



Mr. Zhai Ruoyu
Chairman

Chairman's Statement

TO ALL SHAREHOLDERS:

In many ways, 2000 was an extraordinary year for the Company.

While there is little doubt that the Company promises strong development potentials and earnings capabilities in the long run, the Company has been subject to enormous pressure and challenges throughout 2000, amid the hi-tech fervour in the international capital markets, and less than favourable forecasts of electricity demand in the Company's markets and its earnings for the year under review. Against all the odds, our team made concerted efforts to expand the Company's business through various channels and implemented a series of profit-enhancing measures under the leadership of the management. These efforts were rewarded by a substantial growth of 10.01% in profit after taxation for the year under review.

Meanwhile, the excellent performance and prospects of the Company continued to invite positive ratings in the secondary market. During 2000, the Company was included in HSBC's list of "Asia's Top 100 Companies 2000", while *Asian Money* continued to name the Company as one of the "Best-managed Companies in China".

The new century is presenting us with new opportunities. We must capitalise on the latest turn of China's economic development and work aggressively to identify new frontiers for expansion, new targets for profit enhancement and new projects for development. We also need to speed up our infrastructural construction and acquisitions of new assets, and to prepare ourselves for the reforms of China's power industry, so as to secure rapid growth for the Company.

EXPANSION BASED ON SOLID FOUNDATIONS During the year under review, the Company completed the acquisition of Unit 2 of Zhang Jia Kou Power Plant and participated in the establishment of North China Electric Power Research Institute Company Limited. The Company also completed the acquisition of a 90.43% equity interest in Hebei Huaze Hydropower Development Company Limited and acquired a 60% equity interest in Shanxi Shentou Huajin Power Generation Company Limited. The construction of the majority owned Tuoketuo Power Plant Phase I was approved by the PRC government in December 2000. Unit 7 of Zhang Jia Kou Power Plant commenced operations as scheduled at the end of 2000. Meanwhile, a significant step was taken to expand beyond the boundaries of north China by acquiring a 15% equity interest in Yunnan Kaiyuan Power Generation Company Limited (establishment in progress). Based on the projects currently under construction, the Company's total installed capacity will reach 5,868MW at the end of 2002, equivalent to an average annual growth of 13.25% during the last five years since the Company's listing.



PROMINENT RESULTS SECURED THROUGH STRINGENT MANAGEMENT Total assets of the Company and its subsidiaries as at 31st December, 2000 amounted to Rmb19,986,145,000, an increase of Rmb3,778,118,000 compared to the previous year. The Company and its subsidiaries' asset to liability ratio improved by 8.5 percentage points, as compared to the previous year. Net operating revenue increased by 9.09%. Profit after taxation grew by 10.01%. Earnings per share increased by Rmb0.03.

First-rate production safety — The Equivalent availability factor of the Company's generation units was close to the level achieved in the previous year, while power generation increased by 9.24%.

Opportunities identified for cost reductions — Coal consumption and unit fuel cost continued to scale down during the year under review.

BUSINESS OPPORTUNITIES BOLSTERED BY OUTSTANDING IMAGE On the back of plans for business growth and philosophy of prudent development, which have been widely acknowledged by the public and have generated impressive returns for shareholders, the Company has built a positive image in the power industry and in the international capital markets, especially as a result of its pro-active investor relations efforts. This has put the Company in an advantageous position in terms of obtaining market intelligence, policy support by the government and external channels for financing.

BOUNDLESS OPPORTUNITIES IN FUTURE Demand for electricity is expected to grow significantly as China continues to speed up economic development and to increase the pace of opening up domestic markets, in line with its plan to develop the West Region and its imminent accession to WTO. As the restructuring of urban and rural power networks in China is at the final stages, bottlenecks related to power transmission and distribution are gradually being removed and potential power demands have turned into real demands. The Company has bright prospects with burgeoning profitability and promising growth in investment value.

The Company anticipates more development opportunities with the unfolding of China's power industry reforms, as the country continues to make headways towards a market economy. With abundant internal financial resources on hand and availability of a variety of means in financing, and with stringent and effective management, the Company will be able to capitalise on the upcoming boundless opportunities.

Capitalising on opportunities to develop our business at a rapid pace has always been our goal, and strengthening ourselves by growing against competition has always been our determined pursuit.

Last but not least, I would also like to express my sincere gratitudes to the shareholders and various institutions and friends in the community who have extended their trust and support to the Company.

Zhai Ruoyu

Chairman

6th March, 2001

