely basic salary, annual bonus and share options. The Company's policy is to determine executive directors' and senior managers' bonus based on the Company's and individual's performance for the year. The Company has also set up share option schemes to retain the best available personnel and to provide long-term incentive to employees and to ensure the interests of the executive directors, senior managers and staff are aligned with those of the shareholders.

Deviation: Nil

C. Accountability and Audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

The directors acknowledge that they are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the operating results and financial conditions of the Company.

In preparing the accounts for the year ended 31 December 2005, the directors have:

a. selected appropriate accounting policies and applied them consistently;

b. made judgments and estimates that are prudent and reasonable, and have prepared accounts on a going concern basis.

Deviation: Nil

C.2 Internal controls

Principle

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

The Company's target is to establish an efficient and effective internal control system which comprises the following five components: control environment, risk assessment, control activities, information and communication and monitoring.

The Company believes that the control environment sets the tone of an organization and provides a foundation of all other components of internal control. It includes integrity, business ethics, management's philosophy and operating style, the way management assigns authority and responsibility, and attention and direction provided by the Board, all of which form and create a control environment.

The Company emphasizes on professional integrity and high business ethics. It creates handbooks and manuals for management and staff, explaining our fundamental value and corporate culture, which is based on honesty and integrity and focuses on value creation.

The Company and its subsidiaries provide regular training to its management and staff. The training sessions not only cover the technical and operational aspects of our businesses, but also on business ethics and corporate value.

The Company has created a Code for Managers that sets out the respective responsibilities, rights and reporting procedures of the management team, mainly the general managers, deputy general managers and chief financial officers of our power plants.

The Company has also laid out an evaluation and remuneration policy which encourages our management team to focus on return and value creation for shareholders.

The Company has an internal audit department that is independent of the activities it audits. The internal auditors report to the Chairman of the Audit Committee and administratively to the Chief Executive Officer. The internal auditors have unrestricted access to any and all aspects of the Company's and the subsidiaries' activities and business functions. The internal auditors can employ outside resources when necessary. In 2005, the Company's internal audit department engaged a major international accounting firm to carry out internal audit work for a number of subsidiaries.

The responsibilities of the internal auditors include but not limited to the following:

1) to review adequacy and effectiveness of internal systems and controls;

2) to check compliance with the Company's policies and procedures, appropriate laws and good business practices; and

3) to ensure economical and efficient use of the Company's resources.

The directors have annually reviewed the effectiveness of the system of internal controls (including financial, operational and compliance controls and risk management functions) of the Company and its subsidiaries. The directors believe that in order to manage the risk of failure in achieving the Company's goals and objectives to an ultimate extent, the Company should improve continuously its internal control system.

During 2005, the internal audit department, with the assistance of a major international accounting firm, has carried out audit of four power plants and presented their findings and recommendations to the Audit Committee.

Deviation: Nil

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. Audit Committee established pursuant to the Listing Rules should have clear terms of reference.

The Company's Audit Committee only comprises independent non-executive directors, namely Mr. Fong Ching, Eddy, Mr. Anthony H. Adams, Mr. Wu Jing Ru and Mr. Chen Ji Min (appointed as a director on 13 February 2006) as members. Mr. Fong Ching, Eddy is the Chairman of the Committee. He is a certified public accountant and was formerly a senior partner of PricewaterhouseCoopers, an international accounting firm.

The terms of reference of the Audit Committee include but not limit to the following duties:

1) primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3) to develop and implement policies on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

4) to monitor integrity of financial statements, accounts, annual reports and interim reports of the Company and to review significant financial reporting judgments contained in them, including:

    a) any changes in accounting policies and practices;

    b) major judgment areas;

    c) significant adjustments resulting from audit;

    d) the going concern assumptions and any qualifications;

    e) compliance with accounting standards; and

    f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

5) to review the Company's financial controls, internal control and risk management systems;

6) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;

7) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

8) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and

9) to review and monitor the effectiveness of the internal audit function.

The Audit Committee held three meetings in 2005. External and internal auditors, representatives of the executive directors as well as senior management were invited to attend the Audit Committee meetings.

There was no disagreement between the Board and Audit Committee on the selection and appointment of the internal and external auditors.

During 2005, the fees paid to the Company's external auditor amounted to HK$3,283,000, of which fees paid for non-audit related service amounting to HK$979,000. Non-audit related service mainly includes financial due diligence work carried out in connection with acquisitions of certain business and assets.

Deviation: Nil

D. Delegation by the Board

Principle

The Company should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

The Board is mainly responsible for formulating and approving the business strategies, objectives, policies and plans of the Company, and monitoring the execution of the Company's strategies. It is also responsible for overseeing the operating and financial performance of the Company and establishing appropriate risk control policies and procedures in order to ensure that the strategic objectives of the Company are materialized. In addition, the Board is also responsible for improving the corporate governance structure and enhancing communications with shareholders.

The Board has delegated the responsibilities of the execution of strategies and decision-making for day-to-day operation of the Company to the management team headed by the Chief Executive Officer.

The management reports regularly to the Board on the operating and financial performance of the Company. Development, expansion and acquisition of power plants and other major capital expenditure and commitment, as well as major financing decisions are all to be received and approved by the Board.

The Company has also established written terms of reference for the four committees (namely, audit, nomination, remuneration and strategy and development) of the Board.

Deviation: Nil

E. Communication with shareholders

Principle

The Board should endeavor to maintain an on-going dialogue with shareholders and in particular, use annual general meetings to communicate with shareholders and encourage their participation.

The Company and its Board and management highly value the opinions and requirements of our shareholders. The Company communicates with shareholders through various channels including publication of interim and annual reports, press releases and announcements of the latest developments of the Company on its corporate website in a timely manner. Shareholders may choose to receive the latest information released by the Company electronically.

The annual general meeting provides an opportunity for shareholders to exchange views with the Board members, including non-executive directors and senior managers. The Chairman, the Chief Executive Officer and chairmen of different Committees attended the Annual General Meeting held on 26 May 2005.

Resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual directors.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. Details of the proposed resolutions are also set out in the circular.

The Company also enhances communication with shareholders through various investor relations activities. The principal investor relations activities of the Company in 2005 are set out on page 62 to page 63 of this annual report.

Deviation: Nil

MAJOR INVESTOR RELATIONS ACTIVITIES 2005

CR Power believes that the directors and management have the responsibility to establish good relationships with investors. Therefore, we have been creating as many opportunities as possible to enhance communications with investors. Through these opportunities, the Company not only has kept investors abreast of the latest development of itself as well as the industry, but also gathered ideas and advice from shareholders and reviewed our strategies accordingly.

In 2005, our management participated in a series of China and Asia Pacific investment conferences 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. Through these opportunities, we presented our strategies, highlights of latest development, as well as opportunities and challenges ahead to institutional investors world-wide.

In October 2005, we invited a group of sell-side analysts to conduct a visit to our Changshu Power Plant which is our first green-field project consisting of 600MW class super-critical generation units. In order to assist analysts to understand more about the economic situation and electricity market of Jiangsu province, which has attracted the attention of the capital markets lately, we arranged a meeting with a government official from the Jiangsu Provincial Development & Reform Commission. Through this event, we demonstrated our capabilities in managing large-scale projects and controlling costs. Hosting this event amidst the market's concerns over potential decline of utilization rates in Jiangsu Province demonstrated CR Power's open attitude and focus on transparency of information for investors.

We communicate with shareholders through various channels. We distributed press release on our latest development including monthly generation statistics, commissioning of new generation units and information on new investments and acquisitions to analysts and media correspondents. All of the above information are available on our corporate website (www.cr-power.com) as well. Investors can also raise questions via phone calls, emails, as well as through on our corporate website. Our Investor Relations Department will respond as soon as possible.

In 2005, CR Power was voted the best company for investor relations in China as well as in Asian Power industry based on views of sell-side analysts by "Institutional Investor". We will continue to improve our investor relations through various means in order to enhance transparency of the company and strengthen investors' confidence in the Company.

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.

REPORT OF THE DIRECTORS

The directors (the "Directors") of China Resources Power Holdings Company Limited (the "Company") have the pleasure in presenting to the shareholders their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to invest, develop, operate and manage large coal-fired power plants in the more affluent regions in China. Particulars of the Company's principal subsidiaries and associates are set out in notes 18 and 19 to the financial statements, respectively.

GROUP PROFIT

The consolidated income statement is set out on page 79 and shows the Group's profit for the year ended 31 December 2005. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Management's Discussion and Analysis on pages 20 to 49 of this Annual Report.

DIVIDENDS

An interim dividend of HK3 cents per share was paid on 3 October 2005.

The Board of Directors resolved to recommend the payment of a final dividend of HK10 cents per share and a special dividend of HK6 cents per share for the year ended 31 December 2005 to shareholders whose names appear on the Register of Members of the Company on 19 May 2006. The proposed dividends will be paid on or about 5 June 2006 following approval at the Annual General Meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 36 to the financial statements. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares (the "Shares") during the year.

RESERVES

Distributable reserves of the Company amounted to HK$3,063.5 million as at 31 December 2005 (2004: HK$240.1 million). Movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 83 to 84 of this Annual Report and note 38 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2005 amounted to HK$11,045.3 million (2004: HK$9,059.5 million). Particulars of borrowings are set out in note 34 to the financial statements.

DIRECTORS

The Directors who held office during the year and as at the date of this Annual Report are as follows:

Executive Directors:

Mr. Song Lin	(Chairman)
Mr. Wang Shuai Ting	(Vice Chairman and Chief Executive Officer)
Mr. Shen Zhong Min	(Chief Operation Officer)
Mr. Tang Cheng	
Mr. Zhang Shen Wen	
Ms. Wang Xiao Bin	(appointed on 13 February 2006)

Non-Executive Director:

Mr. Jiang Wei

Independent Non-Executive Directors:

Mr. Fong Ching, Eddy	
Mr. Anthony H. Adams	
Mr. Wu Jing Ru	
Mr. Chen Ji Min	(appointed on 13 February 2006)

Mr. Wang Shuai Ting, Mr. Shen Zhong Min, Mr. Tang Cheng and Mr. Zhang Shen Wen have entered into service contracts with the Company on 22 August 2003 for a term of three years.

Other than as disclosed above, as at 31 December 2005, none of the Directors had a service contract with the Company or any subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

In accordance with Article 120 of the Company's Articles of Association, Mr. Wang Shuai Ting, Mr. Shen Zhong Min and Mr. Wu Jing Ru retire and being eligible, offer themselves for re-election in the forthcoming annual general meeting of the Company. In addition, in accordance with Article 98 of the Company's Articles of Association, Mr. Chen Ji Min and Ms. Wang Xiao Bin, who were appointed on 13 February 2006, will retire and offer for re-election in the forthcoming annual general meeting of the Company.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical details of the Directors as at the date of this report are set out on pages 16 to 18 of this Annual Report. Details of Directors' remuneration are provided under note 12 to the financial statements.

SHARE OPTIONS

The Company has two share option schemes, namely the pre-IPO share option scheme and the share option scheme as follows:

(A) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 6 October 2003. The purposes of the Pre-IPO Share Option Scheme are to attract and retain the best available personnel; to provide additional incentive to employees, directors, consultants and advisors of (a) the Company, its subsidiaries and associated companies and (b) China Resources (Holdings) Company Limited ("CRH") and its subsidiaries; and to promote the success of the business of the Company, its subsidiaries and associated companies. The Pre-IPO Share Option Scheme ended on 12 November 2003, being the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and no further options under the Pre-IPO Share Option Scheme can be granted after that date. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from 6 October 2003.

Under the Pre-IPO Share Option Scheme, each option has a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second, third, fourth and fifth anniversaries of the date of grant of an option, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% respectively of the Shares comprised in his or her option.

As at 31 December 2005, a total of 164,137,000 Shares (representing approximately 4.3% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Pre-IPO Share Option Scheme.

Movement of the options under the Pre-IPO Share Option Scheme during the year ended 31 December 2005 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2005	Number of options lapsed or cancelled during the year	Number of options exercised during the year (Note)	Number of options outstanding as at 31 December 2005	Date of expiry	Exercise price (HK$)
Song Lin	6 Oct 2003	2,000,000	—	—	2,000,000	5 Oct 2013	2.80
Wang Shuai Ting	6 Oct 2003	4,500,000	—	—	4,500,000	5 Oct 2013	2.80
Shen Zhong Min	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Tang Cheng	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Zhang Shen Wen	6 Oct 2003	3,000,000	—	—	3,000,000	5 Oct 2013	2.80
Jiang Wei	6 Oct 2003	1,000,000	—	—	1,000,000	5 Oct 2013	2.80
Aggregate total of employees	6 Oct 2003	100,575,000	—	(140,000)	100,435,000	5 Oct 2013	2.80
Aggregate total of other participants	6 Oct 2003	49,130,000	(104,000)	(1,824,000)	47,202,000	5 Oct 2013	2.80
		166,205,000	(104,000)	(1,964,000)	164,137,000		

Note: The weighted average closing prices of the Shares immediately before the dates on which the options were exercised was HK$4.32.

(B) Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved by a resolution in writing of the shareholders of the Company on 6 October 2003. The purposes of the Share Option Scheme are to attract and retain the best available personnel; to provide additional incentive to employees, directors, consultants and advisors of (a) the Company, its subsidiaries and associated companies and (b) CRH and its subsidiaries; and to promote the success of the business of the Company, its subsidiaries and associated companies.

