



BUSINESS REVIEW OF YEAR 2004

GROWTH OF GENERATION CAPACITY

As at 31 December 2004, we have ten power plants in commercial operation which give us an attributable installed generation capacity of 2,949MW.

Our attributable operational generation capacity increased by 1,404MW or 90.9% from 1,545MW as at 31 December 2003 to 2,949MW as at 31 December 2004, mainly due to:

- commencement of commercial operation of unit 1 and unit 2 of Luoyang Power Plant in February and April 2004, respectively;
- commencement of commercial operation of unit 1 and unit 2 of Xuzhou Phase II in June and September 2004, respectively;
- commencement of commercial operation of unit 1 and unit 2 of Dengfeng Power Plant in July and September 2004, respectively;
- commencement of commercial operation of unit 1 and unit 2 of Puqi Power Plant in July and November 2004, respectively; and
- commencement of commercial operation of unit 1 of Yixing Power Plant in December 2004.

ACQUISITION OF POWER PLANTS

On 26 November 2004, we completed the transaction in relation to the acquisition of a 29% equity interest in Phase I and the right to develop and own 51% equity interest in Phase II of Guangdong Xingning Power Plant ("Xingning Power Plant"). Located in Xingning City, Guangdong Province, Xingning Power Plant Phase I consists of two 135MW coal-fired generation units while two 300MW coal-fired generation units are planned for Phase II. The two 135MW coal-fired generation units of Xingning Power Plant Phase I are currently under construction.

On 30 August 2004, we signed a Sale and Purchase Agreement with China Resources National Corporation in relation to the acquisition of a 25% equity interest in Hengfeng Phase II. The transaction was completed in January 2005. Consisting of two 300MW coal-fired heat and power co-generation units, Hengfeng Phase II is an extension of Hengfeng Phase I. The two generation units commenced commercial operation in November 2004 and March 2005 respectively.

On 31 December 2004, we signed a Sale and Purchase Agreement to acquire a 1.1% equity interest in Resources Shajiao C Investments Limited ("Resources Shajiao C"). The transaction was completed in January 2005. Through the acquisition, our equity interest in Resources Shajiao C increased from 73.9% to 75%. Accordingly, our effective equity interest in Shajiao C Power Plant increased from 29.56% to 30%.



DEVELOPMENT OF NEW POWER PLANTS

Our development strategy is to continue to identify suitable development opportunities in our target markets in order to maintain a satisfactory growth of profitability and return on equity in the future. In September 2004, we obtained approval from the PRC Government for construction of Shouyangshan Power Plant. Shouyangshan Power Plant comprises two 600MW coal fired generation units. The two units are expected to commence commercial operation in the second half of 2006 and the first half of 2007, respectively.

INCREASE IN GENERATION VOLUME

The total gross generation of our ten operating power plants in 2004 amounted to 34,960,666MWh, representing an increase of 30.4% compared to 26,814,278MWh in 2003. The total net generation of our ten operating power plants in 2004 amounted to 32,913,284MWh, representing an increase of 30.3% compared to 25,255,953MWh in 2003.

The following tables set out the gross and net generation statistics for the operating power plants for the year ended 31 December 2003 and 2004, respectively.

Gross Generation Statistics

	2004 MWh	2003 MWh	Increase %
Shajiao C Power Plant	14,325,706	13,000,020	10.2
Wenzhou Telluride Phase II	4,722,083	4,488,720	5.2
Liyujiang Phase II	4,007,840	1,889,000	N/A ⁽¹⁾
Hengfeng Power Plant	3,902,020	3,810,050	2.4
Xuzhou Power Plant	3,784,326	3,626,488	4.4
Dengfeng Power Plant	1,562,682	N/A	N/A
Xuzhou Phase II	1,307,477	N/A	N/A
Puqi Power Plant	941,340	N/A	N/A
Luoyang Power Plant	407,192	N/A	N/A
Yixing Power Plant	0	N/A	N/A ⁽²⁾
	34,960,666	26,814,278	30.4

