1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost.

The consolidated accounts include the accounts of the Company and all its subsidiaries (the "Group") made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(g)).

(d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. Amortization is charged to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less accumulated amortization and any impairment losses (see note 1(g)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed assets, depreciation and amortization

Fixed assets are stated at cost less accumulated depreciation and any impairment losses (see note 1(g)).

Subsequent expenditure relating to a fixed asset that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account on the date of retirement or disposal.

Depreciation and amortization are calculated to write off the cost of fixed assets over their estimated useful lives as follows:

(i) *Land use rights*
The cost of acquiring land use rights is amortized in equal annual instalments over the period of the grant or the remaining joint venture period, if shorter.

(ii) *Buildings*
Depreciation is provided to write off the cost of buildings on a straight-line basis over the remaining terms of the respective land use rights or their estimated useful lives, if shorter.

(iii) *Other fixed assets*
Depreciation is calculated to write off the cost of other fixed assets over their estimated useful lives on a straight-line basis as follows:

Plant, machinery and equipment	27 years
Motor vehicles	5 years
Others	2-10 years

(f) Cost of planned maintenance

Where costs of planned maintenance, which can be measured reliably, are identified as a separate component of the asset and it is probable that future economic benefits associated with the asset will flow to the Group, the costs are capitalized and depreciated over the useful life of the component.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– fixed assets;
– components for planned maintenance;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortized over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognized.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Consumables

Consumables comprise fuel oil, components and replacement parts held for consumption by the Group. Fuel oil is stated at cost computed using the weighted average method. Components and parts and others are stated at cost computed using the weighted average method less any provisions for damages or obsolescence.

(i) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Employee benefits

(i) Salaries, annual bonuses, paid annual leave and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognized as an expense in the profit and loss account as incurred.

(iii) Contributions to the retirement plan of the PRC subsidiary are recognized as an expense in the profit and loss account when the contributions become due in accordance with the terms of the plan.

(iv) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognized at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(k) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the profit and loss account except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credit.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the profit and loss account as follows:

(i) Revenue arising from sale of electricity is recognized based on electricity supplied as recorded by meters read during the year. Additional fuel cost surcharges for electricity supplied, representing an adjustment for tariff of electricity supplied, are recorded as revenue in the period that agreement on the surcharge amount is reached. Subsequent agreement in respect of the current period is accrued in the current period if the agreement occurs prior to finalization of the accounts.

(ii) Interest income is accrued on a time-proportion basis on the principal outstanding and at the rate applicable.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of a subsidiary established in the People’s Republic of China (the “PRC”) are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are translated into Hong Kong dollars at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(o) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2. CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Deferred tax assets were not recognized unless their realization was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with the Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1(k). The adoption of this accounting policy did not have a material impact on the Group's loss/profit and the net assets for the current and the prior years.

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 15 on the accounts. Turnover represents the invoiced value, net of value added tax, of electricity supplied in Foshan City, Guangdong Province, the PRC and additional fuel cost surcharges of $42.6 million (2002: $94.0 million) for electricity supplied, representing an adjustment for tariff of electricity supplied.

4. SEGMENT REPORTING

The Group's results are almost entirely attributable to its generation and sale of electricity in the PRC. Accordingly, no segmental analysis is provided.

5. OTHER NET (EXPENSES)/INCOME

	2003	2002
	$'000	$'000
Insurance compensation	652	590
Net exchange gain	180	–
Electricity purchase expense written back	–	1,336
Loss on disposal of fixed assets	(6,491)	–
Others	61	285
	(5,598)	2,211

6. (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit from ordinary activities before taxation is arrived at after charging:

		2003	2002
		$'000	$'000
(a)	**Finance costs**		
	Interest on bank advances and other borrowings wholly repayable within five years	26,436	29,015
	Interest on other loans	–	5,530
	Interest on promissory note repayable within five years	–	97
		26,436	34,642
(b)	**Staff Costs**		
	Salaries, wages and other benefits	20,123	24,203
	Contributions to defined contribution plan	1,230	955
		21,353	25,158
(c)	**Other items**		
	Cost of consumables	517,865	430,304
	Depreciation and amortization (other than for goodwill)	93,846	89,526
	Operating lease charges on buildings	378	645
	Auditors' remuneration	780	780

7. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2003 $'000	2002 $'000
Current tax		
PRC income tax for the year	**6,064**	29,182
Under-provision in respect of prior years	**40**	2,834
	6,104	32,016
Deferred tax		
Reversal of temporary differences (note 16(b))	**(723)**	(4,492)
	5,381	27,524

No provision has been made for Hong Kong Profits Tax as the Group sustained losses in Hong Kong for taxation purposes during the year. The tax charge represents provision for the PRC income tax levied at 18% (2002: 18%) on the estimated assessable profits of the Company's subsidiary, 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co., Ltd.) ("Shakou JV"), for the year.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2003 $'000	2002 $'000
(Loss)/profit before tax	**(7,296)**	98,827
Notional tax on (loss)/profit before tax calculated at the rates applicable to (loss)/profit in Hong Kong and the PRC	**(1,128)**	18,535
Under-provision in respect of prior years	**40**	2,834
Tax effect on non-deductible expenses	**6,531**	6,216
Tax effect on non-taxable revenue	**(89)**	(94)
Tax effect on unused tax losses not recognized	**27**	33
	5,381	27,524

8. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 $'000	2002 $'000
Fees	**615**	773
Salaries and other emoluments	**2,016**	1,507
Retirement scheme contributions	**166**	72
	2,797	2,352

Included in the directors' remuneration were fees of $200,000 (2002: $200,000) paid to the independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	2003 Number of directors	2002 Number of directors
$Nil - $1,000,000	**7**	9
$1,000,001 - $1,500,000	**1**	1

Of the five individuals with the highest emoluments, four (2002: three) are directors whose emoluments are disclosed in the above. The aggregate of the emoluments in respect of the other (2002: two) individual are as follows:

	2003 $'000	2002 $'000
Salaries and other emoluments	**436**	635
Retirement scheme contribution	**17**	30
	453	665

The emoluments of the individual (2002: two) with the highest emolument are within the band of $Nil - $1,000,000.

9. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated (loss)/profit attributable to shareholders includes a loss of $5,455,000 (2002: $5,436,000) which has been dealt with in the accounts of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2003	2002
	$'000	$'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's accounts	**(5,455)**	(5,436)
Final dividend from subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**32,400**	–
Profit/(loss) for the year (Note 25)	**26,945**	(5,436)

10. DIVIDENDS

(a) Dividends attributable to the year

	2003	2002
	$'000	$'000
Final dividend proposed after the balance sheet date of 1.5 (2002: 1.8) cents per share	**12,435**	14,922

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2003	2002
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.8 cents per share (2002: 1.5 cents per share)	**14,922**	12,435

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to shareholders of $17,571,000 (2002: Profit of $49,583,000) and 829,018,244 (2002: 829,018,244) shares in issue during the year.

(b) Diluted

The diluted loss per share for the year is not shown as all potential ordinary shares are anti-dilutive. The diluted earnings per share for the year 2002 was not shown since it did not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of shares in 2002.

12. MATERIAL RELATED PARTY TRANSACTIONS

Name of related company	Nature of transaction	2003 $'000	2002 $'000
Foshan City District Electricity Fuel Supply Company	Purchase of fuel (Note)	**507,830**	421,641
Foshan City District Electric Power Construction Corporation and its associate	Interest on loans	**22,580**	33,540
Hensil Investments Group Limited	Interest on promissory note	–	97

Note: The value is exclusive of value added tax.

During the year, the Group purchased fuel from 佛山市區電力燃料公司 (Foshan City District Electricity Fuel Supply Company) ("Fuel Company"). As at 31 December 2003, amount due to Fuel Company was $87.3 million (2002: $75.29 million). The Fuel Company, being an associate of 佛山市區電力建設總公司 (Foshan City District Electric Power Construction Corporation) ("Power Construction Corporation"), is a related party to the Company because Power Construction Corporation is a substantial shareholder of Shakou JV. The Fuel Company supplies fuel to the Group at prices which are deterimined by Shakou JV and the Fuel Company from time to time, but in any event will not be higher than: i) the then prevailing market prices for sales of fuel by the Fuel Company to independent third parties; or ii) the then quotation of price of the fuel that Shakou JV could obtain from other independent supplier, whichever is lower.