The Board may, at its absolute discretion, offer an option to eligible person to subscribe for the Shares at an exercise price and subject to the other terms of the Share Option Scheme. Upon acceptance of the offer of a grant, the grantee shall pay HK$1.00 to the Company as nominal consideration for the grant.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 367,000,000 Shares of the Company, being 10% of the total number of Shares in issue immediately prior to the date on which dealings in the Shares commenced on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

Options granted have a 10-year exercise period within which there is a total vesting period of five years. Commencing from the first, second, third, fourth and fifth anniversaries of the date of grant of an option, the relevant grantee may exercise up to 20%, 40%, 60%, 80% and 100% respectively of the Shares comprised in his or her option.

The Share Option Scheme will remain in force for a period of 10 years from 6 October 2003.

On 18 March 2005, in consideration of HK$1.00 per grant, options to subscribe for an aggregate of 35,000,000 Shares at an exercise price of HK$3.99 (being the highest of (1) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date the share option was granted, (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant, or (3) the nominal value of the Shares) were conditionally granted to 70 grantees under the Share Option Scheme.

On 18 November 2005, in consideration of HK$1.00 per grant, options to subscribe for an aggregate of 61,800,000 Shares at an exercise price of HK$4.725 (being the highest of (1) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date the share option was granted, (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant, or (3) the nominal value of the Shares) were conditionally granted to 263 grantees under the Share Option Scheme.

As at 31 December 2005, a total of 124,300,000 Shares (representing approximately 3.3% of the existing issued share capital of the Company) may be issued by the Company upon exercise of all options which had been granted under the Share Option Scheme.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2005 is as follows:

Name of Director	Date of grant	Number of options outstanding as at 1 January 2005	Number of options granted during the year	Number of options lapsed or cancelled during the year	Number of options outstanding as at 31 December 2005	Date of expiry	Exercise price (HK$)
Song Lin	18 Mar 2005	—	900,000	—	900,000	17 Mar 2015	3.99 (1)
Wang Shuai Ting	18 Mar 2005	—	900,000	—	900,000	17 Mar 2015	3.99 (1)
Shen Zhong Min	18 Mar 2005	—	600,000	—	600,000	17 Mar 2015	3.99 (1)
Tang Cheng	18 Mar 2005	—	600,000	—	600,000	17 Mar 2015	3.99 (1)
Zhang Shen Wen	18 Mar 2005	—	600,000	—	600,000	17 Mar 2015	3.99 (1)
Jiang Wei	18 Mar 2005	—	600,000	—	600,000	17 Mar 2015	3.99 (1)
Aggregate total of employees	1 Sept 2004	23,600,000	—	(400,000)	23,200,000	31 Aug 2014	4.25
	18 Mar 2005	—	22,300,000	—	22,300,000	17 Mar 2015	3.99 (1)
	18 Nov 2005	—	52,050,000	—	52,050,000	17 Nov 2015	4.725 (2)
Aggregate total of other participants	1 Sept 2004	4,300,000	—	—	4,300,000	31 Aug 2014	4.25
	18 Mar 2005	—	8,500,000	—	8,500,000	17 Mar 2015	3.99 (1)
	18 Nov 2005	—	9,750,000	—	9,750,000	17 Nov 2015	4.725 (2)
		27,900,000	96,800,000	(400,000)	124,300,000		

Note: 1. The closing price of the Shares immediately before the date on which the options were granted was HK$3.875.

2. The closing price of the Shares immediately before the date on which the options were granted was HK$4.675.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2005, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein:

(A) The Company

Details of shares and outstanding options granted under the Pre-IPO Share Option Scheme and Share Option Scheme in the Company held by the Directors as at 31 December 2005 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Wang Shuai Ting	Beneficial Owner	350,000	0.009%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2005	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2005	Percentage of the issued share capital of the Company
Song Lin	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	2,000,000	—	—	2,000,000	0.052%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	—	900,000	—	900,000	0.024%
Wang Shuai Ting	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	4,500,000	—	—	4,500,000	0.118%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	—	900,000	—	900,000	0.024%
Shen Zhong Min	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.079%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	—	600,000	—	600,000	0.016%
Tang Cheng	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.079%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	—	600,000	—	600,000	0.016%
Zhang Shen Wen	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	3,000,000	—	—	3,000,000	0.079%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	—	600,000	—	600,000	0.016%
Jiang Wei	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	1,000,000	—	—	1,000,000	0.026%
	Beneficial Owner	18 Mar 2005	17 Mar 2015	3.99	—	600,000	—	600,000	0.016%
Fong Ching, Eddy	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	—	200,000	—	200,000	0.005%
Anthony H. Adams	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	—	200,000	—	200,000	0.005%
Wu Jing Ru	Beneficial Owner	18 Nov 2005	17 Nov 2015	4.725	—	200,000	—	200,000	0.005%

(B) China Resources Enterprise, Limited

China Resources Enterprise, Limited ("CRE"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CRE. Details of shares and outstanding options in CRE held by the Directors as at 31 December 2005 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CRE
Song Lin	Family Interest (Note)	200,000	0.009%
Wang Shuai Ting	Beneficial Owner	150,000	0.007%
Tang Cheng	Beneficial Owner	80,000	0.004%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2005	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2005	Percentage of the issued share capital of CRE
Song Lin	Beneficial Owner	7 Feb 2002	6 Feb 2012	7.17	2,000,000	—	—	2,000,000	0.090%
	Beneficial Owner	14 Jan 2004	13 Jan 2014	9.72	2,500,000	—	—	2,500,000	0.112%
	Family Interest (Note)	20 Jun 2000	19 Jun 2010	7.19	200,000	—	—	200,000	0.009%
Wang Shuai Ting	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	450,000	—	(450,000)	—	—
Tang Cheng	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	80,000	—	(80,000)	—	—
Zhang Shen Wen	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	50,000	—	—	50,000	0.002%
Jiang Wei	Beneficial Owner	8 Mar 2002	7 Mar 2012	7.50	600,000	—	—	600,000	0.027%

Note: The shares in CRE and the outstanding options were held by the spouse of Mr. Song Lin.

(C) China Resources Logic Limited

China Resources Logic Limited ("CR Logic"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Logic. Details of shares and the outstanding options in CR Logic held by the Directors as at 31 December 2005 are as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	3,600,000	0.135%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2005	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2005	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	21 Sept 2000	20 Sept 2010	0.59	6,900,000	—	—	6,900,000	0.259%
	Beneficial Owner	13 Jan 2004	12 Jan 2014	0.906	2,000,000	—	—	2,000,000	0.075%
Wang Shuai Ting	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	540,000	—	—	540,000	0.020%
Tang Cheng	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	90,000	—	—	90,000	0.003%
Zhang Shen Wen	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	60,000	—	—	60,000	0.002%
Jiang Wei	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	720,000	—	—	720,000	0.027%

(D) China Resources Land Limited

China Resources Land Limited ("CR Land"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Land. Details of outstanding options in CR Land held by the Directors as at 31 December 2005 are as follows:

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK$)	Number of options and underlying shares as at 1 Jan 2005	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2005	Percentage of the issued share capital of CR Land
Song Lin	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	—	900,000	—	900,000	0.032%
Wang Shuai Ting	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	540,000	—	—	540,000	0.019%
Tang Cheng	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	100,000	—	—	100,000	0.004%
Zhang Shen Wen	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	60,000	—	—	60,000	0.002%
Jiang Wei	Beneficial Owner	4 Mar 2002	3 Mar 2012	1.59	720,000	—	—	720,000	0.026%
	Beneficial Owner	1 Jun 2005	31 May 2015	1.23	—	700,000	—	700,000	0.025%

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES

Other than disclosed in "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive or their respective associates, of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

In addition there was no contract of significance between the Company and its controlling shareholder (or its subsidiaries) (if any) and there was no contract of significance for the provision of services to the Company by its controlling shareholder (or its subsidiaries) (if any) subsisting during the year.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2005, the Directors were not aware of any other persons (other than a Director or chief executive, whose interests are disclosed in the section headed "Directors' Interests in Securities" above) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	No. of Shares held	Approximate % of shareholding
CRH	Beneficial owner	2,750,000,000	72.2%
CRC Bluesky Limited	Interest of a controlled corporation	2,750,000,000	72.2%
China Resources Co., Limited ("CRL")	Interest of a controlled corporation	2,750,000,000	72.2%
China Resources National Corporation ("CRNC")	Interest of a controlled corporation	2,750,000,000	72.2%

Note: CRH is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by CRL, which is in turn held as to 99.98% by CRNC. Each of CRNC, CRL and CRC Bluesky Limited is deemed by virtue of Part XV of the SFO to have the same interests in the share capital of the Company as those of CRH.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(a) On 11 April 2005, a rental agreement was entered into between China Resources Property Management Co., Ltd. (the "Lessor"), a wholly-owned subsidiary of CRH and the Company in respect of Rooms 3203-3204, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 2 years commencing from 1 April 2005 to 31 March 2007 at a monthly rent of HK$65,877 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 3,137 square feet. The total rent payable per annum is HK$790,524. Half of all the rights, interests, liabilities and obligations of the Company under this rental agreement were assigned to Resources Shajiao C Investments Limited, a subsidiary of the Company, pursuant to a novation agreement dated 17 October 2003.

(b) On 22 July 2005, a rental agreement was entered into between the Lessor and the Company in respect of Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 2 years commencing from 20 September 2005 to 19 September 2007 at a monthly rent of HK$64,974 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 3,094 square feet. The total rent payable per annum is HK$779,688.

(c) On 16 September 2005, a rental agreement was entered into between the Lessor and the Company in respect of Rooms 20A, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The term of such rental agreement is 23 months commencing from 20 October 2005 to 19 September 2005 at a monthly rent of HK$18,627 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 887 square feet. The total rent payable per annum is HK$223,524.

(d) In November 2004, a rental agreement was entered into between China Resources (Shenzhen) Co., Ltd., a wholly-owned subsidiary of CRH and China Resources Power Project Service Co., Ltd., a wholly-owned subsidiary of the Company in respect of 22nd Floor, China Resources Building, 5001 Shen Nan Dong Road, Shenzhen. The term of such rental agreement is three years commencing from 1 December 2004 to 30 November 2007 at a monthly rent of RMB260,955 exclusive of rates, management fee and air-conditioning fee. The total leasable area of the premises is 1,933 square meter. The total rent payable per annum is RMB3,131,460.

(e) The Company entered into a management agreement dated 17 October 2003 with CRH in respect of the management of two power plant project companies held by CRH. The management agreement relates to CRH entrusting the Company to manage CRH's 65% and 55% interests in Yunnan China Resources Power (Honghe) Company Limited and Fuyang China Resources Power Company Limited, respectively, for a term of three years in return for a fixed service fee of HK$2,000,000 in aggregate per annum. The management agreement grants to the Company a right of renewal subject to the agreement of the parties in respect of the service fees thereunder.

(f) A deed of option dated 17 October 2003 was executed by CRNC in favour the Company, under which the Company was granted an option, in consideration of a nominal amount of HK$1.00, to acquire all of CRNC's interest in 25% of the entire registered capital of Hengfeng Phase II. The Company exercised its right of acquisition on 30 August 2004. The consideration was RMB65,000,000, being the amount equal to the net book value of Hengfeng Phase II on the same day as determined by an independent valuer. The acquisition was completed in January 2005.

The independent non-executive directors have confirmed that the above connected transactions and continuing connected transactions:

(i) have been entered into in the ordinary course of the Company's business;

(ii) had been entered into either:

  (a) on normal commercial terms; or

  (b) where there was no available comparison to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties; and

(iii) had been entered into on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned, and in accordance with the terms of the agreement governing such transactions.

MAJOR CUSTOMERS AND SUPPLIERS

Purchases from the Group's five largest suppliers together accounted for 30.8% of the Group's total purchases during the year. The five largest suppliers are 大同煤礦集團有限責任公司 (Datong Coal Mine Group Co., Ltd.) (7.4%), 上海中煤華東有限公司 (Shanghai China Coal East China Co., Ltd.) (6.8%), 上海神華煤炭運銷有限公司 (Shanghai Shenhua Coal Transport & Sale Co., Ltd.) (6.3%),平頂山天安煤業股份有限公司(Pingdingshan Tianan Coal Mining Co., Ltd.) (5.9%), and 義馬煤業（集團）有限責任公司 (Yima Coal (Group) Co., Ltd.) (4.4%). To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owns more than 5% of the Company's issued share capital had any interest in any of the Group's top five suppliers.

