



The directors (the "Directors") of China Resources Power Holdings Company Limited (the "Company") have 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 2003.

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, associates and jointly controlled entity are set out in notes 12, 13 and 14 to the financial statements, respectively.

GROUP PROFIT

The consolidated income statement is set out on page 58 and shows the Group's profit for the year ended 31 December 2003. 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 28 to 42 of this Annual Report.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$4,268.2 million, mainly representing power generation assets. Details of the movement in property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

The Company was incorporated on 27 August 2001 in Hong Kong. Pursuant to the global offering of the Company conducted in 2003 (the "Global Offering"), the Company issued 1,058,000,000 new shares of the Company (the "Shares") in November and December 2003. After the Global Offering, a total of 3,808,000,000 Shares were issued.

Details of movements in the share capital of the Company during the year are set out in note 30 to the financial statements. There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Shares during the year.

RESERVES

Distributable reserves of the Company amounted to HK\$52.1 million as at 31 December 2003 (2002: HK\$66.0 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 page 62 of this Annual Report and note 32 to the financial statements, respectively.



BANK LOANS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2003 amounted to HK\$4,288.2 million (2002: HK\$1,215.4 million). Particulars of borrowings are set out in note 27 to the financial statements.

DIRECTORS

The Directors who held office during the year and as at the date of this 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, appointed on 22 August 2003)
Mr. Tang Cheng	(appointed on 22 August 2003)
Mr. Zhang Shen Wen	(appointed on 22 August 2003)
Mr. Liu Yan Jie	(resigned on 22 August 2003)
Mr. Li Fu Zuo	(resigned on 22 August 2003)

NON-EXECUTIVE DIRECTORS:

Mr. Ning Gao Ning	(appointed on 22 August 2003)
Mr. Jiang Wei	

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Fong Ching, Eddy	(appointed on 22 August 2003)
Mr. Anthony H. Adams	(appointed on 22 August 2003)
Mr. Wu Jing Ru	(appointed on 22 August 2003)

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 2003, none of the Directors has 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 Articles 98 and 120 of the Company's Articles of Association, Messrs. Song Lin, Wang Shuai Ting, Shen Zhong Min, Tang Cheng, Zhang Shen Wen, Ning Gao Ning, Jiang Wei, Wu Jing Ru, Fong Ching, Eddy and Anthony H. Adams retire and being eligible, offer themselves for re-election.

Biographical details of the Directors as at the date of this report are set out on pages 17 to 19 of this Annual Report. Details of Directors' remuneration are provided under note 8 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 has 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.

As at 31 December 2003, a total of 167,285,000 Shares (representing approximately 4.4% 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.

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.

The Pre-IPO Share Option Scheme ended on the date on which dealings in the Shares commenced on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (i.e. 12 November 2003), and no further options may be granted after that date. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect.

On 6 October 2003, in consideration of HK\$1.00 per grant, options to subscribe for an aggregate of 167,395,000 shares at exercise price of HK\$2.80 (being the offer price of the Hong Kong Initial Public Offering) have been conditionally granted to 591 grantees under the Pre-IPO Share Option Scheme.

The Directors do not consider it to be appropriate to state the value of all share options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2003, as the generally accepted option value pricing models are applicable to those options which are transferable and options granted under the Pre-IPO Share Option Scheme are not transferable.

Movement of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2003 is as follows:-

Name of Director	Date of grant	Number of options granted on 6 October 2003	Number of options lapsed or cancelled during the year	Number of options outstanding as at 31 December 2003	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
Ning Gao Ning	6 Oct 2003	1,000,000	—	1,000,000	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	101,575,000	—	101,575,000	5 Oct 2013	2.80
Aggregate total of other participants	6 Oct 2003	48,320,000	110,000	48,210,000	5 Oct 2013	2.80



SHARE OPTIONS (CONT'D)

(B) SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") has been 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 (whether full-time or part-time), directors (including independent non-executive directors), consultants and advisors of (a) the Company, its subsidiaries and associated companies and to promote the success of the business of the Company, its subsidiaries and associated companies and (b) CRH and its subsidiaries.

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 commence 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.

The exercise price to subscribe for each share under the Share Option Scheme shall be not less than the greater of (1) the closing price of the Share as stated in the daily quotation sheet of the Stock Exchange on the date the share option is 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.

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.

As at the date of this report, no option has been granted under the Share Option Scheme.



