On a per MWh basis of combined total output of our power plants, fuel costed 2.74% less in 2000 than in 1999, declining to Rmb91.44 per MWh from Rmb94.00 per MWh.

Fuel costs were the most significant operating expenses for us, representing 44.42% of the total operating expenses and 30.60% of the net operating revenues. The cost of coal for our power plants excluding Shantou Oil-Fired Plant accounted for 98.61% of the total fuel costs in 2000. The remaining balance of total fuel costs represented the cost of oil, which were largely consumed as the fuel by the Shantou Oil-Fired Plant.

Maintenance expense primarily includes the provision for major repairs and maintenance reserved on the basis of 1% of fixed asset value and expenses for ordinary repairs and maintenance. Repairs and maintenance expenses in 2000 were Rmb671.0 million, up 18.11% from Rmb568.1 million in 1999. The increase in maintenance expense was primarily due to the provisions for Nantong Power Plant Phase II and Fuzhou Power Plant Phase II.

Depreciation and amortization increased 11.49% to Rmb2.6669 billion in 2000. The increase was mainly attributable to the increase of depreciation of fixed assets related to Fuzhou Power Plant Phase II and Nantong Power Plant Phase II, which had the first full year of commercial operation in 2000.

Labor costs increased 34.57% in 2000 to Rmb669.9 million. The increase in labor costs reflected the adjustments to salaries and the inclusion of labor costs in Fuzhou Power Plant Phase II and Nantong Power Plant Phase II, which had commercial operation in full 2000. Labor costs accounted for 7.75% of total operating costs in 2000.

Transmission fees consist of handling fees levied on a per MWh basis for transmission services and an reimbursement for transmission costs incurred by the local power companies. In 2000, transmission fees were paid by Fuzhou Power Plant Phase I and Shantou Oil-Fired Power Plant. Fuzhou Power Plant Phase I adopted an on-grid tariff in 1999 and the transmission fees paid by Fuzhou Power Plant Phase I only consisted of handling fee of Rmb5 per MWh. Effective from July 1999, Nantong Power Plant and Nanjing Power Plant ceased to pay transmission fees to local power companies. As a result of these changes, transmission fees declined 37.48% to Rmb17.1 million in 2000.

The service fee paid to HIPDC refers to a fee for the use of its transmission facilities (including grid connection facilities) based on reimbursement of cost plus an agreed-on profit. Pursuant to the Service Agreement dated 30th June 1994 between us and HIPDC (the "Service Agreement"), HIPDC agreed, among other things, to allow us to use its transmission and transformer facilities. The service fee payable by us to HIPDC for the use of transmission and transformer facilities is calculated on the basis of reimbursement of cost relating to the transmission facilities

and reasonable profits to HIPDC (calculated on the basis of 10% of the current net fixed asset value of the transmission facilities). We entered into another service agreement in relation to the power transmission and transformer equipment of our new power plants on 4th December 1997 (as amended by a supplemental letter dated 5th December 1997) (collectively known as the "T&T Service Agreement") with HIPDC. According to this agreement, HIPDC agreed to allow our new power plants, expanded power plants or power plants acquired after 1st January 1997 to use its transmission and transformer facilities for a fixed fee payable to HIPDC equal to 12% of the original book value of the assets of HIPDC's transmission and transformer facilities.

In 1998, HIPDC transferred the relevant transmission and transformer facilities in connection with Dalian, Dandong, Nantong and Nanjing Power Plants to Northeast Electric Power Group and Jiangsu Provincial Electric Power Corporation, as a result of which, these affected power plants were no longer required to pay service fees to HIPDC. Fuzhou Power Plant Phase II was not required to pay service fees to HIPDC because the transmission and transformer facility was directly invested by Fujian Provincial Electric Power Corporation. Fuzhou Power Plant Phase I, Shangan Power Plant, Shantou Oil-Fired Plant, Shantou Power Plant and Shanghai Power Plant were still required to pay the service fees. The service fees paid to HIPDC was Rmb310.7 million in 2000, roughly equal to Rmb305.8 million in 1999.