During the year, Shakou JV had outstanding loans due to Power Construction Corporation and its associate pursuant to certain loan agreements entered into between Shakou JV and the respective counter parties. As at 31 December 2003, the outstanding loans, including an overdue amount of $42.23 million (2002: $24.66 million), amounted to approximately $376.83 million (2002: $448.21 million), details of which are disclosed in note 23.

12. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Apart from the outstanding loans, as at 31 December 2003, there was overdue interest payable to these parties amounting to $15.5 million (2002: $7.9 million), which is interest-free.

According to the loan agreements, loans overdue less than six months, over six months but within one year and over one year are subject to interest penalties at rates of 0.42%, 0.6% and 1.2% per month, respectively. The overdue interest payable is also subject to an interest penalty at a rate of 0.03% per day. No provision for these interest penalties has been made for the year ended 31 December 2003 as the lenders have subsequently waived the interest penalties on all overdue loans and interest payable as in previous years.

13. FIXED ASSETS

						The Group	The Company
	Land use rights	Buildings	Plant, machinery & equipment	Motor vehicles	Others	Total	Others
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
At 1 January 2003	55,972	142,599	1,702,795	9,207	12,058	1,922,631	2,880
Additions	–	–	165,206	179	188	165,573	–
Disposal	–	–	(65,796)	–	(186)	(65,982)	–
At 31 December 2003	55,972	142,599	1,802,205	9,386	12,060	2,022,222	2,880
Accumulated depreciation and amortization:							
At 1 January 2003	15,492	38,678	566,137	8,336	8,757	637,400	2,880
Charge for the year	1,999	5,283	84,535	185	1,844	93,846	–
Write back	–	–	(57,753)	–	(186)	(57,939)	–
At 31 December 2003	17,491	43,961	592,919	8,521	10,415	673,307	2,880
Net book value:							
At 31 December 2003	38,481	98,638	1,209,286	865	1,645	1,348,915	–
At 31 December 2002	40,480	103,921	1,136,658	871	3,301	1,285,231	–

All of the Group's buildings are located in the PRC. Land use rights relate to the right to use the land of Shakou JV, on which the Group's buildings and plant are situated, for period to 1 May 2043.

14. GOODWILL

The Group	$'000
Cost:	
At 1 January & 31 December 2003	790,533
Accumulated amortization:	
At 1 January 2003	148,972
Amortization for the year	31,621
At 31 December 2003	180,593
Carrying amount:	
At 31 December 2003	609,940
At 31 December 2002	641,561

Goodwill is amortized on a straight-line basis over 25 years, i.e. the remaining joint venture period of Shakou JV as at the date of acquisition.

15. INVESTMENTS IN SUBSIDIARIES

(a) The Company

	2003	2002
	$'000	$'000
Unlisted shares, at cost	**1,338,500**	1,338,500

(b) Details of the Company's subsidiaries are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital	Percentage of equity interest held Directly	Indirectly	Principal activities
Hensil Worldwide Inc.	British Virgin Islands	Ordinary US$2	100%	–	Investment holding
Lipromate Limited	Hong Kong	Ordinary $2	100%	–	Provision of financial and management services
Foshan Shakou Power Plant Co., Ltd	The PRC	US$85,000,000 (Note)	–	80%	Generation and sale of electricity

Note: This represents the registered and paid up capital of Shakou JV, a sino-foreign equity joint venture established in Foshan City, the PRC. Pursuant to an approval document issued by the Guangdong Province Foreign Trade and Economic Commission dated 14 March 1997, the joint venture period was extended to 30 years expiring on 16 April 2023.

16. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2003	2002
	$'000	$'000
Provision for PRC income tax for the year	**6,064**	29,182
Balance of PRC income tax provision relating to prior years	**–**	2,834
Amount paid during the year	**(2)**	(1,137)
	6,062	30,879

(b) Deferred tax assets recognized:

The components of deferred tax assets recognized in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:

	The Group
	Depreciation in excess of related depreciation allowances $'000
At 1 January 2002	–
Credited to consolidated profit and loss account	4,492
At 31 December 2002	4,492
At 1 January 2003	4,492
Credited to consolidated profit and loss account	723
At 31 December 2003	5,215

17. CONSUMABLES

The Group

	2003	2002
	$'000	$'000
Fuel oil	**2,443**	1,546
Components and replacement parts	**16,104**	10,112
	18,547	11,658

18. TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Trade receivables	**54,566**	121,789	**–**	–
Other receivables	**2,239**	6,406	**172**	307
	56,805	128,195	**172**	307

Included in trade and other receivables is a trade debtor with the following ageing analysis:

	The Group		**The Company**	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Current	**54,566**	48,495	**–**	–
1 to 3 months overdue	**–**	73,294	**–**	–
	54,566	121,789	**–**	–

Debts are due within 30 days from the date of billing. All of the trade and other receivables are expected to be recovered within one year.

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Deposits with banks	**25,708**	27,006	**25,708**	27,006
Cash at bank and in hand	**194,555**	140,931	**427**	960
	220,263	167,937	**26,135**	27,966

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Creditors and accrued charges	**20,152**	34,048	**682**	1,731
Amounts due to related companies	**102,803**	83,184	**–**	–
	122,955	117,232	**682**	1,731

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Due within 1 month or on demand	**87,256**	75,285	**–**	–

All of the trade and other payables are expected to be settled within one year.

21. PROVISION FOR STAFF WELFARE

The Group	$'000
At 1 January 2003	10,805
Provision made	1,163
Amount utilized	(5,603)
At 31 December 2003	6,365

In accordance with the articles of association of the PRC subsidiary, the PRC subsidiary is required to transfer part of its profit after taxation to the staff welfare fund. The transfer amount is determined by the subsidiary's board of directors in accordance with the joint venture agreement and the transfer is made before profit distribution to the joint venture partners.

22. BANK LOANS - SECURED

At 31 December 2003, the Group's bank loans were repayable as follows:

	2003	2002
	$'000	$'000
Within one year or on demand	**50,533**	84,222
After 2 years but within 5 years	**28,074**	–
	78,607	84,222

The banking facilities of the PRC subsidiary are secured by charges over its power generating facilities with an aggregate carrying value of $1,205,387,000 (2002: $1,133,711,000) at 31 December 2003. Such banking facilities amount to $196,519,000 (2002: $108,553,000), out of which $78,607,000 (2002: $84,222,000) were drawn down at 31 December 2003. The bank loans bear interest rates ranging from 4.536% to 4.941% per annum as at 31 December 2003 (2002: 4.536%).

23. OTHER LOANS - UNSECURED

The Group

	2003	2002
	$'000	$'000
At 31 December 2003, the Group's other loans were repayable as follows:		
Within one year	**65,296**	113,604
Between one to two years	**116,177**	88,948
Between two to five years	**195,357**	239,043
After five years	**–**	6,613
	311,534	334,604
	376,830	448,208

The loans are denominated in Renminbi bearing interest at a fixed interest rate of 5.76% (2002: 5.76%) per annum. These loans are due to Power Construction Corporation and its associate.

24. SHARE CAPITAL

	2003		2002	
	Number of shares '000	**Nominal value $'000**	Number of shares '000	Nominal value $'000
Authorized				
shares of $0.10 each	**1,100,000**	**110,000**	1,100,000	110,000
Issued and fully paid:				
Balance brought forward & carried forward	**829,018**	**82,902**	829,018	82,902

25. RESERVES

The Group

	Share premium (Note a) $'000	Capital redemption reserve (Note a) $'000	Reserve fund (Note b) $'000	Enterprise development fund (Note b) $'000	Retained profits $'000	Total $'000
Balance at 1 January 2002	1,041,444	297	17,234	17,234	296,683	1,372,892
Profit for the year	–	–	–	–	49,583	49,583
Dividends (Note 10)	–	–	–	–	(12,435)	(12,435)
Transfer to PRC subsidiary's reserves	–	–	5,317	5,317	(10,634)	–
Balance at 31 December 2002	1,041,444	297	22,551	22,551	323,197	1,410,040
Balance at 1 January 2003	1,041,444	297	22,551	22,551	323,197	1,410,040
Loss for the year	–	–	–	–	(17,571)	(17,571)
Dividends (Note 10)	–	–	–	–	(14,922)	(14,922)
Transfer to PRC subsidiary's reserves	–	–	930	930	(1,860)	–
Balance at 31 December 2003	1,041,444	297	23,481	23,481	288,844	1,377,547