Net Generation Statistics

	2004 MWh	2003 MWh	Increase %
Shajiao C Power Plant	13,403,485	12,152,650	10.3
Wenzhou Telluride Phase II	4,506,873	4,282,402	5.2
Liyujiang Phase II	3,757,170	1,768,260	N/A ⁽¹⁾
Hengfeng Power Plant	3,700,210	3,607,230	2.6
Xuzhou Power Plant	3,579,220	3,445,411	3.9
Dengfeng Power Plant	1,459,170	N/A	N/A
Xuzhou Phase II	1,244,310	N/A	N/A
Puqi Power Plant	902,152	N/A	N/A
Luoyang Power Plant	360,694	N/A	N/A
Yixing Power Plant	0	N/A	N/A ⁽²⁾
	32,913,284	25,255,953	30.3



Note:

- (1) *Liyujiang Phase II commenced commercial operation in the second half of 2003. Comparison of increase in generation volume is not meaningful.*
- (2) *Unit 1 of Yixing Power Plant commenced commercial operation at the end of 2004. No generation volume was recorded.*

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

- Four power plants with a total of eight generation units commenced commercial operation in 2004;
- Liyujiang Phase II commenced commercial operation in the second half of 2003; and
- Demand for electricity in our service areas increased significantly in 2004. Liyujiang Phase II and new operating power plants excluded, the net generation volume for the remaining four operating power plants amounted to 25,189,788MWh, representing a 7.2% increase over a net generation of 23,487,693MWh for 2003. All of our operating power plants recorded higher utilisation hours in 2004.

CONTROL OF FUEL PRICES

Coal prices increased rapidly and significantly in the People's Republic of China (the "PRC") in 2004. This is one of our main operation challenges for the year. In order to control our fuel prices, we centralised our coal procurement functions and set up China Resources Power Fuel (China) Company Limited ("CRP Fuel Company") in January 2004. CRP Fuel Company is responsible for consolidating our purchasing power in the PRC coal market, co-ordinating and facilitating negotiations with our suppliers and maintaining a constant dialogue with our suppliers, transportation channels and the relevant PRC government agencies.

STABLE AND RELIABLE POWER 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 is important especially when demand for electricity in the service areas where our power plants are located exceeds supply.

At the end of 2004, the Group had six power plants under construction and three power plants managed on behalf of our controlling shareholder, China Resources (Holdings) Company Limited ("CRH") and its affiliated entities. For all of our projects under construction, we have not encountered any safety-related issues in the year.



USE OF NET PROCEEDS FROM THE IPO

The Company has been listed on The Stock Exchange of Hong Kong Limited since 12 November 2003 (the "IPO"). The net proceeds of the IPO (after deduction of underwriting fees and expenses) amounted to approximately HK\$2,855 million. As stated in our 2003 Annual Report, for the year ended 31 December 2003, total net proceeds invested in power plants under construction amounted to approximately HK\$538.02 million. For the year ended 31 December 2004, the Company further invested approximately HK\$1,986.14 million in power plants under construction.

The table below sets out the details of the use of net proceeds for the year ended 31 December 2004:

	HK\$ million
Changshu Power Plant	1,218.21
Puqi Power Plant	271.44
Dengfeng Power Plant	244.76
Tangshan Thermal II	132.47
Jiaozuo Thermal Power Plant	60.23
Liyujiang Phase II	59.03
Total	1,986.14

We invest the remaining unused net proceeds in short-term bank deposits.

SETTLEMENT OF INSURANCE CLAIM

From 1996 to 2002, Guangdong Guanghope Power Co., Ltd. ("GGPC") maintained a business interruption insurance policy with People's Insurance Company of China ("PICC"). After the breakdown of power generator No.2 from October 2000 to July 2001, a dispute arose between GGPC and PICC regarding the nature of the accident and the insurance proceeds entitlement of GGPC. In April 2002, GGPC commenced legal proceedings against PICC at the Guangdong Provincial High Court.

On 30 December 2004, PICC issued a letter of commitment, in which it agreed to pay US\$86,000,000 (including US\$8,000,000 it paid in 2000) to GGPC for settlement of the legal proceedings and such insurance claim. Cash of US\$78,000,000 was received by GGPC in March 2005. As a result of the above settlement, share of net profit from GGPC inclusive of minority interests increased by approximately HK\$125.5 million and our net profit increased by approximately HK\$92.8 million.



PROSPECTS FOR YEAR 2005

We believe the PRC economy will continue to grow at a steady rate in 2005 and demand for electricity will continue to grow nationwide. For 2005, we also expect that in our service areas where our power plants are located, demand for electricity will continue to exceed supply.

