



OVERVIEW

We are a fast-growing independent power generation company incorporated in Hong Kong in August 2001 to invest, develop and operate large coal-fired power plants in the more affluent regions of China, including Guangdong, Jiangsu, Zhejiang, Hebei and Henan. As at 31 December 2003, we have five power plants in commercial operations which give us an attributable installed generation capacity of 1,545MW and seven power plants under construction with an attributable installed generation capacity of 2,893MW. We expect our attributable operational installed generation capacity to increase 187.2% to 4,438MW by the end of 2005.

Since our incorporation in August 2001, we have been expanding rapidly through a combination of acquisitions and power plant construction.

We acquired a 37.6% equity interest in Zhejiang Wenzhou Telluride Power Generating Co., Ltd. ("Wenzhou Telluride") from Sithe Asia Holdings Limited in September 2002 and acquired a 33.0% equity interest in Guangdong Guanghope Power Co., Ltd. ("GGPC") from Mirant Guangdong (Shajiao C) Limited, Laito Company Limited and Stenus Limited in December 2002.

BUSINESS REVIEW OF YEAR 2003

GROWTH OF GENERATION CAPACITY

Our attributable operational generation capacity increased by 516MW or 50.1% from 1,029MW in 2002 to 1,545MW as at 31 December 2003.

In 2003, we further expanded our operation through a combination of acquisitions and power plant construction, including:

- increasing our interest in Wenzhou Telluride to 40.0% in June 2003 through acquisition of a 2.4% stake from Oxbow Power Corporation;
- commencement of commercial operations of unit 1 and unit 2 of Liyujiang Power Plant in July and September 2003, respectively;
- acquisition of a 35% equity interest in China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from our controlling shareholder China Resources (Holdings) Company Limited ("CRH") in September 2003;
- acquisition of a 10% effective interest in Huaneng International Power Development Corporation ("HIPDC") in October 2003 from CRH; and
- acquisitions of additional 1.16% and 0.4% equity interests in GGPC from Bank of China Group Investment Limited and Nam Tung (Macao) Investment Ltd., respectively in September 2003 and disposal of a 5% equity interest in GGPC to China Hua Neng Group Hong Kong Limited in December 2003.



During the year, Liyujiang Power Plant, which is held by China Resources Power Hunan Liyujiang Co., Ltd. ("CR Liyujiang"), commenced commercial operation. Liyujiang Power Plant is located in Liyujiang Town, Zixing City, Hunan Province, approximately 200km from Guangdong Province. It is the first power plant



developed, constructed and operated by the Group since the incorporation of the Company. Liyujiang Power Plant is one of the PRC Government's west to east power transmission projects, supplying power to Guangdong Province. It consists of two 300MW coal-fired units and we are the majority owner with a 60% stake.

INCREASE IN GENERATION VOLUME

The total gross generation of our five operating power plants in 2003 amounted to 26,814,278MWh, representing an increase of 13.7% compared to 23,575,572MWh in 2002. The total net generation of our five operating power plants in 2003 amounted to 25,255,953MWh, representing an increase of 13.9% compared to 22,177,111MWh in 2002.

The following tables set out the gross and net generation statistics for the operating power plants for the year ended 31 December 2002 and 2003, respectively:

Gross Generation Statistics

	2003 MWh	2002 MWh	Increase/ (decrease) %
Shajiao C Power Plant	13,000,020	12,422,778	4.6
Xuzhou Power Plant	3,626,488	3,255,042	11.4
Hengfeng Power Plant	3,810,050	3,918,930	(2.8)
Wenzhou Power Plant	4,488,720	3,978,822	12.8
Liyujiang Power Plant	1,889,000	N/A	N/A
	26,814,278	23,575,572	13.7

Net Generation Statistics

	2003 MWh	2002 MWh	Increase/ (decrease) %
Shajiao C Power Plant	12,152,650	11,588,177	4.9
Xuzhou Power Plant	3,445,411	3,085,597	11.7
Hengfeng Power Plant	3,607,230	3,701,150	(2.5)
Wenzhou Power Plant	4,282,402	3,802,187	12.6
Liyujiang Power Plant	1,768,260	N/A	N/A
	25,255,953	22,177,111	13.9