SHARE OPTIONS (CONT'D)

Other than disclosed above, pursuant to the International Underwriting Agreement dated 7 November 2003, the Company has granted options (the "Over-allotment Options") to the placing underwriters exercisable on the earlier of 30 days after the last day for lodging of applications for the Company's offer for subscription by the public in Hong Kong or the commencement of trading of the Shares on the Stock Exchange to require the Company to allot and issue up to an aggregate of 138,000,000 additional Shares at the offer price upon listing of HK\$2.8 per Share. On 3 December 2003, the Over-allotment Options were exercised and 138,000,000 Shares were issued.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests of the Directors in the shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(A) THE COMPANY

The number of Shares and the outstanding options granted under the Pre-IPO Share Option Scheme in the Company held by the Directors 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		300,000			0.008%	

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options held as at 1 Jan 2003	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2003	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	0.053%
Wang Shuai Ting	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	—	4,500,000	—	4,500,000	0.118%
Shen Zhong Min	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	—	3,000,000	—	3,000,000	0.079%
Tang Cheng	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	—	3,000,000	—	3,000,000	0.079%
Zhang Shen Wen	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	—	3,000,000	—	3,000,000	0.079%
Ning Gao Ning	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	—	1,000,000	—	1,000,000	0.026%
Jiang Wei	Beneficial Owner	6 Oct 2003	5 Oct 2013	2.80	—	1,000,000	—	1,000,000	0.026%


DIRECTORS' INTERESTS IN SECURITIES (CONT'D)
(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. The number of shares and the outstanding options in CRE held by the Directors as at 31 December 2003 are as follows:

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of CRE
Song Lin	Family Interest ^(Note)	200,000	0.010%
Ning Gao Ning	Beneficial Owner	1,630,000	0.078%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options held as at 1 Jan 2003	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2003	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	0.096%
Song Lin	Family Interest ^(Note)	20 Jun 2000	19 Jun 2010	7.19	200,000	—	—	200,000	0.010%
Wang Shuai Ting	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	450,000	—	—	450,000	0.022%
Tang Cheng	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	80,000	—	—	80,000	0.004%
Zhang Shen Wen	Beneficial Owner	5 Mar 2002	4 Mar 2012	7.35	50,000	—	—	50,000	0.002%
Ning Gao Ning	Beneficial Owner	20 Jun 2000	19 Jun 2010	7.19	3,300,000	—	—	3,300,000	0.158%
	Beneficial Owner	7 Feb 2002	6 Feb 2012	7.17	1,200,000	—	—	1,200,000	0.057%
Jiang Wei	Beneficial Owner	8 Mar 2002	7 Mar 2012	7.50	600,000	—	—	600,000	0.029%

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



DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

(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. The number of shares and the outstanding options in CR Logic held by the Directors as at 31 December 2003 are as follows:

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	3,600,000	0.137%

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options held as at 1 Jan 2003	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2003	Percentage of the issued share capital of CR Logic
Song Lin	Beneficial Owner	21 Sep 2000	20 Sep 2010	0.59	8,000,000	—	1,100,000	6,900,000	0.263%
	Beneficial Owner	2 Oct 2002	1 Oct 2012	0.57	1,500,000	—	1,500,000	—	—
	Beneficial Owner	9 Apr 2003	8 Apr 2013	0.479	—	1,000,000	1,000,000	—	—
Wang Shuai Ting	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	540,000	—	—	540,000	0.021%
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%
Ning Gao Ning	Beneficial Owner	2 Oct 2002	1 Oct 2012	0.57	2,000,000	—	—	2,000,000	0.076%
	Beneficial Owner	9 Apr 2003	8 Apr 2013	0.479	—	1,000,000	—	1,000,000	0.038%
Jiang Wei	Beneficial Owner	9 Apr 2002	8 Apr 2012	0.82	720,000	—	—	720,000	0.027%


DIRECTORS' INTERESTS IN SECURITIES (CONT'D)
(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. The number of outstanding options in CR Land held by the Directors as at 31 December 2003 are as follows:

Name of Director	Capacity	Date of grant	Date of expiry	Exercise price (HK\$)	Number of options held as at 1 Jan 2003	Number of options granted during the year	Number of options exercised during the year	Number of options and underlying shares as at 31 Dec 2003	Percentage of the issued share capital of CR Land
Wang Shuai Ting	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	540,000	—	—	540,000	0.036%
Tang Cheng	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	100,000	—	—	100,000	0.007%
Zhang Shen Wen	Beneficial Owner	4 Mar 2002	31 Jan 2012	1.59	60,000	—	—	60,000	0.004%
Ning Gao Ning	Beneficial Owner	27 Jun 1997	27 May 2007	4.592	2,500,000	—	—	2,500,000	0.166%
	Beneficial Owner	20 Jul 2000	27 May 2007	0.99	2,500,000	—	—	2,500,000	0.166%
Jiang Wei	Beneficial Owner	4 Mar 2002	3 Mar 2012	1.59	720,000	—	—	720,000	0.048%