Notes: (a) The application of the share premium account and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(b) In accordance with the accounting principles and financial regulations applicable in the PRC, the PRC subsidiary is required to transfer part of its profit after taxation to the reserve fund and the enterprise development fund. The transfer amounts are determined by the subsidiary's board of directors in accordance with the articles of association and the transfers are made before profit distribution to the joint venture partners. Reserve fund can only be used to make good losses, if any, and for increasing capital. Enterprise development fund can only be used for increasing capital.

25. RESERVES (CONTINUED)

The Company

	Share premium $'000	Capital redemption reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2002	1,041,444	297	243,161	1,284,902
Loss for the year	–	–	(5,436)	(5,436)
Dividends (Note 10)	–	–	(12,435)	(12,435)
Balance at 31 December 2002	1,041,444	297	225,290	1,267,031
Balance at 1 January 2003	1,041,444	297	225,290	1,267,031
Profit for the year	–	–	26,945	26,945
Dividends (Note 10)	–	–	(14,922)	(14,922)
Balance at 31 December 2003	1,041,444	297	237,313	1,279,054

The distributable reserves of the Company at 31 December 2003 amounted to $237,313,000 (2002: $225,290,000).

26. EMPLOYEES RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Apart from the mandatory contributions, the employer would make monthly voluntary contributions, which is the excess of 5%, or 10% for employees working over ten years, of the basic salary over the mandatory contribution. Mandatory contributions to the scheme vest immediately. Where there are employees who leave the Group prior to vesting fully in the voluntary contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees in the Group's PRC subsidiary are members of the state-managed retirement scheme. The PRC subsidiary is required to contribute a specified percentage of its payroll to the scheme. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

27. EQUITY COMPENSATION BENEFITS

The Company has a share option scheme which was adopted on 22 May 2002 whereby the directors of the Company are authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The options vest after six months from the date of grant and are then exercisable within a period of five years. Each option gives the holder the right to subscribe for one share.

(a) Movement in share options

	2003	2002
	'000	'000
At 1 January	**18,484**	–
Issued	**1,500**	18,484
Lapsed and cancelled	**(4,628)**	–
At 31 December	**15,356**	18,484
Options vested at 31 December	**15,356**	–

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	**Exercise period**	**Exercise price**	**2003**	2002
			'000	'000
25 July 2002	25 January 2003 to 24 January 2008	$0.35	**828**	828
29 July 2002	29 January 2003 to 28 January 2008	$0.35	**1,128**	1,128
30 July 2002	30 January 2003 to 29 January 2008	$0.35	**11,900**	15,700
19 August 2002	19 February 2003 to 18 February 2008	$0.35	**–**	828
19 May 2003	22 November 2003 to 21 November 2008	$0.415	**1,500**	–
			15,356	18,484

28. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2003 not provided for in the accounts were as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Contracted for	**–**	5,880	**–**	–

(b) At 31 December 2003, the total future lease payments of the Group and the Company under non-cancellable operating lease in respect of office premise are payable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Within 1 year	**25**	378	**–**	90

The Group leases office premise under operating lease. The lease typically runs for an initial period of two years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. The lease do not include contingent rentals.

29. CONTINGENT LIABILITIES

Shakou JV had a syndicated loan denominated in US dollar which was fully repaid on 23 March 1998. Under the loan agreement, Shakou JV is required to bear any PRC tax payable in respect of interest paid to the lenders. By a letter dated 17 March 1998, Shakou JV's former ultimate holding company, Foshan Development Company Limited, agreed to bear any tax liabilities, including penalties, if any, which may arise from the interest paid on the syndicated loan. The estimated tax which may be payable is approximately $43 million, excluding penalties.

30. COMPARATIVE FIGURES

PRC value added tax payable has been reclassified from taxation to trade and other payables in order to conform with the presentation in the current accounts.