Gross Utilisation Hours

	2003 Hours	2002 Hours	Increase/ (decrease) %
Shajiao C Power Plant	6,566	6,274	4.6
Xuzhou Power Plant	6,044	5,425	11.4
Hengfeng Power Plant	6,350	6,532	(2.8)
Wenzhou Power Plant	7,481	6,631	12.8
Liyujiang Power Plant	3,148	N/A	N/A



The increase in gross and net generation volume is primarily due to the following reasons:

- the two units of Liyujiang Power Plant commenced commercial operations in July and September 2003, respectively; and
- demand for electricity in our service areas increased significantly in 2003. Liyujiang Power Plant excluded, the net generation volume for the remaining four power plants amounted to 23,487,693MWh, representing a 5.9% increase over a net generation of 22,177,111MWh for 2002. All of our operating power plants (except Hengfeng Power Plant which had a planned overhaul in 2003) recorded higher utilisation hours in 2003.



OPERATING RESULTS EXCEEDING EXPECTATIONS

For the year ended 31 December 2003, the Group recorded a turnover of HK\$491.1 million. We did not record any turnover in 2002. The increase in turnover was due to the commencement of commercial operations of our Liyujiang Power Plant.

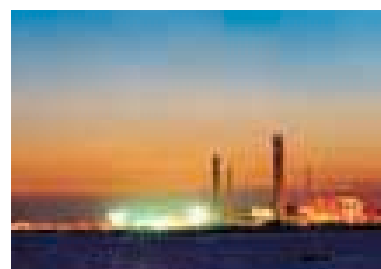
The net profit for the year ended 31 December 2003 increased to HK\$589.5 million from HK\$28.1 million for 2002, representing an increase of 1997.1%.

Basic earnings per share for the year ended 31 December 2003 is HK20.42 cents, compared to HK1.02 cents over the preceding year.

In the prospectus of the Company dated 3 November 2003 (the "Prospectus"), the Directors forecast that, on the bases set out in Appendix III to the Prospectus and in the absence of unforeseen circumstances, our profit after tax and minority interests but before extraordinary items for the year ending 31 December 2003 would not be less than HK\$310 million (the "forecast"). The audited net profit of the Group totalled HK\$589.5 million, exceeding the forecast by HK\$279.5 million or 90.1%.

The performance of all of our operational power plants have fully achieved or exceeded our expectations.

Pursuant to a legally binding memorandum of understanding signed on 26 February 2004 between Resources Shajiao C Investments Limited ("Resources Shajiao C"), a subsidiary of the Company, and the Chinese joint-venture partner, the Chinese joint-venture partner agreed that, notwithstanding the mandatory tariff reduction imposed by the Guangdong Province Pricing Bureau on GGPC as from 1 July 2002, the distributable net profits paid and payable by GGPC to Resources Shajiao C as from that date shall be recalculated as if there were no tariff reduction.



Subsequent to the date of the Prospectus, excess tariff for Wenzhou Telluride increased from RMB178/MWh to RMB197/MWh (both exclusive of value-added tax ("VAT")).

For further details on the analysis of our operating results for the year ended 31 December 2003, please refer to the section headed "Operating Results" below.



STABLE AND RELIABLE POWER SUPPLY

Whilst our primary mission is to maximise our shareholders' value, we believe this target can only be achieved if we can provide the power grids and the community with safe, reliable, economical and stable electricity supply. This will be important especially when the demand for electricity in the service areas where our power plants are located exceeds supply. Our operating power plants are regularly maintained and periodical overhauls are scheduled in order to ensure safety and efficiency of our electricity supply, which we believe in turn will enable us to optimise our operation efficiency and maximise our profitability.



The utilisation hours our operational power plants achieved in 2003 also reflected the reliability of our power plants. In particular, our Liyujiang Power Plant commenced commercial operation during the second half of the year and achieved a total of 3,148 hours of gross utilisation. This also reflects the quality of the construction work as well as efficiency in the operation and management process.

The Group has seven power plants under construction in 2003. In addition, we also manage the construction of three additional power plants on behalf of our controlling shareholder, CRH and its affiliated entities. For all of our projects under construction, we have not encountered any safety-related issues.