Sales to the Group's five largest customers together accounted for 98.2% of the Group's total turnover during the year. The five largest customers are 江蘇省電力公司 (Jiangsu Electric Power Company) (34.8%), 廣東省廣電集團公司 (Guangdong Guangdian Group Company) (20.7%), 華中電網有限公司 (Central China Grid Company Limited) (20.4%), 河南省電力有限公司 (Henan Provincial Power Company) (18.7%), 中國華北電網有限公司 (North China Grid Company Limited) (3.6%). To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owns more than 5% of the Company's issued share capital had any interest in the Group's top five suppliers.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during the year ended 31 December 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied, throughout the financial year, with the code provision set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. For details, please refer to the Corporate Governance Report on pages 50 to 61 in this Annual Report.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2005.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMITTEE

The financial statements have been reviewed by the Audit Committee. All of the four Audit Committee members are appointed from the independent non-executive Directors, with the Chairman of the Audit Committee having appropriate professional qualifications and experience in financial matters, including review of financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

Song Lin
Chairman

Hong Kong, 20 March 2006

REPORT OF THE AUDITORS

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA RESOURCES POWER HOLDINGS COMPANY LIMITED
華潤電力控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 79 to 139 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 20 March 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	NOTES	**2005 HK$'000**	2004 HK$'000 (restated)
Turnover	8	**5,927,328**	1,898,317
Operating expenses			
Fuel		**(3,231,148)**	(911,382)
Repairs and maintenance		**(110,972)**	(25,636)
Depreciation and amortisation		**(587,734)**	(192,345)
Others		**(727,294)**	(368,372)
Total operating expenses		**(4,657,148)**	(1,497,735)
Other income		**72,265**	30,684
Profit from operations		**1,342,445**	431,266
Finance costs	9	**(381,220)**	(123,082)
Share of results of associates		**854,993**	957,792
Share of result of jointly controlled entity		**194,815**	249,916
Amortisation of goodwill of associates		**—**	(26,411)
Release of negative goodwill of associates		**—**	3,706
Gain on disposal of jointly controlled entity	19	**1,071,081**	—
Profit before taxation		**3,082,114**	1,493,187
Taxation	10	**(11,371)**	(378)
Profit for the year	11	**3,070,743**	1,492,809
Attributable to:			
Equity holders of the Company		**2,858,225**	1,195,735
Minority interests		**212,518**	297,074
		3,070,743	1,492,809
Dividends	14	**724,031**	327,518
Earnings per share	15		
- basic		**75.04 cents**	31.40 cents
- diluted		**74.37 cents**	31.25 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	16	**17,560,738**	11,980,670
Prepaid lease payments	17	**228,067**	102,017
Interests in associates	19	**3,890,134**	3,878,246
Interest in jointly controlled entity	20	**—**	1,185,109
Goodwill	21	**107,718**	105,639
Negative goodwill	22	**—**	(52,735)
Investment in an investee company	23	**19,220**	—
Amount due from an associate	24	**124,930**	—
Pledged bank deposits	25	**37,225**	—
Deferred taxation assets	35	**5,695**	7,876
Derivative financial instruments	26	**25,813**	—
		21,999,540	17,206,822
Current assets			
Inventories	27	**291,586**	154,355
Trade receivables, other receivables and prepayments	28	**1,578,689**	651,476
Amounts due from minority shareholders of subsidiaries	29	**133,305**	—
Amounts due from associates	24	**31,350**	83,270
Amounts due from group companies	30	**9,718**	604
Pledged bank deposits	25	**499**	62,729
Bank balances and cash		**4,411,484**	3,246,554
		6,456,631	4,198,988
Current liabilities			
Trade payables, other payables and accruals	31	**3,452,396**	1,180,168
Amount due to a fellow subsidiary	32	**774**	778
Amounts due to an associate	32	**188**	—
Amounts due to minority shareholders of subsidiaries	33	**30,418**	1,240
Bank and other borrowings - repayable within one year	34	**1,983,026**	2,457,679
		5,466,802	3,639,865
Net current assets		**989,829**	559,123
Total assets less current liabilities		**22,989,369**	17,765,945

At 31 December 2005

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
Non-current liabilities			
Loans from a minority shareholder of a subsidiary	33	—	18,786
Bank and other borrowings - repayable over one year	34	**9,062,241**	6,601,870
Deferred taxation liabilities	35	**12,582**	3,228
		9,074,823	6,623,884
		13,914,546	11,142,061
Capital and reserves			
Share capital	36	**3,810,044**	3,808,080
Share premium and reserves		**9,282,855**	6,350,093
		13,092,899	10,158,173
Minority interests		**821,647**	983,888
		13,914,546	11,142,061

The financial statements on pages 79 to 139 were approved by the Board of Directors and authorised for issue on 20 March 2006 and are signed on its behalf by:

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

BALANCE SHEET

At 31 December 2005

	NOTES	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	16	**2,561**	2,554
Interests in subsidiaries	18	**5,812,270**	4,575,526
Interest in an associate	19	**111,829**	—
Derivative financial instruments	26	**25,813**	—
		5,952,473	4,578,080
Current assets			
Other receivables and prepayments	28	**69,161**	3,308
Amount due from an associate	24	**6,045**	66
Amounts due from group companies	30	**3,600,687**	2,907,942
Bank balances and cash		**3,001,375**	1,177,866
		6,677,268	4,089,182
Current liabilities			
Other payables and accruals	31	**9,902**	8,446
Amount due to a fellow subsidiary	32	**774**	778
		10,676	9,224
Net current assets		**6,666,592**	4,079,958
Total assets less current liabilities		**12,619,065**	8,658,038
Non-current liability			
Bank borrowings repayable over one year	34	**1,000,000**	—
		11,619,065	8,658,038
Capital and reserves			
Share capital	36	**3,810,044**	3,808,080
Reserves	38	**7,809,021**	4,849,958
		11,619,065	8,658,038

SONG LIN
DIRECTOR

WANG SHUAI TING
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Attributable to the equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2004											
- as previously reported	3,808,000	4,468,992	46,742	40,782	(21,174)	—	—	601,311	8,944,653	558,328	9,502,981
- effect of changes in accounting policies (notes 2 & 3)											
- retrospective adjustments	—	—	—	—	—	28,622	—	(28,622)	—	—	—
- as restated	3,808,000	4,468,992	46,742	40,782	(21,174)	28,622	—	572,689	8,944,653	558,328	9,502,981
Exchange differences from translation of foreign operations recognised directly in equity	—	—	—	—	(5,321)	—	—	—	(5,321)	945	(4,376)
Share of changes in reserve of associates	—	—	—	—	4,986	—	—	—	4,986	—	4,986
Share of changes in reserve of jointly controlled entity	—	—	—	—	975	—	—	—	975	—	975
Net income recognised directly in equity	—	—	—	—	640	—	—	—	640	945	1,585
Profit for the year	—	—	—	—	—	—	—	1,195,735	1,195,735	297,074	1,492,809
Total recognised income and expense for the year	—	—	—	—	—	—	—	1,195,735	1,195,735	297,074	1,492,809
Shares issued upon exercise of options	80	144	—	—	—	—	—	—	224	—	224
Recognition of equity-settled share based payments	—	—	—	—	—	112,121	—	—	112,121	—	112,121
Transfer of share option reserve on exercise of share options	—	121	—	—	—	(121)	—	—	—	—	—
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	—	127,541	127,541
2004 interim dividends	—	—	—	—	—	—	—	(95,200)	(95,200)	—	(95,200)
Transfer of reserves	—	—	90,529	—	—	—	—	(90,529)	—	—	—
At 31 December 2004	3,808,080	4,469,257	137,271	40,782	(20,534)	140,622	—	1,582,695	10,158,173	983,888	11,142,061

For the year ended 31 December 2005

	Attributable to the equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31 December 2004	3,808,080	4,469,257	137,271	40,782	(20,534)	140,622	—	1,582,695	10,158,173	983,888	11,142,061
Effect of changes in accounting policies (notes 2 & 3) - opening adjustment	—	—	—	—	—	—	—	93,104	93,104	—	93,104
At 1 January 2005 as restated	3,808,080	4,469,257	137,271	40,782	(20,534)	140,622	—	1,675,799	10,251,277	983,888	11,235,165
Exchange differences from translation of foreign operations recognised directly in equity	—	—	—	—	113,853	—	—	—	113,853	24,690	138,543
Share of changes in reserve of associates	—	—	—	—	76,591	—	—	—	76,591	—	76,591
Share of changes in reserve of jointly controlled entity	—	—	—	—	26,658	—	—	—	26,658	—	26,658
Gains on cash flow hedges	—	—	—	—	—	—	25,813	—	25,813	—	25,813
Net income recognised directly in equity	—	—	—	—	217,102	—	25,813	—	242,915	24,690	267,605
Profit for the year	—	—	—	—	—	—	—	2,858,225	2,858,225	212,518	3,070,743
Realised on disposal of jointly controlled entity	—	—	—	—	(24,671)	—	—	—	(24,671)	—	(24,671)
Total recognised income and expenses for the year	—	—	—	—	(24,671)	—	—	2,858,225	2,833,554	212,518	3,046,072
Share issued upon exercise of options	1,964	3,535	—		—	—	—	—	5,499	—	5,499
Recognition of equity settled share based payments	—	—	—	—	—	106,256	—	—	106,256	—	106,256
Transfer of share option reserve on exercise of share options	—	2,961	—	—	—	(2,961)	—	—	—	—	—
Capital contribution by minority shareholders	—	—	—	—	—	—	—	—	—	286,809	286,809
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(310,164)	(310,164)
Acquisition of additional interests	—	—	—	—	—	—	—	—	—	(376,094)	(376,094)
Dividends	—	—	—	—	—	—	—	(346,602)	(346,602)	—	(346,602)
Realised on disposal of jointly controlled entity	—	—	(83,322)	—	—	—	—	83,322	—	—	—
Transfer of reserves	—	—	108,830	—	—	—	—	(108,830)	—	—	—
At 31 December 2005	3,810,044	4,475,753	162,779	40,782	171,897	243,917	25,813	4,161,914	13,092,899	821,647	13,914,546

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005	2004
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**3,082,114**	1,493,187
Adjustments for:		
Amortisation of prepaid lease payments	**9,333**	4,848
Depreciation for property, plant and equipment	**578,401**	182,980
Effect on foreign exchange rate change	**—**	(7,007)
Recognition of share-based payments	**106,256**	112,121
Interest expense	**381,220**	123,082
Interest income	**(45,524)**	(20,635)
Amortisation of goodwill of subsidiaries	**—**	5,869
Release of negative goodwill of subsidiaries	**—**	(1,352)
Share of results of associates	**(854,993)**	(957,792)
Share of result of jointly controlled entity	**(194,815)**	(249,916)
Amortisation of goodwill of associates	**—**	26,411
Release of negative goodwill of associates	**—**	(3,706)
Loss on disposal of property, plant and equipment	**—**	51
Gain on disposal of jointly controlled entity	**(1,071,081)**	—
Operating cash flows before movements in working capital	**1,990,911**	708,141
Increase in inventories	**(133,666)**	(144,288)
Increase in trade receivables, other receivables and prepayments	**(802,388)**	(465,420)
Increase in amount due from a minority shareholder of a subsidiary	**(51,306)**	—
Decrease in amounts due from associates	**—**	656
(Increase) decrease in amount due from group companies	**(4,841)**	1,479
Increase in trade payables, other payables and accruals	**404,768**	361,757
Decrease in amounts to a fellow subsidiary	**(4)**	(5)
Increase (decrease) in amounts due to an associate	**188**	(6,401)
Decrease in amounts due to shareholders of an associate	**—**	(3,978)
Increase in amounts due to minority shareholders of subsidiaries	**29,178**	1,240
NET CASH FROM OPERATING ACTIVITIES	**1,432,840**	453,181

For the year ended 31 December 2005

	NOTES	2005 HK$'000	2004 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of interest in jointly controlled entity	20	**2,452,992**	—
Dividends received from associates		**1,240,474**	405,098
Interest received		**45,524**	20,635
Decrease (increase) in pledged bank deposits		**25,005**	(23,483)
Purchase of property, plant and equipment		**(3,909,487)**	(5,902,866)
Acquisition of additional interest in an associate		**(327,018)**	—
Loan advanced to an associate		**(147,061)**	—
Capital contribution for the investment in associates		**(151,942)**	(88,641)
Acquisition of an associate		**(61,315)**	—
Loan advanced to a minority shareholder of a subsidiary		**(81,999)**	—
Investment in investee companies		**(26,216)**	—
Acquisition of additional interest in a subsidiary		**(10,743)**	—
Acquisitions of subsidiaries/business	39	**(8,000)**	(180,000)
Capital repatriated from associates		**—**	634,975
Dividend received from jointly controlled entity		**—**	57,915
Proceeds from disposal of property, plant and equipment		**—**	1,065
Repayment of amount due to immediate holding company		**—**	(77,563)
NET CASH USED IN INVESTING ACTIVITIES		**(959,786)**	(5,152,865)
FINANCING ACTIVITIES			
New bank and other borrowings raised		**7,409,582**	7,963,855
Capital contribution from minority shareholders		**66,294**	127,541
Proceeds on issue of shares		**5,499**	224
Repayment of bank loans		**(5,676,145)**	(3,198,410)
Interest paid		**(505,351)**	(327,736)
Dividend paid		**(346,602)**	(95,200)
Dividend paid to minority shareholders of subsidiaries		**(310,164)**	—
Repayment of loans raised from minority shareholders of subsidiaries		**(18,786)**	(239,473)
Loans raised from minority shareholders of subsidiaries		**—**	18,830
NET CASH FROM FINANCING ACTIVITIES		**624,327**	4,249,631
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,097,381**	(450,053)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**3,246,554**	3,695,900
EFFECT ON FOREIGN EXCHANGE RATE CHANGE		**67,549**	707
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH		**4,411,484**	3,246,554

1. GENERAL

The Company is a public company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company as at 31 December 2005 is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong. The directors regard the ultimate holding company as at 31 December 2005 to be China Resources National Corporation ("CRNC"), a company established in the People's Republic of China (the "PRC"). The address of the registered office and principal place of business of the Company is Rooms 2001-2002, 20th Floor, China Resources Buildings, 26 Harbour Road, Wanchai, Hong Kong.