(E) CHINA RESOURCES CEMENT HOLDINGS LIMITED

China Resources Cement Holdings Limited ("CR Cement"), a fellow subsidiary of the Company, has a share option scheme to subscribe for the shares in CR Cement. During the year, no options were granted. The number of shares in CR Cement held by the Directors as at 31 December 2003 are as follows:

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of CR Cement
Ning Gao Ning	Beneficial Owner	163,000	0.045%

Save as disclosed above, as at 31 December 2003, none of the Directors or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



ARRANGEMENT FOR DIRECTOR 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.

DIRECTORS' INTEREST IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following disclosure of interests by shareholders holding 5% or more of the issued share capital of the Company have been recorded in the register of interests 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.

Save as disclosed above, as at 31 December 2003, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Particulars of the Company's principal subsidiaries, associates and jointly controlled entity are set out on notes 12, 13 and 14 to the financial statements.



CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS ENTERED INTO BY THE COMPANY

- (a) On 12 August 2003, 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 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 2003 to 19 September 2005 at a monthly rent of HK\$46,410 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\$556,920.
- (b) On 19 March 2003, a rental agreement was entered into between the Lessor 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 two years commencing from 1 April 2003 to 31 March 2005 at a monthly rent of HK\$50,192 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\$602,304. 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.
- (c) The Company entered into three management agreements dated 17 October 2003 in respect of the management of the power plant project companies held by CRH and CRNC, respectively. The first management agreement relates to CRH entrusting the Company to manage CRH's 17.615% and 48% interest in Sichuan Shurun Electric Development Company Limited and Dongguan Houjie Power Company Limited ("Dongguan Houjie"), respectively, for a term of one year in return for a fixed service fee of HK\$600,000 in aggregate per annum. Another management agreement relates to CRH entrusting the Company to manage CRH's 65% and 55% interests in Yunnan China Resources Power (Honghe) Company Limited ("Yunnan Honghe") and Fuyang China Resources Power Company Limited ("Fuyang"), respectively, for a term of three years in return for a fixed service fee of HK\$2,000,000 in aggregate per annum. The last management agreement relates to CRNC entrusting the Company to manage CRNC's 25% interest in Hengshui Hengxing Power Generation Company Limited ("Hengfeng Phase II") for a term of one year in return for a fixed service fee of HK\$300,000 per annum. All management agreements grant to the Company a right of renewal subject to the agreement of the parties in respect of the service fees thereunder.
- (d) The Company entered into two trade mark 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-licence the same to any member of the Group in consideration of a nominal amount of HK\$1.00 each.
- (e) 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\$1.00, to acquire from CRH its entire (i) 48% interest in Dongguan Houjie, (ii) 65% interest in Yunnan Honghe and (iii) 55% interest in Fuyang. Subject to the approval of our shareholders, we may exercise our 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.



CONNECTED TRANSACTIONS (CONT'D)

CONNECTED TRANSACTIONS ENTERED INTO BY THE COMPANY

(CONT'D)

- (f) On 12 February 2003, a bank loan guarantee was provided to China Construction Bank of Zhengzhou City Lucheng Branch by the Company in favour of China Resources (Dengfeng Henan) Electric Power Development Company Limited ("CR Dengfeng") in respect of an unsecured loan of RMB90,000,000 which is repayable on or before 11 February 2004. The Company has not received any security in consideration of providing such guarantee. The above sum was repaid in full by CR Dengfeng in February 2004.
- (g) A sum of US\$10,010,000 was lent by CRH to the Company in September 2003 without requiring any security or interest charges, which has been repaid in full by the Company in January 2004.