USE OF NET PROCEEDS FROM THE IPO



On 12 November 2003, the Company was listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Through a global offering which includes a Hong Kong public offering and an international placing (the "IPO"), the Company issued a total of 1,058 million new shares. The net proceeds of the IPO (after deduction of underwriting fees and expenses) amounted to approximately HK\$2,855 million. As stated in the Prospectus, we intended to use at least 90% of the net

proceeds from the IPO to provide a portion of the funds needed for the Company's key capital expenditures planned for projects under construction, and any remaining net proceeds will be used for general corporate purposes such as working capital.

For the year ended 31 December 2003, total net proceeds invested in power plants under construction amounted to approximately HK\$538.02 million, in the form of equity contribution by the Company in Puqi Power Plant, Jiaozuo Power Plant and Changshu Power Plant.

The table below sets out the details of the use of proceeds for the year ended 31 December 2003:

	(HK\$ million)
Puqi Power Plant	178.41
Jiaozuo Power Plant	22.70
Changshu Power Plant	336.91
Total	538.02



Subsequent to the year end date, HK\$30.51 million, HK\$60.23 million and HK\$271.44 million were invested in Tangshan Power Plant, Jiaozuo Power Plant and Puqi Power Plant, respectively, in the form of equity contribution.

Pending the use of net proceeds for the purposes described above, we intend to invest the remaining unused net proceeds in short term deposits and/or money-market instruments.

PROSPECTS FOR YEAR 2004

Year 2004 is the first full financial year after our listing on the Hong Kong Stock Exchange. We believe the PRC economy will continue to grow at a steady rate in 2004 and demand for electricity will continue to grow nationwide. We also expect that in our service areas where our power plants are located, demand for electricity will continue to grow and exceed supply. At the same time, as a result of the steady growth rate of the PRC economy, raw material prices including prices of coal, cement, steel and certain equipment are also rising.

Year 2004 is a challenging and important year for the Group. In addition to the five power plants in operations, we also have seven power plants under construction, a majority of which will be commencing commercial operations in 2004. Our first important mission is to ensure all projects under construction will be completed and commence commercial operations on or before the target completion date, with all of them achieving or exceeding our requisite quality standards.

Projects to be completed and will commence commercial operations in 2004 include the following:

- "Luoyang Power Plant" held by China Resources (Luoyang) Thermal Power Co., Ltd.;
- "Xuzhou Power Plant Phase II" held by CR Xuzhou;
- "Puqi Power Plant" held by Puqi Sithe Power Generating Co., Ltd.;
- "Dengfeng Power Plant" held by China Resources (Dengfeng Henan) Electric Power Development Co., Ltd.;
- Unit 1 of "Jiaozuo Power Plant" held by China Resources (Jiaozuo) Thermal Power Co., Ltd.; and
- "Tangshan Power Plant" held by Tangshan China Resources Thermal Power Co., Ltd.

Projects to be completed and will commence commercial operations in 2005 include the following:

- Unit 2 of "Jiaozuo Power Plant" held by China Resources (Jiaozuo) Thermal Power Co., Ltd.;
- "Changshu Power Plant" held by China Resources Power (Changshu) Co., Ltd.

On 29 February 2004, the first unit of Luoyang Power Plant commenced commercial operation.

In addition to completing the construction of power plants on schedule, our other key tasks for 2004 also include:

- To ensure a reasonable planned tariff will be obtained for power plants which will commence commercial operations in 2004;
- To continue to seek investment opportunities including both greenfield projects as well as suitable acquisition targets in the more affluent regions or regions with higher economic growth rates in the PRC;



- To formalise and implement an EVA-based performance-related incentive scheme for management team of our power plants in order to tie management returns with our profitability and maximise shareholders' value;
- To continue to formulate our long-term competitiveness in the coal-procurement area in order to ensure sufficient supply and control over our operating costs; and
- To continue to improve our communications with our investors and the investment community and build up an open and transparent corporate culture with a strong sense of accountability.