For 2005, our main operation missions include the following:

- To ensure all projects under construction will be completed and commence commercial operation on or before the target completion dates, with all of them achieving or exceeding our requisite quality standards;
- To continue to improve operation efficiency of our existing operational power plants in order to maintain and improve our profitability;
- To continue to identify new development opportunities in our target markets which meet or exceed our investment criteria, in order to maintain a satisfactory growth in the future;

For the first quarter of 2005, the following generation units were completed and have commenced commercial operation:

- Unit 1 of "Changshu Power Plant" held by China Resources Power (Changshu) Co., Ltd.;
- Unit 1 of "Jiaozuo Thermal Power Plant" held by China Resources (Jiaozuo) Thermal Power Co., Ltd.;
- Unit 2 of "Hengfeng Phase II" held by Hengshui Hengxing Power Generating Co., Ltd.;
- Unit 2 of "Yixing Power Plant" held by Yixing China Resources Thermal Power Co., Ltd.;

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

- Unit 2 of "Changshu Power Plant" held by China Resources Power (Changshu) Co., Ltd.;
- "Tangshan Thermal II" held by Tangshan China Resources Thermal Power Co., Ltd.;
- Unit 2 of "Jiaozuo Thermal Power Plant" held by China Resources (Jiaozuo) Thermal Power Co., Ltd.; and
- Unit 1 of "Xingning Power Plant" held by Guangdong Xingning Xingda Power Co., Ltd.

For operating power plants, we will continue to monitor the coal price movement in the PRC market and endeavour to control our unit fuel costs. We will explore to establish long-term strategic relationships with large coal suppliers in the PRC in order to secure coal supply at competitive prices for our power plants on a long-term basis.

In addition to completing the construction of power plants on schedule, we will continue to identify and develop new projects in our target markets in order to ensure the Group can maintain the growth momentum going forward.



OPERATING RESULTS

The following table sets forth certain information relating to our results of operations for each of the two years ended 31 December 2003 and 2004, extracted from the audited consolidated financial statements of the same period:

Consolidated Income Statement For the Year Ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
Turnover	1,898,317	491,114
Operating expenses		
Fuel	(911,382)	(218,751)
Repairs and maintenance	(25,636)	(1,933)
Depreciation and amortisation	(192,345)	(45,251)
Others	(256,251)	(103,111)
Total operating expenses	(1,385,614)	(369,046)
Other operating income	30,684	7,693
Profit from operations	543,387	129,761
Finance costs	(123,082)	(34,488)
Share of results of associates	1,103,912	733,858
Share of result of jointly controlled entity	370,806	92,525
Amortisation of goodwill of associates	(26,411)	(29,825)
Release of negative goodwill of associates	3,706	2,105
Loss on disposal of partial interest in an associate	—	(23,676)
Profit before taxation	1,872,318	870,260
Taxation	(267,388)	(163,806)
Profit before minority interests	1,604,930	706,454
Minority interests	(297,074)	(116,994)
Net profit for the year	1,307,856	589,460
Dividends	327,518	—
Earnings per share		
- basic	34.34 cents	20.42 cents
- diluted	33.87 cents	20.41 cents


**Consolidated Balance Sheet
As at 31 December 2004**

	2004 HK\$'000	2003 HK\$'000
Non-current assets		
Property, plant and equipment	12,082,687	6,138,496
Interests in associates	3,878,246	3,739,457
Interest in jointly controlled entity	1,185,109	992,133
Goodwill	105,639	111,508
Negative goodwill	(52,735)	(54,087)
Deferred taxation assets	7,876	5,942
	17,206,822	10,933,449
Current assets		
Inventories	154,355	10,054
Trade receivables, other receivables and prepayments	651,476	311,687
Dividend receivable from an associate	82,038	—
Amounts due from associates	1,232	1,888
Amounts due from fellow subsidiaries	133	2,007
Amount due from ultimate holding company	—	62
Amounts due from related companies	18	13
Amount due from immediate holding company	453	—
Pledged bank deposits	62,729	39,246
Bank balances and cash	3,246,554	3,695,900
	4,198,988	4,060,857
Current liabilities		
Trade payables, other payables and accruals	1,180,168	874,132
Amount due to immediate holding company	—	77,563
Amount due to a fellow subsidiary	778	782
Amounts due to associates	—	6,401
Amounts due to shareholders of an associate	—	3,978
Amounts due to minority shareholders of subsidiaries	1,240	—
Borrowings - repayable within one year	2,457,679	1,915,958
	3,639,865	2,878,814
Net current assets	559,123	1,182,043
Total assets less current liabilities	17,765,945	12,115,492
Non-current liabilities		
Loans from minority shareholders of subsidiaries	18,786	239,393
Borrowings - repayable over one year	6,601,870	2,372,202
Deferred taxation liabilities	3,228	916
	6,623,884	2,612,511
Minority interests	983,888	558,328
	10,158,173	8,944,653
Capital and reserves		
Share capital	3,808,080	3,808,000
Reserves	6,350,093	5,136,653
	10,158,173	8,944,653