The financial statements are presented in Hong Kong dollars and the functional currency of the Group and the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency is because the Company is a public company incorporated in Hong Kong with its shares listed on the Hong Kong Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entity are set out in notes 18, 19 and 20, respectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entity have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 Business Combinations. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 January 2005 eliminated the carrying amount of the related accumulated amortisation of HK$ 11,738,000 with a corresponding decrease in the cost of goodwill (see note 21). The Group has discontinued amortising such goodwill from 1 January 2005 and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

For the year ended 31 December 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(CONT'D)*

Business combinations *(cont'd)*

Goodwill (cont'd)

In the current year, the Group has also applied HKAS 21 The Effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operations and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made. In the current year, the Group acquired some foreign operations, and goodwill arose on the acquisition of the foreign operations has been translated at the closing rate at 31 December 2005. There is no material impact on the Group's translation reserve in respect of such transaction.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment ("discount on acquisition") is recognised immediately in profit or loss in the year in which the acquisition takes place. In previous years, negative goodwill was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005 (see note 3 for financial impact on opening adjustments). Discount on acquisition in relation to acquisition of an associate has been recognised in profit or loss in the current year (see note 3 for financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 Share-based Payment, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors', employees' and other participants' share options of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. All the equity-settled share based payment arrangement of the Group was granted after 7 November 2002 and had not yet vested on 1 January 2005, and accordingly, the Group is required to apply HKFRS 2 retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

For the year ended 31 December 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(CONT'D)*

Financial instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on the result of the Group. There are no significant effects resulting from the implementation of HKAS 39 on the results for the current year as summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities

From 1 January 2005, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24 Accounting for Investments in Securities) in accordance with the requirements of HKAS 39. They are classified as "available-for-sale financial assets" or "loan and receivable", as appropriate. The investment in an investee company acquired during the current year is classified as available-for-sale financial assets and is carried at cost less impairment as there is no quoted market price in an active market and the fair value cannot be reliably measured. If there is objective evidence that an individual investment has been impaired, such impairment would be recognised in the income statement. Any impairment losses relating to available-for-sale financial assets carried at cost are not reversed in the subsequent periods. Loans and receivables are measured at amortised cost using the effective interest method.

Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise.

There are three types of hedge relationships under HKAS 39, including fair value hedges, cash flow hedges and net investment hedges. The Group designates certain derivatives as hedging instruments to hedge against its exposure of changes in interest rate.

The Group has applied the relevant transitional provisions in HKAS 39. For hedges that meet the requirements of hedge accounting set out in HKAS 39, the Group has, from 1 January 2005 onwards, applied hedge accounting in accordance with HKAS 39 to account for such hedges. Derivatives financial instruments in the amount of HK$25,813,000 have been recognised as non-current assets as at 31 December 2005.

For the year ended 31 December 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(CONT'D)*

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2005	2004
	HK$'000	HK$'000
Decrease in amortisation of goodwill of a subsidiary	**5,869**	—
Decrease in amortisation of goodwill of associates	**34,430**	—
Decrease in release of negative goodwill of associates	**(6,843)**	—
Expenses in relation to share options granted to employees	**(106,256)**	(112,121)
Recognition of discount on acquisition of an associate	**40,412**	—
Decrease in profit for the year	**(32,388)**	(112,121)

Analysis of decrease in net profit for the year by line items presented according to their function:

	2005	2004
	HK$'000	HK$'000
Decrease in depreciation and amortisation	**5,869**	—
Increase in other operating expenses	**(106,256)**	(112,121)
Decrease in share of results of associates	**(85,761)**	(146,120)
Decrease in share of result of jointly controlled entity	**(61,637)**	(120,890)
Decrease in amortisation of goodwill of associates	**34,430**	—
Decrease in release of negative goodwill of associates	**(6,843)**	—
Decrease in taxation	**187,810**	267,010
Decrease in profit for the year	**(32,388)**	(112,121)

For the year ended 31 December 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(CONT'D)*

The effects of the application of the new HKFRSs for the year ended 31 December 2004 are summarised below:

	1.1.2004 to 31.12.2004 HK$'000 (originally stated)	Adjustments HK$'000	1.1.2004 to 31.12.2004 HK$'000 (restated)
Income statement items			
Operating expenses - others	(256,251)	(112,121)	(368,372)
Share of results of associates	1,103,912	(146,120)	957,792
Share of result of jointly controlled entity	370,806	(120,890)	249,916
Taxation	(267,388)	267,010	(378)
Decrease in profit for the year		(112,121)	

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 HK$'000 (originally stated)	Retrospective adjustments HK$'000	31.12.2004 HK$'000 (restated)	Opening adjustments HK$'000	1.1.2005 HK$'000 (restated)
Balance sheet items					
Property, plant and equipment	12,082,687	(102,017)	11,980,670	—	11,980,670
Prepaid lease payments	—	102,017	102,017	—	102,017
Interests in associates	3,878,246	—	3,878,246	40,369	3,918,615
Negative goodwill	(52,735)	—	(52,735)	52,735	—
Increase in assets		—		93,104	
Retained profits	1,723,438	(140,743)	1,582,695	93,104	1,675,799
Share premium	4,469,136	121	4,469,257	—	4,469,257
Share option reserve	—	140,622	140,622	—	140,622
Minority interests	—	983,888	983,888	—	983,888
Total effect on equity		983,888		93,104	
Minority interests	983,888	(983,888)	—	—	—

For the year ended 31 December 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(CONT'D)*

The cumulative effects of the application of the new HKFRSs as at 31 December 2003 and 1 January 2004 are summarised below:

	As at 31.12.2003 HK$'000 (originally stated)	Adjustment HK$'000	As at 1.1.2004 HK$'000 (restated)
Retained earnings	601,311	(28,622)	572,689
Share option reserve	—	28,622	28,622
Minority interests	—	558,328	558,328
Total effect on equity		558,328	
Minority interests	558,328	(558,328)	—

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2005.

The Group has commenced considering the potential impact of these standards, interpretations and amendments. The management anticipates the application of these new standards, interpretations and amendments will have no material impact on the Group's financial statements except for HKAS 39 and HKFRS 4 (Amendments) which may have effect on the Company's financial position. The management determined that it is not yet in a position to reasonably ascertain how the following amendments may affect the preparation and presentation of the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [3]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment [3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

1 *Effective for annual periods beginning on or after 1 January 2007.*

2 *Effective for annual periods beginning on or after 1 January 2006.*

3 *Effective for annual periods beginning on or after 1 December 2005.*

4 *Effective for annual periods beginning on or after 1 March 2006.*

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

The financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests in subsidiaries is recorded at historical cost and the excess of the cost of acquisition over the carrying amounts of net assets acquired is recognised as goodwill.

Goodwill

Goodwill arising on an acquisition of subsidiaries or associates represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries or associates at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2005

For previously capitalised goodwill arising on acquisitions prior to 1 January 2005, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whether there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Goodwill *(cont'd)*

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of subsidiaries or associates for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries or associates at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment loss.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet. Capitalised goodwill arising on acquisition of associates is included in the cost of the investment of the relevant associates.

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of subsidiaries or associates, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of associates for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the year in which the investment is acquired.

Investments in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Sales of electricity are recognised when electricity has been delivered.

Service income is recognised when services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives from the date on which they are in the manner of intended use and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents assets in the course of construction for production, rental or administrative purposes. They are carried at cost, less any identified impairment loss. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Costs on completed construction works are transferred to other appropriate category of property, plant and equipment.

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories which consist of coal, fuel, spare parts and consumables are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method. Net realisable value is determined as the estimated net selling price less all further costs of production and the related costs of marketing, selling and distribution.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Foreign currencies *(cont'd)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

As mentioned in note 3, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised base on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, pledged bank deposits, bank balances and cash, other receivables and prepayments, amounts due from minority shareholders of subsidiaries/associates/group companies) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loan and receivable, financial assets at fair value through profit or loss and held-to-maturity investments. The investment in an investee company is classified as an available-for-sale financial asset.

Investment in an investee company does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, it is measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value.

For the year ended 31 December 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other payables, amount due to a fellow subsidiary/an associate/minority shareholders of subsidiaries, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily interest rate swap) to hedge its exposure against changes in interest rate. Such derivatives are measured at fair value and is designated as effective cash flow hedging instruments. The effective portion and the ineffective portion of any unrealised gain or loss arising on the changes in fair value of the hedging on the instrument is recognised directly in equity and in the income statement respectively. The cumulated gain or loss associated with the effective portion of the cash flow hedge is removed from equity and is generally "recycled" in the income statement in the same period or periods during which the gain or loss arising from the hedged item is recognised in the income statement.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company, directors of CRH, employees of CRH and its subsidiaries

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Retirement benefit contributions

Payment to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For the year ended 31 December 2005

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Share option benefit expenses

The share option benefit expense is subject to the limitations of the Black-Scholes option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model (see note 37 for the estimates).

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss account and share option reserve.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill as at 31 December 2005 are HK$107,718,000 arising from acquisitions of subsidiaries. Details of the recoverable amount calculations of goodwill arising from acquisitions of subsidiaries are disclosed in note 21.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include investment in an investee company, pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables and amount due from group companies, associates and minority shareholders of subsidiaries, amount due to a fellow subsidiary, an associate and a minority shareholder of a subsidiary, loan from a minority shareholder of a subsidiary and, bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group collects all of its revenue in Renminbi ("RMB") and most of the expenditures including expenditures incurred in the operation of power plants as well as capital expenditures are also denominated in RMB. Dividends receivable by the Group from the associates can be collected in either RMB, US Dollar ("USD") or Hong Kong Dollar ("HKD").

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the People's Republic of China (the "PRC") government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against HKD and USD may have positive or negative impact on the results of operations of the Group.

For the year ended 31 December 2005

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONT'D)*

Market risk *(cont'd)*

(i) Currency risk *(cont'd)*

Certain borrowings of the Group are denominated in RMB. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) Interest rate risk

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The interest rate risk was managed through appropriate derivative financial instruments and hedging strategies of which interest rate swap is the most commonly used by the Group to hedge the interest rate exposure (see note 26 for details).

The Group entered into floating-to-fixed interest swaps to hedge the interest rate risk of the Group's floating-rate bank borrowing (see note 26 for details).

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has reviewed the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk for power producers in the PRC power industry is limited to/concentrated on a limited number of power grids. However, the management, having considered the strong financial background and good creditability of the power grids, believes there is no significant credit risk.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including raising of loans to cover expected cash demands, subject to certain internal control measures of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For the year ended 31 December 2005

7. SEGMENT INFORMATION

Business segments

The Group's principal activities are the development and operation of power stations as a single business segment.

Geographical segments

Substantially all of the Group's assets and liabilities are located in the PRC, other than Hong Kong, and operations for the year were substantially made in the PRC, other than Hong Kong. Accordingly, no geographical segment information for the year is presented.

8. TURNOVER

Turnover represents the net amount received and receivable for the sales of electricity during the year.

9. FINANCE COSTS

	2005 **HK$'000**	2004 HK$'000
Interest on bank and other loans:		
- wholly repayable within five years	**(387,367)**	(128,650)
- not wholly repayable within five years	**(192,938)**	(206,327)
	(580,305)	(334,977)
Less: Interest capitalised	**199,085**	211,895
	(381,220)	(123,082)

10. TAXATION

	2005 **HK$'000**	2004 HK$'000
The charge comprises:		
The Company and its subsidiaries		
- PRC Enterprise Income Tax	**—**	—
- Deferred taxation (note 35)	**11,371**	378
Taxation attributable to the Company and its subsidiaries	**11,371**	378

No provision for Hong Kong Profits Tax has been made as the Group had no taxable profit in Hong Kong for both years.

PRC Enterprise Income Tax has been calculated based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC.

For the year ended 31 December 2005

10. TAXATION *(CONT'D)*

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. The Company is entitled to a tax benefit ("Tax Benefit"), which is calculated as 40% of the current year's purchase of PRC produced plant and equipment for production use. The Tax Benefits is, however, limited to the amount of increase in enterprise income tax for the current year in which the plant and equipment are acquired as compared with the tax amount of the previous year. The portion of the Tax Benefit that is not utilised in the current year can be carried forward for future application for a period of not more than seven years.

No provision for PRC Enterprise Income Tax has been made in the financial statements as all of the PRC subsidiaries are exempted from PRC Enterprises Income Tax or are entitled to the Tax Benefits during both years.

The taxation charge can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005	2004
	HK$'000	HK$'000
Profit before taxation	**3,082,114**	1,493,187
Less: Share of results of associates	**(854,993)**	(957,792)
Share of result of jointly controlled entity	**(194,815)**	(249,916)
Profit before taxation attributable to the Company and its subsidiaries	**2,032,306**	285,479
Tax at applicable rate of 18% (2004: 18%)	**365,815**	51,386
Tax effect of income that is not taxable in determining current year taxable profit	**(199,535)**	(3,112)
Tax effect of expenses that are not deductible in determining current year taxable profit	**15,859**	22,807
Effect of tax exemptions granted to PRC subsidiaries	**(155,684)**	(77,094)
Reduction of tax in respect of Tax Benefits	**(16,640)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**227**	178
Tax effect of tax losses not recognised	**630**	6,219
Others	**699**	(6)
Tax expense for the year	**11,371**	378

Note: Tax rate of 18% is adopted for the taxation reconciliation as such tax rate is applicable to most of the Group's operations in the PRC for both years.

For the year ended 31 December 2005

11. PROFIT FOR THE YEAR

	2005 HK$'000	2004 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- Fees	**518**	588
- Other emoluments	**7,779**	5,411
- Pension costs	**124**	120
- Share option benefits expenses	**8,419**	10,728
	16,840	16,846
Other staff costs	**164,839**	82,386
Pension costs, excluding directors	**35,316**	9,995
Share option benefits expense, excluding directors	**97,837**	101,393
Total staff costs	**314,832**	210,620
Less: Staff costs included in pre-operating expenses of subsidiaries	**(6,210)**	(3,862)
	308,622	206,758
Amortisation of goodwill of subsidiaries (included in other operating expenses)	**—**	5,869
Amortisation of prepaid lease payments	**9,333**	4,848
Auditors' remuneration	**2,304**	2,056
Depreciation of property, plant and equipment	**578,401**	182,980
Loss on disposal of property, plant and equipment	**—**	51
Minimum lease payments under operating leases in respect of:		
- land and buildings	**51,191**	1,264
- other assets	**362**	129
Share of tax of associates (included in share of results of associates) (note)	**126,173**	146,120
Share of tax of jointly controlled entity (included in share of result of jointly controlled entity) (note)	**61,637**	120,890
Write-off of pre-operating expenses of subsidiaries	**32,385**	25,512
and after crediting:		
Recognition of discount on acquisition of an associate (included in share of results of associates)	**40,412**	—
Release of negative goodwill of subsidiaries to income	**—**	1,352
Interest income	**45,524**	20,635
Expenses capitalised in construction in progress:		
Other staff costs	**78,306**	42,243
Pension costs	**5,781**	734
Depreciation	**1,050**	2,945
Minimum lease payments under operating leases in respect of:		
- land and buildings	**—**	411
- other assets	**—**	12

Note: PRC Enterprise Income Tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the associates and jointly controlled entity in the PRC.