OPERATING RESULTS

The following table sets forth certain information relating to our results of operations for each of the two years ended 31 December 2002 and 2003, extracted from the audited consolidated financial statements of the same period:

Consolidated Income Statement For the Year Ended 31 December 2003

	2003 HK\$'000	2002 HK\$'000
Turnover	491,114	—
Operating expenses		
Fuel	(218,751)	—
Repairs and maintenance	(1,933)	—
Depreciation and amortisation	(45,251)	(516)
Others	(103,111)	(25,478)
Total operating expenses	(369,046)	(25,994)
Other operating income	7,693	1,244
Profit (loss) from operations	129,761	(24,750)
Finance costs	(34,488)	—
Share of results of associates	733,858	57,757
Share of results of jointly controlled entity	92,525	—
Amortisation of goodwill of associates	(29,825)	(1,824)
Release of negative goodwill of associates	2,105	988
Loss on disposal of partial interest in an associate	(23,676)	—
Profit before taxation	870,260	32,171
Taxation	(163,806)	(6,752)
Profit before minority interests	706,454	25,419
Minority interests	(116,994)	2,689
Net profit for the year	589,460	28,108
Dividend	—	—
Earnings per share		
- basic	20.42 cents	1.02 cents
- diluted	20.41 cents	N/A



Overview

The substantial increase in the results of operations is primarily due to the increase in the Group's operational attributable generation capacity as well as strong demand for electricity in the service areas where our power plants in operations are located.

In 2002, the Group made two major acquisitions, including acquisition of a 37.6% equity interest in Wenzhou Telluride in September 2002 and a 33.0% equity interest in GGPC in December 2002. As a result, our total operational attributable installed capacity reached 1,029 MW as at 31 December 2002.

In June 2003, the Group increased its stake in Wenzhou Telluride to 40.0%. The Group also acquired from the controlling shareholder CRH a 35% equity interest in CR Xuzhou in September 2003 and a 10% effective interest in HIPDC in October 2003. In addition, through acquisition of a further 1.56% equity interest and a disposal of 5% equity interest in GGPC, our effective interest in GGPC was reduced to 29.56% in December 2003.

The two units of our Liyujiang Power Plant commenced commercial operations in July and September 2003, respectively. Hence, starting from 1 July 2003, we consolidated the results of CR Liyujiang. As a result, our total operational attributable installed capacity reached 1,545 MW as at 31 December 2003.

The results of year 2003 also reflect our share of results of Hengfeng Power Plant, Wenzhou Telluride and GGPC for the full year and our share of results of CR Xuzhou and HIPDC since the respective dates of acquisitions. As a contrast, our 2002 results of operations mainly reflected our investment income from Hengfeng Power Plant and share of its results from the date it became our associate and our share of results of Wenzhou Telluride and GGPC since the respective acquisition dates.

As a result, our net profit for 2003 increased by 1997.1% to HK\$589.5 million in 2003 from HK\$28.1 million in 2002.

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

All of the Group's assets and liabilities are principally located in the PRC and 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 amounts received and receivable for electricity delivered, net of VAT, during the year. For the year ended 31 December 2003, the consolidated turnover for the Group was HK\$491.1 million, representing sales revenue of Liyujiang Power Plant. There was no turnover for the year 2002.

Operating expenses

The operating expenses of the Group were HK\$369.0 million in 2003, representing a 1319.7% increase from HK\$26.0 million in 2002. Total operating expenses mainly comprise of fuel costs, repairs and maintenance, depreciation and amortisation, and other administrative costs such as salaries and wages, insurance and write-off of pre-operating expenses. The significant increase in operating expenses is mainly due to the commencement of commercial operation of Liyujiang Power Plant in 2003, which resulted in various operating expenses being consolidated by the Group.



Profit (loss) from operations

Profit from operations for the Group in 2003 amounted to HK\$129.8 million, which mainly represents profit derived by CR Liyujiang. In 2002, the Group recorded a loss from operations of HK\$24.8 million, mainly representing staff costs and other administrative expenses incurred by the Group.

Finance costs

Our finance costs for the year 2003 amounted to HK\$34.5 million, representing financial costs of CR Liyujiang since the commencement of commercial operations of its two generating units. We did not incur any financial costs for the year 2002 as we capitalised all of our interest expenses incurred during the project construction phase.

	2003 HK\$'000	2002 HK\$'000
Interest on bank and other loans		
- wholly repayable within five years	(55,244)	(26,953)
- not wholly repayable within five years	(68,793)	—
	(124,037)	(26,953)
Less: Interest capitalised	89,549	26,953
	(34,488)	—

Share of results of associates

Share of results of associates in the year 2003 increased significantly to HK\$733.9 million, compared to HK\$57.8 million in 2002. This significant increase was due to our share of results of Hengfeng Power Plant, Wenzhou Telluride and GGPC for the full year and our share of results of CR Xuzhou since the date of its acquisition in September 2003. As a contrast, our 2002 results of operations mainly reflect our share of results of Hengfeng from the date it became our associate and our share of results of Wenzhou Telluride and GGPC since the respective acquisition dates. For the year ended 31 December 2003, Hengfeng Power Plant, Wenzhou Telluride, GGPC and CR Xuzhou accounted for approximately 8.3%, 18.9%, 68.3% and 4.5%, respectively of our total share of results of associates.