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 operation are located. In particular, the increase in our net profit is due to the following:

In 2004, four power plants, namely Luoyang Power Plant, Xuzhou Phase II, Dengfeng Power Plant and Puqi Power Plant, with a total of eight generation units commenced commercial operation. In addition, Unit 1 of Yixing Power Plant commenced commercial operation in December of 2004. As a result, our total operational attributable installed capacity increased from 1,545 MW as at 31 December 2003 and reached 2,949 MW as at 31 December 2004;

Our Liyujiang Phase II had its first full year of operation in 2004 after its two units commenced commercial operation in July and September 2003, respectively;

We acquired from our controlling shareholder, CRH, a 35% equity interest in China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") in September 2003 and a 10% effective interest in Huaneng International Power Development Corporation ("HIPDC") in October 2003. Our operating results for 2004 have reflected the full year results of CR Xuzhou and HIPDC;

In June 2003, the Group increased its stake in Zhejiang Wenzhou Telluride Power Generating Company Limited ("Zhejiang Wenzhou") from 37.6% to 40%. This is offset by a decrease in effective equity interest in GGPC from 33% to 29.56% in December 2003; and

Our operating power plants achieved higher utilisation rates in 2004.

As a result, our net profit increased by 121.9% to HK\$1,307.9 million for 2004 from HK\$589.5 million for 2003.

Principal accounting policies

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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

Nearly all of the Group's assets and liabilities are principally located in the PRC and operations for the year were substantially made 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 valued-added tax, during the year. Turnover for the Group was HK\$1,898.3 million for 2004, representing a 286.5% increase from HK\$491.1 million for 2003. Turnover for 2004 comprises sales revenue of Liyujiang Phase II for the full year and sales revenue of Luoyang Power Plant, Dengfeng Power Plant and Puqi Power Plant since their commencement of commercial operation. As a contrast, turnover for 2003 only comprises sales revenue of Liyujiang Phase II since its commencement of commercial operation in the second half of 2003. For the year ended 31 December 2004, Liyujiang Phase II contributed approximately 65.1% of the turnover for the Group.

Operating expenses

The operating expenses of the Group were HK\$1,385.6 million in 2004, representing a 275.5% increase from HK\$369.0 million in 2003. Total operating expenses mainly comprise fuel costs, repairs and maintenance, depreciation and amortisation, and other administrative costs such as salaries and wages, insurance, professional fee, discharge fee and write-off of pre-operating expenses. Operating expenses for 2004 comprise mainly those of Liyujiang Phase II for the full year and those of Luoyang Power Plant, Dengfeng Power Plant and Puqi Power Plant since their commencement of commercial operations. As a contrast, operating expenses for 2003 comprise mainly those of Liyujiang Phase II since its commencement of commercial operation. For the year ended 31 December 2004, fuel cost account for approximately 65.8% of total operating expenses.

Profit from operations

Profit from operations for the Group in 2004 amounted to HK\$543.4 million, representing a 318.6% increase from HK\$129.8 million in 2003. Profit from operations for 2004 mainly represents profit derived by Liyujiang Phase II, Dengfeng Power Plant and Puqi Power Plant.

Finance costs

Our finance costs for 2004 amounted to HK\$123.1 million, representing a 256.8% increase from HK\$34.5 million in 2003. The increase in financial costs is mainly due to the commencement of commercial operation of Luoyang Power Plant, Dengfeng Power Plant and Puqi Power Plant in 2004, which resulted in consolidation of their financial costs by the Group.