For the year ended 31 December 2005

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Details of directors' remuneration are as follows:

The emoluments paid or payable to each of the nine (2004: ten) directors were as follows:

For the year ended 31 December 2005

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Shen Zhong Min HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Jiang Wei HK$'000	Fong Ching, Eddy HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Total 2005 HK$'000
Fees	70	—	—	—	—	70	126	126	126	518
Other emoluments										
Salaries and other benefits	—	1,266	863	600	595	—	—	—	—	3,324
Pension costs	—	58	39	—	27	—	—	—	—	124
Share option benefits expenses	1,198	2,069	1,379	1,379	1,379	682	111	111	111	8,419
Performance related incentive payments (note)	—	870	1,200	1,744	641	—	—	—	—	4,455
Total emoluments	1,268	4,263	3,481	3,723	2,642	752	237	237	237	16,840

For the year ended 31 December 2004

	Song Lin HK$'000	Wang Shuai Ting HK$'000	Shen Zhong Min HK$'000	Tang Cheng HK$'000	Zhang Shen Wen HK$'000	Ning Gao Ning HK$'000	Jiang Wei HK$'000	Fong Ching, Eddy HK$'000	Anthony H. Adams HK$'000	Wu Jing Ru HK$'000	Total 2004 HK$'000
Fees	70	—	—	—	—	70	70	126	126	126	588
Other emoluments											
Salaries and other benefits	—	1,211	860	703	569	—	—	—	—	—	3,343
Pension costs	—	55	40	—	25	—	—	—	—	—	120
Share option benefits expenses	1,226	2,759	1,839	1,839	1,839	613	613	—	—	—	10,728
Performance related incentive payments (note)	—	770	379	638	280	—	—	—	—	—	2,067
Total emoluments	1,296	4,795	3,118	3,180	2,713	683	683	126	126	126	16,846

Note: The performance related incentive payments are determined having regard to the performance of individuals and market trends.

For the year ended 31 December 2005

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(CONT'D)*

(ii) Employees

Details of remuneration paid by the Group to the five highest paid individuals (including four (2004: four) directors, and the remaining (2004: one) employee) for the year are as follows:

	2005 **HK$'000**	2004 HK$'000
Salaries and other benefits	**4,553**	4,543
Pension costs	**185**	180
Performance related incentive payments	**5,035**	2,368
Share option benefits expenses	**7,585**	10,115
	17,358	17,206

Emoluments of these five individuals were within the following bands:

	2005 **HK$'000**	2004 HK$'000
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**2**	3
HK$3,500,001 to HK$4,000,000	**1**	—
HK$4,000,001 to HK$4,500,000	**1**	—
HK$4,500,001 to HK$5,000,000	**—**	1

During the year, no remuneration has been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors have waived any remunerations during the year.

13. RETIREMENT BENEFIT SCHEMES

(a) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year, the total amounts contributed by the Group to the scheme in Hong Kong and charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme are as follows:

	2005 **HK$'000**	2004 HK$'000
Amount contributed and charged to the consolidated income statement	**771**	669

For the year ended 31 December 2005

13. RETIREMENT BENEFIT SCHEMES *(CONT'D)*

(b) PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total costs (i) charged to the consolidated income statement or (ii) capitalised in construction in progress in respect of the above-mentioned schemes in the PRC during each of the years are as follows:

	2005 **HK$'000**	2004 HK$'000
Amount contributed and charged to the consolidated income statement	**34,669**	9,446
Amount contributed and capitalised in the construction in progress	**5,781**	734

14. DIVIDENDS

	2005 **HK$'000**	2004 HK$'000
Interim dividend paid of HK$0.030 (2004: HK$0.025) per share	**114,275**	95,200
Final dividend proposed of HK$0.100 (2004: HK$0.061) per share	**381,092**	232,318
Special dividend proposed of HK$0.060 (2004: nil) per share	**228,655**	—
Additional prior year's dividend paid as a result of exercise of share options	**9**	—
	724,031	327,518

The proposed final dividend and special dividend for 2005 is based on 3,810,921,000 shares in issue at 20 March 2006 and to be approved by shareholders in general meeting.

For the year ended 31 December 2005

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2005 HK$'000	2004 HK$'000
Profit attributable to equity holders of the Company	2,858,225	1,195,735
Represented by:		
Profit from ordinary business	1,787,144	1,195,735
Gain on disposal of jointly controlled entity	1,071,081	—
	2,858,225	1,195,735

	Number of ordinary shares 2005	 2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,808,876,816	3,808,004,351
Effect of dilutive potential ordinary shares on share options	34,583,272	17,854,883
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,843,460,088	3,825,859,234

	2005 HK cents	2004 HK cents
Basic earning per share		
- Profit from ordinary business	46.92	31.40
- Gain on disposal of jointly controlled entity	28.12	—
	75.04	31.40
Diluted earning per share		
- Profit from ordinary business	46.50	31.25
- Gain on disposal of jointly controlled entity	27.87	—
	74.37	31.25

	2005 Basic HK cents	 Diluted HK cents	2004 Basic HK cents	 Diluted HK cents
Reconciliation of earnings per share				
Reported figures before adjustments	75.89	75.21	34.34	33.87
Adjustments arising from the adoption of HKFRSs	(0.85)	(0.84)	(2.94)	(2.62)
Restated	75.04	74.37	31.40	31.25

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Power generating plant and equipment HK$'000	Motor vehicles, furniture, fixtures, equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2004					
- as originally stated	389,577	1,536,516	22,617	4,232,069	6,180,779
- effect on adoption of HKAS 17	(18,760)	—	—	(87,957)	(106,717)
- as restated	370,817	1,536,516	22,617	4,144,112	6,074,062
Currency realignment	514	2,129	33	5,841	8,517
Additions	—	29	28,990	6,098,453	6,127,472
Disposals	—	(7)	(1,480)	—	(1,487)
Transfer	1,200,701	3,140,262	1,359	(4,342,322)	—
At 31 December 2004	1,572,032	4,678,929	51,519	5,906,084	12,208,564
Currency realignment	36,521	108,094	1,061	135,954	281,630
Additions	10,738	1,188,718	39,198	4,651,665	5,890,319
Transfer	995,637	5,420,560	—	(6,416,197)	—
At 31 December 2005	2,614,928	11,396,301	91,778	4,277,506	18,380,513
DEPRECIATION					
At 1 January 2004	6,919	31,857	3,507	—	42,283
Currency realignment	9	43	5	—	57
Provided for the year	41,404	138,784	5,737	—	185,925
Eliminated on disposals	—	—	(371)	—	(371)
At 31 December 2004	48,332	170,684	8,878	—	227,894
Currency realignment	2,529	9,621	280	—	12,430
Provided for the year	116,424	451,239	11,788	—	579,451
At 31 December 2005	167,285	631,544	20,946	—	819,775
CARRYING VALUES					
At 31 December 2005	2,447,643	10,764,757	70,832	4,277,506	17,560,738
At 31 December 2004	1,523,700	4,508,245	42,641	5,906,084	11,980,670

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT *(CONT'D)*

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

Buildings	18 to 20 years
Power generating plant and equipment	15 to 18 years
Motor vehicles, furniture, fixtures, equipment and others	3 to 10 years

Included in construction in progress is interest capitalised of HK$171,593,000 (2004: HK$220,377,000) not yet transferred to the appropriate categories of property, plant and equipment.

	Motor vehicles, furniture, fixtures, equipment and others HK$'000
THE COMPANY	
COST	
At 1 January 2004	2,789
Additions	1,900
At 31 December 2004 and 1 January 2005	4,689
Additions	871
At 31 December 2005	5,560
DEPRECIATION	
At 1 January 2004	1,154
Provided for the year	981
At 31 December 2004 and 1 January 2005	2,135
Provided for the year	864
At 31 December 2005	2,999
CARRYING VALUES	
At 31 December 2005	2,561
At 31 December 2004	2,554

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments are situated in the PRC and held under medium term leases.

The prepaid lease payments are amortised over the term of the leases.

For the year ended 31 December 2005

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Unlisted shares/capital contribution, at cost	**4,808,366**	4,047,145
Loans to subsidiaries (note)	**1,003,904**	528,381
	5,812,270	4,575,526

Note: The amounts are unsecured, bear interest at prevailing market rates and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand for the repayment of the amounts within the twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

The directors consider the carrying amounts approximate their fair values.

Details of the Company's principal subsidiaries as at 31 December 2005 are set out below:

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Leader Best Limited 豐能有限公司	Hong Kong	Ordinary shares - HK$10,000 Non-voting deferred* shares - HK$10,000	100	—	Investment holding
Resources Shajiao C Investments Limited 香港潤朗沙角投資有限公司	Hong Kong	Ordinary shares - HK$9,999 Special share - HK$1**	—	87.5	Investment holding
China Resources Power Dengfeng Co., Ltd. 華潤電力登封有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB630,000,000 Paid-up capital - RMB525,019,875	85	—	Operation of a power station
China Resources (Luoyang) Thermal Power Co., Ltd. 洛陽華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB80,000,000	51	—	Operation of a power station

For the year ended 31 December 2005

18. INTERESTS IN SUBSIDIARIES *(CONT'D)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
China Resources Power (Changshu) Co., Ltd. 華潤電力（常熟）有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - US$173,520,000	100	—	Operation of a power station
China Resources Power Hunan Liyujiang Co., Ltd. 湖南華潤電力（鯉魚江）有限公司 (Sino-Foreign Equity Joint Venture) (note a)	PRC	Registered capital - RMB696,000,000 Paid-up capital - RMB627,064,000	60	—	Operation of a power station
China Resources Power Hubei Co., Ltd. 華潤電力湖北有限公司 (Wholly-Owned Foreign Enterprise) (note b)	PRC	Registered capital - US$150,000,000 Paid-up capital - US$112,000,000	100	—	Operation of a power station
China Resources (Jiaozuo) Thernal Power Co., Ltd. 焦作華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB267,540,000 Paid-up capital - RMB194,748,500	—	60	Operation of a power station
China Resources Power Performance Co., Ltd.	BVI#	Share - HK$0.01	100	—	Investment holding
Tangshan China Resources Thermal Power Co., Ltd. 唐山華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB270,490,000 Paid-up capital - RMB236,721,676	—	80	Operation of a power station
China Resources Power Henan Shouyangshan Co., Ltd. 河南華潤電力首陽山有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB1,237,500,000 Paid-up capital - RMB1,079,718,753	—	85	Development of a power station

For the year ended 31 December 2005

18. INTERESTS IN SUBSIDIARIES *(CONT'D)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Yixing China Resources Thermal Power Co., Ltd. 宜興華潤熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB201,000,000 Paid-up capital - RMB125,714,801	—	55	Operation of a power station
China Resources Power Hunan Co., Ltd. 華潤電力湖南有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered capital - RMB1,361,000,000 Paid-up capital - RMB204,150,000	100	—	Development of a power station
Henan China Resources Power Gu Cheng Co., Ltd. 河南華潤電力古城有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB740,500,000 Paid-up capital - RMB165,302,981	—	65	Development of a power station
華潤電力（唐山曹妃甸）有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB15,000,000	—	90	Development of a power station
China Resources Power Project Service Co., Ltd. 華潤電力工程服務有限公司 (Wholly-Owned Foreign Enterprise)	PRC	Registered and paid-up capital - HK$50,000,000	100	—	Power station project consultancy services

For the year ended 31 December 2005

18. INTERESTS IN SUBSIDIARIES *(CONT'D)*

Name of subsidiary	Place of incorporation/ registration and operations	Issued and fully paid share capital/ registered and paid-up capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
CR Power Fuel (Henan) Co., Ltd. 華潤電力燃料（河南）有限公司 (Wholly-Owned Foreign Enterprise)	PRC#	Registered and paid-up capital - HK$35,000,000	100	—	Investment holding
郴州華潤煤業有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - US$29,990,000 Paid-up capital - US$9,896,700	—	84	Exploration and sale of coal

* *The non-voting deferred shares are not entitled to receive notice of or attend or vote at any general meeting nor to any participation in the profits or surplus assets on winding up.*

** *The special share carries same rights as ordinary shares.*

\# *The company is an investment holding company which has no specific principal operations.*

The above table lists the subsidiaries of the Company which in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(a) *As at 31 December 2004, the minority shareholder of China Resources Power Hunan Liyujiang Co., Ltd. ("CRP Liyujiang") has not yet paid up the required capital contribution. The directors of the Company had agreed with the minority shareholder of CRP Liyujiang that the minority shareholder will not share any profit generated before 2003. During the year, the minority shareholder of CRP Liyujiang had made the required capital contribution.*

(b) *On 22 October 2002, the Company acquired with cash consideration a 100% equity interest in China Resources Power Hubei Co., Ltd. ("CRP Hubei") from third parties. Upon expiry of the operating period in 2026, all the remaining assets (other than the power generating related assets and other property, plant and equipment) of CRP Hubei will be distributed to the Group. The power generating related assets and other property, plant and equipment will be reverted to Hubei Provincial Government or other authority department without compensation.*

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Cost of investment in associates - unlisted	**3,804,107**	3,560,060
Share of post-acquisition profits, net of dividend received	**19,499**	368,618
Share of reserve	**66,528**	(10,063)
Negative goodwill	**—**	(40,369)
	3,890,134	3,878,246

	THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Cost of investment in an associate - unlisted	**111,829**	—

Included in the cost of investment in associates is goodwill of HK$492,851,000 (2004: HK$472,751,000) arising on acquisition of certain associates. The movement of goodwill is set out below:

	Goodwill
	HK$'000
COST	
At 1 January 2004	387,135
Arising on acquisition of an associate	140,263
At 31 December 2004	527,398
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 3)	(54,647)
Arising on acquisition of an associate	20,100
At 31 December 2005	492,851
AMORTISATION	
At 1 January 2004	28,236
Amortised during the year	26,411
At 31 December 2004	54,647
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 3)	(54,647)
At 31 December 2005	—
CARRYING VALUES	
At 31 December 2005	492,851
At 31 December 2004	472,751

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES *(CONT'D)*

	Negative goodwill HK$'000
MOVEMENTS OF NEGATIVE GOODWILL OF ASSOCIATES	
GROSS AMOUNT	
At 1 January 2004 and 31 December 2004	(47,168)
RELEASE TO INCOME	
At 1 January 2004	(3,093)
Released during the year	(3,706)
At 31 December 2004	(6,799)
CARRYING VALUES	
At 31 December 2004	(40,369)
Derecognised upon application of HKFRS 3 (note 3)	40,369
At 1 January 2005	—

Until 31 December 2004, the purchased goodwill of associates is amortised over the estimated useful lives of 13 to 20 years.