Share of results of a jointly controlled entity

Share of results of a jointly controlled entity for the year 2003 amounted to HK\$92.5 million, representing our 40% share of results of BOCGI China Resources Power Co., Ltd., a joint venture company incorporated in the British Virgin Islands which holds 25% equity interest in HIPDC since 17 October 2003. There is no comparative figure for the year 2002.

Amortisation of goodwill of associates

Amortisation of goodwill for the year 2003 amounted to HK\$29.8 million, compared to HK\$1.8 million for the year 2002, which largely resulted from our acquisitions of Wenzhou Telluride and GGPC. The increase reflects our amortisation of goodwill for the full period this year. In 2002, the amortisation was accounted for the period after the dates of acquisitions in September and December for Wenzhou Telluride and GGPC, respectively.



Release of negative goodwill of associates

We released HK\$2.1 million of negative goodwill in the year 2003, compared to HK\$1.0 million for 2002. The increase was due to the release of negative goodwill in respect of Hengfeng Power Plant, the increase of 2.4% shareholding in Wenzhou Telluride and an acquisition of a 1.56% in GGPC.

Taxation

Our taxation expense for the year 2003 was approximately HK\$163.8 million, compared to HK\$6.8 million for 2002. This was largely due to an increase in the PRC Enterprise Income Tax on our results of associates and an increase in deferred taxation on our share of results of associates for the year 2003. CR Liyujiang is exempt from PRC Enterprise Income Tax for 2003.

Details of the taxation charges for the year ended 31 December 2002 and 2003 are set out below:

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
The Company and its subsidiaries		
- Hong Kong Profits Tax	—	—
- PRC Enterprise Income Tax	—	—
- Deferred taxation	(919)	—
Taxation attributable to the Company and its subsidiaries	(919)	—
Share of taxation attributable to associates and jointly controlled entity		
- Hong Kong Profits Tax	—	—
- PRC Enterprise Income Tax	(139,941)	(4,355)
- Deferred taxation	(22,946)	(2,397)
	(162,887)	(6,752)
	(163,806)	(6,752)

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

The share of deferred taxation charge attributable to associates and jointly controlled entity principally represents the share of provision for deferred taxation recognised in respect of temporary differences arising as a result of the excess of tax depreciation over accounting depreciation.

Net profit

As a result of the above, the Group's net profit for the year 2003 increased to HK\$589.5 million, representing a 1997.1% increase compared to HK\$28.1 million for the year 2002.

Dividend

The Board of Directors does not recommend payment of a dividend for 2003.



Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2003 HK\$'000	2002 HK\$'000
Net profit for the year and earnings for the purposes of basic and diluted earnings per share	589,460	28,108
	Number of ordinary shares	
	2003	2002
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,886,235,616	2,750,000,000
Effect of dilutive potential ordinary shares:		
Share options	1,054,740	
Over-allotment options	399,981	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,887,690,337	

For the purpose of calculation of earnings per share for 2002, the weighted average number of 2,750,000,000 shares in issue for 2002 was assumed as if the capitalisation issue pursuant to the Group Reorganisation, as set out in the section headed "Business — Reorganization" in the Prospectus, had taken place on 1 January 2002.

No diluted earnings per share has been presented for 2002 as there were no dilutive potential ordinary shares in 2002.



Liquidity and capital resources

For the year ended 31 December 2003, the Group's primary sources of funding include loans provided by the PRC domestic commercial banks, net proceeds of the IPO, loans from the immediate holding company, CRH, and capital repatriated from GGPC, which amounted to HK\$4,091.7 million, HK\$2,854.9 million, HK\$676.7 million and HK\$549.6 million, respectively. The Group's funds were primarily used in the purchase of property, plant and equipment and the construction of our power plants and repayment of short-term bank loans, which amounted to HK\$3,656.0 million and HK\$1,013.0 million, respectively.