	2004 HK\$'000	2003 HK\$'000
Interest on bank and other loans		
- repayable within five years	128,650	55,244
- not repayable within five years	206,327	68,793
	334,977	124,037
Less: Interest capitalised	(211,895)	(89,549)
	123,082	34,488



Share of results of associates

Share of results of associates mainly reflect the pre-tax results of our Shajiao C Power Plant, Wenzhou Telluride Phase II, Xuzhou Power Plant, Xuzhou Phase II and Hengfeng Power Plant. Share of results of associates in 2004 increased to HK\$1,103.9 million, compared to HK\$733.9 million in 2003.

The increase was partly due to the increase of net generation volume of Shajiao C Power Plant, Wenzhou Telluride Phase II and Hengfeng Power Plant; partly resulted from our share of results of Xuzhou Power Plant for the whole year and our share of results of Xuzhou Phase II since its commencement of commercial operation; and partly resulted from the settlement of insurance claim of GGPC.

For the year ended 31 December 2004, Shajiao C Power Plant, Wenzhou Telluride Phase II, Xuzhou Power Plant, Hengfeng Power Plant and Xuzhou Phase II accounted for approximately 65.2%, 16.1%, 9.4%, 6.0% and 3.3%, respectively of our total share of results of associates. The share of taxation of associates for 2004 amounting to HK\$146.1 million is included under "Taxation" in the consolidated income statement. Share of net profits of associates for 2004 amounted to HK\$957.8 million, representing a 60.1% increase from HK\$598.1 million for 2003.

Share of result of jointly controlled entity

Share of result of jointly controlled entity for 2004 represents our 40% share of pre-tax results of BOCGI China Resources Power Co., Ltd. ("BOCGICR"), a joint venture company incorporated in the British Virgin Islands which holds 25% equity interest in HIPDC. The amount for 2004 is HK\$370.8 million, representing a 300.9% increase from HK\$92.5 million for 2003. The increase is mainly due to the fact that we acquired BOCGICR in October 2003. The share of taxation of BOCGICR for 2004 amounting to HK\$120.9 million is included under "Taxation" in the consolidated income statement. Share of net profits of BOCGICR for 2004 amounted to HK\$249.9 million, representing a 282.1% increase from HK\$65.4 million for 2003.

Amortisation of goodwill of associates

Amortisation of goodwill for 2004 amounted to HK\$26.4 million, compared to HK\$29.8 million for 2003, which largely resulted from our acquisitions of Zhejiang Wenzhou and GGPC. The decrease was mainly due to the disposal of a 5% equity interest in GGPC in December 2003.

Release of negative goodwill of associates

We released HK\$3.7 million of negative goodwill in 2004, compared to HK\$2.1 million for 2003. The increase was partly due to the release of negative goodwill in respect of Puqi Power Plant since its commencement of commercial operation, and partly due to the release of negative goodwill in respect of the acquisition of a 2.4% shareholding in Zhejiang Wenzhou in June 2003 and the acquisition of a 1.56% interest in GGPC in September 2003.



Taxation

Our taxation expense for 2004 was approximately HK\$267.4 million, compared to HK\$163.8 million for 2003. The increase was largely due to an increase in the share of PRC Enterprise Income Tax and deferred taxation attributable to a jointly controlled entity, BOCGICR. All our power plants which commenced commercial operations in 2004 are exempted from PRC Enterprise Income Tax for the year 2004.

Details of the taxation charges for the years ended 31 December 2003 and 2004 are set out below:

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
The Company and its subsidiaries		
- PRC Enterprise Income Tax	—	—
- Deferred taxation	378	919
Taxation attributable to the Company and its subsidiaries	378	919
Share of taxation attributable to associates		
- PRC Enterprise Income Tax	123,126	114,783
- Deferred taxation	22,994	20,970
	146,120	135,753
Share of taxation attributable to jointly controlled entity		
- PRC Enterprise Income Tax	110,732	25,158
- Deferred taxation	10,158	1,976
	120,890	27,134
	267,388	163,806

No provision for Hong Kong Profits Tax has been made as the Group incurred taxable loss in Hong Kong for the year.

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.

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC Enterprises Income Tax has been made in the financial statements as all of the PRC subsidiaries were exempted from PRC Enterprises Income Tax during the year.

