



# Chairman's Statement

I am pleased to announce that Enerchina Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") recorded significantly improved results during the year ended 31 December 2003.

## BUSINESS REVIEW

### *Power Generation*

The operating results of Shenzhen Fuhuade Electric Power Company Limited ("Fuhuade Power Plant"), the Group's major operating unit, were remarkable. With the commencement of commercial operation of the second combined cycle generator unit in May 2003, the installed capacity of Fuhuade Power Plant had increased from 70,800 kilowatt to 305,000 kilowatt. During the year 2003, Fuhuade Power Plant achieved a total power output of 994.4 million kilowatt hour ("kWh"), of which 952.1 million kWh were sold on grid. This represented an increase of approximately 2.7 times as compared to previous year. Fuhuade Power Plant recorded a turnover of approximately RMB 598.4 million and generated a net profit of approximately RMB 122.9 million. In addition to the net profit of approximately RMB 15.8 million recorded in year 2002, Fuhuade Power Plant had achieved a total net profit of approximately RMB 138.7 million for the two financial years ending 31 December 2003.

During the year under review, the national power generation reached a total of 1,846.2 billion kWh, representing an increase of 15.4% over the previous year. The increase was particularly remarkable in those rapid developing provinces including Guangdong Province. According to the statistics provided by the State Power Information Network, the total power generation in Guangdong Province grew by more than 18% in 2003 to approximately 178.3 billion kWh. This level of strong demand for electricity is expected to continue, which provides opportunities for the Company to both improve its productivity of the existing power generating units and the further expansion of the power plant as a whole.

### *Property Investment*

During the year under review, the Group disposed of its last investment property. With the disposal of its entire investment properties portfolio, the Group had discontinued its business in property investment and focused its resources in the power generation business in the PRC.



### BUSINESS PROSPECT

During 2003, the Company completed two rights issues and placing of shares which raised approximately HK\$322.4 million. The Company has also finalised an open offer of shares in April 2004 whereby additional HK\$600 million was raised for the future development of the Group.

The Fuhuade Power Plant has received the approval from the relevant government authorities in Shenzhen to further expand its installed capacity by a total of 360,000 kilowatt through the installation of additional power generating units. It is expected the first few units with a capacity of 180,000 kilowatt will commence operations by the third quarter of this year. The installation of the second additional generating units with another 180,000 kilowatt installed capacity is expected to be completed in the first quarter of year 2005. Upon completion of these two expansions, the installed capacity of Fuhuade Power Plant will reach a total of 665,000 kilowatt.

Looking ahead, the continual growth in the power demand in the PRC provides a favourable business environment for the Group. The Group is currently conducting the feasibility studies to increase its installed capacity to 1,000,000 kilowatt and to switch to the utilisation of natural gas as fuel in order to improve profitability. Moreover, despite the overall low level of power consumption in the spring, Guangdong Province still imported over 600 million kWh of power from its neighbouring provinces during the first two months of year 2004 due to worsening power shortage. The import volume is over 80% higher than that of the corresponding period last year. Given the strong demand for electricity and other energy resources, management is confident that the Group will be able to capitalise on the opportunities presented to it and bring long term and stable returns to its shareholders.

### ACKNOWLEDGEMENT

This year's results could not have been achieved without the diligence and contribution of the staff and management team of the Group. I would like to express my appreciation to them. I would also like to take this opportunity to give my sincere gratitude to all shareholders and business associates for their continual support and trust through all these years.

*Sun Qiang Chang*

*Chairman*

Hong Kong, 21 April 2004