The table below sets forth the cash flow of the Group for the two years ended 31 December 2003 and the cash equivalents at the end of each of the two years:

	2003 HK\$'000	2002 HK\$'000
Net cash used in operating activities	(36,462)	(17,990)
Net cash used in investing activities	(2,726,920)	(4,438,862)
Net cash from financing activities	6,361,527	4,531,139
Net increase in cash and cash equivalents	3,598,145	74,287
Effect on foreign exchange rate change	(3,880)	—
Cash and cash equivalent at beginning of the year	101,635	27,348
Cash and cash equivalents at the end of the year	3,695,900	101,635
Pledged bank deposit	39,246	—
Total bank balances and cash at the end of the year	3,735,146	101,635

The bank balances and cash as at 31 December 2003 denominated in local currency and foreign currencies amounted to HK\$2,339 million, RMB551 million and US\$112 million, respectively.

Borrowings

The bank and other borrowings of the Group as at 31 December 2002 and 2003 were as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unsecured bank loans	4,273,528	1,215,407
Unsecured other loans	14,632	—
	4,288,160	1,215,407

The maturity profile of the above loans is as follows:

Within 1 year	1,915,958	838,367
More than 1 year, but not exceeding 2 years	437,108	—
More than 2 years, but not exceeding 5 years	691,306	311,058
More than 5 years	1,243,788	65,982
	4,288,160	1,215,407

All of the above bank borrowings are borrowed by our subsidiaries and denominated in RMB. Interest rates on all of our bank borrowings are directly linked to the interest rates set by the People's Bank of China.



Key financial ratios of the Group

	2003	2002
Current ratio (times)	1.41	0.13
Quick ratio (times)	1.41	0.13
Net debt to equity (%)	6.2	29.6
EBITDA interest coverage (times)	7.88	1.24

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 equity = (balance of total bank borrowings at the end of the year - balance of bank balances and cash 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 revenues in Renminbi and most of our expenditures including expenditures incurred in the operations of power plants as well as capital expenditures are also denominated in Renminbi. Dividends payable by the Group's subsidiaries and associates can be collected in either Renminbi or US dollars.

Renminbi is not a freely convertible currency. Future exchange rates of Renminbi 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 are also affected by economic developments and political changes domestically and internationally, and supply and demand of Renminbi. The appreciation or devaluation of Renminbi against Hong Kong Dollars may have positive or negative impacts on the results of operations of the Group.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2003.

Charge of assets

As at 31 December 2003, Telluride International Energy Limited Partnership, a wholly owned subsidiary of the Company, has pledged its equity interest in Wenzhou Telluride and a bank deposit amounting to HK\$39,246,000 to a bank for securing the bank loans granted to Wenzhou Telluride of approximately HK\$717,213,000 (2002 : HK\$859,218,000).



Environment regulations

All of our power plants are subject to the PRC environmental protection law and regulations promulgated by the State Council and the local governments in whose jurisdictions our various power plants are located.

On 1 July 2003, the Administration Regulation on Levy and Use of Discharge Fees promulgated by the State Council came into effect. For the year ended 31 December 2003, total discharge fee paid and payable by our operational power plants amounted to approximately RMB4.6 million, RMB4.9 million, RMB2.8 million and RMB 0.9 million for Xuzhou Power Plant, Hengfeng Power Plant, Wenzhou Power Plant and Liyujiang Power Plant, respectively.

Legal liabilities

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

Employees

As at 31 December 2003, the Company and its subsidiaries employed a total of 1,422 employees.

The Company and its subsidiaries have employment contracts with all of their respective employees. None of our power plants has experienced any strikes or other labour disputes which affected the operation of any of our power plants.

We recruit our managerial personnel from the open market. We provide technical training to all new employees and continued training for all employees.

The compensation of employees includes salaries, bonuses and various subsidies. We pay welfare for the employees at our power plants in accordance with the PRC labour regulation in an amount equivalent to approximately 20% of the total salary of such employees.

The Company has also implemented share option schemes in order to retain the best available personnel and to provide additional incentives to employees.



OPERATION STATISTICS BY POWER PLANTS

Shajiao C Power Plant

For the year ended 31 December 2003, Shajiao C Power Plant's gross generation and net generation increased by 4.6% and 4.9%, respectively to approximately 13.0 billion kWh and 12.2 billion kWh, respectively. For the year 2003, the net tariff (exclusive of VAT) for Shajiao C Power Plant is RMB346.8MWh. The Group's share of results of GGPC has reflected the contents of the legally binding memorandum of understanding which we signed with our Chinese partner on 26 February 2004.