Until 31 December 2004, the negative goodwill of associates is released to income on a straight line basis of 12 to 18 years, the remaining weighted average useful life of the depreciable assets of the associates acquired.

As explained in note 3, all negative goodwill arising on acquisitions prior to 1 January 2005 was derecognised as a result of the application of HKFRS 3.

Particulars of associates held by the Group at 31 December 2005 are as follows:

Name of associate	Place of registration	Registered and paid-up capital	Attributable equity interest held by the Group	Principal activities
Guangdong Guanghope Power Co., Ltd. ("Guangdong Guanghope") (note a) 廣東廣合電力有限公司 (Sino-Foreign Co-operative Joint Venture)	PRC	Registered capital - US$391,600,000 Paid-up capital - US$241,600,000	35%	Operation of a power station
Hebei Harv Power Generation Company Limited 河北衡豐發電有限責任公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB777,000,000	25%	Operation of a power station

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Name of associate	Place of registration	Registered and paid-up capital	Attributable equity interest held by the Group	Principal activities
Zhejiang Wenzhou Telluride Power Generating Company Limited ("Wenzhou Telluride") (note b) 浙江溫州特魯萊發電有限責任公司 (Sino-Foreign Co-operative Joint Venture)	PRC	Registered and paid-up capital - RMB796,120,000	40%	Operation of a power station
China Resources (Xuzhou) Electric Power Company Limited ("Xuzhou Power") (note c) 徐州華潤電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB1,058,310,000 Paid-up capital - RMB828,310,000	35%	Operation of a power station
Guangdong Xingning Xingda Power Co., Ltd. 廣東省興寧市興達電力有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB337,500,000	29%	Development of a power station
Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB475,000,000	25%	Operation of a power station
Weishan (China Resources) Coal & Power Development Co., Ltd. 微山華潤煤電開發有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB96,000,000 Paid-up capital - RMB8,053,400	33%	Power station technical consultancy services

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Name of associate	Place of registration	Registered and paid-up capital	Attributable equity interest held by the Group	Principal activities
Beijing Bluesky Golden Concord Gas-fired Cogeneration Power Co., Ltd. 北京藍天協鑫燃氣熱電有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered capital - RMB247,100,000 Paid-up capital - RMB152,884,969	25%	Development of a power plant
河南永華能源有限公司 (Sino-Foreign Equity Joint Venture)	PRC	Registered and paid-up capital - RMB202,000,000	49%	Logistics of coal

Notes:

(a) *Guangdong Guanghope - significant associate*

On 23 December 2002, the Company through its wholly-owned subsidiary, China Resources Power Performance Company Limited, acquired for cash consideration from a third party a 82.5% equity interest in Resources Shajiao C Investments Limited ("Resources Shajiao") which holds a 40% interest in Guangdong Guanghope.

Resources Shajiao entered into a joint venture contract and supplemental agreements with Guangdong Province Shajiao (Plant-C) Power Generation Corporation ("Shajiao Power") for the construction, operation and management of the Guangdong Province Shajiao C Power Station in Guangdong Province of the PRC, which are undertaken by Guangdong Guanghope, a co-operative joint venture company established in the PRC. The co-operation period commenced on 15 June 1992 and will expire in June 2016 which is 20 years after the contract completion date of construction of the power station in June 1996. Upon expiry of the co-operation period, all the remaining assets of Guangdong Guanghope will be reverted to the PRC partner without compensation.

Resources Shajiao is entitled to a share of 40% of the profit generated by Guangdong Guanghope after the deduction of a special electricity fund to be distributed to Shajiao Power as specified in the joint venture contracts. The special electricity fund is calculated as to 30% of the net profit generated by Guangdong Guanghope for the initial ten years of the co-operation period and as to 60% of the net profit generated by Guangdong Guanghope for the remaining ten years of the co-operation period. No dividend can be declared and paid out by Guangdong Guanghope until all its syndicated borrowings, shareholders' loan and loan related to early generation profits have been repaid, and registered capital has been repatriated. Resources Shajiao is entitled to share the result of Guangdong Guanghope attributable to the Group of an amount of HK$451,044,000 (2004: HK$599,356,000) for the year ended 31 December 2005.

In January 2005, 1.1% of the issued share capital of Resources Shajiao (representing 0.44% effective equity interest in Guangdong Guanghope) was acquired by the Group pursuant to a sale and purchase agreement for a cash consideration of US$3,000,000.

In December 2005, 12.5% of the issued share capital of Resources Shajiao (representing 5% effective equity interest in Guangdong Guanghope) was acquired by the Group pursuant to a sale and purchase agreement for a cash consideration of US$39,000,000.

The discount on acquisitions amounting to HK$40,412,000 is recognised in income statement and is included in share of results of associates.

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Notes: (cont'd)

(a) *Guangdong Guanghope - significant associate* (cont'd)

The extracts of the unaudited management accounts prepared under HKFRSs for the years ended 31 December 2005 and 2004 of Guangdong Guanghope, are as follows:

Balance sheet

	2005 **RMB'000**	2004 RMB'000
Non-current assets	**7,750,326**	8,269,671
Current assets	**1,146,437**	1,408,994
Current liabilities	**(585,497)**	(942,442)
Non-current liabilities	**(1,201,184)**	(717,306)
Shareholders' funds	**7,110,082**	8,018,917

Income statement

	2005 **RMB'000**	2004 RMB'000
Turnover	**4,755,429**	4,767,026
Profit for the year	**1,558,526**	1,607,443

Cash flow statement

	2005 **RMB'000**	2004 RMB'000
Net cash from operating activities	**2,374,646**	2,175,117
Net cash used in investing activities	**(385,376)**	(42,884)
Net cash used in financing activities	**(1,543,095)**	(2,072,291)
Net increase in cash and cash equivalents	**446,175**	59,942

Share of results of Guangdong Guanghope

Pursuant to a legally binding memorandum of understanding (the "MOU") entered into among Resources Shajiao, a subsidiary of the Company, Shajiao Power and Guangdong Province Yudean Group Co., Ltd. dated 26 February 2004, the mandatory tariff reduction imposed by the Guangdong Province Pricing Bureau on Guangdong Guanghope as from 1 July 2002 was restored as if there were no tariff reduction and profit distributable to shareholders is to be calculated according to the terms of the operation and offtake agreement dated 18 December 1992 (as amended) between Guangdong Province Guangdian Group Co., Ltd. (the "Operation and Offtake Agreement") and Guangdong Guanghope and the joint venture agreement dated 4 June 1992 (as amended) between Shajiao Power and Resources Shajiao (the "JV Agreement") to the extent to which the distributable net profits related to Guangdong Guanghope's minimum on grid power output of 10,800,000,000 kWh per year.

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Notes: (cont'd)

(b) *Wenzhou Telluride*

The Group owned 100% effective interest in Telluride International Energy Limited Partnership ("Telluride International") which holds 40% interest in Wenzhou Telluride.

Telluride International entered into a joint venture contract with Zhejiang Provincial Electric Power Development Company and Wenzhou Electric Power Investment Company Limited for the construction, operation and management of the Wenzhou Power Station in Zhejiang Province of the PRC, which are undertaken by Wenzhou Telluride, a co-operative joint venture company established in the PRC. The co-operation period shall be approximately 23 years and six months commencing from 25 September 1998. Upon expiry of the co-operation period, all the remaining assets (other than the power generating related assets and other property, plant and equipment) of Wenzhou Telluride will be distributed to owners according to respective equity interest ratio and the power generating related assets and other property, plant and equipment will be reverted to the PRC owners without compensation. Telluride International is entitled to share 40% of the operating surplus of Wenzhou Telluride.

At 31 December 2005, Telluride International has pledged its equity interest in Wenzhou Telluride and a bank deposit amounting to HK$37,225,000 (2004: HK$39,492,000) to a bank for securing the bank loans granted to Wenzhou Telluride of approximately HK$413,980,000 (2004: HK$476,883,000).

The extracts of the unaudited management accounts prepared under HKFRSs for the years ended 31 December 2005 and 2004 of Wenzhou Telluride, are as follows:

Balance sheet

	2005 **RMB'000**	2004 RMB'000
Non-current assets	**2,326,732**	2,453,279
Current assets	**310,926**	385,945
Current liabilities	**(197,658)**	(223,399)
Non-current liabilities	**(1,062,239)**	(1,160,052)
Shareholders' funds	**1,377,761**	1,455,773

Income statement

	2005 **RMB'000**	2004 RMB'000
Turnover	**1,482,007**	1,543,825
Profit for the year	**309,599**	458,754

Cash flow statement

	2005 **RMB'000**	2004 RMB'000
Net cash from operating activities	**601,386**	634,571
Net cash (used in) from investing activities	**(33,040)**	96,046
Net cash used in financing activities	**(637,594)**	(795,819)
Net decrease in cash and cash equivalents	**(69,248)**	(65,202)

For the year ended 31 December 2005

19. INTERESTS IN ASSOCIATES *(CONT'D)*

Notes: (cont'd)

(c) *Xuzhou Power*

On 10 September 2003, the Company acquired a 100% equity interest in China Resources Power Excellence Limited, an investment holding company which holds 35% equity interest in Xuzhou Power from CRH in the form of shareholder's loan. Such shareholder's loan was subsequently capitalised on 17 October 2003.

The extracts of unaudited management accounts prepared under HKFRSs for the years ended 31 December 2005 and 2004 of Xuzhou Power are as follows:

Consolidated balance sheet

	2005 RMB'000	2004 RMB'000
Non-current assets	**2,877,142**	2,914,142
Current assets	**864,908**	871,056
Current liabilities	**(1,593,816)**	(1,752,170)
Non-current liabilities	**(860,000)**	(810,000)
Shareholders' funds	**1,288,234**	1,223,028

Consolidated income statement

	2005 RMB'000	2004 RMB'000
Turnover	**2,181,864**	1,453,508
Profit for the year	**467,863**	387,036

Consolidated cash flow statement

	2005 RMB'000	2004 RMB'000
Net cash from operating activities	**556,105**	254,197
Net cash used in investing activities	**(6,273)**	(634,081)
Net cash (used in) from financing activities	**(523,003)**	390,695
Net increase in cash and cash equivalents	**26,829**	10,811

(d) *The summarised financial information in respect of the Group's remaining associates is set out below:*

	2005 RMB'000	2004 RMB'000
Total assets	**5,364,943**	2,417,360
Total liabilities	**2,659,649**	659,970
Turnover	**1,953,517**	1,015,843
Profit for the year	**395,245**	244,883

For the year ended 31 December 2005

20. INTEREST IN JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Unlisted investment, at cost	—	929,704
Share of post-acquisition profits, net of dividends received	—	174,070
Share of reserves	—	81,335
	—	1,185,109

During the year, the Group's entire interest in Huaneng International Power Development Corporation 華能國際電力開發公司 ("HIPDC") has been disposed to third parties for a consideration of HK$2,452,992,000. On 22 September 2005, the Group entered into an agreement with China Huaneng Group Hong Kong Limited (中國華能集團香港有限公司) ("Huaneng Hong Kong") in relation to the disposal of a 50% interest in the issued share capital of China Resources Power North Achievement Co., Ltd. ("North Achievement"), a wholly owned subsidiary of the Company, and a separate agreement with Bank of China Group Investment Limited ("BOCGI") in relation to the disposal of the remaining 50% interest in the issued share capital of North Achievement. North Achievement owned an indirect and effective 10% interest in HIPDC. Hence, the Group disposed of effective 5% interest in HIPDC to each of Huaneng Hong Kong and BOCGI.

The transaction was completed on 30 September 2005. The resulting gain on disposal was HK$1,071,081,000 and the share of result of HIPDC for the nine months ended 30 September 2005 was HK$194,815,000.

21. GOODWILL

	HK$'000
THE GROUP	
GROSS VALUE	
At 1 January 2004 and 31 December 2004	117,377
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 3)	(11,738)
Arising on acquisition of additional interest of a subsidiary	2,079
At 31 December 2005	107,718
AMORTISATION	
At 1 January 2004	5,869
Amortisation during the year	5,869
As at 31 December 2004	11,738
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 3)	(11,738)
At 31 December 2005	—
CARRYING VALUES	
At 31 December 2005	107,718
At 31 December 2004	105,639

For the year ended 31 December 2005

21. GOODWILL *(CONT'D)*

Until 31 December 2004, goodwill arising on acquisition of subsidiaries had been amortised over the estimated useful life of 20 years.