CONNECTED TRANSACTIONS ENTERED INTO BY CHINA RESOURCES POWER HUNAN LIYUJIANG COMPANY LIMITED ("CR LIYUJIANG"), A SUBSIDIARY OF THE COMPANY

- (h) On 24 December 2002, Hunan Province Electric Power Construction and Development General Company ("HPEPC"), a shareholder with a 40% interest in CR Liyujiang, provided a guarantee to China Construction Bank Zi Xing Branch ("Construction Bank") in favour of CR Liyujiang in respect of 40% of the RMB1,000,000,000 loan taken out by CR Liyujiang. The loan has a term of 16 years and will be fully repaid on or before 26 December 2018.
- (i) On 30 October 2003, the Company was approved by Construction Bank and China Development Bank, respectively, to replace CRH as the guarantor in respect of the loans of RMB1,000,000,000 and RMB1,088,000,000, respectively, granted to CR Liyujiang. The guaranteed amount of the former loan is RMB600,000,000, being 60% of the loan amount, repayable on or before 26 December 2018. The guaranteed amount of the latter loan is RMB652,800,000, being 60% of the loan amount, and is repayable on or before 29 December 2019.
- (j) On 8 November 2001, by way of an open tender, an equipment installation supervision contract was entered into between CR Liyujiang and Hunan Power Construction Supervisory Consulting Co., Ltd. ("HPCSC"), a wholly owned subsidiary of HPEPC under which HPCSC provides supervision and consultancy services in connection with the Liyujiang Power Plant equipment installation work (excluding the coal supply railroad system and transmission lines) for a total service fee of RMB3,300,000. The scope of services provided by HPCSC covers the control of quality, cost, safety, progress and general logistic of the equipment installation work. The contract would expire upon the completion of the equipment installation and the satisfactory acceptance of work by CR Liyujiang.
- (k) On 17 January 2003, by way of an open tender, CR Liyujiang entered into a maintenance contract with Hunan Province Power Installation Engineering Co. Ltd. ("HPPIE"), a wholly owned subsidiary of HPEPC (the "Maintenance Contract") under which HPPIE agreed to provide general repair and maintenance services and carries out 18 inspections per annum in connection with the 500 KV transmission line, for a term of three years commencing in June 2003. The total service fee under the Maintenance Contract is RMB8,753,604.



CONNECTED TRANSACTIONS (CONT'D)

CONNECTED TRANSACTION MADE BY CRNC IN FAVOUR OF THE COMPANY

- (l) 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 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.

CONNECTED TRANSACTION ENTERED INTO BY CHINA RESOURCES (LUOYANG) THERMAL POWER COMPANY LIMITED ("CR LUOYANG")

- (m) On 22 September 2003, a bank loan guarantee was provided to China Construction Bank Luoyang Branch by Luoyang Shoulong Group Co., Ltd., a Chinese joint venture partner which is interested in 24% of the registered share capital of CR Luoyang, in favour of CR Luoyang in respect of an unsecured loan of RMB150,000,000. Such loan is repayable by CR Luoyang on or before 20 September 2004. Neither the Company nor CR Luoyang has given any security to Luoyang Shoulong Group Co., Ltd. in respect of such guarantee.

CONNECTED TRANSACTION ENTERED INTO BY CHINA RESOURCES (JIAOZUO) THERMAL POWER COMPANY LIMITED ("CR JIAOZUO")

- (n) On 29 January 2003, a bank loan guarantee was provided to Industrial and Commercial Bank of China Jiaozuo Branch by Jiaozuo Power Group Corp. Ltd., the Chinese joint venture partner which is interested in 40% of the registered share capital of CR Jiaozuo, in favour of CR Jiaozuo in respect of the RMB50,000,000 loan taken out by CR Jiaozuo. The loan was fully repaid on 20 January 2004.

The independent non-executive Directors have confirmed that the above transactions:

- (i) have been entered into in the ordinary course of its 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.



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Purchases from the Group's five highest suppliers together accounted for 38.8% of the Group's total purchases during the year. The five highest suppliers are 湖南省資興礦業集團有限責任公司 (14.3%), 廣州黑金子燃料有限公司 (8.6%), 萍鄉市新嶺煤炭貿易有限公司 (7.8%), 萍鄉升日燃料有限責任公司 (4.5%), and 及婁底市新平煤炭有限公司 (3.6%). The Group has no interest in them.

Turnover during the year wholly represents the sale of electricity to Guangdong Guangdong Power Grid Group Company Limited.

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 an interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

We are committed to maintaining a high standard of corporate governance. For details, please refer to page 22 to page 27 in this Annual Report.

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied in the period between the date of the listing of the Shares and 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 39 to the financial statements.



AUDITORS

The financial statements for the year have been audited by Messrs Deloitte Touche Tohmatsu. 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, 29 March 2004