The table below sets out certain operation statistics of Shajiao C Power Plant for the three years ended 31 December 2003:

	2003	2002	2001
Installed capacity at year end (MW)	1,980	1,980	1,980
Average utilisation hours	6,566	6,274	4,510
Gross generation (MWh)	13,000,020	12,422,778	8,929,649
Net generation (MWh)	12,152,650	11,588,177	8,295,071
Equivalent availability factor (%)	90	90	68
Net generation standard coal consumption rate (grams/kWh)	323	325	327

Liyujiang Power Plant

For the year ended 31 December 2003, Liyujiang Power Plant's gross generation and net generation amounted to approximately 1.9 billion kWh and approximately 1.8 billion kWh, respectively. For the year 2003, the net tariff (exclusive of VAT) for Liyujiang Power Plant is RMB340.5MWh.

The table below sets out certain operation statistics of Liyujiang Power Plant for the three years ended 31 December 2003:

	2003	2002	2001
Installed capacity at year end (MW)	600	N/A	N/A
Average utilisation hours	3,148	N/A	N/A
Gross generation (MWh)	1,889,000	N/A	N/A
Net generation (MWh)	1,768,260	N/A	N/A
Equivalent availability factor (%)	98	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	368	N/A	N/A



Wenzhou Power Plant

For the year ended 31 December 2003, Wenzhou Power Plant's gross generation and net generation increased by 12.8% and 12.6%, respectively to approximately 4.5 billion kWh and approximately 4.3 billion kWh, respectively. For the year 2003, the net planned tariff (exclusive of VAT) and net excess tariff (exclusive of VAT) for Wenzhou Power Plant is RMB366.0MWh and RMB197.0MWh, respectively.

The table below sets out certain operation statistics of Wenzhou Power Plant for the three years ended 31 December 2003:

	2003	2002	2001
Installed capacity at year end (MW)	600	600	600
Average utilisation hours	7,481	6,631	3,106
Gross generation (MWh)	4,488,720	3,978,822	1,863,596
Net generation (MWh)	4,282,402	3,802,187	1,780,555
Equivalent availability factor (%)	91	88	92
Net generation standard coal consumption rate (grams/kWh)	335	338	359

Xuzhou Power Plant

For the year ended 31 December 2003, Xuzhou Power Plant's gross generation and net generation increased by 11.4% and 11.7%, respectively to approximately 3.6 billion kWh and approximately 3.4 billion kWh, respectively. For the year 2003, the net planned tariff (exclusive of VAT) and net excess tariff (exclusive of VAT) for Xuzhou Power Plant is RMB311.97MWh and RMB185.81MWh, respectively.

The table below sets out certain operation statistics of Xuzhou Power Plant for the three years ended 31 December 2003:

	2003	2002	2001
Installed capacity at year end (MW)	600	600	600
Average utilisation hours	6,044	5,425	5,227
Gross generation (MWh)	3,626,488	3,255,042	3,135,984
Net generation (MWh)	3,445,411	3,085,597	2,967,097
Equivalent availability factor (%)	95	95	92
Net generation standard coal consumption rate (grams/kWh)	345	346	349

Hengfeng Power Plant

For the year ended 31 December 2003, Hengfeng Power Plant's gross generation and net generation decreased by 2.8% and 2.5%, respectively to approximately 3.8 billion kWh and approximately 3.6 billion kWh, respectively. For the year 2003, the net planned tariff (exclusive of VAT) and net excess tariff (exclusive of VAT) for Hengfeng Power Plant is RMB294.87MWh and RMB158.12MWh, respectively.

The table below sets out certain operation statistics of Hengfeng Power Plant for the three years ended 31 December 2003:

	2003	2002	2001
Installed capacity at year end (MW)	600	600	600
Average utilisation hours	6,350	6,532	5,959
Gross generation (MWh)	3,810,050	3,918,930	3,570,170
Net generation (MWh)	3,607,230	3,701,150	3,359,920
Equivalent availability factor (%)	91	93	90
Net generation standard coal consumption rate (grams/kWh)	347	351	354