For the purpose of impairment review, goodwill set out above is allocated to the cash generating units ("CGUs"), each of the two power station operations. The carrying amount of goodwill allocated to the CGUs as at 31 December 2005 is HK$105,639,000 and HK$2,079,000, respectively.

The recoverable amounts of each of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets approved by management using a discount rate of 9%, while the forecast is based on the financial budget which assumes no growth. The value in use calculated by using the discount rate is higher than the carrying amount of the goodwill allocated to the CGUs and accordingly, no impairment loss was considered necessary.

22. NEGATIVE GOODWILL

	HK$'000
THE GROUP	
GROSS AMOUNT	
At 1 January 2004 and 31 December 2004	(54,087)
RELEASE TO INCOME	
At 1 January 2004	—
Released during the year	1,352
At 31 December 2004	1,352
CARRYING VALUES	
At 31 December 2004	(52,735)
Derecognised upon the application of HKRFS 3 (note 3)	52,735
At 1 January 2005	—

As explained in note 3, all negative goodwill arising on acquisition prior to 1 January 2005 was derecognised as a result of the application of HKFRS 3.

For the year ended 31 December 2005

23. INVESTMENT IN AN INVESTEE COMPANY

It represents investment in unlisted equity securities issued by a private entity incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that the fair value cannot be measured reliably as there is no active market information available. The directors of the Company considered that no impairment loss is necessary for the investment.

At the balance sheet, the long-term strategic investment is stated at cost.

24. AMOUNTS DUE FROM ASSOCIATES

THE GROUP

	2005	2004
	HK$'000	HK$'000
Loan to an associate		
Current (note a)	**22,131**	—
Non-current (note b)	**124,930**	—
Dividend receivable from an associate (note c)	**5,264**	82,038
Amounts due from associates (note c)	**3,955**	1,232
	156,280	83,270
Amounts due from associates		
- due within one year	**31,350**	83,270
- due over one year	**124,930**	—
	156,280	83,270

THE COMPANY

	2005	2004
	HK$'000	HK$'000
Amount due from an associate	**6,045**	66

Notes:

(a) *The current loan to an associate is unsecured, repayable on demand and bears fixed interest at 6.12% per annum.*

(b) *The non-current loan to an associate is unsecured, bears interest at the rate set by People's Bank of China for loan of the same maturity plus 10% upward adjustment. In the opinion of the directors, the Group will not demand repayment within the next twelve months. Accordingly, it is classified as non-current loan.*

(c) *The dividend receivable and amounts due from associates are unsecured, non-interest bearing and repayable on demand.*

The directors consider the carrying amounts approximate their fair values.

For the year ended 31 December 2005

25. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$499,000 (2004: HK$62,729,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The remaining deposits amounting to HK$37,225,000 (2004: nil) have been pledged to secure long-term bank borrowings of an associate.

The deposits carried an average floating interest rate of 2.1%. The pledged bank deposits will be released upon the repayment of the relevant bank borrowings. The fair values of bank deposits at 31 December 2005 approximate to the corresponding carrying amounts.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives under hedge accounting

	THE GROUP AND THE COMPANY	
	2005	2004
	HK$'000	HK$'000
Cash flow hedges - Interest rate swaps	**25,813**	—

Cash flow hedges

The Group uses interest rate swaps to minimise its exposure to interest expenses of its floating-rate Hong Kong Dollar bank borrowings by swapping floating interest rates to fixed interest rates. The interest rate swaps and the corresponding bank borrowings have the same terms and the directors of the Company considered that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

Notional amount	**Maturity**	**Swaps**
HK$600,000,000	20 May 2010	From HIBOR + 0.39% to 4.18%
HK$400,000,000	20 May 2010	From HIBOR + 0.39% to 4.10%

As at 31 December 2005, fair value gains of HK$25,813,000 (2004: nil) from the interest rate swap under cash flow hedge have been deferred in equity and are expected to be released to the income statement when the hedged forecast transactions occur.

The above derivatives are measured at fair value, as calculated by the present value of the estimated future cash flow at each balance sheet date or as determined by independent financial institutions.

27. INVENTORIES

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Coal	**215,021**	110,176
Fuel oil	**10,613**	23,298
Spare parts and consumables	**65,952**	20,881
	291,586	154,355

At the balance sheet date, all inventories were stated at cost.

For the year ended 31 December 2005

28. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

THE GROUP

Trade receivables are due within 60 days from the date of billing.

The following is an aged analysis of trade receivables included in trade receivables, other receivables and prepayments at the reporting date:

	2005	2004
	HK$'000	HK$'000
0 - 30 days	**859,133**	327,534
31 - 60 days	**155,422**	73,373
Over 60 days	**203**	—
	1,014,758	400,907

The fair value of the Group's trade and other receivables at 31 December 2005 approximates the corresponding carrying amount.

THE COMPANY

The fair value of the Company's other receivables at 31 December 2005 approximates the corresponding carrying amount.

29. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

	2005	2004
	HK$'000	HK$'000
Loan to a minority shareholder of a subsidiary	**81,999**	—
Amount due from a minority shareholder of a subsidiary	**51,306**	—
	133,305	—

The loan to a minority shareholder of a subsidiary is unsecured, repayable within one year and bears fixed interest at 5.22% per annum. The directors consider the carrying amount of the loan to a minority shareholder approximates its fair value.

The amount due from a minority shareholder is unsecured, non-interest bearing and fully settled after the balance sheet date. The directors consider the carrying amount of the amount due from a minority shareholder approximates its fair value.

For the year ended 31 December 2005

30. AMOUNTS DUE FROM GROUP COMPANIES

THE GROUP

	2005 HK$'000	2004 HK$'000
Amounts due from related companies	**21**	18
Amounts due from fellow subsidiaries	**7,434**	133
Amount due from immediate holding company	**2,263**	453
	9,718	604

THE COMPANY

	2005 HK$'000	2004 HK$'000
Amounts due from related companies	**21**	18
Amounts due from fellow subsidiaries	**420**	133
Amount due from immediate holding company	**1,846**	453
Amounts due from subsidiaries	**3,598,400**	2,907,338
	3,600,687	2,907,942

The amounts are unsecured, non-interest bearing and repayable within one year. The directors consider the carrying amounts of the amounts due from group companies approximate their fair values.

31. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

THE GROUP

The following is an aged analysis of trade payables included in trade payables, other payables and accruals at the reporting date:

	2005 HK$'000	2004 HK$'000
0 - 30 days	**76,966**	129,954
61 - 90 days	**6,652**	590
Over 90 days	**5,542**	183
	89,160	130,727

The fair value of the Group's trade and other payables at 31 December 2005 approximates the corresponding carrying amount.

THE COMPANY

The fair value of the Company's other payables as at 31 December 2005 approximates the corresponding carrying amount.

For the year ended 31 December 2005

32. AMOUNTS DUE TO A FELLOW SUBSIDIARY/AN ASSOCIATE

THE GROUP AND THE COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand. The directors consider the carrying values of the amounts due to a fellow subsidiary/an associate approximate their fair values.

33. AMOUNTS DUE TO/LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts due to minority shareholders of subsidiaries are unsecured, non-interest bearing and repayable within one year. The directors consider the carrying values of the amounts approximate their fair values.

At 31 December 2004, loans from minority shareholders of subsidiaries were unsecured, non-interesting bearing and fully settled during the year. The directors considered the carrying values of the loan from minority shareholders approximate their fair values.

34. BANK AND OTHER BORROWINGS

	THE GROUP	
	2005	2004
	HK$'000	HK$'000
Secured bank loans	**3,308,915**	239,991
Unsecured bank loans	**4,810,365**	8,795,606
Unsecured other loans	**—**	23,952
Other loans	**2,925,987**	—
	11,045,267	9,059,549
Carrying amount repayable:		
Within 1 year	**1,983,026**	2,457,679
More than 1 year, but not exceeding 2 years	**824,538**	499,708
More than 2 years, but not exceeding 5 years	**2,900,378**	1,873,903
More than 5 years	**5,337,325**	4,228,259
	11,045,267	9,059,549
Less: Amount due within 1 year shown under current liabilities	**(1,983,026)**	(2,457,679)
Amount due after 1 year	**9,062,241**	6,601,870
The above bank and other loans are supported by:		
Pledge of assets (note)	**3,308,915**	239,991
No guarantee required	**7,736,352**	8,819,558
	11,045,267	9,059,549

The bank borrowings carry fixed interest at a range from 4.491% to 5.544% per annum.

For the year ended 31 December 2005

34. BANK AND OTHER BORROWINGS *(CONT'D)*

During the year, the Group has raised RMB3,000,000,000 (equivalent to approximately HK$2,883,000,000) loans which are lent by CRNC through a bank in PRC. The loan bears interest at 5.09% per annum and is repayable in 2015. During the year ended 31 December 2005, total interest incurred is HK$73,495,000.

The fair value of the Group's bank and other borrowings approximates the corresponding carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

THE COMPANY

As at 31 December 2005, the bank borrowings of the Company amounted to HK$1,000,000,000 (2004: nil). It is unsecured and no guarantee is required. It bears interest at HIBOR plus 0.39% and is repayable in 2010.

The fair value of the Company's bank borrowings approximates the carrying amount calculated by discounting the future cash flow at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

The Group and the Company's borrowings that are denominated in currencies other than the functional currency, Renminbi, of the relevant entities are set out below:

	THE GROUP		**THE COMPANY**	
	HK$'000	RMB'000	HK$'000	RMB'000
As at 31 December 2005	1,000,000	10,452,932	1,000,000	—
As at 31 December 2004	—	9,645,000	—	—

Note: Certain bank loans are secured by the Group's land use rights and buildings with a carrying values of HK$10,147,000 (2004: HK$9,918,000). In addition, bank loans were secured by the Group's power generating plant and equipment with a carrying value of HK$8,863,274,000 (2004: HK$117,691,000). As at 31 December 2004, certain bank loans were secured by the Group's construction in progress with a carrying value of HK$191,450,000.

At 31 December 2005, the interest rate risk of the Group and the Company's borrowing of HK$1,000,000,000 was hedged using interest rate swap (floating-fixed interest swaps) (see note 26).

35. DEFERRED TAXATION

THE GROUP

	2005	2004
	HK$'000	HK$'000
At 1 January	**4,648**	5,026
Currency realignment	**(164)**	—
Charge to income statement for the year (note 10)	**(11,371)**	(378)
At 31 December	**(6,887)**	4,648

The deferred taxation assets and deferred taxation liabilities represent the tax effect of temporary differences arising as a result of the pre-operating expenses written-off and the differences between accounting depreciation and tax depreciation respectively.

For the year ended 31 December 2005

35. DEFERRED TAXATION *(CONT'D)*

THE GROUP *(cont'd)*

The following is the analysis of the deferred taxation balances for financial reporting purposes:

	2005	2004
	HK$'000	HK$'000
Deferred taxation assets	**5,695**	7,876
Deferred taxation liabilities	**(12,582)**	(3,228)
	(6,887)	4,648

At 31 December 2005, the Group has unused tax losses of HK$64,847,000 (2004: HK$61,246,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

THE COMPANY

At 31 December 2005, the Company has unused tax losses of HK$59,760,000 (2004: HK$58,816,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

36. SHARE CAPITAL

	Number of shares		**Amount**	
	2005	2004	**2005**	2004
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$1.00 each				
Authorised:				
Balance at 1 January and 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
Balance at 1 January	**3,808,080**	3,808,000	**3,808,080**	3,808,000
Issues of shares				
- upon exercise of share options	**1,964**	80	**1,964**	80
Balance at 31 December	**3,810,044**	3,808,080	**3,810,044**	3,808,080

For the year ended 31 December 2005

37. SHARE OPTION

Pursuant to a resolution in writing passed on 6 October 2003 by the shareholders of the Company, a Pre-IPO Share Option Scheme and a Share Option Scheme have been adopted by the Company.

(a) Pre-IPO Share Option Scheme

On 6 October 2003, the Company granted options to the grantees to subscribe for 167,395,000 shares in the Company at an exercise price of HK$2.80 per share, upon payment of HK$1 per grant. Options granted are exercisable within a period of ten years within which there is a total vesting period of five years. 20% of the share options will be allowed to exercise upon each of the first five anniversary dates.

Movement of options under Pre-IPO Share Option Scheme during the years ended 31 December 2004 and 2005 is as follows:

		Number of options							
	Exercise price HK$	Granted on 6.10.2003	Lapsed or cancelled during the year ended 31.12.2004	Exercised during the year ended 31.12.2004	Outstanding at 31.12.2004	Reclassification during the year ended 31.12.2005	Lapsed or cancelled during the year ended 31.12.2005	Exercised during the year ended 31.12.2005	Outstanding at 31.12.2005
Directors of the Company	2.80	17,500,000	—	—	17,500,000	(1,000,000)	—	—	16,500,000
Directors of CRH	2.80	3,600,000	—	—	3,600,000	—	—	(470,000)	3,130,000
Employees of the Company	2.80	101,575,000	(1,000,000)	—	100,575,000	—	—	(140,000)	100,435,000
Employees of CRH and its subsidiaries	2.80	44,610,000	—	(80,000)	44,530,000	1,000,000	(104,000)	(1,354,000)	44,072,000
		167,285,000	(1,000,000)	(80,000)	166,205,000	—	(104,000)	(1,964,000)	164,137,000

The purpose of the Pre-IPO Share Option Scheme is to, amongst others, give the participants an opportunity to have a personal stake in the Company and help to motivate the participants to optimise their performance and efficiency and retain participants whose contributions are important to the long-term growth and profitability of the Group.