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 2004 increased to HK\$1,307.9 million, representing a 121.9% increase compared to HK\$589.5 million for the year 2003.



Earnings per share

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

	2004 HK\$'000	2003 HK\$'000
Net profit for the year and earnings for the purposes of basic and diluted earnings per share	1,307,856	589,460
	Number of ordinary shares	
	2004	2003
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,808,004,351	2,886,235,616
Effect of dilutive potential ordinary shares:		
Share options	53,933,380	1,054,740
Over-allotment options	—	399,981
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,861,937,731	2,887,690,337

Final dividend and closure of register of members

The Board of Directors resolved to declare a final dividend of HK\$6.1 cents per share for the year ended 31 December 2004. The final dividend will be distributed to shareholders of the Company whose name appear on the register of members of the Company at the close of business on Thursday, 26 May 2005. The register of members of the Company will be closed from Monday, 23 May 2005 to Thursday, 26 May 2005 (both days inclusive), during which no share transfer will be registered. To qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Friday, 20 May 2005. The dividend will be payable on or about 6 June 2005.



Liquidity and capital resources

For the year ended 31 December 2004, the Group's primary sources of funding include loans provided by the PRC domestic commercial banks, capital repatriated from associates, dividend received from associates and net cash inflow from operating activities, which amounted to HK\$7,963.9 million, HK\$635.0 million, HK\$405.1 million and HK\$453.2 million, respectively. The Group's funds were primarily used in the purchase of property, plant and equipment and the construction of power plants and repayment of short-term bank loans, which amounted to HK\$5,902.9 million and HK\$3,198.4 million, respectively.

The table below sets forth the cash flow of the Group for the two years ended 31 December 2003 and 2004 and the cash equivalents at the end of each of the two years:

	2004 HK\$'000	2003 HK\$'000
Net cash from (used in) operating activities	453,181	(36,462)
Net cash used in investing activities	(5,152,865)	(2,726,920)
Net cash from financing activities	4,249,631	6,361,527
Net (decrease) increase in cash and cash equivalents	(450,053)	3,598,145
Effect on foreign exchange rate change	707	(3,880)
Cash and cash equivalent at beginning of the year	3,695,900	101,635
Cash and cash equivalents at the end of the year	3,246,554	3,695,900
Pledged bank deposits	62,729	39,246
Total bank balances, cash and pledged bank deposits at the end of the year	3,309,283	3,735,146

The bank balances, cash and pledged bank deposits as at 31 December 2004 denominated in local currency and foreign currencies amounted to HK\$136 million, RMB2,055 million and US\$160 million.

Bank and other borrowings

The bank and other borrowings of the Group as at 31 December 2003 and 2004 were as follows:

	2004 HK\$'000	2003 HK\$'000
Secured bank loans	239,991	—
Unsecured bank loans	8,795,606	4,273,528
Unsecured other loans	23,952	14,632
	9,059,549	4,288,160

The maturity profile of the above loans is as follows:

	2004 HK\$'000	2003 HK\$'000
Within 1 year	2,457,679	1,915,958
More than 1 year, but not exceeding 2 years	499,708	437,108
More than 2 years, but not exceeding 5 years	1,873,903	691,306
More than 5 years	4,228,259	1,243,788
	9,059,549	4,288,160

All of the above bank borrowings are borrowed by the subsidiaries of the Company and are denominated in RMB.



Key financial ratios of the Group

	2004	2003
Current ratio (times)	1.15	1.41
Quick ratio (times)	1.11	1.41
Net debt to equity (%)	56.6	6.2
EBITDA interest coverage (times)	6.60	7.88

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 and other borrowings at the end of the year - balance of bank balances, cash and pledged bank deposits 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 Company'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 may also be 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 2004.

Charge of assets

As at 31 December 2004, Telluride International Energy Limited Partnership, a wholly owned subsidiary of the Company, has pledged its equity interest in Zhejiang Wenzhou and a bank deposit amounting to HK\$39,492,000 (2003: HK\$39,246,000) to a bank for securing the bank loans granted to Zhejiang Wenzhou of approximately HK\$476,883,000 (2003: HK\$717,213,000).

In addition, certain bank loans are secured by the Group's land and buildings, power generating plant and equipment and construction in progress with carrying values of HK\$9,918,000 (2003: nil), HK\$117,691,000 (2003: nil) and HK\$191,450,000 (2003: nil) respectively.