We have been accorded special preferential tax treatment by the PRC State Taxation Bureau, pursuant to which income tax is levied on a non-combined basis. Under this regime, each power plant (although it is not a separate legal entity) is taxed individually on its net income. Because PRC tax law grants certain sino-foreign joint venture companies a tax exemption for two years following the first year in which any such company achieves a cumulative profit and grants a 50% reduction in the income tax rate for the three-years following such two-year tax exempt period. We have paid less taxes on a non-combined basis than it would have paid on a combined basis, because each power plant individually enjoys the tax exemption and reduction. The PRC State Taxation Bureau has confirmed that it will continue to levy taxes on us on a non-combined basis in the foreseeable future.

Income tax expenses increased 6.92% to Rmb411.2 million in 2000 from Rmb384.6 million in 1999. The increase was primarily due to the fact that the 2-year income tax exemption period for Shantou Power Plant expired on 31st December 1999. The 3-year 50% reduction in the income tax rate, which is 7.5% after reduction, has begun to apply to Shantou Power Plant since 1st January 2000. In addition, the commercial operation of Fuzhou Power Plant Phase II and Nantong Power Plant Phase II in 2000 also led to an increase in income tax expenses for us.

Other expenses increased 26.70% to Rmb470.0 million in 2000, reflecting the increase of other expenses related to Nantong Power Plant Phase II and Fuzhou Power Plant Phase II. Other expenses also include rent paid by us to HIPDC. Pursuant to a Leasing Agreement ("Leasing Agreement") between us and HIPDC signed on 26th December 2000, HIPDC agreed to lease a new office building to us for 5 years, and the annual rent is Rmb25 million. The Leasing Agreement became effective as of 1st January 2000.

Income before Financial Expenses

Income before financial expense increased 31.10% to Rmb3.907 billion in 2000 from Rmb2.980 billion in 1999. This increase was primarily due to the fact that the growth of net operating revenues (19.69%) outpaced that of operating expenses (15.16%).

Total Financial Expenses

Total financial expense increased 34.73% to Rmb979.9 million in 2000 from Rmb727.3 million in 1999, primarily due to increase of interest expenses in relation to Nantong Power Plant Phase II and Fuzhou Power Plant Phase II, which entered into production period in full 2000. The interest expenses increased 13.88% to Rmb1.0247 billion in 2000 from Rmb899.8 million in 1999. In addition, the decline in deposit interest rate led to 26.59%, decrease in interest income earned to Rmb79.7 million. Because of the end of barter trade in 2000, exchange gain of Renminbi over Swiss Franc sharply decreased from 1999 and as a result the net exchange loss was Rmb34.9 million in 2000.

Net Income

Net income increased 34.67% to Rmb2.5158 billion in 2000 from Rmb1.8682 billion in 1999. The increase was primarily due to significant improvement on profitability of Shangan Power Plant, Shanghai Power Plant and Shantou Power Plant, as well as the first full year commercial operation of Fuzhou Power Plant Phase II and Nantong Power Plant Phase II in 2000.

Dandong Power Plant incurred a loss of Rmb177 million in 2000, its second year of commercial operation, primarily due to the large financial expense, depreciation and maintenance expense. The loss of Shantou Oil-Fired Power Plant dramatically increased to Rmb33.7 million in 2000 from Rmb13.2 million in 1999, because the price of oil, its primary fuel, increased 42.14% to Rmb1,862 per ton in 2000 from Rmb1,310 per ton in 1999.

Dividend Payable

Our Board of Directors proposed a dividend of Rmb0.22 per ordinary share for the year ended 31st December 2000, based on a resolution passed on 14th March 2001. The total dividend payable was Rmb1.243 billion. The proposal is subject to approval by the Shareholders' General Meeting.