(b) Share Option Scheme

Pursuant to the Share Option Scheme approved by the resolution of the shareholders of the Company dated 6 October 2003, the Board may, at its absolute discretion, offer any employee, director, consultant or advisor of (i) CRH and its subsidiaries; and (ii) the Company, its subsidiaries and associated companies, option to subscribe for the Company's shares, for the promotion of success of the business of the Group. The exercise price of the share option will be determined at the highest of (1) the closing price of the Company's shares on the Stock Exchange on the date of grant of the option; (2) the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant; and (3) the nominal value of the shares.

Options granted are exercisable within a period of ten years within which there is a total vesting period of five years. 20% of the share options will be allowed to exercise on each of the first five anniversary dates.

For the year ended 31 December 2005

37. SHARE OPTION *(CONT'D)*

(b) Share Option Scheme *(cont'd)*

Movement of options granted under the Share Option Scheme in 2004 and 2005 is as follows:

	Exercise price HK$	Date of grant	Number of options: Outstanding at 1.1.2004	Granted during the year ended 31.12.2004	Outstanding at 1.1.2005	Granted during the year ended 31.12.2005	Lapsed or cancelled during the year ended 31.12.2005	Outstanding at 31.12.2005
Directors of CRH and its subsidiaries	3.990	18.3.2005	—	—	—	4,400,000	—	4,400,000
Directors of the Company	3.990	18.3.2005	—	—	—	4,200,000	—	4,200,000
Employees of CRH and its subsidiaries	4.250	1.9.2004	—	4,300,000	4,300,000	—	—	4,300,000
	3.990	18.3.2005	—	—	—	4,100,000	—	4,100,000
	4.725	18.11.2005	—	—	—	9,750,000	—	9,750,000
Employees of the Company	4.250	1.9.2004	—	23,600,000	23,600,000	—	(400,000)	23,200,000
	3.990	18.3.2005	—	—	—	22,300,000	—	22,300,000
	4.725	18.11.2005	—	—	—	52,050,000	—	52,050,000
			—	27,900,000	27,900,000	96,800,000	(400,000)	124,300,000

Total consideration received during the year for the options granted under the Share Option Scheme amounted to HK$333.

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 Share-based Payment to account for equity-settled share-based payment transactions. In accordance with HKFRS 2, fair value of share options granted to directors, employees and other participants determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current year, an amount of share option expense of HK$106,256,000 (2004: HK$112,121,000) has been recognised in the income statement, with a corresponding adjustment made in the Group's share option reserve.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the year was HK$4.45.

The weighted average closing prices of the Company's shares at the dates immediately before the date on which the options were exercised during the year was HK$4.46.

The fair value of the options was determined at the date of grant using the Black-Scholes option pricing model, taken into account the terms and conditions upon which the share options were granted.

For the year ended 31 December 2005

37. SHARE OPTION *(CONT'D)*

(b) Share Option Scheme *(cont'd)*

The following assumptions were used to calculate the fair values of share options granted in both years.

	18.11.2005	18.3.2005	1.9.2004
Weighted average share price	HK$4.72	HK$3.85	HK$4.25
Exercise price	HK$4.725	HK$3.99	HK$4.25
Expected life of options	7.5 years	7.5 years	7.5 years
Expected volatility	31.44%	46.21%	54.63%
Expected dividend yield	1.93%	2.23%	0.59%
Risk free rate	4.33%	4.03%	3.18%
Estimated fair value of option at grant date	HK$1.61	HK$1.62	HK$2.39
Closing share price immediately before date of grant	HK$4.68	HK$3.88	HK$4.12

Notes:

(i) *The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over certain periods immediately preceding the grant date.*

(ii) *The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.*

(iii) *As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.*

38. RESERVES

THE GROUP

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on pages 83 and 84.

General reserve is part of the shareholders' funds and comprises statutory surplus reserve, enterprise expansion fund and reserve fund of subsidiaries, associates and a jointly controlled entity in the PRC. The general reserve shall be used for making up losses, capitalisation into capital and expansion of the operation and production of the respective subsidiaries, associates and jointly controlled entity.

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of subsidiaries acquired pursuant to a group reorganisation for the purpose of the preparation of the Company's share listing on the Stock Exchange.

At 31 December 2005, the retained profits of the Group include HK$471,904,000 (2004: HK$966,785,000) retained by associates of the Group.

At 31 December 2004, the retained profits of the Group included HK$174,070,000 retained by jointly controlled entity of the Group. The jointly controlled entity was disposed during 2005.

For the year ended 31 December 2005

38. RESERVES *(CONT'D)*

	Share premium HK$'000	Merger reserve HK$'000	Hedging reserve HK$'000	Share option reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2004	4,468,992	82,309	—	—	(30,202)	4,521,099
Effect of changes in accounting policies	—	—	—	28,622	(28,622)	—
As restated	4,468,992	82,309	—	28,622	(58,824)	4,521,099
Profit for the year	—	—	—	—	311,794	311,794
Shares issued upon exercise of options	144	—	—	—	—	144
Recognition of share based payments	—	—	—	112,121	—	112,121
Transfer of share option reserves on exercise of share options	121	—	—	(121)	—	—
Dividend paid	—	—	—	—	(95,200)	(95,200)
At 31 December 2004	4,469,257	82,309	—	140,622	157,770	4,849,958
Profit for the year	—	—	—	—	3,170,061	3,170,061
Shares issued upon exercise of share options	3,535	—	—	—	—	3,535
Recognition of share based payments	—	—	—	106,256	—	106,256
Transfer of share option reserves on exercise of share option	2,961	—	—	(2,961)	—	—
Gain on cash flow hedges	—	—	25,813	—	—	25,813
Dividend paid	—	—	—	—	(346,602)	(346,602)
At 31 December 2005	4,475,753	82,309	25,813	243,917	2,981,229	7,809,021

The merger reserve of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal amount of the Company's shares issued for the acquisition.

For the year ended 31 December 2005

39. ACQUISITION OF SUBSIDIARY/BUSINESS

During the year, the Group also acquired 100% of the issued share capital of Eastern Cogen Investment Limited ("Eastern Cogen"), which holds 25% interest in Beijing Bluesky Golden Concord Gas-fired Cogeneration Power Co., Ltd. (北京藍天協鑫燃氣熱電有限公司) ("Beijing Bluesky"), for a consideration of HK$30,789,000.

During the year ended 31 December 2004, the Group acquired 100% of the issued share capital of S.T.K. Technology Co., Ltd, which holds 29% interest in Guangdong Xingning Xingda Power Co., Ltd., for a consideration of HK$232,187,000.

	2005 HK$'000	2004 HK$'000
NET ASSETS/BUSINESS ACQUIRED		
Interests in associates	**12,480**	91,924
Goodwill attributable to an associate (note)	**18,310**	140,263
Total consideration	**30,790**	232,187
SATISFIED BY		
Cash	**30,790**	232,187
NET CASH OUTFLOW ARISING ON ACQUISITIONS		
Cash consideration	**30,790**	232,187
Balance of consideration payable	**(22,790)**	(52,187)
Net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries/business	**8,000**	180,000

Note: Goodwill arising from the acquisition of a subsidiary holding interest in an associate is attributable to the anticipated future operating synergies from the acquisition of the associate.

There is no profit or loss from Eastern Cogen during the year.

40. MAJOR NON CASH TRANSACTIONS

During the year ended 31 December 2005, one of the minority shareholders of a subsidiary has contributed capital amounting to HK$220,515,000. The contribution was in the form of property, plant and equipment and other assets and liabilities. Details of the assets and liabilities are as follows:

	HK$'000
Property, plant and equipment	36,341
Prepaid lease payments	133,112
Trade and other receivables	174,801
Trade and other payables	(123,739)
Net assets contributed	220,515

For the year ended 31 December 2005

41. OPERATING LEASE COMMITMENTS

THE GROUP AND THE COMPANY AS LESSEE

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2005		2004	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
THE GROUP				
Within one year	**4,947**	**175**	974	129
In the second to fifth year inclusive	**3,899**	**515**	240	515
Over five years	**3**	**2,171**	5	2,299
	8,849	**2,861**	1,219	2,943

Operating lease payments represent rentals payable by the Group for its office properties and other assets which represented motor vehicles, railway and related facilities. Leases are negotiated for an average term of 2 to 25 years and rentals are fixed for an average of 1 to 2 years.

	2005		2004	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
THE COMPANY				
Within one year	**1,398**	**—**	476	—
In the second to fifth year inclusive	**893**	**—**	—	—
	2,291	**—**	476	—

Operating lease payments represent rentals payable by the Company for its office properties. Leases are negotiated and rentals are fixed for an average term of 2 years.

For the year ended 31 December 2005

42. CAPITAL COMMITMENTS

	2005 **HK$'000**	2004 HK$'000
THE GROUP		
Capital expenditure in respect of the acquisition of construction in progress		
- Authorised but not contracted for	**19,789**	15,719
- Contracted for but not provided in the financial statements	**7,104,100**	4,707,443
	7,123,889	4,723,162
Capital expenditure in respect of the acquisition of investment in an investee company	**76,880**	—
	7,200,769	4,723,162
THE COMPANY		
Unpaid capital contribution to subsidiaries	**1,501,183**	503,802

43. CONTINGENT LIABILITIES

	2005 **HK$'000**	2004 HK$'000
THE COMPANY		
Guarantees given to banks for credit facilities granted to subsidiaries (to the extent of facilities utilised)	**2,385,779**	5,509,370

44. RELATED PARTY TRANSACTIONS

The Company entered into two trademark licence agreements dated 17 October 2003 with CRNC and CRH, respectively, under which the Company was granted irrevocable, royalty free and non-exclusive licences to use certain trade marks and the rights to sub-license the same to any member of the Group in consideration of a nominal amount of HK$1 each.

A deed of option dated 17 October 2003 was executed by CRH in favour of the Company, under which the Company was granted options, in consideration of a nominal amount of HK$1, to acquire from CRH its entire (i) 48% interest in Dongguan Houjie Power Company Limited, (ii) 65% interest in Yunnan China Resources Power (Honghe) Company Limited and (iii) 55% interest in Fuyang China Resources Power Company Limited. The Company may exercise its rights to acquire each of these power plants within 10 years from the date of the deed of option. The exercise price would be an amount equal to the net book value of each power plant which will be shown in the financial statements of CRH or a price as determined by an independent valuer as agreed by the parties to the deed of option with reference to the market value as at the date on which each option is exercised.

For the year ended 31 December 2005

44. RELATED PARTY TRANSACTIONS *(CONT'D)*

A deed of option dated 17 October 2003 was executed by CRNC in favour of the Company, under which the Company was granted an option, in consideration of a nominal amount of HK$1, to acquire all of CRNC's interest in 25% of the entire registered capital of Hengshui Hengxing Power Generation Co., Ltd. ("Hengfeng Phase II"). Subject to the approval of the shareholders, the Company may exercise its right of acquisition within 10 years from the date of the deed of option. The exercise price would be an amount equal to the net book value of Hengfeng Phase II which will be shown in the financial statements of CRNC or a price as determined by an independent valuer as agreed by the parties to the deed of option with reference to the market value as at the date on which the option is exercised. The option was exercised and the acquisition of Hengfeng Phase II was completed in January 2005.

(a) In addition, the Group entered into the following significant transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	**2005 HK$'000**	2004 HK$'000
China Resources Property Management Co., Ltd.	Fellow subsidiary	Rental expenses paid	**1,416**	1,159
China Resources (Shenzhen) Co., Ltd.	Fellow subsidiary	Rental expenses paid	**2,857**	—
Wenzhou Telluride	Associate	Service income received	**—**	3,561
Guangdong Guanghope	Associate	Reimbursement of repair and maintenance fee to Guangdong Guanghope	**6,222**	6,420
Beijing Bluesky	Associate	Interest income received	**906**	—
Guangdong Xinging Xingda Power Co., Ltd.	Associate	Interest income received	**2,168**	—
CRH	Immediate holding company	Management fee income received	**2,000**	2,475
CRNC	Ultimate holding company	Consideration paid for acquisition of interest in an associate	**61,315**	—
		Management fee income received	**—**	238
		Interest expense payable in respect of on-lent loans	**73,495**	—
China Resources Power (Jiangsu) Investment Co., Ltd.	Fellow subsidiary	Disposal of interest in investee company	**6,996**	—

For the year ended 31 December 2005

44. RELATED PARTY TRANSACTIONS *(CONT'D)*

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

Note: Saved as the above, the Group also had balances with related parties at the balance sheet date which are set out in notes 24, 29, 30, 32 and 33.

(b) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under CRNC which is controlled by the PRC government. Apart from the transactions with CRNC, CRH, and fellow subsidiaries disclosed in (a) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

The Company constructs and operates power plants in the PRC and sells electricity to the power grid companies which are also state-controlled entities in the PRC. In addition, the Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are state-controlled entities in its ordinary course of business. In view of the nature of those transactions, the Directors are of the opinion that separate disclosure on these transactions and balances would not be meaningful.

INFORMATION FOR INVESTORS

SHARE LISTING AND STOCK CODE

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. Our stock code is 0836.HK.

FINANCIAL DIARY

Financial year end	31 December 2005
Announcement of final results	20 March 2006
Annual report posted to shareholders	26 April 2006
Last day to register for final and special dividends	19 May 2006
Book close	22 May 2006 to 26 May 2006
Payment of final and special dividends	5 June 2006

SHAREHOLDER ENQUIRIES

For inquires about share transfer and registration, please contact the Company's Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong.
Telephone: (852) 2862 8628
Facsimile: (852) 2865 0990

For inquires from investors and securities analysts, please contact:

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China Resources Power Holdings Company Limited
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