Environment regulations

The table below sets out details of the total discharge fee paid and payable by our operating power plants for the year ended 31 December 2004:

	(RMB million)
Hengfeng Power Plant	10.3
Liyujiang Phase II	9.5
Xuzhou Power Plant	7.0
Wenzhou Telluride Phase II	5.8
Dengfeng Power Plant	0.6
Luoyang Power Plant	0.6

Legal liabilities

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

Employees

As at 31 December 2004, the Company and its subsidiaries employed a total of 2,052 employees.

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

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

OPERATION STATISTICS BY POWER PLANTS

The tables below set out certain operation statistics of our power plants for the three years ended 31 December 2004:

Shajiao C Power Plant

	2004	2003	2002
Installed capacity at year end (MW)	1,980	1,980	1,980
Average utilisation hours	7,235	6,566	6,274
Gross generation (MWh)	14,325,706	13,000,020	12,422,778
Net generation (MWh)	13,403,485	12,152,650	11,588,177
Equivalent availability factor (%)	94	90	90
Net generation standard coal consumption rate (grams/kWh)	322	323	325


Wenzhou Telluride Phase II

	2004	2003	2002
Installed capacity at year end (MW)	600	600	600
Average utilisation hours	7,870	7,481	6,631
Gross generation (MWh)	4,722,083	4,488,720	3,978,822
Net generation (MWh)	4,506,873	4,282,402	3,802,187
Equivalent availability factor (%)	98	91	88
Net generation standard coal consumption rate (grams/kWh)	332	335	338

Liyujiang Phase II

	2004	2003	2002
Installed capacity at year end (MW)	600	600	N/A
Average utilisation hours	6,680	N/A	N/A
Gross generation (MWh)	4,007,840	1,889,000	N/A
Net generation (MWh)	3,757,170	1,768,260	N/A
Equivalent availability factor (%)	86	98	N/A
Net generation standard coal consumption rate (grams/kWh)	366	368	N/A

Hengfeng Power Plant

	2004	2003	2002
Installed capacity at year end (MW)	600	600	600
Average utilisation hours	6,503	6,350	6,532
Gross generation (MWh)	3,902,020	3,810,050	3,918,930
Net generation (MWh)	3,700,210	3,607,230	3,701,150
Equivalent availability factor (%)	92	91	93
Net generation standard coal consumption rate (grams/kWh)	344	347	351

Xuzhou Power Plant

	2004	2003	2002
Installed capacity at year end (MW)	600	600	600
Average utilisation hours	6,307	6,044	5,425
Gross generation (MWh)	3,784,326	3,626,488	3,255,042
Net generation (MWh)	3,579,220	3,445,411	3,085,597
Equivalent availability factor (%)	93	95	95
Net generation standard coal consumption rate (grams/kWh)	347	345	346

Dengfeng Power Plant

	2004	2003	2002
Installed capacity at year end (MW)	600	N/A	N/A
Average utilisation hours	N/A	N/A	N/A
Gross generation (MWh)	1,562,682	N/A	N/A
Net generation (MWh)	1,459,170	N/A	N/A
Equivalent availability factor (%)	99	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	363	N/A	N/A



Xuzhou Phase II

	2004	2003	2002
Installed capacity at year end (MW)	600	N/A	N/A
Average utilisation hours	N/A	N/A	N/A
Gross generation (MWh)	1,307,477	N/A	N/A
Net generation (MWh)	1,244,310	N/A	N/A
Equivalent availability factor (%)	100	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	355	N/A	N/A

Puqi Power Plant

	2004	2003	2002
Installed capacity at year end (MW)	600	N/A	N/A
Average utilisation hours	N/A	N/A	N/A
Gross generation (MWh)	941,340	N/A	N/A
Net generation (MWh)	902,152	N/A	N/A
Equivalent availability factor (%)	63	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	348	N/A	N/A

Luoyang Power Plant

	2004	2003	2002
Installed capacity at year end (MW)	100	N/A	N/A
Average utilisation hours	N/A	N/A	N/A
Gross generation (MWh)	407,192	N/A	N/A
Net generation (MWh)	360,694	N/A	N/A
Equivalent availability factor (%)	67	N/A	N/A
Net generation standard coal consumption rate (grams/kWh)	516	N/A	N/A